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Communication after an integrity-based trust violation: How organizational account giving affects trust

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ABSTRACT

How can an organization repair trust through communication after an ethical failure? This study examines how trust is repaired after an integrity-based trust violation using three different accounts: apology, excuse, and refusal. In our approach, we rely on two strands of attribution theory, which suggests that different attributions for responsibility and credibility affect trust. An experiment with $n = 368$ was conducted to explore trust repair effectiveness of apology versus refusal and apology versus excuse after an integrity-based trust violation. Results revealed apology as a double-edged sword; it repairs trust more successfully than refusal and excuse because it is evaluated as more credible. However, it is less successful than refusal and excuse because it is evaluated as more responsible.

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“It was wrong. I am sorry. I am disappointed, and I am also angry. There is absolutely no excuse for the behavior that was exhibited in those activities [...]” When Bob Diamond, former CEO of Barclays, was interviewed by the Treasury Committee of the UK parliament, he said “I am sorry” to apologize for several integrity-based trust violations (e.g., manipulations of the LIBOR-rates). Apologies are one possible response a company can choose to protect itself from threats on its perceived trustworthiness (Kim, Ferrin, Cooper, & Dirks, 2004). As an apology acknowledges responsibility for the trust violation, it is theorized that this could lower trust in the transgressor because, for the trusting party, apologies indicate the organization attributes the negative event to internal causes and deserves the blame (Scher & Darley, 1997). However, other scholars posit that if an apology is effective, trusting parties may alter attributions to more external and uncontrollable causes (Weiner, Graham, Peter, & Zmuidinas, 1991), which could distract attention from the transgressor and, thus, could repair trust.

The specific content of accounts may increase or decrease

perceived trust in companies (Tomlinson & Mayer, 2009). Although research has underscored the importance of content, studies on the effectiveness of different accounts have found ambiguous results. For instance, while Huang (2008) found a positive effect of concessions, as an important component of apologies, on trust in his survey of communication managers, he could not find the effects of other accounts. Verhoeven, Van Hoof, Ter Keurs, and Van Vuuren (2012) could not show the effect of apologies on trust in their experimental setting. Furthermore, scholars have investigated account giving and trust repair on the individual level (Ferrin, Kim, Cooper, & Dirks, 2007; Kim, Dirks, Cooper, & Ferrin, 2006; Kim et al., 2004). Kim et al. (2004) found that denial is more effective than apology in an integrity-based trust violation and succeeding studies confirmed their results (Ferrin et al., 2007; Kim et al., 2006); however, Utz, Matzat, and Snijders (2009) could not replicate these results in their online-auction setting. Several reasons may explain mixed findings. First, an apology is a complex statement, and it is essential to clearly distinguish between the different components of an apology and to evaluate their effectiveness in repairing trust (Lewicki & Polin, 2012; Scher & Darley, 1997). One component missing in these studies is the confirmation of the trustee that actions are taken to ensure that this kind of behavior will not happen again. This could be because of the individual setting of this

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research stream. Trust repair in organizations is not about individual failures but about fixing missing or ill-suited processes and procedures in the organization (Poppo & Schepker, 2010). For instance, Eberl, Geiger, and Aßländer (2015) identified tightening organizational rules as a means of repairing organizational trust after an integrity-based trust violation. Therefore, it seems essential to address this component in an apology for organizations.

Another reason for ambiguous results may be because the direct effects of accounts on trust are mediated by further cognitive processes of evaluators. The present study highlights two important mediating processes through which accounts affect trust. First, recent research suggests that responsibility affects trust (Lee, 2005; Verhoeven et al., 2012). Because accounts are directed on responsibility judgments, this could lead to an indirect effect of accounts through responsibility. In this study, responsibility is an ascription: social actors judge the responsibility of other social actors. If an organization is alleged to be corrupt, stakeholders will judge their responsibility. In addition, in case stakeholders judge the organization to be responsible for this integrity-based trust violation, severe consequences may follow.¹ Second, scholars posit that credibility plays an important role in effective communication (Hovland, Janis, & Kelley, 1953; Utz et al., 2009). If this holds to be true for accounts, message credibility of accounts would affect trust through this mediating process. Therefore, this study examines how apologies, in contrast to the other two accounts, refusals and excuses, affect the stakeholders' evaluation of trust after an integrity-based trust violation and investigates cognitive processes—judgment of responsibility and credibility—which bring about these effects. According to Weiner's (1985) attribution theory and Kelley's (1971, 1972) augmenting principle and discounting principle, we suggest that causal attributions explain these cognitive processes. Overall, we posit that apologies will be more effective in repairing trust than refusing or excusing the integrity-based trust violation.

Our study takes an external perspective that focuses on shaping the perceptions of stakeholders (Bundy, Pfarrer, Short, & Coombs, 2016). We especially focus on integrity trust, which is an important characteristic of company–stakeholder relationships (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010). In this article, we contribute to the trust repair literature in three ways. First, research suggests that apologies to repair trust in organizations should incorporate actions to be taken in the future (Eberl et al., 2015). Thus, we investigate the effectiveness of apology that acknowledges responsibility and directly addresses substantive responses (Dirks, Kim, Ferrin, & Cooper, 2011), which strongly signal trustees' willingness to not let the transgression happen again (Lewicki, Polin, & Lount, 2016). Second, we show the double-edged sword of apology. When assessing the effectiveness of trust repair after an integrity-based trust violation, we measure how an apology affects responsibility judgments and credibility judgments. Both judgments are seen as influential to the judgment of trust (Tomlinson & Mayer, 2009; Utz et al., 2009) and have not been studied in combination. Third, we introduce refusal as an account to the literature that evaluates the effectiveness of rhetorical tactics after an integrity-based trust violation. In a recent study, it was found that refusals are widely used by banks in the aftermath of the financial crisis to distract stakeholders from their profit drops (Brühl & Kury, 2016). Therefore, it seems promising to test their effectiveness for integrity-based trust violations.

¹ Another notion of responsibility is discussed in the literature on corporate social responsibility, which deals with the moral obligations of business. A socially responsible manager takes those actions that are desirable for the society (Bowen, 1953); hence, there is a positive connotation with responsibility.

This is done by assessing the mediating role of both of these processes and following calls for research, which assesses the mediating states of messages (O'Keefe, 2003; Valkenburg, Peter, & Walther, 2016). This should lead to insights about important cognitive processes that are embedded in judgments about trust.

1. Organizational trust repair

Trust plays a key role in relationships between organizations and their stakeholders because it fosters business transactions or enhances customer satisfaction (Pirson & Malhotra, 2011). Although scholars have discussed several interpretations of trust, it seems that most emphasize the role of positive expectations (Kramer & Lewicki, 2010). Therefore, we follow Rousseau, Sitkin, Burt & Camerer (1998), that “Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations or behavior of another” (1998, p. 395). Because we are interested in the decline of trust after an integrity-based trust violation, we concentrate on the perceived integrity trust of an organization. This is a belief in the organization's honesty and reliability and the fact that organizations adhere “to a set of principles that the trustor finds acceptable” (Mayer, Davis, & Schoorman, 1995, p. 719). Integrity-based trust violations, such as manipulation, fraud, or corruption, are considered as a serious breach of trust, which is followed by a decline in trust. Because negative events disappoint stakeholders' expectations, they will re-evaluate trust in the company (Gillespie & Dietz, 2009). The trustor's judgment of the trustee's responsibility and credibility after a norm violation is not final. Given new information, the situational interpretations and specific judgments can be modified. Thus, the trustee has the opportunity to repair damaged trust.

Scholars suggest several nonexclusive strategies for rebuilding trust. For instance, Gillespie and Dietz (2009) proposed a four-stage process model of organizational trust repair where verbal accounts about the responsibilities and actions to be taken are integral parts. For two main reasons, we focus on verbal accounts and actions to be taken. First, research has shown that the way corporations communicate about a negative event and their role in it are relevant for rebuilding trust (Gillespie, Dietz, & Lockey, 2014). Additionally, scholars emphasize that actions must follow communication. Trustors must be convinced that the corporation is sincerely going to fix problems inside the company (Gillespie et al., 2014). However, account giving is not confined to the past; it may also deal with future actions. Thus, we posit that verbal accounts address substantive actions directed to the future.

As stated in the introduction, we posit that social actors' judgment about trust is mediated by two cognitive processes. In the following, we apply an attributional perspective to account giving and its effect on trust repair.

2. Causal attribution and account giving

Attributional theories describe how people infer the causes of events or behaviors (Fürsterling, 2001). We use these theories because they offer insights into how social actors attribute causes after a negative event. Two strands of attribution theory are important for our study. First, according to Weiner's (1985) attribution theory, we theorize that causal attributions are important in understanding judgments of responsibility. This should give the mediating role of responsibility a solid theoretical foundation when social actors judge about account giving. Second, Kelley's (1971, 1972) augmentation principle and discounting principle help explain attributional processes when judging the credibility of account giving. We start by reviewing each of these two strands of attribution theory to better understand the effects of account giving

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