



# How many pennies for your pain? Willingness to compensate as a function of expected future interaction and intentionality feedback



Pieter T.M. Desmet<sup>a,\*</sup>, Joost M. Leunissen<sup>b</sup>

<sup>a</sup> Rotterdam Institute of Law and Economics, Erasmus University Rotterdam, The Netherlands

<sup>b</sup> University of Southampton, United Kingdom

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## ABSTRACT

Despite increased research efforts in the area of reconciliation and trust repair in economic relations, most studies depart from a victim's perspective and evaluate the process of trust repair by looking at the impact of restoration tactics on victims' reactions. We focused on the transgressor's perspective and present findings from two studies that investigated how the amount of compensation that a transgressor is willing to pay depends on victims' reactions to the transgression (i.e. whether they claim the transgression happened intentionally or unintentionally) and the time horizon of the relationship between the transgressor and the victim (future vs. no future interaction). We hypothesized and found that transgressors are willing to pay less compensation to a victim who believes the transgression happened intentionally (as opposed to unintentionally), but only so when they share no future interaction perspective together. When transgressors have a future interaction perspective with the victim, intentionality feedback does not affect compensation size.

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## 1. Introduction

Trust is a vital facilitator of cooperation in almost any kind of social interaction we engage in. None of these interactions, however, being it in short- or long-term relations, are immune to negative incidents that can damage trust. In economic relationships too, the importance of trust in creating and preserving cooperative relations contrasts sharply with the prevalence of conflict and trust violations. Transgressions in these relations may not just erode trust and put that particular relation in danger, but may also affect one's trust in other current and future relationships. Therefore, an important challenge lies in understanding how reconciliation can be fostered and trust can be restored between agents in economic-based relationships.

\* Corresponding author. Address: Rotterdam Institute of Law and Economics, Erasmus School of Law, Burgemeester Oudlaan 50, 3062 PA Rotterdam, The Netherlands. Tel.: +31 10 408 88 61.

E-mail address: [desmet@law.eur.nl](mailto:desmet@law.eur.nl) (P.T.M. Desmet).

As most of the literature on trust so far has focused on the process of building and maintaining trust, only little research has been conducted on the topic of reconciliation and trust repair (e.g. Kim, Dirks, & Cooper, 2009). Over the last years, scholarly interest in the process of trust repair has increased and as a first step, studies have investigated how and when particular restorative tactics can be effective. For example, research has revealed how and when verbal accounts, such as apologies, denials or justifications, can be an effective tool to restore trust (De Cremer, Pillutla, & Reinders Folmer, 2011; De Cremer & Schouten, 2008; Kim, Ferrin, Cooper, & Dirks, 2004; Leunissen, De Cremer, Reinders Folmer, & Van Dijke, 2013; Schlenker, Pontari, & Christopher, 2001). In economic exchange relations, where economic resources are the object of interaction and a transgression often results in a tangible, economic loss, the provision of a financial compensation can too exert a positive influence on the restoration of trust and the preservation of a cooperative relation (Bottom, Daniels, Gibson, & Murnighan, 2002; De Cremer, 2010; Desmet, De Cremer, & van Dijk, 2010, 2011a, 2011b; Gibson, Bottom, & Murnighan, 1999). Given that transgressions in these relations often entail a financial loss, research has shown that the mere provision of verbal accounts like apologies could be regarded as cheap talk and the provision of compensation is therefore more apt in fostering reconciliation and renewed cooperation.

Although increased research efforts in the area of trust repair in economic relationships have illuminated when and how particular restoration strategies can be effective, most studies conducted so far all have in common that they tend to depart from a victim's perspective. These studies have focused on the possibility of trust repair by examining the impact of for instance apologies or financial compensations on victims' trust intentions and behaviors. This is a logical starting point for investigating the feasibility of reconciliation in economic relations, but now that we have substantial evidence that particular restoration strategies like financial compensations can be effective to restore trust and cooperation in economic relations, an important next step is to see whether and to what extent transgressors are actually willing to provide them. Transgressors play a crucial role in deciding whether and to which extent they wish to financially compensate the victim of an economic transgression. We therefore argue that for a full understanding of the determinants of reconciliation and trust repair in economic relationships, it is not only valuable to know the circumstances under which different financial compensations are most effective in restoring trust, but it is equally imperative to investigate the circumstances under which transgressors decide whether to compensate and how much compensation they are willing to provide.

Research on the willingness to compensate is very scarce to date. In fact, we are only aware of two such studies, conducted in the 1960s (Berscheid & Walster, 1967; Berscheid, Walster, & Barclay, 1969). These studies looked at whether or not transgressors were willing to compensate depending on whether their options to compensate were restricted to only provide partial compensation, only exact compensation or only overcompensation. The researchers found that perpetrators were more likely to compensate when exact equity could be restored, compared to when exact equity could not be restored (i.e. either under- or overcompensation). No research, however, has considered how much transgressors are actually willing to give in the more realistic situation in which they have no such restrictions. In response to the shortage of this research, we present findings from two studies in which we investigated how the victim's reaction to the transgression (i.e. whether they claimed the transgression happened intentionally or unintentionally) influences the amount of compensation that a transgressor is willing to provide. In this venture, we take an instrumental perspective on transgressors' restoration strategies and hypothesize that whether transgressors take this feedback from victims into account when deciding to compensate, will depend on whether there is a future interaction perspective with the victim or not.

## 2. Transgressors and victim feedback

Following a transgression, transgressors are often motivated to engage in reconciliatory behavior (Shnabel & Nadler, 2008). It should however also be stressed that perpetrators tend to be strategic in their decision to undertake restorative action. Arguing that apologizing comes at a high social cost and does not guarantee forgiveness from the victim, Leunissen, De Cremer, and Reinders Folmer (2012), for example, hypothesized and found in an economic setting that transgressors are less likely to apologize if they have information that indicates that victims will most likely be unforgiving. Indeed, the authors found that if a victim shows that he/she is willing to forgive, transgressors are more likely to apologize compared to an unforgiving victim. Their findings therefore suggest that transgressors will be more inclined to take efforts to repair a relationship when it is likely that these efforts lead to forgiveness.

One of the pieces of information that may signal whether or not a victim will be inclined to forgive, is whether the victim believes the transgressor committed the transgression intentionally or not. Prior research has repeatedly shown that one of the fundamental attributions that victims seek to make when treated unfairly concerns an attribution about intent (Greenberg, 1990; McCabe, Rigdon, & Smith, 2003; Rutte & Messick, 1995). Moreover, perceptions of intent influence attributions of culpability and blameworthiness for transgressions, and people's tendency to respond to them with forgiveness or retribution (Aquino, Tripp, & Bies, 2001; Darley & Pittman, 2003; Fincham, 2000; Leunissen et al., 2013).

Trust repair research has revealed that whether or not victims believe a transgression was performed intentionally is a crucial determinant of the effectiveness of subsequent restoration strategies. Struthers, Eaton, Santelli, Uchiyama, and Shirvani (2008) for example found that whereas for unintentional transgressions apologies may help in stimulating victim forgiveness they become less effective when victims attributed intent to the violation. Interestingly, and important to our present research question, in the context of economic exchanges, findings have indicated that the effectiveness of financial compensations on the victim's responses too depends on the extent to which victims see the transgression as intentional or not (Desmet et al., 2011a).

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