

**Service Sweethearting: Its Antecedents and Customer Consequences**

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## **Service Sweethearting: Its Antecedents and Customer Consequences**

### **Abstract**

This research is the first to examine service sweethearting, an illicit behavior that costs firms billions of dollars annually in lost revenues. Sweethearting occurs when frontline workers give unauthorized free or discounted goods and services to customer conspirators. We gather dyadic data from 171 service employees and 610 of their customers. Results from the employee data reveal that a variety of job, social, and remuneration factors motivate sweethearting behavior and several measurable employee traits suppress its frequency. Results from the customer data indicate that although sweethearting inflates a firm's satisfaction, loyalty, and positive word-of-mouth scores by as much as 9%, satisfaction with the confederate employee fully mediates these effects. Thus, any benefits for customer satisfaction or loyalty initiatives are tied to a frontline worker that the firm would rather not employ. Marketing managers can use this study to recognize job applicants or company settings that are particularly prone to sweethearting and as the basis for mitigating a positive bias in key customer metrics.

Employee theft and fraud cost U.S. firms up to \$600 billion annually (Mazar, Amir, and Ariely 2008). Within the retailing sector, approximately two-thirds of these losses and 35% of annual profit losses (Amato-McCoy 2009; Tarnowski 2008; Terris and Jones 1982) are attributed to an act of employee deviance in which frontline employees give unauthorized free or discounted goods or services to a friend or acquaintance. This behavior, which we term service sweethearting, is common in hospitality industries where staff members may provide food and beverages that never appear on the bill (Hawkins 1984). However, potential exists for this behavior in virtually any industry where employees interact with customers at the point of sale. For example, retail cashiers slide products around the barcode scanner to give the false impression that a friend is paying for an item. Repair service employees provide repairs without notifying the billing department. Installation technicians initiate service without submitting a work order. The problem is now so pervasive that companies like IBM and Stoplift have developed sophisticated algorithms to detect sweethearting in video surveillance recordings (Dannen 2009). To the best of our knowledge, no prior research examines either the employee- or customer-sides of sweethearting dyads. The lack of research on sweethearting is surprising, as it would be difficult to identify a topic that has such a considerable impact on profitability yet has received so little attention.

From a scholarly perspective, sweethearting presents an interesting sidebar to research that espouses close relationships between customers and frontline service employees. The development of commercial friendships (Price and Arnould 1999), social bonding (Bendapudi and Berry 1997), rapport (Gremmler and Gwinner 2000), and long-term relationships (Reynolds and Beatty 1999) between customers and employees are known to have a number of positive outcomes for firms, including positive word-of-mouth and enhanced customer satisfaction and

loyalty scores (Gremler and Gwinner 2008; Reynolds and Beatty 1999). Our research indicates that there may be an insidious downside to close relationships between customers and frontline employees, and we show that a symptom of the problem is elevated satisfaction, loyalty, and positive word-of-mouth scores.

The current research draws upon literature in marketing, organizational behavior, psychology, and criminology to offer insights into three broad questions about the sweethearting phenomenon: (1) What are the antecedents to sweethearting behavior for customer contact employees? (2) Are there certain identifiable employee traits that suppress the sweethearting phenomenon? And finally, (3) What are the effects of sweethearting on prominent customer outcome measures? With respect to employees, little is known about the contextual, individual, or preventative factors that may influence the onset of sweethearting behavior. An exploratory study and insights from various literatures inform our understanding of sweethearting antecedents. Further analysis shows that specific employee traits, such as risk aversion and low need for social approval, buffer sweethearting frequency. With respect to customers, we examine how sweethearting influences key customer metrics, such as satisfaction measures. Because customers who participate in sweetheart deals are apt to rate the firm and its employees more favorably than non-sweethearts who pay full price, this otherwise detrimental behavior may manifest itself in the form of inflated customer feedback scores. We investigate the nature of this ironic effect on firm-level outcome measures, with a particular interest in whether it is anchored to the employee or the firm.

## **Research Background**

### ***A Cautionary Caveat to Strong Customer-Employee Relationships***

A central theme of the relationship marketing literature is that firms benefit from

developing strong, long-term relationships with customers. Material gains for the firm occur in the form of cost efficiencies (Reichheld 1996), increased customer commitment (Mavondo and Rodrigo 2001), higher satisfaction scores (Reynolds and Beatty 1999), increased customer loyalty (Beatty et al. 1996), and a dampening effect on the negative implications of service failures (DeWitt and Brady 2003; Matilla 2001). Some scholars, however, suggest caution in assuming that close relationships between customers and employees are always in the best interest of the firm (Bove and Johnson 2006). Employees with close ties to customers may leave for a competitor and take lucrative customers with them (Beatty et al. 1996; Bendapudi and Leone 2002). As an exemplar, American Express estimates that roughly 30% of customers would follow their financial advisor to a different firm (Tax and Brown 1998).

Our research offers a similar cautionary tale with respect to strong customer-employee relationships. In the case of sweethearting, employees are purposefully undercharging customers -- or not charging them at all -- for services rendered. In effect, they are literally “giving away the store” to customers with whom they have a close relationship. Unlike the case of defecting employees and customers, sweethearting is difficult for firms to detect, thus revenue losses are often sustained over time (Tarnowski 2008). Even worse, firms may compound their losses by rewarding deviant employees for their inflated customer satisfaction scores.

### ***Comparison to Other Forms of Employee and Customer Deviance***

A number of deviant employee behaviors exist within organizations, including antisocial behaviors (Giacalone and Greenberg 1997), complaint concealment (Harris and Ogbonna 2009), workplace aggression (Baron and Neuman 1996), sabotage (Harris and Ogbonna 2002, 2006), organizational retaliation (Skarlicki and Folger 1997), and theft (Greenberg 1997). Likewise, customer deviance takes several forms, such as fraud (Cole 1989), cheating (Wirtz and Kum

2004), abusiveness (McColl-Kennedy et al. 2009), and theft (Fullerton and Punj 2004). All of these behaviors are deviant because they depart from established rules and expectations in ways that have negative implications for a firm.

Although sweethearting also contradicts established rules and expectations, it differs from the above forms of deviance in at least three ways. First, whereas most forms of employee and customer theft behaviors are intended to be carried out without the knowledge of the other party, sweethearting is known by both parties. The collaborative aspect of sweethearting is important because customer involvement sets sweethearting apart from other forms of workplace deviance and it emphasizes the relevance of the behavior to marketers.<sup>1</sup> Second, research in organizational behavior suggests that employees typically engage in deviant acts because of some combination of individual traits and workplace states (Greenberg 2002; Hollinger and Clark 1983). Sweethearting reinforces the point that deviant acts also have roots in social and economic exchange (e.g., Greenberg and Scott 1996). Third, unlike other forms of deviant behaviors where either the customer or the employee may benefit from the act (but not both), sweethearting simultaneously offers benefits to the employee and the customer. Sweethearting is therefore different from other forms of deviance in ways that should be of interest to marketers.

### ***Fertile Ground for Sweethearting Dyads***

Service purchases, especially those that require interaction with frontline personnel, represent an opportune context in which to study sweethearting. Services are characterized by inseparability (Keh and Pang 2010), credence properties, and heightened risk (Czepial 1990), all of which increase the likelihood that customer-employee interactions will play a prominent role in the purchase process. Likewise, we note that employee deviance is very common in the services sector. Estimates suggest that 35% of retail employees, 33% of hospital employees,

43% of grocery store employees, and 62% of fast food employees engage in theft behaviors (Greenberg and Barling 1996). We therefore focus attention on sweethearting behavior in frontline service encounters. In doing so, we begin with an exploratory investigation of the employee-side of sweethearting dyads and then turn our attention to modeling the customer-side.

### **The Employee-Side of Sweethearting**

Research on customer-employee interactions generally takes two broad perspectives. The first and most common perspective is that employees are working for the firm and with customers to provide excellent service (Berry 1995). Various intrinsic and extrinsic rewards serve as motivations for providing such exemplary service. The second, more recent perspective is that service employees sometimes work against customers in such a way that they purposefully provide poor service (Warren 2003). The latter perspective is consistent with service sabotage where frontline employees act as saboteurs who intentionally provide poor service to customers (Harris and Ogbonna 2002). Subpar working conditions and various personality types are common antecedents to sabotage behavior (Harris and Ogbonna 2006). Sweethearting behavior belongs to neither of these two perspectives. Employees in sweethearting dyads are neither working for the firm nor against the customer; rather, they work with complicit customers in a way that is against the best interests of the firm. Therefore, antecedents to sweethearting are unknown. We examine sweethearting antecedents next, with a particular interest in those that are unique to sweethearting behavior.

A two-stage process was used to identify sweethearting antecedents. We began with an open-ended survey of frontline service employees. Then, we reviewed prior research on employee deviance to determine whether the emergent factors were shared by other known forms of deviant behaviors. Although the deviance literature does not address sweethearting per

se, there may be common factors that influence a variety of deviant behaviors (Robinson and Greenberg 1998). Next, we discuss the exploratory study and develop our research model.

### *The Exploratory Study*

An open-ended survey was administered to 40 individuals who were either currently employed or had previously worked in services industries within the last two months. The survey required respondents to answer three questions and several demographic and classification items. The first question provided respondents with a clear definition of sweethearting behavior and asked them if they had participated in a sweethearting dyad. Then, respondents described the most recent sweethearting incident in which they had participated during the past two months. If the employee had not participated in a sweethearting dyad, they were instructed to move on to the final question, which asked respondents to list and elaborate on the factors that influenced their decision to either engage in or abstain from sweethearting.

Responses were obtained from upper-level business students at a large university. Respondents were given extra credit for participating in the study and screened to ensure that they were currently employed by a service company or had been employed in the last two months. The sample consisted of service employees working at bars and restaurants (52%), retail stores (32%), and other miscellaneous service firms such as golf courses and tanning salons (16%). In accordance with past studies on similar behaviors (Greenberg and Barling 1996), 67% of the respondents indicated participation in sweethearting within the past two months.

Following established protocol for qualitative data analysis (Glaser and Strauss 1967; Spiggle 1994), we allowed categories to emerge from the data and no restrictions were placed on the length of text required for inclusion. Coders identified and categorized the factors that influenced sweethearting behavior and indicated whether they had a positive or a negative effect.

The coder reliability estimate was 94%. In the cases of disagreement, responses were discussed until a consensus was reached. This process identified 11 antecedents.

### *Sweethearting Antecedents*

The 11 sweethearting antecedents that emerged from the data were organized into themes (cf. Spiggle 1994). Antecedents with prior support in a particular literature were organized under themes named for the literature from which they emerged. For antecedents unique to sweethearting behavior, we attempted to organize them under existing themes; in cases where this was not possible, we created a new theme. This process resulted in the establishment of three existing themes (job-related, deterrence, and trait antecedents) and the creation of a new theme that we term remuneration antecedents.

*Remuneration Antecedents.* Material gain is the most conspicuous reason to engage in theft behaviors. Prior research attributes this link to factors like financial pressures faced by employees (Merton 1938) and greed (Astor 1972). However, remuneration in sweethearting dyads is not straightforward because the obvious beneficiary is the customer and not the employee. Our qualitative data nonetheless revealed two ways that employees are reimbursed, suggesting a link between sweethearting and remuneration.

The first remuneration factor, reciprocity, underscores the collaborative and interactive aspect of sweethearting behavior. We found that there is often a social obligation for sweetheart customers to provide employees with reciprocal gifts at their respective service jobs (Belk 1976). For example, one employee stated, *“All of my friends are in the service industry, so it is standard to ‘hook up’ your friends when they come in so that they’ll do the same for you in return.”* Thus, sweethearting often involves a “tit for tat” expectation where frontline service employees build informal credits at other service firms. As one employee expressed, *“It’s just one of those things*

*where if you scratch my back I'll scratch yours.*" An interesting implication associated with reciprocity is that sweethearting behavior may be contagious in the sense that an incident at one firm may invoke another at a totally unrelated firm. We are aware of no other deviant behavior that has a similar impact on the wellbeing of other firms.

The second remuneration method is through financial gain in the form of informal payments. Many frontline employees mentioned an expectation that sweethearts will return the favor via better tips. As one employee stated, *"When I give them free drinks, they save money and so they tip better."* Although this behavior was most common in restaurants and bars, it was not limited to these settings or even to industries where tipping is the norm. As one retail employee stated, *"I worked at an office supply store and when my friends came in I'd switch the UPC codes on items and they would get charged for pencils...I did this to make more money."*

Thus, we propose that remuneration factors directly impact sweethearting:

**H1:** Sweethearting frequency is greater when there is opportunity for (a) reciprocal sweethearting and (b) financial gain.

*Trait Antecedents.* Implicit in the idea that employee traits influence sweethearting behavior is the notion that some people are prone to deviant behaviors by their very nature (Osgood et al. 1988). The existence of a deviant personality is consistent with Freud's theory of personality and with studies advanced in the organizational psychology literature (e.g., Lykken 1995; Miner and Capps 1996). This belief is evident in the widespread use of personality and integrity tests in pre-employment screening (Murphy 1993; Sackett 1994).

The first trait factor, need for social approval, is rarely discussed in the deviance literature. Nonetheless, the social motive for sweethearting is particularly strong because the behavior is a conspicuous source of social capital in employee peer groups. Consider the following example: *"My friends love to talk about how cool it is for them to come in to eat and*

*drink at the restaurant I work at because they only pay a fraction of what they should. Hearing them tell the stories about the fun they had and how much they like me and my restaurant makes me feel good.*” Greenberg and Barling (1996) refer to this effect as “social need theory” and suggest that it is particularly relevant to sweethearting behavior.

The second employee trait that may influence sweethearting is risk-seeking propensity. Research in the criminology (Szockyj and Geis 2002) and psychology (Lerner and Keltner 2001) literatures indicates that criminals tend to have an inherent propensity for high-risk activities. This view is consistent with Gottfredson and Hirschi’s (1990) theory of crime and with Zuckerman’s (1980) research on sensation seekers. Consider the following statement from a retail employee: *“Why wouldn’t I do it? It’s fun and exciting to give your friends free stuff.”*

The third trait antecedent that we uncovered is personal ethics, which refers to the individual moral beliefs held by employees (Mazar, Amir, and Ariely 2008). For example, an employee remarked, *“It’s immoral, so I don’t do it.”* Another employee said, *“I don’t like the idea of stealing and would not intentionally do anything that would make the people I work for lose profits.”* Based on insights from the exploratory study and corroboration from several literatures, we propose:

**H2:** Sweethearting frequency is greater when employees: (a) are higher in need for social approval; (b) are higher in risk-seeking propensity; and (c) have weaker ethical values.

*Job-Related Antecedents.* Job characteristics are known to influence the onset of workplace deviance (Lau, Au, and Ho 2003; Robinson and Greenberg 1998). Positive job characteristics and organizational climates suppress deviant behaviors whereas negative characteristics and climates promote them. The first job-related antecedent we identified, work group norms, refers to whether employee deviance is a normal or accepted behavior among

employees in an organization (Greenberg 1997; Robinson and O'Leary-Kelly 1998). Two respondents noted, *"I do it because all the other servers do it"* and *"Other employees had told me how to do it and did it quite often."*

Previous research establishes a link between job satisfaction and numerous deviant workplace behaviors, including employee theft (Terris and Jones 1982), absenteeism (Bolin and Heatherly 2001), and sabotage (Jermier 1988). The following verbatim indicates job satisfaction also plays a role in sweethearting: *"I have never done this at previous jobs where I was actually satisfied with my work environment."*

Likewise, employees with a lack of organizational commitment are known to engage in deviant acts at a high rate (Hollinger, Slora, and Terris 1992; Randall 1987). Rationale for this relationship is that employees with future stakes in the organization have more to lose than more transient employees if they were to be caught (Hollinger 1986). Consider the following comment: *"To my employers, I was just a name in a time slot, so I had no loyalty to the store and hooked up customers in return."* Thus, we propose:

**H3:** Sweethearting frequency is greater when (a) it is consistent with established workgroup norms; (b) employee job satisfaction is lower; and (c) organizational commitment is lower.

*Deterrence Antecedents.* Although sweethearting appears to be a pervasive activity, we identified several ways to potentially deter the behavior. The first two deterrence antecedents have to do with the perceived threat of sanctions if an employee were to be caught sweethearting. These factors address two logical questions that an employee might consider; namely, (1) "Will I get caught?" and (2) "If I do get caught, how severely will I be punished?" The first question references punishment certainty. Employees who perceive a low likelihood of detection are more likely to engage in deviant acts (Kantor 1983). For example, one employee remarked, "My

*managers are completely oblivious.*” Another employee mentioned, *“Nobody ever seems to notice.”* The second question addresses punishment severity (Tittle 1980). As one employee stated, *“Some people have gotten fired over similar situations, so I don’t hook up customers anymore.”*

The third deterrence antecedent, job control, relates to the suppression of deviant behaviors through strategies that limit job autonomy. Prior studies show that employee theft is directly related to opportunities to steal (Hollinger and Clark 1983). Thus, unscrupulous employees who are given autonomy in their jobs are especially likely to engage in deviant behaviors (Murphy 1993). The following comment made by a restaurant employee exemplifies the effect of job control on sweethearting: *“I had complete control over seating and serving customers, so it was easy to do it.”* Based on the preceding evidence, we propose:

**H4:** Sweethearting frequency is greater when (a) detection is less certain; (b) punishment is less severe; and (c) employees have more control over their jobs.

*Interactions.* There is considerable evidence that, in addition to direct links, employee traits moderate the effects of situational factors on deviant behaviors (Cullen and Sackett 2003; Henle 2005). In other words, a specific employee trait may be associated with theft directly and also heighten the effect of a negative work environment on theft behaviors (Strutton and Lumpkin 1992). Of particular interest to this research is the opposite scenario whereby certain employee traits suppress the onset of sweethearting behavior (Colbert et al. 2004). We consider several such moderated relationships in an effort to highlight the breadth of trait effects on sweethearting and to identify important boundary conditions. The establishment of boundary conditions is particularly important for this research, as antecedents like financial gain and reciprocity are difficult for frontline managers to directly control. For other antecedents, the very act of controlling them may conflict with best practice. For example, efforts to limit employee

job control contradict research that indicates employees with some control over their jobs are less likely to become stressed and burned out (Singh 2000). Identification of measurable trait factors that suppress the allure of financial gain, reciprocal deals, and opportunistic behavior offers a means to manage sweethearting behavior without the negative repercussions associated with oppressive tactics like eliminating job control.

In making our predictions, we draw on literature that indicates deviant employee behavior is influenced by situational factors “only if such behavior is consistent with their personality traits” (Colbert et al. 2004, p. 599). We propose that need for social approval and risk-seeking tendencies are consistent with deviant behavior whereas personal ethics is inconsistent. With regard to personal ethics, employees with weak personal ethics may be more likely to take advantage of job control and opportunities for financial gain because they lack the protection from misdeeds afforded by a strong ethical code (Lau, Au, and Ho 2003).

Alternatively, employees with strong personal ethics would be less likely to take advantage of having control over their jobs and opportunities for financial gain, because doing so violates their personal codes of ethics. Thus, we propose:

**H5:** Personal ethics moderates the direct effects of (a) job control and (b) financial gain on sweethearting frequency such that the effects are weaker when personal ethics is strong.

As the employees in our exploratory study noted, reciprocal exchange carries a social obligation of compliance (Gouldner 1960). Receivers of sweethearting gifts often have a future obligation to reciprocate at their own frontline service jobs. Employees who violate this norm risk social sanctions, such as unpopularity and exclusion from peer groups (Cialdini 2007). We expect that such informal sanctions would be particularly troublesome to individuals with high need for social approval. In contrast, employees with low need for social approval should feel

less compelled to reciprocate and, hence, low need for social approval should suppress the effect of reciprocity on sweethearting. Thus,

**H6:** Need for social approval moderates the direct effect of reciprocity on sweethearting frequency such that the effect is weaker when need for social approval is low.

Like other forms of deviance, sweethearting occurs when favorable conditions exist and the perpetrators are willing to accept the risk of detection (Greenberg 2002). Opportunity and risk acceptance are therefore important building blocks for sweethearting, but both must be present for the seed to germinate. For example, risk-averse employees may have the opportunity to engage in sweethearting by having a certain amount of control over their jobs, yet they may be unwilling to accept even a minimal risk of detection. Thus, we expect that a low propensity for risk suppresses the effect of job control on sweethearting.

**H7:** Risk-seeking propensity moderates the direct effect of job control on sweethearting frequency such that the effect is weaker when risk-seeking propensity is low.

### **Sweethearting Model**

The model presented in Figure 1 was developed to assess the effects of the 11 antecedents on sweethearting frequency.

*Insert Figure 1 about here*

### ***Methods and Results***

*Measures.* Established measures were adopted for nine of the twelve variables in the model. Sweethearting frequency, financial gain, and reciprocity scales were developed for this study. A series of control variables were also included in the analyses. Details about the measures for the employee constructs are provided in the Appendix.

*Data Collection.* The employee and customer samples were drawn from various service companies in a medium-sized, metropolitan area. Due to the sensitive nature of the issues under

investigation, we adopted a snowball sampling design based on recommendations for snowball and chain referral sampling (e.g., Biernacki and Waldorf 1981; Zinkhan, Burton, and Wallendorf 1983) as well as precedents in the marketing and organizational behavior literatures. The recruitment of subjects and initiation of referral chains (Bennett and Robinson 2000; Groth, Hennig-Thurau, and Walsh 2009), survey design (Harris and Ogbonna 2002, 2006), and data collection procedures (Liao, Joshi, and Chuang 2004) were all based on previous research designs for the study of customer-employee dyads or deviant behaviors.

A team of students from an upper-level marketing research class screened and recruited respondents. Students are often used in sampling for deviant behaviors (e.g., Henle 2005; Trevino and Victor 1992), because they tend to have “privileged access” to desired respondents (Griffiths et al. 1993). In the case of sweethearting behavior, students are relatively young, which fits the profile of employees who are especially prone to deviant behaviors (Lau, Au, and Ho 2003) and they tend to be involved in active social networks with close access to frontline service employees.<sup>2</sup> Moreover, the use of confederates to start referral chains may provide more valid data than if researchers attempted to directly access respondents involved in deviant activities (Zinkhan, Burton, and Wallendorf 1983).

To gather the data, student recruiters identified one member of a sweethearting dyad and asked this person to complete a survey and then distribute a survey packet to the other member. The packet included a postage paid employee survey and four postage paid customer surveys. Anonymity was guaranteed in writing. Respondents were informed that the study was being conducted by academics not affiliated with, or paid by, any particular company. To ensure respondent validity, a callback verification process was used whereby student recruiters provided an independent listing of their key informant’s contact information and we subsequently

contacted 20% of the informants to validate that the surveys were properly distributed. Similar sampling and verification approaches have been used successfully in other investigations involving customer-employee relationships (e.g., Groth, Hennig-Thurau, and Walsh 2009).

The data collection process resulted in 185 service employee responses, of which 14 questionnaires (7.6%) were removed due to the presence of missing values. The demographic characteristics of the employees were typical for these service industries as reported by Brown, Cowles, and Tuten (1996) as well as the U.S. Bureau of Labor Statistics. The mean age of the employees was 22.4 years and they had an average tenure of 1.6 years with their firms. Forty-nine percent of the respondents were employed in restaurants, 19% in retail, 16% in other hospitality settings, 7% in pure service settings (e.g., cable television installation and repair, car washes, tanning salons), and 9% in other service industries.

*Assessment of the Measures.* Results of a confirmatory factor analysis (CFA) indicated that the measurement model provided a good fit to the data ( $\chi^2 = 1904.27$ ;  $df = 968$ ;  $CFI = .91$ ;  $SRMR = .06$ ;  $RMSEA = .06$ ). Moreover, follow-up analyses based on the recommendations of Fornell and Larcker (1981) provided support for the reliability, convergent validity, and discriminant validity of the constructs. See Table 1 for a complete reporting of the measurement statistics.

*Insert Table 1 about here*

*Tests for Common Method Bias.* To assess common method bias, we applied the marker variable assessment technique developed by Lindell and Whitney (2001) and Malhotra, Kim, and Patil (2006). This method involves the identification of the two lowest correlations ( $r = .0003$ ;  $.004$ ) among the manifest variables in the dataset. Using these correlations as estimates of method bias in the data, we calculated a discounted correlation matrix using the more

conservative method bias estimate ( $r = .004$ ) and compared it to the unadjusted matrix. Neither the significance nor the signs of any of the correlations changed across matrices, indicating that method bias does not pose a risk to the interpretation of the data.

*PLS Analysis.* We employed partial least squares analysis (PLS) to test H1 – H7. The results of the PLS analysis revealed that eleven of the fifteen hypothesized effects were significant and the model explained 57 percent of the variance in sweethearting frequency. Specifically, both remuneration factors ( $p < .05$ ), all three trait variables ( $p < .05$ ), two job-related factors (deviant work group norms and organizational commitment,  $p < .01$ ), and one deterrence factor (job control,  $p < .05$ ) had significant, direct effects on sweethearting frequency. Moreover, significant interactions were identified for the effects of financial gain (Personal Ethics\*Financial Gain,  $p < .05$ ), reciprocity (Need for Social Approval\*Reciprocity,  $p < .01$ ), and job control (Risk-Seeking\*Job Control,  $p < .05$ ) on sweethearting frequency. However, the interaction between personal ethics and job control (H5a) was not significant. Complete results of the hypothesis tests are presented in Table 2.

*Insert Table 2 and Figure 2 about here*

*Probing Interaction Effects.* To probe the three significant interactions, we calculated simple slopes at high and low levels of the moderators (Aiken and West 1991) and regions of significance for each interaction effect (Bauer and Curran 2005). We first calculated the simple slopes for the Personal Ethics\*Financial Gain interaction (H5b). As expected, results indicate that financial gain had weaker effects on sweethearting frequency at high levels of personal ethics ( $\beta = .03$ ,  $p > .05$ ) than low levels of personal ethics ( $\beta = .15$ ,  $p < .01$ ). In fact, at high levels of personal ethics, financial gain was not a significant driver of sweethearting frequency. Next, we estimated the regions of significance in an effort to assess the exact level of personal

ethics where the direct effect of financial gain on sweethearting was buffered. Results of the regions of significance testing are presented in Figure 2 and demonstrate that once personal ethics scores exceeded 6.20 on our 9-point scale, financial gain was not a significant predictor of sweethearting frequency.

Next, we calculated simple slopes and regions of significance for the Need for Social Approval\*Reciprocity interaction (H6). The results of the simple slopes calculations supported H6 in that reciprocity had a strong and significant effect on sweethearting frequency at high levels of need for social approval ( $\beta = .31, p < .01$ ), but was not a significant driver of sweethearting at low levels of need for social approval ( $\beta = .08, p > .05$ ). Regions of significance calculations revealed that when need for social approval was less than 4.26, the effect of reciprocity on sweethearting frequency became non-significant.

Finally, we probed the Risk-Seeking\*Job Control interaction (H7), which revealed that job control had a substantially weaker effect on sweethearting frequency at low levels of risk-seeking ( $\beta = .06, p > .05$ ) than high levels of risk-seeking ( $\beta = .23, p < .01$ ). Regions of significance testing demonstrated that if the level of risk-seeking was below 6.47, then job control no longer significantly influenced sweethearting frequency. We now turn to the customer consequences of service sweethearting.

### **The Customer-Side of Sweethearting**

Perhaps the most interesting and ironic aspect of the sweethearting phenomenon has to do with its impact on customer feedback about firms and frontline employees. Whereas other forms of workplace deviance have negative implications for key customer metrics (Harris and Ogbonna 2006), sweethearting appears to have positive effects. Sweetheart customers have close personal relationships with frontline workers (Price and Arnould 1999) and they receive exclusive

benefits provided at some risk to the employee and some cost to the firm. We expect these relationships and benefits to influence customers in much the same way as other contextual biases that inflate customer outcome measures (Peterson and Wilson 1992).

We make two key predictions with respect to the effects of sweethearting on firm-level outcome measures. The first prediction addresses why we expect sweethearting to have positive effects on firm evaluations whereas the second has to do with the locus of that effect.

Specifically, we propose that involvement in sweethearting triggers positive inequity and satisfaction with the employee. We further contend that the positive effects of sweethearting on firm outcomes are indirect; that is, they are fully mediated by satisfaction with the deviant employee. These and our other predictions are depicted in the second half of Figure 1 and discussed next.

### ***Model Development***

*Direct effects.* Equity theory (Adams 1963) provides clear support for an immediate customer response to involvement in a sweethearting exchange. Equity theory suggests that feelings of positive inequity result when the ratio of inputs to outcomes decreases relative to the perceived ratio of others. Thus, exchanges that require less of one customer in relation to other customers will result in positive inequity. In frontline exchanges where sweetheart customers receive free or discounted products and other customers pay full price, the sweethearts should feel as though their inputs to the exchange are reduced (i.e., they pay less or nothing) for the same types of outcomes. Thus, we propose:

**H8:** Involvement in a sweethearting dyad will directly increase customer perceptions of positive inequity.

In addition to enhanced perceptions of the exchange, sweethearting also has direct and positive implications for customer perceptions of the employee. Research in psychology

suggests that individuals show gratitude for intentionally rendered benefits that are valuable to the beneficiary and potentially costly to the benefactor (Emmons 2004). In turn, the beneficiary (i.e., the customer) reciprocates through actions that contribute to the future well-being of the benefactor (i.e., the employee) (McCullough et al. 2001). In the case of sweethearting behavior, the employee plays the role of the benefactor who risks financial and perhaps even legal recourse to provide a benefit to the customer. As the beneficiary of the exchange, the customer owes the employee a debt of gratitude, which often takes the form of social goodwill (Belk and Coon 1993). Because satisfaction is closely tied to feelings of goodwill (Oliver 1997), we expect elevated satisfaction levels for the employee involved in the sweethearting dyad.

**H9:** Involvement in a sweethearting incident will directly increase customer satisfaction with the employee.

*Mediation Effects.* The preceding processes detail how sweethearting triggers positive evaluations of the exchange (H8) and the employee (H9); however, noticeably missing from this discussion is the connection between sweethearting and the firm. Our attention here focuses on the nature of the positive baseline effect of sweethearting and, in particular, on whether its impact on firm evaluations is mediated by satisfaction with the employee.

Sweethearting involves an undisclosed interpersonal relationship that yields a positive imbalance for the customers involved in the exchange. Because the focal exchange partners in sweethearting transactions are the customer and the employee, not the firm, it stands to reason that the direct benefits derived from the positive inequity will be awarded to the primary partner (the employee) rather than the secondary partner (the firm). This circumstance is especially relevant for a sweethearting dyad because the firm is unaware of the employee's actions and, if known, would object to the transaction. Thus, we expect the effect of positive inequity on firm outcomes to be mediated by satisfaction with the employee.

**H10:** Satisfaction with the employee fully mediates the effect of positive inequity on customer evaluations of the firm (firm satisfaction, loyalty, and positive word-of-mouth intentions).

Given that the firm is the stakeholder that incurs the financial responsibility, rational decision models suggest that the firm should be the direct beneficiary of a customer's gratitude associated with a sweethearting exchange. However, as sociologists note, gratitude is neither efficient nor rational (Camerer 1988). Gratitude is tied closely to assessments of the sacrifice and effort required to provide a gift whereas monetary value is a secondary consideration in assigning indebtedness.

In the case of sweethearting, although the firm bears the financial burden of the exchange, the employee is responsible for the risk and sacrifice associated with the provision of the free service. We therefore expect the employee to absorb the customer's goodwill, which is then transferred to the firm. Similar relationships have been documented in the customer relationship management and sales literatures (e.g., Bendapudi and Leone 2002; Reynolds and Beatty 1999) whereby satisfaction with the employee is transferred to aggregated evaluations of the firm (Reynolds and Beatty 1999).

**H11:** Satisfaction with the employee fully mediates the effect of sweethearting on customer evaluations of the firm (firm satisfaction, loyalty, and positive word-of-mouth intentions).

### ***Methods and Results***

*Customer Sampling.* The customer data were derived from the same collection effort used to gather the employee data. Because our primary objectives were to (1) explore differences in employee and firm evaluations across sweethearts and non-sweethearts and (2) test the process by which involvement in a sweethearting transaction impacts firm-level evaluations, the customer data collection was designed as a quasi-natural experiment (Meyer 1995). Specifically, we employed a field manipulation where we explicitly targeted two different types

of customers: sweethearts and a control group. This approach allowed for a controlled test of sweethearting effects by limiting the potential noise associated with a population of randomly selected customers.

To implement this design, employees identified in part one of the study were instructed to give surveys described as customer satisfaction assessments to two customers involved in a sweethearting incident and two customers who were not involved. Customers who were not members of a sweethearting dyad were control subjects used to develop baseline levels for evaluations of the employees and firms. All surveys were identical with the exception of a numeric label that allowed for the identification of dyad members but not for the identification of the names of the employee or customers. All participants were asked to complete the survey, seal it in the provided envelope, and to return it to the researchers. This process resulted in 610 usable customer responses of which 302 were sweetheart customers and 308 were control customers. The sweetheart customer group had an average age of 23.7 years whereas the control customer group had an average age of 24.9 years.

*Measures.* Customer involvement in a sweethearting dyad was operationalized via a binary variable created from a code embedded in the survey identification numbers. Customers involved in a dyad were coded with a “1” and non-sweethearts (the control group) were coded with “0.” Established measures from the customer satisfaction and loyalty literatures were used to measure the other constructs in the research model (see the Appendix). An inequity scale was used as a manipulation check of the field manipulation. As expected, the sweetheart group reported significantly higher levels of positive inequity ( $M_{\text{sweethearts}} = 7.14$ ) than the control group ( $M_{\text{control}} = 5.32$ ;  $p < .01$ ).

*Assessments of Measures.* A comprehensive CFA was conducted to assess the customer

measures. The model provided good fit to the data ( $\chi^2 = 219.61$ ;  $df = 94$ ;  $CFI = .99$ ;  $SRMR = .02$ ;  $RMSEA = .05$ ). With respect to reliability and validity, all scales demonstrated adequate reliability, convergent validity, and discriminant validity based on Fornell and Larcker's (1981) criteria. Complete scale statistics are provided in Table 1.

*Tests for Common Method Bias.* Because the measures of the endogenous variables were collected from a single source, we assessed them for method bias using the same tests employed in the employee sample. The results suggested that method bias did not pose a risk to the interpretation of the results, as neither the sign nor significance of the values in the adjusted correlation matrix (second lowest  $r = .002$ ) differed from the original correlation estimates.

The customer consequences model was tested in two sequential steps. First, we established baseline effects of sweethearting on firm outcomes using MANOVA. In the second phase, we used hierarchical linear modeling (HLM) to examine the process by which these positive effects occurred.

*Baseline Effects.* Our predictions rest on the assumption that sweethearting has positive effects on firm-level customer assessments via its impact on employee evaluations. We began by testing the firm-level effects using MANOVA, where the binary sweethearting involvement variable was the fixed factor and the employee and firm-level outcomes were the dependent variables. Results indicated that sweethearts had significantly ( $p < .01$ ) more favorable assessments of, and intentions toward, both the employees ( $M_{\text{employee satisfaction}} = 8.00$ ) and the firm ( $M_{\text{firm satisfaction}} = 7.51$ ;  $M_{\text{firm loyalty}} = 6.59$ ;  $M_{\text{positive word-of-mouth}} = 7.25$ ) than non-sweethearts ( $M_{\text{employee satisfaction}} = 7.11$ ;  $M_{\text{firm satisfaction}} = 7.04$ ;  $M_{\text{firm loyalty}} = 6.01$ ;  $M_{\text{positive word-of-mouth}} = 6.85$ ). These results suggest that not accounting for sweethearting in customer experience surveys could inflate a firm's satisfaction, loyalty, and word-of-mouth scores by 6.7%, 9.6%, and 5.8%,

respectively. Moreover, customer satisfaction with employees could be inflated by 12.5%. With the baseline effects established, we turn to the relationships specified in the four research hypotheses.

*Analysis of the Research Model.* Given that customer responses were nested within employees, we adopted Hierarchical Linear Modeling (see Raudenbush and Bryk 2002) to test H8 – H11. The first level of data consisted of the 610 customers who provided assessments of positive inequity, satisfaction with the employee, satisfaction with the firm, loyalty to the firm, and positive word-of-mouth intentions. The second level consisted of the 171 employees' self-reports of sweethearting frequency. As a result, the Level-1 data may vary within employees and the Level-2 results demonstrate differences between employees not accounted for at the customer level.

We began by estimating null models and calculating intraclass correlation coefficients for each Level-1 variable. This first step established the percentage of variance at each level of analysis. Then, we estimated a series of equations that included all Level-1 predictors as fixed effects and sweethearting frequency as a Level-2 predictor of the Level-1 intercept. This approach allowed us to control for the potential effects of sweethearting frequency on the mean values of all outcome variables, thus providing a more conservative test of the Level-1 relationships. Based on the recommendations of Hoffman, Griffin, and Gavin (2000), Level-1 predictors were centered at individuals' (i.e., customers') means and the Level-2 variable (sweethearting frequency) was grand mean centered.

*Variance Decomposition.* We estimated null models for each endogenous, Level-1 variable. The results suggested that little variance was present at Level-2 for inequity (0.16%) and satisfaction with the employee (5.00%), but a significant amount of variance existed at the

employee level for the ultimate dependent variables (satisfaction with the firm = 12.73%; loyalty to the firm = 14.91%; positive word-of-mouth = 20.77%). Because of the variance at Level-2 for the three outcome variables, HLM is an appropriate form of analysis, as it takes into account the nonindependence in the data and allows for the controlled testing of variance explained by employee- and customer-level variables.

*Hypothesis Testing.* We first tested the direct effects (H8 and H9) by estimating two equations. The results, shown in the top panel of Table 3, provided support for both H8 and H9. Specifically, sweethearting involvement had a significant and direct effect on perceptions of positive inequity (H8). Due to the binary coding of the sweethearting involvement variable, the unstandardized coefficient of 1.92 indicates that perceptions of inequity averaged 1.92 scale points higher for sweethearts than for non-sweethearts and this difference was significant ( $p < .01$ ), thus supporting H8. Sweethearting involvement ( $\beta = 0.28, p < .05$ ) also significantly influenced customer satisfaction with the employee (H9). Because these results lie at Level-1, they reveal that, for customers interacting with the same employee, sweethearts perceived greater positive inequity and were more satisfied with that employee than non-sweethearts, and these results were not confounded by differences between employees.

*Insert Table 3 about here*

Next, we formally examined the mediation effects introduced in H10 and H11 using the approach introduced by Zhao, Lynch, and Chen (2010). Results revealed that the indirect effects (via satisfaction with the employee) of both sweethearting involvement and perceptions of inequity were significant on the three outcome variables ( $p < .05$ ). However, neither independent variable had a significant direct effect on the outcomes ( $p > .05$ ), which provides evidence of indirect-only mediation (i.e., full mediation) and support for H10 and H11. These

results further suggest that omission of an alternative mediator is unlikely (Zhao, Lynch, and Chen 2010). Complete results from the mediated model are presented in the bottom panel of Table 3.

### **Discussion**

Close customer-employee relationships are known to increase customer satisfaction and stimulate positive word-of-mouth. However, our study reveals a potential dark side to these relationships that presents itself in the form of the precise benefits that close relationships are suggested to produce. Specifically, our results reveal that customers involved in sweethearting dyads provide inflated satisfaction, loyalty, and positive word-of-mouth scores, any of which could bias benchmarking efforts or disrupt employee rewards programs. In the worst-case scenario, managers could end up rewarding the very employees responsible for up to 35% of profit losses.

Our employee model provides first-ever insights into antecedents and moderators of sweethearting behavior and, in turn, offers guidance to managers who may be struggling to address the problem. These findings are important because sweethearting forces managers to maintain a precarious balance between encouraging strong bonds with customers and the reality that some of these close relationships will hurt the firm's bottom line. The results of our moderation analysis suggest that at least three measurable employee traits buffer sweethearting frequency. Taken together with the direct effects of other measurable or controllable factors, our results indicate that it may be possible to curtail sweethearting before it begins. We discuss the implications of these findings next.

### **Managerial Implications**

Customer and employee deviant behaviors are a growing problem for retailers. For

example, shrinkage and other losses at the point of sale increased 5.9% globally from 2008-2009, accounting for 1.4% of global retail sales (Bamfield 2009). Retail managers responded to the problem in 2010 by increasing spending on loss prevention by almost 10% (Bamfield 2010). Our research addresses an inconspicuous and illusive behavior that accounts for a large percentage of these losses (Tarnowski 2008).

A general conclusion from our findings is that managing sweethearting requires adjustments to established deterrence strategies. Our results indicate that the threat of punishment, even relatively severe punishment, has little influence on sweethearting frequency. Moreover, because sweethearting involves collaboration between customers and employees, traditional theft paradigms where employees are pitted against devious customers do not apply. Our recommendations are aimed at managers looking for solutions to sweethearting that do not involve oppressive regulations for frontline employees. We also offer insights on the magnitude and management of the effect of sweethearting on key customer metrics.

*Profiling Frontline Employees.* Because frontline service workers represent the firm to customers and account for a large portion of the variance in customer assessments (Rust, Zahorik, and Keiningham 1996), managers are interested in identifying the trait profile of an ideal frontline worker. Prior research has addressed this topic largely from the perspective of the Big Five personality traits wherein extroversion (Hurley 1998; Liao and Chuang 2004), agreeableness (Brown et al. 2002; Frei and McDaniel 1998), and conscientiousness (Brown et al. 2002) are hallmarks of successful frontline workers. Our research indicates that managers looking to control sweethearting among frontline workers should consider a broad range of trait factors. For example, firms that use pre-employment screening tests can head off sweethearting if they add measures of personal ethics and need for social approval and then target applicants

who are high and low on these scales, respectively. Our findings show that these specific trait profiles buffer remuneration motivations for sweethearting. Along these lines, managers who wish to allow for frontline worker autonomy while minimizing the frequency of sweethearting activity should consider avoiding applicants at the very high end of the risk-seeking scale. Although these preventative steps might not eliminate sweethearting entirely, our research indicates that they may provide an effective buffer that circumvents the need to implement oppressive security measures that alienate all frontline workers.

*Frontline Worker Training.* In response to the growing threat from shrinkage losses, over 90% of retail firms increased spending on worker training in 2010 and over 75% expect this trend to continue in 2011 (Bamfield 2010). Our results for personal ethics indicate that managers should amend training programs to include discussions on personal integrity and the consequences of deviant behaviors, like sweethearting. Building on the conclusions of Mazar and Ariely (2006), contextual cues can be implemented at the point of sale that remind workers of their ethical obligations. Such cues are known to activate employees' self-awareness, which can reduce participation in deviant acts (Mazar and Ariely 2006).

*Sweethearting and Key Customer Metrics.* Results from the customer model demonstrate that sweethearting leads to significantly higher scores on customer metrics for both the confederate employee and, to a lesser extent, the service firm. Specifically, our results indicate that, on average, sweethearting inflates firm-level satisfaction scores by about 7 percent. A gap of this magnitude is greater than the relative difference in customer satisfaction between the best and worst full service restaurants in the American Customer Satisfaction Index (ACSI). Moreover, sweethearting inflates customer satisfaction with confederate employees by over 12%. Frontline managers should therefore be wary of using raw satisfaction scores as the lone criterion

to reward employees. Adding internal criteria like productivity measures and rewards for helping other staff members are good ways to avoid rewarding the wrong behaviors.

Managers should also be aware of how sweethearting deterrence efforts can affect customer satisfaction programs. Results from the mediation analyses in the customer data (Hypotheses 10 and 11) demonstrate that any positive effect of sweethearting is filtered through satisfaction with the collusive employee. In other words, the positive firm benefit appears to be tied to a frontline worker that the firm would rather not employ. As a result, firms that terminate deviant employees or invest in surveillance technology to eradicate sweethearting will likely experience a temporary decline in frontline service measures. It is important for managers to resist the temptation to over-correct for short-term changes in satisfaction scores that may be symptoms of positive change in the organization.

### **Theoretical Implications and Future Research**

This study investigates a previously unexplored and very costly behavior that has a unique array of motivations and incorporates concepts drawn from several literatures. Accordingly, there are numerous research implications that we discuss next.

*Customer-Employee Relationships.* Our investigation extends understanding of the breadth and depth of frontline service exchanges. Whereas most prior research on service interactions focuses on professional relationships that develop between customers and employees (e.g., Price and Arnould 1999), our study recognizes that personal relationships may exist before the professional relationship begins. The potential for these existing relationships to change the dynamics of the service exchange provides a fruitful area for future research. For example, it may be the case that services provided by friends produce beneficial effects like the ones noted for customer participation in co-production (Bendapudi and Leone 2002).

*Social Exchange.* Our study considers a broader set of social exchange resources than those typically examined in customer experience research. Like other customer-employee exchanges, goods, services, and monetary payments are transferred in sweethearting transactions. However, unlike normal business transactions, social status, reciprocal expectations, and supplemental employee compensation are also transferred. These findings highlight the need to consider a wider range of resources when assessing marketing exchanges. Future research should examine more deeply these resources and their relative value to customers. In particular, future studies should examine whether the type and level of resource (e.g., a free physical good, free service, upgrade, discount) influences customer metrics differently.

*Boundary Conditions.* Our results reinforce the need to consider boundary conditions when modeling frontline interactions and deviant behaviors. Employee trait variables proved to have significant moderating effects on several direct relationships in the research model and the regions of significance analyses give an indication of the point at which the relationships become nonsignificant. Thus, failure to account for boundary conditions could lead to erroneous conclusions about sweethearting motivations and their relative effects on behavior. Future research could focus on extending this line of inquiry to understand how other trait variables, such as desire for decision latitude (Bone and Mowen 2010), may affect sweethearting behavior. Future studies could also embrace experience sampling designs that focus on tracking sweethearting dyads over time in an effort to understand how they develop and how certain situational factors – or combinations thereof – trigger a sweethearting incident. Longitudinal designs like this would allow researchers to discern changes in sweethearting frequencies within-employees and examine how they map to changes in customer satisfaction and loyalty scores.

*Service Theft.* Finally, our research indicates that service employees and customers may

downplay the moral and ethical ramifications of service theft vis-à-vis physical goods theft. This is particularly true for services with intangible core products. Because there is no obvious cost of goods sold, employees and customers seem to view service theft as a “no sum lost” scenario for the firm. A study that addresses these viewpoints and identifies strategies to counteract them will have value for service managers.

### **Conclusion**

Ultimately, this research illuminates a dark side to close employee-customer relationships and suggests that marketing researchers and managers adopt a broader view of social exchange in service transactions. Due to the potential negative side effects of these commercial friendships, marketing managers must more carefully consider how they recruit, train, and supervise customer contact personnel. Doing so will allow firms to leverage the benefits of close relationships while limiting the potential damaging effects of deviant acts like sweethearting. We encourage future research on sweethearting and other topics that bridge the divide between marketing and other disciplines.

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### Footnotes

<sup>1</sup> We note that sweethearting collaboration does not have to involve a prior arrangement known in advance, but that customers have to be complicit in the act. For example, a frontline employee who comes across a friend unexpectedly and then offers free benefits is engaging in sweethearting. Alternatively, an employee who offers free benefits to an unwitting customer, perhaps as retaliation to the firm, is engaging in a form of organizational retaliation (Skarlicki and Folger 1997) or workplace aggression (Baron and Neuman 1996).

<sup>2</sup> We acknowledge that our sampling method is likely to emphasize relatively young frontline service workers who are involved in active social networks. Although this sample profile may not match all frontline service workers, it does match the profile of frontline employees who are likely to engage in this particular form of deviant behavior (Hollinger and Clark 1983; Lau, Au, and Ho 2003), thus providing a valid sample frame for our study.

**TABLE 1**  
**Scale Statistics: Means, Standard Deviations, Measure Reliabilities, Average Variances Extracted, and Correlations**

Employee Sample															
Variable	Mean	SD	MR	AVE	1	2	3	4	5	6	7	8	9	10	11
1. Sweethearting Frequency	5.22	1.83	.86	.56											
2. Risk Seeking Propensity	6.43	1.51	.79	.57	0.34										
3. Personal Ethics	6.04	1.51	.85	.60	-0.27	-0.21									
4. Need for Social Approval	5.16	1.54	.79	.50	0.16	0.00	0.28								
5. Financial Gain	3.93	2.95	.98	.93	0.44	0.22	-0.30	-0.04							
6. Reciprocity	5.74	2.25	.90	.70	0.52	0.38	-0.31	0.04	0.48						
7. Job Satisfaction	5.94	1.91	.86	.67	-0.03	-0.08	0.33	0.18	-0.19	-0.14					
8. Organizational Commitment	3.48	1.88	.86	.61	-0.12	-0.20	-0.03	-0.24	-0.06	-0.07	0.29				
9. Deviant Workgroup Norms	4.96	1.83	.85	.59	0.53	0.31	-0.21	0.09	0.33	0.45	-0.06	0.01			
10. Job Control	5.39	1.95	.76	.51	0.20	0.15	0.19	0.16	0.28	0.08	0.15	0.18	-0.06		
11. Punishment Severity	5.13	2.27	.94	.77	-0.04	0.02	-0.04	-0.06	0.08	0.00	-0.17	0.24	-0.10	-0.07	
12. Punishment Certainty	4.03	1.82	.89	.61	-0.13	-0.04	0.22	0.04	-0.04	-0.01	0.04	0.07	-0.15	0.06	0.35
Customer Sample															
Variable	Mean	SD	MR	AVE	1	2	3	4	5						
1. Sweethearting Involvement	0.50	0.50	NA	NA											
2. Perceptions of Inequity	6.24	1.98	.96	.86		0.46									
3. Satisfaction with Employee	7.56	1.64	.94	.86		0.27	0.36								
4. Satisfaction with the Firm	7.29	1.66	.96	.89		0.15	0.18	0.67							
5. Loyalty to the Firm	6.31	2.08	.95	.86		0.14	0.15	0.47	0.66						
6. Positive Word-of-Mouth	7.05	1.81	.97	.91		0.11	0.13	0.54	0.71	0.75					

*Note:* SD = Standard Deviation; MR = Measure Reliability; AVE = Average Variance Extracted; In the employee sample all correlations greater than 0.14 are significant ( $p < .05$ ); In the customer sample all correlations are significant ( $p < .01$ )

**TABLE 2**  
**PLS Results for the Sweethearting Antecedents Model**

Predictor	Coefficient
<i>Remuneration Factors</i>	
H1a: Reciprocity <sup>†</sup>	.26**
H1b: Financial Gain <sup>†</sup>	.13*
<i>Trait Factors</i>	
H2a: Need for Social Approval	.13*
H2b: Risk Seeking	.12*
H2c: Personal Ethics	-.15*
<i>Job-Related Factors</i>	
H3a: Deviant Workgroup Norms	.27**
H3b: Job Satisfaction	.07 <sup>ns</sup>
H3c: Organizational Commitment	-.14**
<i>Deterrence Factors</i>	
H4a: Punishment Certainty	-.04 <sup>ns</sup>
H4b: Severity of Punishment	-.02 <sup>ns</sup>
H4c: Job Control <sup>†</sup>	.14*
<i>Interaction Effects</i>	
H5a: Personal Ethics x Job Control	.01 <sup>ns</sup>
H5b: Personal Ethics x Financial Gain	-.11*
H6: Need for Social Approval x Reciprocity	.18**
H7: Risk Seeking x Job Control	.15*
<b>R<sup>2</sup></b>	<b>.57</b>

Notes: \* =  $p < .05$ ; \*\* =  $p < .01$ ; ns = non-significant

† indicates the effect is qualified by an interaction

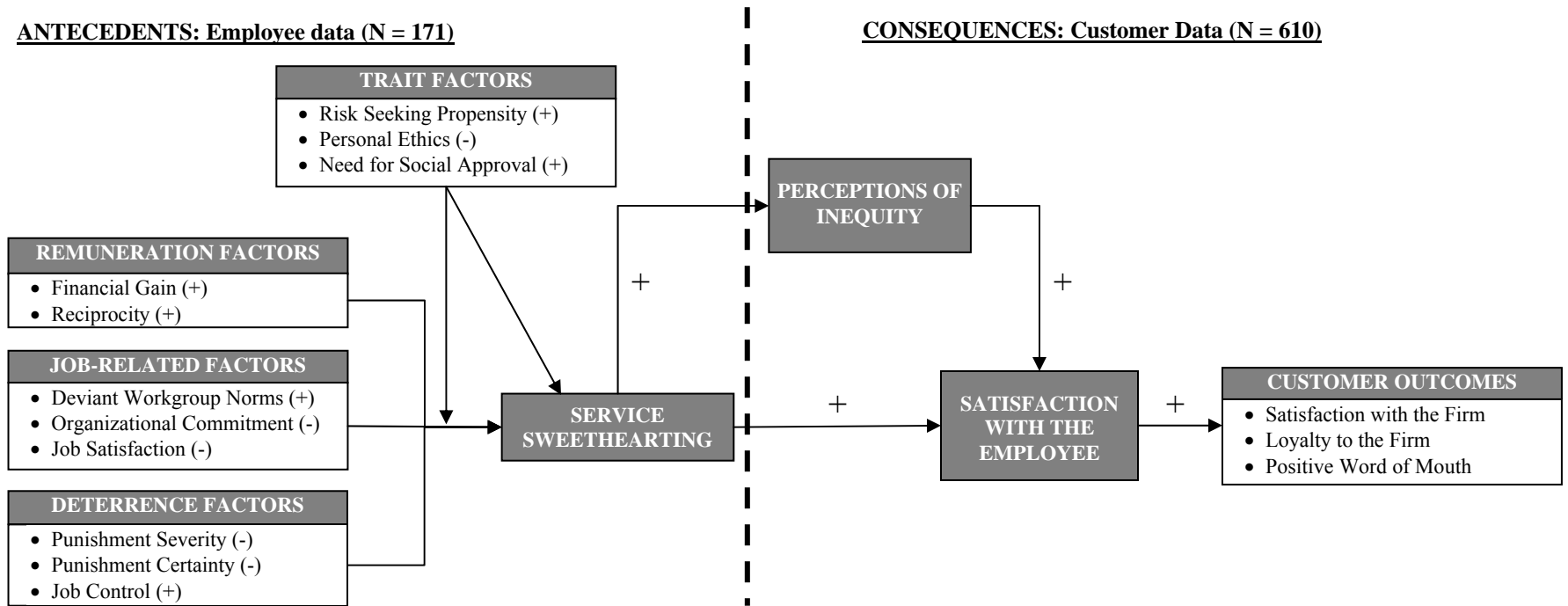
**TABLE 3**  
**HLM Results for Customer Consequences Model**

<b>Effects of Sweethearting Involvement on Perceptions of Inequity and Satisfaction with the Employee</b>	
<b>Predictor</b>	<b>Coefficient</b>
<i>Dependent Variable = Perceptions of Inequity</i>	
Intercept ( $\beta_0$ )	6.30**
Sweethearting Frequency (Level 2) ( $\gamma_{01}$ )	0.05
Sweethearting Involvement ( $\beta_1$ )	1.92**
<i>Dependent Variable = Satisfaction with the Employee</i>	
Intercept ( $\beta_0$ )	7.59**
Sweethearting Frequency (Level 2) ( $\gamma_{01}$ )	0.04
Sweethearting Involvement ( $\beta_1$ )	0.28*
Perceptions of Inequity ( $\beta_2$ )	0.32**
<b>Mediated Models</b>	
<b>Predictor</b>	<b>Coefficient</b>
<i>Dependent Variable = Satisfaction with the Firm</i>	
Intercept ( $\beta_0$ )	7.32**
Sweethearting Frequency (Level 2) ( $\gamma_{01}$ )	0.08*
Sweethearting Involvement ( $\beta_1$ )	-0.04
Perceptions of Inequity ( $\beta_2$ )	-0.03
Satisfaction with the Employee ( $\beta_3$ )	0.69**
<i>Dependent Variable = Loyalty to the Firm</i>	
Intercept ( $\beta_0$ )	6.33**
Sweethearting Frequency (Level 2) ( $\gamma_{01}$ )	0.07
Sweethearting Involvement ( $\beta_1$ )	0.03
Perceptions of Inequity ( $\beta_2$ )	0.02
Satisfaction with the Employee ( $\beta_3$ )	0.60**
<i>Dependent Variable = Positive Word-of-Mouth</i>	
Intercept ( $\beta_0$ )	7.02**
Sweethearting Frequency (Level 2) ( $\gamma_{01}$ )	0.08
Sweethearting Involvement ( $\beta_1$ )	0.13
Perceptions of Inequity ( $\beta_2$ )	0.01
Satisfaction with the Employee ( $\beta_3$ )	0.61**

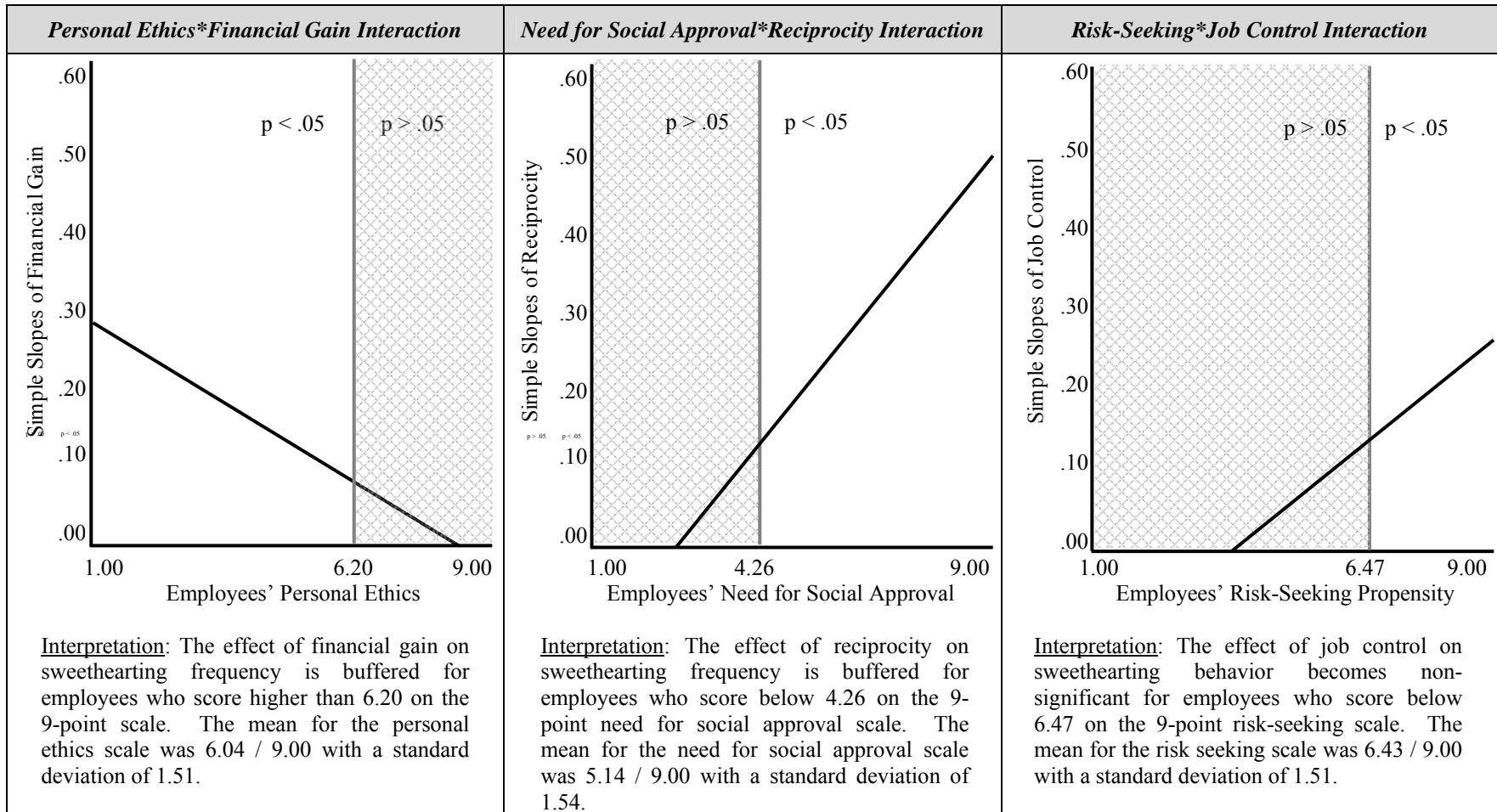
Notes: Coefficient = unstandardized regression coefficient obtained in HLM

\* =  $p < .05$ ; \*\* =  $p < .01$ ;

**FIGURE 1**  
**Antecedents and Customers Consequences of Service Sweethearting**



**FIGURE 2**  
**Plots of the Regions of Significance for the Simple Slopes of Independent Variables on Sweethearting Frequency**



Note: Simple slope estimates in the shaded area are not significant ( $p > .05$ ).

## APPENDIX MEASUREMENT

### Employee Measures

#### *Overview of Measures*

All constructs were measured using 9-point scales and anchored by 1 = “Strongly Disagree” and 9 = “Strongly Agree” unless otherwise noted.

*Sweethearting Frequency* was measured using five items developed for this study and based on measures for similar behaviors, such as altruistic property deviance (Hollinger, Slora, and Terris 1992), socially-based theft (Hawkins 1984) and property deviance (Hollinger 1986). Based on the results of a pretest, we removed one item and the resulting five-item scale offered a pretest reliability estimate of .90. The items assessed the frequency at which employees engaged in sweethearting behaviors and were anchored by 1 = “Never” and 9 = “All the Time.”

1. How often do you give away goods and services to friends?
2. How often do you intentionally undercharge customers for services?
3. How often do you hook your friends up with free or discounted goods and services?
4. How often do you provide some customers with goods and services that they didn't pay for?
5. How often do you hook up people that you like?

*Risk Seeking Propensity* was measured using three items adapted from a scale developed by Simpson and Joe (1992).

1. I like to take chances.
2. I like to do things that are exciting.
3. I like friends that are wild.

*Personal Ethics* was measured using Vitell, Rallapalli, and Singhapakdi's (1993) four-item scale. These items measured the extent to which an employee believes that one should adhere to moral standards and regulations.

1. One should always adhere to all applicable laws and regulations.
2. I try to be ethical in everything that I do.
3. One must always be honest in serving consumers.
4. One should not knowingly participate in unethical behavior.

*Need for Social Approval* was measured using four items from a scale constructed by Lennox and Wolfe (1984). The need for social approval scale measures the extent to which a person is driven by their desire to be accepted by their peers.

1. The slightest look of disapproval in the eyes of a person with whom I am interacting is enough to make me change my approach.
2. It is important to me to fit into the group that I am with.
3. My behavior often depends on how I feel others want me to behave.
4. If I am the least bit uncertain as to how to act in a social situation, I look to the behavior of others for cues.

*Financial Gain* was measured using three items developed for this study. The items were developed based on interviews with service employees and managers and then pretested. All items were retained throughout pretesting and the resulting three-item scale offered a pretest reliability estimate of .96. The items assessed the extent to which employees feel that they can make additional money by engaging in sweethearting.

1. I can increase my pay by giving away free goods and services.
2. When I hook my friends up, I make more money that way.
3. By hooking up friends and acquaintances, I can make extra money.

*Reciprocity* was measured using four items developed for this study. Prior to conducting the final data collection, five items were developed based on interviews with service employees and managers and then pretested. Based on the results of a pretest, one item was removed and the resulting four-item scale offered a pretest reliability estimate of .94. The items assess whether a reciprocal exchange relationship may exist with other service employees.

1. If I hook up a customer, then the customer will return the favor when I visit them at work.
2. I hook up my friends because my friends hook me up in return.
3. By giving away free goods and services to friends or acquaintances, I know that they will be more likely to give me something in return.
4. My friends and I hook each other up whenever we can.

*Job Satisfaction* was measured using three items from the scale used by Hartline and Ferrell (1996). The items were anchored by 1 = “Very Dissatisfied” and 9 = “Very Satisfied.” These items assessed the degree to which the employee was satisfied with various aspects of their job.

1. How satisfied are you with your overall job?
2. How satisfied are you with your supervisor(s)?
3. How satisfied are you with your organizational policies?

*Organizational Commitment* was measured using four items from studies by Hunt, Chonko, and Wood (1985) and Hunt, Wood, and Chonko (1989).

1. I would be willing to change companies if the new job offered a pay increase. (R)
2. I would be willing to change companies if the new job offered more creative freedom. (R)
3. I would be willing to change companies if the new job offered more status. (R)
4. I would be willing to change companies if the new job was with people who were more friendly. (R)

*Work Group Norms* were measured using four items based on a scale introduced by Beattie, Longabough, and Fava (1992). These items assessed the extent to which sweethearting was a common behavior in the workplace.

1. Members of my work group typically talk about hooking up their friends with free goods and services.
2. The people I work with usually give discounts to people they know.
3. It is normal for employees of my firm to give products away to customers that they like.
4. If another employee saw me giving away free products, s/he would react positively.

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Note: (R) indicates the scale is reverse-scored.

*Job Control* was measured using three items from Dwyer and Ganster's (1991) scale. The items were anchored by 1 = "None" and 9 = "Very Much."

1. In general, how much overall control do you have over work and work-related matters?
2. How much control do you have over job tasks?
3. How much control do you have over the amount you earn at your job?

*Punishment Severity* was measured by five items based on the work of Hollinger and Clark (1983). Employees were provided a series of activities related to sweethearting behaviors and asked to identify how severe the punishment would be for the behavior described in each of the five items. The items were assessed using a nine-point scale that was anchored by 1 = "Nothing at All" and 9 = "Fired."

Which response reflects the most common punishment you would receive if you were caught...

1. Giving away goods and services to friends.
2. Providing products to certain customers at unauthorized discounts.
3. Intentionally undercharging customers for their service.
4. Hooking your friends up with discounted goods and services.
5. Providing some customers with goods and services that they didn't pay for.

*Punishment Certainty* was measured using five items adapted from a scale developed by Robinson and O'Leary-Kelly (1998) that assessed the risk and likelihood of detection for theft behavior. The items were assessed using a nine-point scale that was anchored by 1 = "Very Unlikely" and 9 = "Very Likely."

How likely is it that you would get punished for intentionally...

1. Giving away goods and services to friends.
2. Providing products to certain customers at unauthorized discounts.
3. Intentionally undercharging customers for their service.
4. Hooking your friends up with discounted goods and services.
5. Providing some customers with goods and services that they didn't pay for.

*Control Variables* were also included in the survey instrument. Specifically, one question was included to assess each of the following control variables.

1. Industry – Please describe the type of service firm where you are employed.
2. Tenure – How long (in months) have you been working at this firm?
3. Interpersonal Equity - My supervisor does not treat me fairly.
4. Guilt – I feel guilty about hooking up my friends.

## Customer Measures

### Overview of Measures

All constructs were measured using 9-point scales and were anchored by 1 = “Strongly Disagree” and 9 = “Strongly Agree” unless otherwise noted.

*Involvement in Sweethearting* was coded following the data collection based on identification numbers in consumer surveys. Customers involved in a sweethearting relationship were coded as “1s” and customers not involved in sweethearting were assigned “0s.”

*Perceptions of Inequity* were measured using four semantic differential items based on a study by Oliver and Swan (1989) that assessed the extent to which a customer received inequitable treatment.

1. Other customers got a better deal than me.....I got a better deal than other customers
2. Other customer got more than they deserved.....I got more than I deserved
3. Other customers got more benefits than me.....I got more benefits than other customers
4. Other customers received greater outcomes.....I received greater outcomes

*Customer Satisfaction* with employees and the firm was measured with three items from Oliver’s (1980) consumption satisfaction scale.

1. I am happy that I got service from this employee (service firm).
2. I am satisfied with my decision to get service from this employee (service firm).
3. I think I did the right thing when I got service from this employee (service firm).

*Customer Loyalty* to the firm was measured using three items based on Zeithaml, Berry and Parasuraman’s (1996) behavioral intentions battery.

1. I am loyal to this service firm.
2. This service firm is my first choice when I purchase this type of service.
3. I am dedicated to doing business with this service firm.

*Positive Word-of-Mouth Intentions* was measured using three items based on Zeithaml, Berry and Parasuraman’s (1996) behavioral intentions battery.

1. I will recommend visiting this service firm to friends.
2. I will say good things about this service firm to others.
3. I will encourage friends and relatives to visit this service firm.