

CORPORATE CONTAGION

Following public revelations that a firm has engaged in accounting misconduct, robberies and thefts in the surrounding community rise by more than 3%.

"The Local Spillover Effect of Corporate Accounting Misconduct: Evidence from City Crime Rates," by Eric Holzman, Brian P. Miller, and Brian Williams

CUSTOMER SERVICE


Does the Squeakiest Wheel Get the Most Grease?

A new study tests the common belief that the angrier people appear after a service failure, the more compensation they'll get—and shows that often the reverse is true. The effect of intense anger on service reps, the researchers found, varies according to a cultural trait known as *power distance*, or PD: a person's level of acceptance of power differences and hierarchy. Across four experiments involving simulated service interactions, participants with high PD—those who accepted power differences as natural or inevitable—gave more compensation to mildly angry customers than to intensely angry ones, while participants with low PD did just the opposite. Why? The high-PD subjects saw displays of intense anger as inappropriate and punished them, while the low-PD subjects saw the displays as threatening and rewarded them. But when the perception of threat was mitigated (participants were told that customers couldn't harm them), low-PD people, too, gave more compensation to mildly angry customers.

PD varies on both individual and societal levels, the researchers say; for example, Singapore is a high-PD culture, while Israel is a low one. Given the cultural diversity of service employees and the increasing globalization of such work, they advise, firms can benefit from

assessing reps' PD and tailoring emotional management training accordingly; the goal is to avoid having reps over- or undercompensate customers simply because of how angry they appear. "For low-PD service employees, managers might minimize perceptions of threat by fostering a climate of support and helping employees feel protected by the organization," the researchers write. "In contrast, training for employees in cultures with high PD might

emphasize...the need to think carefully about how best to serve customers without automatically penalizing an emotional tone considered to be inappropriate."

 **ABOUT THE RESEARCH** "When and Why a Squeakier Wheel Gets More Grease: The Influence of Cultural Values and Anger Intensity on Customer Compensation," by [Ella Glikson et al.](#) (Journal of Service Research, 2019)

