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SERVICE WITH A SMILE: EMOTIONAL CONTAGION IN THE SERVICE ENCOUNTER

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This study focuses on the antecedents and consequences of displayed emotion in organizations. I propose that customers "catch" the affect of employees through emotional contagion processes. Results indicate that the display of positive emotion by employees is positively related to customers' positive affect following service encounters and to their evaluations of service quality. In a replication and extension of prior research, transaction busyness and employee emotional expressiveness are shown to predict displays of emotion by employees.

A professional acts as they must, not as they feel.

Posted at the research site

Emotional labor requires the "expression of organizationally desired emotions during interpersonal transactions" (Morris & Feldman, 1996: 987). Thus, the quote above, taken from a sign in the employee lunchroom of the retail bank studied in the present investigation, reminds employees of the emotional requirements of their job. Yet this quote may contradict research on emotional labor that indicates the way one "feels" does influence the way one "acts" toward customers (Van Maanen & Kunda, 1989). One purpose of this study was to explore the veracity of the above quote. Simply stated, the present study is about how employees feel and how they act toward customers. Further, this study is also about how employee actions make customers feel and about how what customers feel influences what they think about an organization. To use more precise language, I focused on employees' displayed emotions, on antecedents of displayed emotions, and on how the display of emotion by employees influences customer affect and customer judgments of service quality. These issues are important to scholars and practitioners because they inform understanding of the connection between service organization employees and customers. Popular concepts, such as the "service-profit chain" (Heskett, Sasser, & Schlesinger, 1997), suggest links between employee attitudes, customer satisfaction, and ultimately, organizational profits, but empirical research on the connections between employees and customers during service transactions is lacking. In the present study, I strove to advance knowledge about the role of emotion in employee-customer linkages.

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THEORY AND HYPOTHESES

Research on Emotion in Organizations

In her seminal study, Hochschild (1983) described the expression of emotion and creation of feelings that were an expected part of flight attendants' work roles, an aspect of the job she termed "emotional labor." Jobs involving emotional labor are defined by Hochschild as those that (1) require face-to-face or voice-to-voice contact with the public, (2) require the worker to produce an emotional state in another person, and (3) "allow the employer . . . to exercise a degree of control over the emotional activities of employees" (1983: 147). This work has been expanded in the organizational literature, most notably by Rafaeli and Sutton (Rafaeli, 1989; Rafaeli & Sutton, 1989, 1990; Sutton, 1991; Sutton & Rafaeli, 1988). In their theoretical framework, these researchers propose two primary determinants of the emotions expressed by a role occupant: first, societal, occupational, and organizational norms, and second, characteristics of the role occupant, including dispositions and inner feelings on the job (Rafaeli & Sutton, 1989).

Subsequent research has supported the role of norms as an influence on displayed emotions (Rafaeli & Sutton, 1990; Sutton, 1991), but a number of theorized relationships between individual characteristics and the display of emotion remain untested. First, researchers have posited that dispositional traits may play a primary role in explaining variation in displayed emotions across role occupants (Rafaeli & Sutton, 1989) and that these

traits may be useful for selecting employees into jobs requiring emotional labor (Morris & Feldman, 1996). No research exists, however, linking employee traits with an actual measure of displayed emotions in the workplace. Second, Rafaeli and Sutton (1989) suggested that inner feelings on the job will be an important predictor of emotional displays. Although substantial qualitative research (Sutton, 1991; Van Maanen & Kunda, 1989) has supported this proposition, no research has linked actual measures of employee affect to assessments of displayed emotion. A third relationship that remains largely untested involves the effects of displayed emotions on the recipients: customers. This is an interesting gap in the research, given that the study of expressed emotion is argued to be important precisely because of its effects on other people (Rafaeli & Sutton, 1989). Despite Hochschild's assertion that emotional labor jobs "require the worker to produce an emotional state in another person" (1983: 147), research has not clarified how employee emotions affect customer emotions, and this link has not been tested.

The present work focuses on the three issues outlined above. Two individual characteristics, emotional expressiveness and inner feelings on the job, are hypothesized to be predictive of employee emotional displays. Consistent with Rafaeli and Sutton's (1989) model and empirical research, transaction busyness also is proposed as a predictor of employee displayed emotions. I then extend prior research by suggesting that customers "catch" the displayed emotions of employees through the process of emotional contagion (Hatfield, Cacioppo, & Rapson, 1994) and that customer affect subsequently influences customer evaluations of service quality.

Antecedents of Displayed Emotions

Rafaeli and Sutton (1989) proposed that two factors accounted for role occupants' displayed emotions: (1) societal, occupational, and organizational norms and (2) role occupant characteristics and inner feelings on the job. Other, more transient factors, such as feedback from target persons, may influence the emotions displayed in any single transaction, but across multiple transactions, norms and employee characteristics exert a strong and consistent influence on displayed emotions. The present study sampled employees from one organization and occupation, permitting the assumption that one of these factors, norms, would be relatively consistent across employees. This focus allowed for the development of hypotheses based on two individual characteristics theorized to be predictive of displayed emotion: emotional expressiveness and inner feelings.

Emotional expressiveness. In 1987, Rafaeli and Sutton noted there was little or no research that could offer guidance for managers seeking to hire employees who were able to convey certain emotions. In their theoretical model, the authors proposed that individual differences such as self-monitoring and emotional stamina may be useful for predicting variation in emotional displays across role occupants (Rafaeli & Sutton, 1989). Nine years later, Morris and Feldman also pointed to a lack of research on dispositional predictors of displayed emotions, and they suggested the construct of "emotional expressiveness" (Friedman, Prince, Riggio, & DiMatteo, 1980) as potentially useful for "helping organizations select employees for work roles requiring extensive emotional labor" (Morris & Feldman, 1996: 1006).

Friedman and colleagues describe emotional expressiveness as the use of "facial expressions, voice, gestures, and body movements to transmit emotions" (Friedman et al., 1980: 333). In a study that developed and validated a self-report measure of emotional expressiveness, the Affective Communication Test (ACT), they demonstrated that expressiveness scores were substantially associated with exhibition ($r = .60$) and extraversion ($r = .52$). Individuals scoring high on the ACT also were more likely to have held jobs requiring expressive ability and were rated by independent judges to be better able to express emotions nonverbally. Hypothesis 1 reflects the suggestions of Morris and Feldman (1996):

> *Hypothesis 1. Employee emotional expressiveness will be positively associated with the display of positive emotion by employees during their interactions with customers.*

Employee inner feelings. When a service employee smiles at a customer, can it be assumed that the employee is experiencing positive emotion at that moment? Not at all. Service employees learn norms about which emotions are appropriate to express when interacting with customers; thus, it is important to distinguish between experienced and expressed emotions because "there is no simple match between the emotions that organizational members feel and the emotions they learn to express" (Rafaeli & Sutton, 1989: 2). Yet, despite the fact that employees may be taught to express emotions they do not feel, several qualitative studies suggest that felt emotions remain a powerful influence on displayed emotions (Sutton, 1991; Van

Maanen & Kunda, 1989). Felt emotions may exert an influence over displayed emotions because it is simply difficult to fake emotions that are not felt for long periods of time. Evidence for this proposition can be taken from the work of Ekman and colleagues, which has shown that individuals often leak their true emotions when attempting to disguise them, usually through facial cues and vocal expressions that reveal concealed feelings (Ekman, 1985). A meta-analysis by Ambady and Rosenthal also revealed that even when people attempt deception, "True feelings leak out through the behavioral channels that are less controllable" (1992: 259). From a managerial perspective, Hypothesis 2 addresses whether employees can "paint on" the emotional expression required when interacting with customers, or whether their true feelings leak out (Ekman, 1985). Following the lead of George and colleagues (e.g., George, 1991), feelings are conceptualized as an employee's positive affective state at work.

Hypothesis 2. Employee positive affect will be positively associated with the display of positive emotion by employees during their interactions with customers.

Transaction busyness. Although research on displayed emotion in organizations is limited, one consistent finding (Rafaeli, 1989; Rafaeli & Sutton, 1990; Sutton & Rafaeli, 1988) is of a negative relationship between busyness at the time of an interaction with customers and the display of positive emotion by employees. Busy, crowded environments may cause stress in employees; these internal feelings may then be communicated to customers through verbal and nonverbal channels.

Hypothesis 3. Transaction busyness will be negatively related to the display of positive emotion by tellers during their interactions with customers.

Outcomes of Displayed Emotion

Customer feelings. Rafaeli and Sutton (1987, 1989) argued that displayed emotions are an important area of study because of the outcomes they produce, yet research on the outcomes of displayed emotions remains sparse (Morris & Feldman, 1996). Rafaeli and Sutton (1988) attempted to establish a link between displayed emotions and sales, but Hochschild's assertion that emotional labor jobs "require the worker to produce an emotional state in another person" (1983: 147) suggests the examination of a construct that is closer in the causal chain to employee displayed emotions: customer affect. Qualitative support for this proposition abounds: flight attendants are encouraged to create good cheer in passengers (Hochschild, 1983), and bill collectors promote anxiety in debtors (Sutton, 1991). This theoretical and qualitative research, however, does not specify the mechanisms by which employees' displayed emotions come to affect customers' emotions. The concept of emotional contagion may provide an explanation.

Research on emotional contagion has shown that exposure to an individual expressing positive or negative emotions can produce a corresponding change in the emotional state of the observer. McHugo, Lanzetta, Sullivan, Masters, and Englis (1985), for example, found that exposure to images of an individual smiling or frowning produced congruent changes in subjects' own facial expressions and physiological and self-reported measures of emotion. Hatfield and colleagues called this process *primitive emotional contagion,* the "tendency to automatically mimic and synchronize facial expressions, vocalizations, postures, and movements with those of another person and, consequently, to converge emotionally" (1994: 5). In the present context, I propose that customers, when exposed to the emotional displays of employees, experience corresponding changes in their own affective states. Contagion occurs outside of conscious awareness (cf. Zajonc, 1984); during an interaction, a customer may mimic an employee's expressive behavior, although the customer likely is not conscious of this mimicry or its influence on his or her affective state.

Hypothesis 4. The display of positive emotion by employees is positively related to customers' positive affect.

A note on the direction of causation is warranted here, as some readers may observe that contagion effects could be bidirectional; this certainly is plausible within a single transaction. When observing emotional expression across multiple transactions, however, the mean level of emotional display should be more reflective of stable employee differences, rather than transient customer cues (Rafaeli & Sutton, 1989). The temporal order of the data also is consistent with the proposed causal direction running from employee to customer: employee data are collected prior to customer data. Further, the measures used are consistent with the proposed causal direction. In the theory of emotional contagion (Hatfield et al., 1994), the emotions displayed by a "sender" cause emotional mimicry in a "receiver," ultimately resulting in a change in the receiver's experienced affect. Customer affect could not directly influence employee-displayed emotion

or employee affect; the vehicle by which sender affect influences receiver affect is sender-displayed emotion. Therefore, it is consistent with theory and with the analytic strategy employed to propose that the causal direction in the present study runs from employee-displayed emotions to customer-experienced affect.

Service quality. There are two reasons for theorizing a connection between employee-displayed emotion and customer evaluations of service quality. First, following Hypothesis 4, emotional expression should influence customer perceptions of service quality indirectly through customer affect, following the well-established finding in the literature on affect and judgments. In a frequently cited study, Isen and colleagues (Isen, Shalker, Clark, & Karp, 1978) provided evidence that an affective state primed by receiving a small gift could influence judgments about seemingly unrelated entities (such as appliances). Similar findings for judgments about job satisfaction have been reported (Brief, Butcher, & Roberson, 1995). Forgas (1995) termed this process "affect infusion": when making global, evaluative judgments, individuals often use their current affective states as evaluative information (cf. Schwarz & Clore, 1983). The proposed causal link running from affect to service quality judgments is also consistent with recent research on the role of affect in customer satisfaction formation. Affect that arises without a conscious cognitive appraisal, such as might occur from consumption of a sensual nature, such as eating, has been shown to directly affect customer evaluations (Oliver, 1997).

Hypothesis 5. Customer positive affect will be positively associated with evaluations of service quality.

Second, on the basis of ideas of Hochschild (1983), the display of positive emotion can be viewed as an expected part of the service in a bank branch. If a teller displays positive emotion toward a customer during an interaction, this is a relevant input into an evaluation of service. The display of positive emotion is also consistent with typical predictors of service quality, such as employee empathy and assurance (Parasuraman, Zeithaml, & Berry, 1988). Thus:

Hypothesis 6. There will be a direct positive relationship between the display of positive emotion by employees and customers' evaluations of service quality.

METHODS

Research Setting and Participants

The sites for this research were 39 branches of a regional bank located in the south-central United States. There were three separate sources of data for the study: (1) survey data from customer contact employees, (2) data on employee-expressed emotion collected by trained observers, and (3) customer data collected in exit interviews. Survey data were collected from 191 tellers who were present at work on the day of data collection; the response rate was 100 percent. Only data from employees in lobby teller positions, for which there were matching observational and customer data, were included in the final analysis, resulting in a final employee sample of 131. As had been anticipated for the position of bank teller, the majority of the surveyed employees (92%) were female.

There were 377 customer exit interviews attempted, and 220 of those interviews were completed, for a customer response rate of 58 percent. For customers who declined to be interviewed, the interviewer (a research assistant) estimated customers' demographic characteristics for three variables: age, gender, and ethnic group. A series of chi-square and *t*-tests revealed no significant differences between respondents and nonrespondents.

Procedures

Employee surveys were administered by the researchers (the author and the research assistant noted above) immediately prior to the employees' shifts. The procedures for collecting observational data were closely based on the prior work of Rafaeli and Sutton (Rafaeli, 1989; Rafaeli & Sutton, 1990; Sutton & Rafaeli, 1988). Before collecting primary data, I employed the two-stage procedure outlined by Rafaeli and Sutton (Rafaeli & Sutton, 1990; Sutton & Rafaeli, 1988) to establish the reliability of the observational measure. In the first stage, the researchers practiced observing and coding employee-customer transactions at a branch of a competitor's bank until satisfactory levels of agreement were reached. The second stage tested the interobserver reliability in branches of the host organization that were not part of the final sample. Each coder independently observed and coded 53 transactions. The correlation between the raters' scores was .71 ($p < .001$); this reliability estimate compares favorably with those reported previously in the literature for the same measure (Rafaeli & Sutton, 1990; Sutton & Rafaeli, 1988). For the present study, I conducted observations over the five hours following the administration of the employee sur-

vey, standing toward the back and/or side of the customer line, so that the teller's face was clearly visible and the teller's behavior could be observed during the transaction. A mean of 4.6 transactions were observed for each teller, with a range of 1 to 11.

Employees were not aware of the purpose of the study, but they were aware of the researcher's presence in the branch, raising the issue of how the researcher's presence might have affected the behaviors of employees. A potential threat to the study, for example, was the possibility that employees would uniformly display positive emotion—consistent with typical display rules in retail banking—thereby reducing variance in the measure of displayed emotion and decreasing the probability of observing the hypothesized relationships. A review of prior research in similar settings led me to believe, however, that this would not occur. Specifically, I identified two studies, also conducted in retail bank branches, that measured employee behaviors similar to those measured here (Brown & Sulzer-Azaroff, 1994; Crowell, Anderson, Abel, & Sergio, 1988). In each of these studies, highly obtrusive measures were used to collect data on employee behaviors; employees were certainly aware their behaviors were being recorded. Despite this fact, substantial variance in employee emotional displays remained—indicating that the presence of researchers did not overly restrict employee behavior. This finding is consistent with the theorized predictors of emotional display: norms and enduring characteristics (Rafaeli & Sutton, 1989). The presence of an observer may make norms for emotional displays salient, yet considerable variance in expressive behaviors remains, owing to the influence of individual differences above and beyond the effects of organizational norms.

Measures

Employee positive affect. Employee positive mood at work was measured with the positive affect scale of the Positive and Negative Affect Schedule (PANAS; Watson, Clark, & Tellegen, 1988). This scale consists of ten items identified by Watson and colleagues as pure markers of positive affect. Employees were asked to describe how they felt at work that day, using a five-point Likert-type scale ranging from "very slightly or not at all" (1) to "extremely" (5) to respond to each item. Examples of items are "interested," "excited," and "alert." Items were averaged to produce a scale score (α = .87).

Employee emotional expressiveness. Employee's nonverbal emotional expressiveness was measured by a slightly modified version of the Affective Communication Test (ACT; Friedman et al., 1980) Three items were dropped from the original 13-item ACT because they were judged to be potentially inappropriate for a workplace setting, and one additional item was added. Respondents answered on a seven-point Likert-type scale (1 = "not at all true of me," 7 = "very true of me"). Items were averaged to produce a scale score (α = .74).

Employee demographics. Employees filled in survey items measuring the demographic variables of gender, age, ethnic group, tenure, and education.

Employee-displayed emotion. The observational measure of employee-displayed emotion was taken directly from the work of Rafaeli and Sutton (Rafaeli, 1989; Rafaeli & Sutton, 1990; Sutton & Rafaeli, 1988). Two verbal and two nonverbal behaviors were assessed: (1) An opening statement by a teller, such as "Hello" or "How are you today?", constituted a *greeting.* If a greeting occurred within three seconds of the customer's and teller's arrivals at the window, a score of 1 was assigned, and 0 was given otherwise. (2) A *smile* given by the teller to the customer was defined as a noticeable up-twist of the teller's lips. A score of 0 was assigned if no smiling was observed, 1 if one smile was observed, and 2 if two or more smiles were observed. (3) *Eye contact* was defined as the teller's orienting her or his face and gaze directly toward the customer, regardless of customer reciprocation. This measure was scored 0 if no eye contact was attempted, 1 for a single attempt, and 2 if there were multiple attempts at eye contact. (4) *Thanking* was the teller offering a polite separation comment at the end of the transaction. This item was scored 1 if thanking was present and 0 if it was absent.

Behaviors were first aggregated across all transactions observed for each teller. For example, a teller observed in three transactions who received smiling scores of 0, 2, and 2 would have an aggregate score on the smiling item of (0 + 2 + 2)/3, or 1.33. The four aggregated behavioral items were then averaged to produce a scale score for each teller (α = .69).

Transaction busyness. The busyness during the employee-customer transaction was measured as the number of people standing in line behind the customer engaged in an observed interaction (Rafaeli & Sutton, 1990). When one line served multiple windows, this score was calculated by dividing the total number of customers in the queue by the number of open teller windows.

Customer positive affect. Customer positive affect was measured with the positive affect subscale of the Job Affect Scale (JAS; Brief, Burke, George, Robinson, & Webster, 1988). This scale is concep-

tually similar to the PANAS positive affect scale; I chose the JAS over the PANAS for measuring customer affect because the six JAS positive affect items ("elated," "peppy," "enthusiastic," "excited," "strong," "active") appeared more appropriate for use with customers. Customers were asked to respond in terms of "how they felt today," in keeping with the time frame used to assess employee affect, and they used a five-point Likert-type scale ranging from "very slightly or not at all" (1) to "extremely" (5). Items were averaged to produce a scale score (α = .86).

Service quality. Customer perceptions of service quality were assessed with a modified version of the SERVQUAL instrument (Parasuraman et al., 1988), adapted from Gotlieb, Grewal, and Brown (1994), who developed a ten-item measure of service employing two SERVQUAL items for each of the five theorized dimensions of service quality. Customers indicated their level of agreement with the ten items on a seven-point Likert-type scale ranging from "strongly disagree" (1) to "strongly agree" (7). The items on the modified SERVQUAL were averaged (α = .89) to represent an overall perception of service quality, consistent with much existing research using variants of this measure (Gotlieb et al., 1994).

Customer demographics. Three customer demographic variables were estimated by the observer: age (in ten-year increments), gender, and ethnic group. Estimates were used so that data on nonresponding customers could also be collected. Reliability for demographic estimates was established in a manner similar to that described previously for the observational variables.

To minimize concerns regarding overlap among scales derived using common methods, I conducted exploratory factor analyses on scales constructed from employee and customer survey data. For employee positive affect and employee emotional expressiveness, a two-factor solution had all 10 of the positive affect items loading on the first factor and 10 of the 11 emotional expressiveness items loading on the second factor. There were no double loadings; however, one of the 11 emotional expressiveness items ("I can easily express emotion over the telephone") loaded weakly (.26) on that scale's factor. Because deleting this item did not improve the scale's internal consistency reliability, and given the established use of this scale in this literature, I retained this item. Factor analyses of the customer service quality and customer positive affect items also revealed a two-factor solution, with no double loadings across factors. As seen in Table 1, all scales demonstrated acceptable internal consistency reliability.

Each employee in this study interacted with multiple customers. For data analysis, therefore, customer data were aggregated to the teller level of analysis (cf. Rafaeli, 1989).

RESULTS

Table 1 displays the means, standard deviations, reliabilities, and zero-order correlation coefficients for the study variables.

The hypotheses were tested in an observed variable, path analytic framework using EQS 5.7 (Bentler, 1995); I used observed rather than latent variables because of the modest sample size. The covariance matrix was used as input to all analyses. In addition to producing parameter estimates, EQS provides a chi-square test and a number of additional indexes with which to assess model fit, including the normed fit index (NFI), nonnormed fit index (NNFI), and comparative fit index (CFI). The NNFI and CFI both have the advantage of reflecting model fit relatively well at all sample sizes (Bentler, 1995)—a desirable attribute for the present study.

Parameter estimates indicated that all but one of the hypothesized relationships were supported. Busyness during a transaction was negatively related to the display of emotion to customers (β =

TABLE 1
Means, Standard Deviations, Reliabilities, and Zero-Order Correlations for Study Variables[a]

Variable	Mean	s.d.	1	2	3	4	5
1. Employee positive affect	3.69	0.69	(.87)				
2. Employee emotional expressiveness	4.20	1.06	.16*	(.74)			
3. Transaction emotional display	1.04	0.30	−.13	.22*	(.69)		
4. Customer positive affect	3.57	0.77	.05	.15	.19*	(.86)	
5. Customer-perceived service quality	6.12	0.84	−.10	.04	.26**	.19*	(.89)
6. Transaction busyness	0.37	0.67	.12	−.06	−.28**	.00	−.25**

[a] Entries in parentheses on the diagonal are alpha coefficients of reliability for scales with more than two items.
* $p < .05$
** $p < .01$

−.25), supporting Hypothesis 1. Employee emotional expressiveness was positively related to the display of emotion to customers (β = .22), in support of Hypothesis 3. There was no support, however, for Hypothesis 2: Employee positive affect was not significantly related to the display of emotion (β = −.13). Consistent with Hypothesis 4, employee display of emotion was a significant predictor of customer positive affect (β = .19). The predicted positive relationship between customer positive affect and service quality evaluations was found (β = .14), supporting Hypothesis 5. Finally, the display of emotion was positively related to customer evaluations of service quality (β = .23), in support of Hypothesis 6.

The chi-square value for the proposed model was nonsignificant (χ^2 = 14.60, n.s.); however, an examination of the other fit indexes provided by EQS indicated that the model did not fit the data (NFI = .71, NNFI = .73, CFI = .84). The relatively poor fit appeared to indicate that, although associations among the variables consistent with most of the hypotheses existed, the relationships among the constructs likely were more complex than depicted by the model. Given a considerable body of research on the predictors of service quality, one possibility that emerged was that the model was oversimplified; service quality was likely influenced by factors other than the display of emotion and customer affect.

A review of the marketing literature revealed a body of research on the association between waiting and service quality evaluations. Because perceived service quality is a global judgment about an entity's overall excellence or superiority, waiting time is theorized to affect specific dimensions of service quality, such as perceptions of reliability and responsiveness, as well as color the entire service experience with a negative "halo" (Taylor, 1994). Available data support this hypothesis; waiting time has been shown to be an important determinant of service quality evaluations (Katz, Larson, & Larson, 1991; Taylor, 1994). For example, Katz and colleagues (1991) found customer-perceived and actual waiting times to be negatively correlated with overall customer satisfaction with the service provided by a retail bank. Because this research makes it clear that customer service quality evaluations are likely influenced by time spent waiting in line, a direct path was added to the model between busyness and service quality. Busyness, measured as the number of customers waiting in line for a bank teller during a given transaction, should serve as a reasonable proxy for waiting time.

The parameter estimates for the revised model revealed a significant, negative relationship between transaction busyness and service quality (β = −.21, $p < .01$). It appears that in addition to negatively impacting the display of emotion, busyness also has a negative influence on customer service quality evaluations. The addition of the path between busyness and service quality evaluations caused the relationship between the display of emotion and service quality to drop slightly (from β = .21 to β = .17), while remaining significant. These results indicate that the relationship between busyness and customer service quality evaluations is at least partially mediated by the display of emotion by employees. Finally, the significant relationship between customer positive affect and service quality (β = .16) indicates that employee-displayed emotion also impacts service quality indirectly through its influence on customer positive affect. This relatively modest relationship suggests that the two customer variables are tapping distinct constructs, rather than general halo from the service encounter.

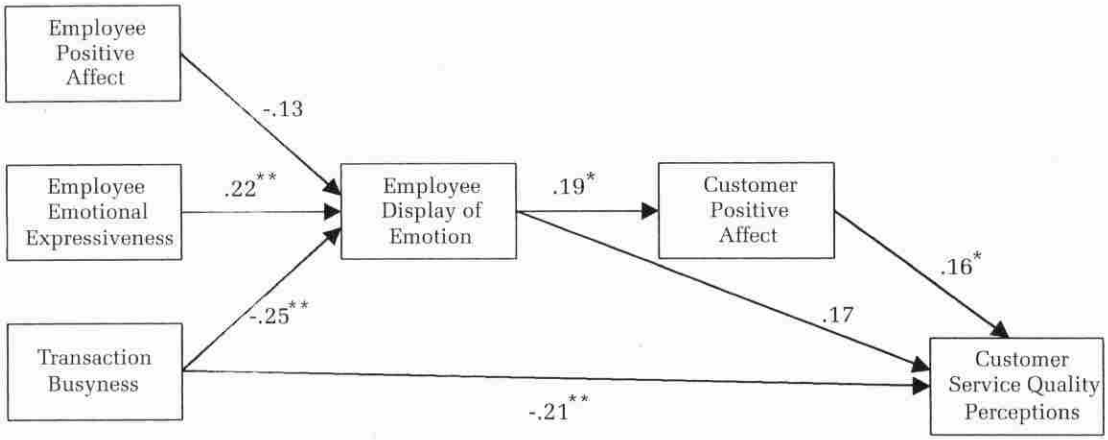
The fit indexes reveal that the revised model fits the data well (χ^2 = 8.86, n.s.; NFI = .82, NNFI = .95; CFI = .98). The somewhat lower estimate for the normed fit index compared to the nonnormed and comparative fit indexes likely reveals the poor performance of the NFI at small sample sizes (Bentler, 1995). The revised model with parameter estimates is pictured in Figure 1.

DISCUSSION

This study examined the antecedents and consequences of displayed emotions in a retail banking setting. Although the initially proposed model did not fit the data, the revised model provides evidence that both employee characteristics and situational factors are important determinants of displayed emotions and customer responses. The individual characteristic of emotional expressiveness (Friedman et al., 1980) was positively associated with the displayed emotions of employees, supporting Morris and Feldman's (1996) assertion that this characteristic may have important selection implications for jobs requiring significant emotional labor. As expected, transaction busyness was negatively related to displayed emotions. Busyness also was found to have a direct, negative impact on service quality judgments, suggesting that the stress created by busy environments may have negative implications for both customers and employees.

The results of this study also show that emotions displayed by employees may have important consequences for organizations, as they were positively related to customer affect and customer evaluations of the quality of service received. In sum,

FIGURE 1
Path Analysis Results[a]



[a] Parameters are standardized parameter estimates.
* $p < .05$
** $p < .01$
One-tailed tests.

this study is the first to link an employee dispositional trait to an actual measure of displayed emotion in a workplace, and the first to link emotion displayed by employees to customer affective reactions. The present data thus contribute to the study of emotion in organizations by helping to identify (1) employee individual differences that are predictive of displayed emotions at work and (2) why displayed emotions may be important to the management of service organizations.

The data failed to support the finding from previous qualitative research (Sutton, 1991; Van Maanen & Kunda, 1989) that true employee feelings "leak out" and affect displayed emotions; employee affect was not related to the emotions displayed during interactions with customers. One possible explanation for the failure to support this hypothesis that is consistent with Rafaeli and Sutton's (1989) model is that situational factors make it more or less likely a relationship between inner feelings and displayed emotions will be observed. Post hoc analyses of one potential situational moderator, busyness, did not reveal any moderation of the relationship between felt emotion and displayed emotion. Future research may benefit by including other situational factors, such as the salience of display rules, that make it more or less likely that employee-felt emotions will be expressed during interactions with customers.

Possibly the most significant contribution of the present research, however, can be found in the confirmation of Hypothesis 4: a positive relationship between the display of positive emotion by employees and customer positive affect, consistent with the hypothesis that emotional contagion occurs in the service encounter. In the literature on the emotional requirements of service jobs, very few studies have examined customer emotions as an outcome of the service encounter, although a link between employee and customer emotions often has been suggested (e.g., Hochschild, 1983). Further, the display of emotion was shown to be important because it also impacts a customer outcome with demonstrated financial consequences: service quality judgments. The effect of displayed emotion on service quality judgments was found to be both indirect, through positive affect (Hypothesis 5), and direct (Hypothesis 6). Perhaps most relevant to managers, the results for tests of Hypothesis 5 suggest why a service provider would care about influencing customer affective states: Other things being equal, customers in more positive affective states rate service quality higher.

As research in this area develops, it may be useful to search for boundary conditions for the relationship between displayed emotion and service quality perceptions—that is, to discover when these findings hold and when they do not. For example, employee perceptions of the genuineness of emotional displays might moderate the relationship between displayed emotion and service quality perceptions. Similarly, it may be useful to identify customer preferences as moderators of the displayed emotion–service quality relationship: Displayed emotions may show a stronger association with service quality perceptions for those customers who prefer human interaction in the delivery of service. Identifying boundary conditions

such as these may help practitioners determine when an emphasis on employee emotional displays pays off in terms of increased service quality ratings by customers and when it does not.

The primary limitation of this study involves the inability to draw firmer conclusions about the existence of emotional contagion processes between employees and customers. The association between employee emotional displays and customer positive affect is interpreted as evidence of emotional contagion processes, but in the absence of a true experimental design it is not possible to conclude that contagion alone is responsible for this association. It is plausible, for example, that an unmeasured variable, such as customer-displayed emotion, could affect employee-displayed emotion. If this is the case, the model in Figure 1 may suffer from an omitted variable problem. Theory suggests that over multiple transactions, transient customer influences likely will not be a major determinant of employee-displayed emotion (Rafaeli & Sutton, 1989), but in future research this issue could be better addressed by measuring employee- *and* customer-displayed emotion and employing experimental designs that manipulate employee and/or customer emotional displays.

In conclusion, the results of this study suggest that the use of emotion in organizations is a potent tool not only because customers expect it to be a part of service, but also because displayed emotion can alter customer moods and thus influence customer attitudes toward an organization. Unfortunately, data on the long-term consequences of emotional displays and service quality perceptions were not available for this sample. It is possible, however, to make inferences regarding the monetary significance of emotional displays that result in increased service quality perceptions. A fundamental premise of research on service quality is that quality produces customer loyalty, repeat business, and financial gains (Heskett et al., 1997). The present study may therefore have implications for the organizational benefits of employee-displayed emotion, supporting Hochschild's (1983) original idea that the commercialization of emotion occurs because displayed emotions serve useful organizational ends.

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