THE IMPACT OF SERVICE FAILURES ON ORGANIZATIONAL ATTRACTIVENESS AS AN EMPLOYER

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ABSTRACT

Service failures are pervasive in service encounters, and their negative effects on customer satisfaction and loyalty are well-established. This study examines whether the negative consequences of service failures extend beyond the consumer domain, and affects organizational attractiveness as an employer. The results of five studies (one pilot study and four experimental studies) show that service failures - particularly those with controllable causes - render an organization less attractive as an employer. Organizations can overcome this negative effect by explaining that the failure was uncontrollable by the organization, or by providing a satisfactory service recovery after the service failure. Finally, the results show that these effects not only occur among potential employees experiencing a service failure themselves, but also for those potential employees reading about other customers’ unsatisfactory service experiences online. This research suggests that service failures are actually more harmful than currently assumed in literature: Organizations not only risk losing valuable customers, they also risk not attracting talented employees that can drive or sustain competitive advantage.

Keywords: service failure, service recovery, service failure attributions, employer branding, organizational attractiveness

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INTRODUCTION

Employees form a valuable resource for service organizations, as they generate valuable service outcomes. For example, Larivière (2008) shows that frontline employees have a strong impact on customer satisfaction, loyalty intentions, and customer profitability over time. Hennig-Thurau (2004) shows that customers are more satisfied when dealing with customer-oriented employees. Hitt, Bierman, Shimizu, and Kochhar (2001) show that service organizations’ human capital has an impact on organizational performance. Virtually every textbook on service management and marketing indicates that the first step is thus to recruit and select the best employees, so organizations can attain a significant human capital (Lovelock & Wirtz, 2013; Zeithaml, Bitner, & Gremler, 2013).

Organizations’ desire to hire the best employees, however, is only one side of the coin: Potential employees also need to be convinced to apply and work for certain organizations (Mosley, 2015). Organizations not only need to engage in product or service branding, but need to invest in employer branding to enhance their attractiveness as an employer (Wallace, Lings, Cameron, & Sheldon, 2014). Prior research examines extensively the factors predicting organizational attractiveness as an employer. These studies show that functional (e.g. pay), symbolic (e.g. brand personality), or experiential attributes (e.g. travel opportunities) render organizations more attractive as an employer. Information about these attributes is typically acquired through organizational characteristics, employer branding activities, behavior of recruiters, and nonorganizational information such as word of mouth (Lievens & Slaughter, 2016, Wallace, et al., 2014). This paper aims to expand on the causes of organizational attractiveness, by examining whether potential employees’ own experiences as a customer also affect organizational attractiveness. This paper focuses particularly on service failures, as (i) they represent a critical moment of truth in a customer-organization relationship (Bitner, Booms, & Tetreault, 1990), and (ii) because negative information is often more valuable for potential employees than positive information (Van Hoye & Lievens, 2005, 2007b).

This paper presents five studies examining the relationship between service failures and organizational attractiveness. Study 1, a pilot study, shows that airline service failure data correlates with their rank on the list of best employers in the U.S. airline industry. Study 2 replicates this effect using an experimental design, providing more internal validity for the results. The next set of studies experimentally show that the service failure attributions (Study 3) and service recovery (Study 4) attenuate the service failures – organizational attractiveness relationship. Study 5, finally, shows that the negative effects of service failures on organizational attractiveness are not only limited to potential employees’ personal service failure experiences, but also occur among potential employees reading about others’ service failures in online reviews.
This paper offers three contributions to the literature. First, while prior research acknowledges the influence of customer experiences on organizational attractiveness as an employer (Wallace, et al., 2014), no study has tested this relationship empirically. This study shows that basically any failed interaction between a customer and a service provider - or even the description of others’ service failures on an online review website - can undermine organizational attractiveness. Second, this paper shows that service failures are actually more harmful than assumed in contemporary literature. Studies typically show that service failures affect important customer outcomes such as satisfaction, loyalty, and word of mouth, among others (e.g. Maxham & Netemeyer, 2002; Keiningham, Morgeson, Aksoy, & Williams, 2014). This study shows that service failures affect people’s perceptions outside the consumer domain. Finally, this study uncovers two important contingency factors. In particular, this paper shows that service failure attributions and service recovery affect the strength of relationships between service failures and organizational attractiveness. As such, this paper responds to the calls for using a wider variety of dependent variables in recent service failure (Van Vaerenbergh, Orsingher, Vermeir, & Larivière, 2014) and service recovery research agendas (Orsingher, Valentini, & de Angelis, 2010).

THEORETICAL BACKGROUND

Organizational attractiveness as an employer

An increasingly competitive labor market induces organizations to engage in employer branding, which refers to organizations’ long-term investments in becoming the employer of choice within a human resources marketplace (Wallace, et al., 2014). The overall aim of employer branding is to increase organizational attractiveness as an employer, in order to appeal to potential employees. Just as brands influence consumers’ decision-making process, organizational attractiveness helps potential employees in differentiating among potential employers (Collins & Stevens, 2002).

Researchers often adopted the instrumental-symbolic attributes framework from marketing literature to analyze the drivers of organizational attractiveness. Instrumental attributes refer to objective, concrete and factual attributes of the job or organization, such as pay, or opportunities for advancement, among others (Lievens & Slaughter, 2016; Trybou, Gemmel, Van Vaerenbergh, & Annemans, 2014). Symbolic attributes refer to the meanings that potential employees ascribe to a certain organization, such as the organization’s corporate image (Cable & Turban, 2003). These symbolic attributes explain organizational attractiveness as an employer beyond instrumental attributes (Lievens & Highhouse, 2003). To date, most studies have examined brand personality as symbolic attributes, mainly showing that perceived innovativeness or competence drives organizational attractiveness as an employer (Lievens & Highhouse, 2003). Researchers recently added a third category of variables explaining organizational attractiveness. Experiential attributes refer to the employer brand’s effect on sensory experience.
satisfaction or cognitive stimulation (Wallace, et al., 2014), and represent social activities or travel opportunities, among others (Lievens, Van Hoye, & Schreurs, 2005).

Potential employees’ awareness and perceptions of these various attributes are typically formed through organizational characteristics, employer branding activities, behavior of recruiters, and nonorganizational information (Lievens & Slaughter, 2016). Organizational characteristics refer to corporate social responsibility policies or advertising. Employer branding activities refer to job advertisements and recruiter websites, among others. Recruiter behaviors refer to the personality and behaviors that might influence organizational attractiveness in the eye of the applicant. Nonorganizational information mainly refers to employer-related word of mouth, both offline and online. Potential applicants receiving positive (negative) employment-related word of mouth are more (less) likely to find this organization attractive as an employer (Lievens & Slaughter, 2016). Wallace, et al., (2014) suggest that personal experiences as a customer also influence organizational attractiveness, yet an in-depth examination of whether these experiences affect organizational attractiveness is lacking to date.

The impact of service failures on organizational attractiveness as an employer

Service failures refer to anything that goes wrong or happens unexpectedly (Grönroos, 1988). The literature is replete with studies showing the negative impact of service failures on customer satisfaction, loyalty, and negative word of mouth, among others (Hess, Ganesan, & Klein, 2003; Keiningham, et al., 2014). In line with Cable, Aiman-Smith, Mulvey, & Edwards’ (2000) suggestion that any source of information has the potential to affect potential employees’ perceptions of an organization, we might expect that potential employees use information derived from service failures to draw inferences about the organization as an employer.

The literature mainly shows the consequences of negative publicity and negative word of mouth on organizational attractiveness (Van Hoye & Lievens, 2005, 2007b, 2009). Drawing on the accessibility-diagnosticity model (Feldman & Lynch, 1988), there is reason to believe that service failures might be more informative than negative publicity or word of mouth. This model suggests that the extent to which information is used to draw inferences about a certain object or organization is determined by the accessibility of that information in memory, and the diagnosticity of that information. Service failures are considered to be highly accessible in memory, as they are considered to be critical incidents or critical moments of truth in a customer-organization relationship (Bitner, et al., 1990), and because people’s personal experiences are more easily accessible than other sources of information (Herr, Kardes, & Kim, 1991).

In terms of diagnosticity, researchers suggest that negative information is more informative than positive or neutral information (Herr, et al., 1991). Service failures often provide valuable information about the organization. For example, service failures significantly alter the set of associations that contribute to the overall image of an organization (Kalamas, Laroche, & Makdessian, 2008). Service failures signal a lack of
reliability in the organizations’ operations, which might change the potential employees’ perceptions of the organization’s competence. Competence refers to one’s sense of effectiveness, capability, and reliability (Aaker, 1997). Hess, et al. (2003), for example, show that consumers attribute to the organization high (low) levels of competence if they received high (low) quality service. As potential employees perceive organizations’ perceived competence as an important facet of organizational attractiveness (Lievens & Highhouse, 2003, Lievens, et al., 2005), this paper proposes that service failures have a negative impact on organizational attractiveness as an employer because of a change in the organization’s symbolic attributes, and perceived competence in particular. Against this backdrop, I hypothesize:

**H1:** Service failures negatively affect organizational attractiveness as an employer

**H2:** Perceived competence mediates the relationship between service failures and organizational attractiveness as an employer

The moderating role of service failure attributions

Not every service failure triggers the same reactions, as people typically form attributions about the causes of service failures. More specific, customers form service failure attributions along the controllability (i.e. the extent to which a service failure could have been prevented by the organization) and stability (i.e. the likelihood that a service failure will recur in the future) attributions dimensions (Folkes, Koletsky, & Graham, 1987). Customers typically react negatively to service failures which are perceived as controllable and/or stable, whereas they are more forgiving for service failures perceived as uncontrollable and/or unstable (Van Vaerenbergh, et al., 2014).

In terms of controllability, customers are more dissatisfied and less loyal when they perceive that the company had control over the cause (Van Vaerenbergh, et al., 2014). In these cases, it is clear to customers that the organization could have done it otherwise, and hence, signals incompetence in certain areas. For example, if a plane is delayed because of a mechanical breakdown, this might signal that the organizations’ procurement and/or maintenance procedures are not flawless. Instead, if a plane is delayed because of bad weather, then the service failure is attributed to bad luck. The organization, even highly competent, could not have prevented this failure (Folkes, et al., 1987). These attributions might be diagnostic from potential employees’ perspective. Potential employees encountering a controllable service failure might perceive the organization as less competent, whereas potential employees encountering an uncontrollable service failure will attribute the cause of the failure to another reason than the organization’s lack of competence. As potential employees prefer to work for competent organizations (Lievens & Highhouse, 2003), controllability attributions might affect organizational attractiveness as an employer.

Also, customers believing that the problem will recur are more dissatisfied and less loyal (Van Vaerenbergh, et al., 2014). If customers attribute a service failure to stable causes, they expect to experience the same service failure over and over again. Failures
with stable causes again might indicate that something is wrong with the organizations’
procedures, whereas failures with unstable causes might be attributed to bad luck
(Folkes, et al., 1987). Potential employees perceiving a service failure as stable thus
might attribute lack competence to the organization, whereas potential employees
perceiving a service failure as unstable might attribute the failure to causes other than
the organization. Given the relationship between perceived competence and
organizational attractiveness (Lievens & Highhouse, 2003), stability attributions might
decrease organizational attractiveness as an employer. I hypothesize:
H3: Controllability attributions decrease organizational attractiveness as an employer
H4: Stability attributions decrease organizational attractiveness as an employer

The moderating role of service recovery

Customers might complain about service failures, providing organizations the
opportunity to recover these particular customers. Many studies show that if a service
recovery is executed properly, customers are again satisfied, are more likely to return,
and more likely to spread positive word of mouth (Orsingher, et al., 2010). In addition,
service recovery affects the corporate image (Andreassen, 2001). As some of the
respondents in Mostafa, Lages, Shabbir, and Thwaites’ (2015) study put it: “I will see
how they treat me first and if that’s fair to me or not, then I will decide whether they are a
good company or not” (p. 472), or “If I feel happy with the way my complaint was
handled then I might start thinking positively about the organization” (p. 473).
The corporate image is an important driver of organizational attractiveness as an
employer (Cable & Turban, 2003), hence service recovery might affect organizational
attractiveness. In particular, a service recovery provides diagnostic information. A
satisfactory service recovery not only signals the organization’s customer orientation
(Mostafa, et al., 2015), but also suggests that the organization has the right procedures
in place to recover a dissatisfied customer (Johnston & Michel, 2008). On the other
hand, an unsatisfactory recovery creates a double deviation effect: The organization did
not prevent the service failure in the first place, and cannot even restore this customer
dissatisfaction through service recovery while given the chance to do so (Bitner, et al.,
1990). Hence, an organization might appear as competent and reliable in case of a
satisfactory service recovery, but not in case of an unsatisfactory service recovery.
Given the relationship between perceived competence and organizational attractiveness
(Lievens & Highhouse, 2003), I propose the following hypothesis:
H4: Potential employees receiving a satisfactory service recovery have higher levels of
organizational attractiveness as an employer than potential employees receiving an
unsatisfactory service recovery

Other customers’ experiences

People not only rely on their own experiences to form opinions about organizations,
but also draw inferences from others’ experiences. For example, Van Vaerenbergh,
Vermeir, and Larivière (2013) show that customers observing a service recovery update their own perceptions of the service provider via a vicarious learning process. In particular, observing a service recovery provides information about the organization’s service quality, which in turn affects overall satisfaction and behavioral intentions. In a similar vein, customers regularly review other customers’ experiences, often posted online, to evaluate a certain organization. Typically, negative online reviews detract from organizations’ image and reputation, making customers less likely to purchase a product or service (Chiou and Cheng, 2003).

Similar effects occur in a recruitment and selection context. Potential employees not only learn from their own perceptions and experiences, but rely on other people’s perceptions and experiences. Researchers show that potential employees receiving employer-related (offline and online) word of mouth are more likely to apply for these organizations (Van Hoye & Lievens, 2007a, 2009). This research posits that information about others’ customer experiences also influences organizational attractiveness as an employer. As (i) observing negative customer experiences spill over to customers observing or hearing about these experiences via a vicarious learning process (Van Vaerenbergh, et al., 2013), resulting in a more negative corporate image (Chiou and Cheng, 2003), and (ii) potential employees evaluate the organizational attractiveness of organizations based on their corporate image (Cable & Turban, 2003), we expect that service failures reported by others also provide diagnostic information about the organization. Hence, I propose:

**H6:** Information about other customers’ service failures decreases organizational attractiveness as an employer

**OVERVIEW OF STUDIES**

This paper presents five studies, designed to examine the impact of service failures on organizational attractiveness as an employer. Study 1 reports the results of an exploratory pilot study, using a secondary dataset of service failures and organizational attractiveness in the airline industry. Study 2 replicates experimentally this main effect using an experimental design, and tests the mediating role of perceived competence. The next studies then test whether service failure attributions (Study 3) and the level of service recovery (Study 4) moderate the service failure-organizational attractiveness relationship. Study 5, finally, investigates whether information about others’ service failures negatively affects organizational attractiveness.

**STUDY 1: PILOT STUDY**

**Method**

The pilot study serves as a preliminary examination of the relationship between service failures and organizational attractiveness. Secondary data of the U.S. airline industry was used to examine this relationship. Investopedia’s (2015) top 10 list of best U.S.
airlines to work for, released in August 2015, serves as a proxy for organizational attractiveness as an employer. Two out of 10 listed airlines had to be excluded: WestJet (as it is actually Canadian) and Spirit Airways (as it only started operations in January 2015, making the data obtained not representative for an airline in full service). The U.S. Department of Transportation (DoT) provides service failure data. In particular, I used data concerning the amount of mishandled baggage per 1,000 passengers and the number of complaints received by the DoT per 100,000 passengers. This latter measure is often used as a proxy for service failures (Keiningham, et al., 2014). I used service failure data from January 2015 for all eight airlines, in order to introduce a time lag between the service failures and organizational attractiveness data. These statistics were reported in the March 2015 Air Travel Consumer Report (U.S. Department of Transportation, 2015). Appendix A presents the data obtained for this pilot study.

Results
Given the use of ordinal data and the low sample size (i.e. eight airlines), I calculated a Spearman Rank correlation. The results suggest an association between mishandled baggage and organizational attractiveness (ρ = .43), and between complaints and organizational attractiveness (ρ = .50). The more mishandled baggage, and the more customer complaints, the less likely organizations will be considered as an employer. Figure 1 (panels a-b) show the relationship between the ranking of an airline in the Top 10 list of best airlines, and the two indicators of service failures.

Figure 1: Relationship between service failures and organizational attractiveness

Note: A lower airline ranking indicates a higher organizational attractiveness

Discussion
Study 1 shows that service failures are associated with organizational attractiveness: organizations committing many service failures rank lower on an organizational

1 Similar results appeared when using December 2014 service failure data, and the airline ranking in Forbes’ America’s Best Employers list (six U.S. airlines).
attractiveness ranking. Study 1 is of course limited because of (i) a small sample size, (ii) an unclear measure of organizational attractiveness as an employer, and (iii) the lack of causality. Study 2 therefore takes an experimental approach in examining the relationship between service failure and organizational attractiveness as an employer, providing more internal validity for these results.

**STUDY 2: TESTING THE MAIN EFFECT**

**Method**
Thirty-nine master students from a Belgian university (60% female, \( M_{\text{age}} = 23.9 \) years) participated in a two-group (service failure versus no service failure) between-subjects experiment. Participants were drawn from the university’s online research panel, with the restriction that only final year students were allowed to participate. Larkin, Laport, and Pines (2007) consider a last year student sample appropriate for research examining organizational attractiveness as an employer. This is because last year students are mentally close to the job market, and are often searching for a job already.

Participants were asked to imagine going on a holiday to one of their favorite destinations. They paid €400 for the airline ticket. Their trip to the airport goes smoothly. In the service failure condition, the participants read that upon arrival at the airport, they noticed that their flight was cancelled due to a mechanical problem. In the control condition, participants were informed that their flight takes off as scheduled. After a smooth flight, they arrive at their travel destination.

Participants were first asked to rate their satisfaction, repurchase intentions, and word-of-mouth intentions on scales adopted from Maxham & Netemeyer (2002), in an effort to mask the specific purpose of the research project. Afterwards, respondents rated the airline’s attractiveness as an employer using a three-item seven-point scale (\( \alpha = .90 \)) adopted from Lievens and Highhouse (2003; sample item: ‘This airline company seems like a good place to work’). Respondents were also asked to rate the airlines’ perceived competence (\( \alpha = .94 \)) using a three-item seven-point scale adopted from Aaker’s (1997) brand personality scale. Afterwards, respondents were asked to provide some demographic characteristics.

**Results**
The first hypothesis predicts that potential employees experiencing a service failure find the organization less attractive as an employer. An independent-samples t-test shows that people experiencing a service failure report lower levels of organizational attractiveness (\( M = 3.39, SD = 0.74 \)) than people not experiencing a service failure (\( M = 4.63, SD = 2.11; t(37) = 5.59, p < .001 \)). This finding supports H1. The second hypothesis suggests that perceived competence mediates the service failure-organizational attractiveness relationship. Mediation analysis (Preacher & Hayes, 2004) reveals that a service failure reduces perceived competence (\( b = -2.07, \text{S.E.}(b) = .29, t = \))
-7.04, \( p < .001 \), which in turn affects organizational attractiveness as an employer while controlling for the service failure (\( b = .31 \), S.E.(\( b \)) = 13, \( t = 2.37 \), \( p < .05 \)). Overall, the results reveal a significant indirect effect of a service failure on organizational attractiveness through perceived competence (\( b = -.64 \), SE(\( b \)) = .34, Upper confidence interval (C.I.) = -.08, Lower C.I. = -1.42), supporting H2.

**Discussion**

Study 2 provides causal evidence concerning the negative impact of service failures on organizational attractiveness. Potential applicants experiencing a service failure consider the organization less attractive as an employer. This relationship occurs because potential applicants perceive the organization as less competent. Combined, studies 1 and 2 provide initial evidence that customer reactions to service failures are not limited to the consumer domain. However, not every service failure is the same, and people’s perceptions of the causes for service failures might differ. Study 3 therefore examines whether service failure attributions moderate the relationship between service failures and organizational attractiveness.

**STUDY 3: THE MODERATING ROLE OF SERVICE FAILURE ATTRIBUTIONS**

**Method**

One-hundred forty-one master students from a Belgian university (54.3% female, \( M_{\text{age}} = 24.2 \) years) participated in a 2 (controllable versus uncontrollable failure) by 2 (stable versus unstable failure) between-subjects experiment. I also added a control group in which no failure occurred. Participants were recruited on the university campus; upon agreement to participate, the students were randomly assigned to one of the five scenarios. Only final year students were allowed to participate.

Respondents were asked to read a scenario similar to the one used in Study 2. Participants were asked to imagine an unspecified flight delay, which was caused by bad weather conditions (uncontrollable attributions) or by the crew who has overslept (controllable attributions). Respondents were also informed that this is the first time they experience such a delay with this airline (unstable attributions) or that this failure happened multiple times before (stable attributions). In the control condition, the participants were informed that their flight took off as scheduled.

After reading the scenario, the respondents were asked to rate organizational attractiveness as an employer using the same scale as in Study 2 (\( \alpha = .95 \)), next to rating their satisfaction, repurchase intentions, and word-of-mouth intentions. In addition, the respondents in the service failure conditions filled out the manipulation checks. Controllability attributions (\( \alpha = .95 \)) and stability attributions (\( \alpha = .78 \)) were assessed both using a three-item seven-point Likert scale adopted from Hess, et al. (2003). Finally, respondents were asked to provide demographic information.
Results

The manipulations work as intended. Respondents in the controllable failure conditions were more likely to believe that the failure could have been prevented ($M = 5.76$, $SD = 1.09$) than respondents in the uncontrollable failure conditions ($M = 1.95$, $SD = 1.05$; $t_{(118)} = 19.429, p < .001$). Respondents in the stable failure conditions were more likely to believe that the failure would recur in the future ($M = 4.63$, $SD = 0.98$) than people in the unstable failure conditions ($M = 2.66$, $SD = 0.90$; $t_{(118)} = 11.441, p < .001$).

The third and fourth hypotheses proposed that controllability and stability attributions negatively affect organizational attractiveness as an employer. The results of a two-way Analysis of Variance - with organizational attractiveness as a dependent variable, and controllability and stability attributions as independent variables - show that controllability attributions affect organizational attractiveness ($F(1,116) = 24.50, p < .001, \eta^2 = .17$). Organizational attractiveness is lower for controllable failures ($M = 2.97$, $SD = 1.28$) than for uncontrollable failures ($M = 3.99$, $SD = 0.96$). In contrast, stability attributions do not have an impact on organizational attractiveness ($F(1,116) = 1.16, p = .284, \eta^2 = .01$); organizational attractiveness does not differ between stable ($M = 3.59$, $SD = 1.08$) and unstable failures ($M = 3.37$, $SD = 1.38$). These findings support H3 but not H4. Finally, controllability and stability attributions do not interact in predicting organizational attractiveness ($F(1,116) = 0.03, p = .872, \eta^2 = <.001$).

Figure 2: Effect of service failure attributions on organizational attractiveness (Study 3)

In a next step, I contrasted the mean values of the treatment groups (i.e. the service failures varying in controllability and stability) with the mean value of the control group. The results of a one-way Analysis of Variance show that organizational attractiveness
differs across the five scenarios \( F(4,140) = 10.72, p < .001, \eta^2 = .24 \). Figure 2 lists the mean values. Bonferroni post hoc analyses reveal that organizational attractiveness for service failures with controllable causes is significantly lower than organizational attractiveness for failures with uncontrollable causes (both \( p \)-values < .05) and the control group, regardless of the failure stability (both \( p \)-values < .001). Organizational attractiveness for service failures with controllable causes do not find significantly differ from the control group, regardless of the service failure stability (both \( p \)-values > .504).

**Discussion**

Study 3 provides further insights on the impact of service failures on organizational attractiveness as an employer. The results show that controllability attributions have the strongest effect on organizational attractiveness as an employer: Potential employees who believe the organization could have prevented the service failure find the organization less attractive as an employer. Stability attributions, on the other hand, do not affect this attractiveness. The comparison with the control group also yields interesting insights, as the organizational attractiveness as an employer is as high after an uncontrollable service failure – regardless of the stability of the failure – compared to the situation in which no failure would have occurred. These findings suggest that service failures only detract from organizational attractiveness as an employer in case the service failure was controllable by the organization.

A limitation of the previous studies is that they only focused on service failures, yet – if potential employees complain about these failures – organizations might restore their dissatisfaction by executing a satisfactory service recovery. As a result, Study 4 examines whether the quality of service recovery affects the impact of service failures on organizational attractiveness as an employer.

**STUDY 4: THE MODERATING EFFECT OF SERVICE RECOVERY**

Seventy-three final year master students from a Belgian university (53.4% female, \( M_{\text{age}} = 24.2 \) years) participated in a three-group between-subjects experiment. Participants were randomly assigned to one of the three conditions: No service failure, service failure with unsatisfactory service recovery, and service failure with satisfactory service recovery. Participants were drawn from the university’s online research panel, with the restriction that students who participated in previous studies were not allowed to participate in the current study.

Similar to Studies 2 and 3, participants were asked to imagine experiencing a delayed flight at the airport. The quality of service recovery was manipulated in line with previous research. The satisfactory recovery condition reflected typical service recovery options such as offering an apology, reacting quickly, demonstrating favorable employee behavior, and providing compensation. Participants assigned to the unsatisfactory recovery condition were informed that they had to wait for more than 2 hours before they can talk with one of the employees. The frontline employee did not explain why the flight
was cancelled, does not offer food vouchers, and indicates that the customer cannot be
rebooked to another flight today. The customer has to return the day after. In the
satisfactory recovery condition, the employee informed the customer that the flight
cancellation was caused by a mechanical problem, shows empathy, and offers food
vouchers as a compensation. The employee books the customer to another flight which
will leave within one hour. In the control condition, the participants were informed that
their flight departed on time. After reading the scenarios, participants again evaluated
their customer satisfaction and behavioral intentions. Participants rated the
organizational attractiveness using the same scale as used in Study 2 ($\alpha = .96$).

Results
The fifth hypothesis suggests that a satisfactory service recovery attenuates the
negative effect of service failures on organizational attractiveness. The result of a one-
way Analysis of Variance reveals significant differences across the three conditions
($F(2,70) = 68.269, p < .001, \eta^2 = .66$). Figure 3 lists the mean values for organizational
attractiveness across the three conditions. In particular, potential employees receiving
an unsatisfactory service recovery consider the organization less attractive as an
employer ($M = 2.17, SD = .95$) than potential employees receiving a satisfactory service
recovery ($M = 4.42, SD = .77$) or potential employees experiencing no failure at all ($M =
4.67, SD = .70$). Bonferroni post-hoc analyses reveal that organizational attractiveness
does not differ between the latter two groups ($p = .91$). These findings support H5.

Figure 3: Effect of service recovery on organizational attractiveness as an employer

![Figure 3: Effect of service recovery on organizational attractiveness as an employer](image)
Discussion

Study 4 suggests that organizations who are recovering customers well have the opportunity to attenuate the negative effects of service failures on organizational attractiveness. If organizations’ recover the customer well, they can turn their attractiveness as an employer back to the level as the situation where no failure happened at all. The previous studies consistently examine whether potential employees’ personal experiences with an organization affect their organizational attractiveness perceptions. So far I did not consider whether others’ experiences have a similar effect. Therefore, the next study examines whether potential employees receiving information about other customers’ experiences via online reviews rate differently the organizational attractiveness.

STUDY 5: EXAMINING SPILL-OVER EFFECTS TO OBSERVING CUSTOMERS

Method

One-hundred and two Belgian consumers (58.4% male, $M_{\text{age}} = 23.9$ years) participated in a three-group between-subjects experiment in a restaurant context. Respondents were recruited using a mall intercept in a large Belgian city. Similar to Dens, De Pelsmacker and Purnawirawan (2015), participants were randomly assigned to a set of six online reviews with different levels of balance (i.e. positive, neutral, and negative). In the positive balance condition, participants read 5 positive reviews and 1 negative review. In the neutral balance condition, participants read 3 positive and 3 negative reviews. In the negative balance condition, participants read 1 positive review and 5 negative online reviews. In order to construct the six reviews, I reviewed the content of existing restaurant review sites, and varied the commonly used restaurant service quality dimensions food quality, service, and atmosphere accordingly (Andaleeb & Conway, 2006). Each respondent read the same reviews, but these were framed either positively or negatively depending on the condition. All reviews were on the same page, reflecting a real situation. The reviews were of a reasonable length. On average, the reviews counted 32 words (minimum: 22, maximum: 49).

After reading the reviews, respondents rated the restaurant’s attractiveness as an employer using the same scales as in Study 2 ($\alpha = .95$). I also measured respondents’ review impression ($\alpha = .94$) using a four-item seven-point scale adopted from Goldsmith, Lafferty, and Newell (2000; sample item: I have the impression that most people are dissatisfied/satisfied with the restaurant). This measure serves as a manipulation check.

Results

The manipulations work as intended: participants reading a review set with a negative balance have a less favorable review impression ($M = 2.23$, $SD = 1.13$) than participants reading a review set with a neutral balance ($M = 4.02$, $SD = 1.09$) or a
positive balance ($M = 5.12$, $SD = 1.50$). The three groups are significantly different from each other ($F(2,99) = 45.591, p < .001$).

Hypothesis 6 proposes that observing other customers’ service failures, in the form of online reviews, negatively affects organizational attractiveness. The results of a one-way Analysis of Variance show that customers reading a review set with a negative balance consider the restaurant less attractive as an employer ($M = 2.80$, $SD = 1.32$) than participants reading a review set with a neutral balance ($M = 3.94$, $SD = .94$) and participants reading a review set with a positive balance ($M = 5.13$, $SD = .97$; $F(2,99) = 38.723, p < .001; \eta^2 = 0.439$). These findings support H6.

**Discussion**

Study 5 shows that service failures, even when not experiencing these service failures personally, decrease organizational attractiveness as an employer. These findings are of particular importance, as conducting research on the (potential) employer is a standard tip for job seekers. In other words, organizations’ not only need to invest in creating compelling offline experiences in order to attract human capital, they also need to manage customer experiences reported online.

**GENERAL DISCUSSION**

The combined results of the five studies reported in this paper contribute to a coherent picture, in which service failures strongly influence organizational attractiveness as an employer. This paper offers several contributions to the literature. First, our research expands on prior suggestions about the impact of customer experiences on organizational attractiveness. In particular, this paper empirically shows the negative effect of service failures on organizational attractiveness as an employer, as it changes the organization’s symbolic attributes. As a result, personal experiences as a customer could be added as another source of information explaining organizational attractiveness, beyond organizational characteristics, employer branding activities, recruiter behavior, and nonorganizational information (Lievens & Slaughter, 2016). For example, Rynes, Bretz, and Gerhart (1991) show that rude and inappropriate behaviors from recruiters detract from organizational attractiveness. This research seems to suggest that rude and inappropriate behaviors from any employee, which are a major source of customer dissatisfaction (Bitner, et al., 1990), might cause these effects. Moreover, prior research indicates that applicants who are not treated well during the selection procedure are less likely to purchase from the organization they applied for (Hausknecht, Day, & Thomas, 2004). This research suggests an effect in the opposite direction: Potential employees who are not treated well during a service encounter, might be less likely to apply for this organization in the future.

In addition, the organizational behavior literature underscored the importance and relevance of company websites and social media in influencing organizational
attractiveness as an employer (Lievens & Slaughter, 2016). Cappelli (2001), for example, suggests that an organization’s website is the first place potential employees visit to learn more about the organization. Yet during their quest for information in online search engines like Google or Bing, potential applicants might encounter online review sites. For example, when a potential employee wants to work for the Marriott hotel in Ghent, and searches for more information on Google, 6 of the first 10 hits are online review sites. This research suggests that information derived from these online review sites influences organizational attractiveness as an employer.

Second, this paper shows that the negative consequences of service failures are larger than assumed in contemporary service failure literature (e.g. Maxham & Netemeyer, 2002; Keiningham, et al., 2014). Their effects transcend the consumer domain, and affect a firm’s ability to attract highly skilled employees. This finding is particularly relevant given the war on talent in many service industries. For example, the airline industry typically faces a staff turnover rate between 20% and 30%, and therefore invest heavily in employer branding programs (Miles & Mangold, 2005). Our findings suggest that investments in customer service quality can contribute to organizational attractiveness as an employer, creating more positive effects than assumed. The current insights are especially relevant since managers still consider customer service as a cost, rather than an investment (Rosenbaum, 2015).

Third, this paper identifies two important boundary conditions related to the effect of service failure on organizational attractiveness as an employer. More specific, the negative consequences only appear if the service failures are perceived as controllable by the organization (i.e. controllability attributions), but not when the service failures are perceived as recurring over time (i.e. stability attributions). A potential explanation might be that people find failures that are stable over time challenging, which might stimulate them to tackle the root cause of these failures once they start working for this particular organization (Trank, Rynes, & Bretz, 2002). Moreover, this research shows that offering a satisfactory service recovery might offset the negative effects of service failures on organizational attractiveness. It appears that people receiving a satisfactory recovery maintain the image of a competent organization, whereas an unsatisfactory recovery might signal incompetence. A service recovery paradox, in which customer evaluations after a service failure and recovery episode are higher than the situation where no failure happened, is however not present in the current context. Combined, these findings expand our knowledge of the consequences associated with service failure attributions (Van Vaerenbergh, et al., 2014) and service recovery (Orsingher, et al., 2010).

The implications for managers are clear: Investing in service quality, and investing in avoiding service failures in particular, not only influences consumer market performance, but also labor market performance. As a result, this research re-establishes the importance of considering organizations as systems, in which decisions made by one department influences outcomes desired by another department. While employer branding activities are typically managed by the Human Resource Management
department, organizations might benefit from establishing teams that transcend the typical boundaries within an organization. In addition, this research shows that managers need to keep stressing the importance of providing explanations for service failures with uncontrollable causes, or providing appropriate service recovery when necessary.

This research is only an initial examination of the service failures – organizational attractiveness relationship, and is particularly limited by the low sample size in the pilot study, the use of experimental designs in studies 2 to 5, and the reliance on a single context (airlines) in four out of five studies. There are ample opportunities for future research. In particular, more studies replicating the current results in other contexts are necessary. Moreover, future research might conduct additional tests of the mediating effect of perceived competence. Finally, researchers need to test employer equity-related variables (such as pay, career opportunities,...) as moderators of the service failure – organizational attractiveness relationship.

REFERENCES


**Appendix A: Data for pilot study**

<table>
<thead>
<tr>
<th>Airline</th>
<th>Rank</th>
<th>Employer attractiveness</th>
<th>Mishandled Baggage (/1,000 passengers)</th>
<th>Complaints (/100,000 passengers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southwest Airlines</td>
<td>1</td>
<td>4.09</td>
<td></td>
<td>0.61</td>
</tr>
<tr>
<td>JetBlue Airways</td>
<td>2</td>
<td>1.93</td>
<td></td>
<td>0.72</td>
</tr>
<tr>
<td>Delta Airlines</td>
<td>3</td>
<td>2.40</td>
<td></td>
<td>0.70</td>
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<tr>
<td>Virgin America</td>
<td>4</td>
<td>0.84</td>
<td></td>
<td>1.22</td>
</tr>
<tr>
<td>United Airlines</td>
<td>5</td>
<td>5.31</td>
<td></td>
<td>3.17</td>
</tr>
<tr>
<td>Alaska Airlines</td>
<td>6</td>
<td>3.75</td>
<td></td>
<td>0.42</td>
</tr>
<tr>
<td>American Airlines</td>
<td>7</td>
<td>4.81</td>
<td></td>
<td>2.81</td>
</tr>
<tr>
<td>SkyWest Airlines</td>
<td>8</td>
<td>6.39</td>
<td></td>
<td>1.18</td>
</tr>
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</table>