



Saving face? When emotion displays during public apologies mitigate damage to organizational performance



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ABSTRACT

In the wake of corporate transgressions and scandals, how do apologizers' expressed emotions affect investors' perceptions of the organization in question? We analyzed the market effects of normative versus deviant facial affect expressed during apologies for corporate wrongdoing. Archival data revealed that the expression of deviant affect was associated with decreased investor confidence in the form of negative stock market returns; adverse financial effects persisted up to three months post-apology. Moreover, this effect was exacerbated when a company representative with greater responsibility within the organization delivered the apology. Experimental data further revealed that third parties interpreted deviant affect (smiling) as a signal of insincerity, which reduced their confidence in these representatives' organizations. Ultimately, we find that subtle emotion expressions are detected by stakeholders, signal insincerity, and have important consequences for organizations. We suggest that organizations must carefully consider the nonverbal behavior of apologetic representatives in the wake of transgressions.

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1. Introduction

When a company engages in wrongdoing, an apology is expected, but not all apologies are successful at repairing public perceptions. For example, following a poorly communicated price increase for Netflix's video-streaming service, CEO Reed Hastings apologized publicly in an effort to win back the favor of his angry customers. The apology, however, seemed perfunctory at best. As he said "I'm sorry", Hastings smiled broadly. Ultimately, his contrition was poorly received, and customers continued to cancel their subscriptions in droves: in less than three months, the company lost more than half of its market value (Liedtke, 2011). In contrast to Hastings's apology on behalf of Netflix, CEO Michael McCain of Maple Leaf Foods issued a more sincere apology for the 20 deaths and 56 illnesses caused by listeria found in their packaged meat products (Public Health Agency of Canada, 2008). McCain expressed genuine sadness during his apology for the harm his company had caused. Despite such a severe transgression, Maple Leaf Foods quickly returned to better-than-expected profits in the financial quarters that followed (Owram, 2009; Wilson, 2011).

Apologies such as these are commonly issued following transgressions by organizations. Company representatives take great pain to 'express the right tone' during apologies for corporate transgressions in an effort to repair damage and restore trust to investor relations (De Greiff, 2006; Kim, Ferrin, Cooper, & Dirks, 2004; Tripp, Bies, & Aquino, 2007). Although considerable research has investigated *when* one should apologize (Wohl, Hornsey, & Philpot, 2011) and what one should *say* to apologize effectively (Scher & Darley, 1997), little research has studied how one should *behave* when making apologies.

In the present research, we investigated how the emotions that organizational representatives express during public apologies impact their company's stock market performance. Drawing on theories about normative expressions of affect, we argue that relative to normative expressions of emotion during apologies, i.e. sadness, deviant emotions such as happiness can signal insincere remorse and are likely to be punished by investors.

2. Normative emotion expression during apologies

When one individual slights another, there are clear benefits to both parties when the transgressor apologizes. If well-intentioned and properly executed, an apology can reduce sanctions applied to

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the transgressor, mitigate negative evaluations of their character, reduce victims' anger, and even lead to forgiveness (e.g., Dhimi, 2012; Ohbuchi, Kameda, & Agarie, 1989; Scher & Darley, 1997). Research suggests that these benefits extend to the organizational level as well; when organizational representatives accept responsibility and express regret for a transgression, mock stakeholders evaluate a firm's reputation more positively, feel less anger, and report greater intentions to purchase goods from that firm (Coombs & Holladay, 2007; Decker, 2012; Joireman, Gregoire, Devezer, & Tripp, 2013; Pace, Fediuk, & Botero, 2010). In short, existing research strongly suggests that apologizing for a transgression is better for a company's reputation and performance than not.

However, existing research has failed to consider the importance of the nonverbal behavior that accompanies verbal apologies and which, we suspect, can decrease apologies' effectiveness. Nonverbal behavior in these apology contexts might include both body language (e.g., posture, hand gestures) and emotional expressions (e.g., sadness, happiness); we focus on the emotional facial expressions conveyed during apologies while simultaneously acknowledging that other nonverbal behavior might also have an effect on perceivers' impressions. Indeed, our interest in emotions is based on evidence highlighting the central role that these expressions play in the communication of social cues (e.g., Ambady & Rosenthal, 1992; Feinberg, Willer, & Keltner, 2012; Horberg, Kraus, & Keltner, 2013). In a day and age in which people obtain their news from television and online videos from news sources, the nonverbal behavior and emotional expressions of organizational representatives during apologies is subject to more scrutiny than ever before. Moreover, in the context of apologies, emotional expressions can be an important source of information about an expresser's underlying feelings and beliefs.¹ Therefore, in keeping with our interest in the effects of emotional expressions in these public contexts, we focus specifically on sadness and happiness, and investigate how people perceive companies whose representatives violate norms surrounding the expression of emotion during apologies.

2.1. Normative affect: sadness

Sincere apologies are highly emotional events for transgressors. Apologies are motivated by profound feelings of remorse, guilt, and/or shame for over-stepping a moral boundary (Fineman & Gabriel, 2010), and include congruent non-conscious facial expressions that reflect this internal state. Negative, low arousal affective states, such as remorse and shame, are expressed on the face in the form of variations on the universal emotional expression of sadness, and include upward and inward movement of the inner eyebrows (combined movements of the *corrugator* and inner *frontalis* muscles), and downward turning of the lip corners (resulting from contraction of the *depressor anguli oris* muscles; Ekman, Friesen, & Hagar, 2002; Keltner & Buswell, 1996; Keltner et al., 2015).

There are strong injunctive and descriptive norms (e.g., Cialdini, 2003; Cialdini, Reno, & Kallgren, 1990) surrounding the expression of sadness during apologies. As an injunctive norm, people tend to believe that apologizers *should* express sadness: in one study, even children reacted more negatively to a target who appeared to be happy following a transgression than to a target who showed remorse (Darby & Schlenker, 1982). As a descriptive norm, it is commonly inferred that apologizers feel sad (Arsenio & Lover, 1995). These expressions of sadness may be functional, enabling

transgressors to communicate that they no longer pose a threat and will not reoffend: Goffman (1971) suggested that apologies and the appropriate expression of affect such as regret and remorse signal that despite having transgressed, the offender does respect society's rules.

To summarize, research suggests the expression of sadness is congruent with people's expectations about what emotions should be and are expressed during apologies (affective congruence). Therefore, we expect that when apologizers express sadness, any decrease in performance following organization transgressions will be mitigated. We compare the effects of sadness expressed during apologies with happiness, an emotion that we argue violates people's expectations about emotion expressions during apologies.

2.2. Deviant affect: happiness

In contrast to sadness, happiness is signaled by the subtle contraction of the *orbicularis oculi* muscle surrounding the eyes, forming crow's feet, and more obviously by the *zygomatic major*—pulling the lip corners upward. It is considered non-normative to express happiness during an apology because it is diametrically opposed to sadness, remorse, and shame (e.g., Barrett & Russell, 1998). Such expressions run counter to the emotions we expect an apology to include; research suggests that children as young as 6 years old recognize the inappropriateness of expressions of happiness, versus sadness, by wrongdoers (Nunner-Winkler & Sodian, 1988; Smith, Chen, & Harris, 2010). Thus, the expression of positive affect while simultaneously saying "I'm sorry" should reflect poorly on third parties' perceptions of the expresser; such a deviant emotional expression may communicate a lack of respect for the apology recipient and reduce the effectiveness of the message (De Cremer & Schouten, 2008). There is evidence that targets who express deviant or incongruent emotion (affect that is inconsistent with social norms and expectations) are judged more harshly and observers prefer greater social distance from them, relative to targets who respond to emotional situations appropriately. Even people who express no emotion at all are judged more harshly than those who adhere to emotional norms (Szczyrek, Monin, & Gross, 2012).

Although observers certainly scrutinize the appropriateness of emotional responses, no research has explored the long-term effects of emotional norm violations, nor has any research done so within the context of organizations' apologies for transgressions. CEOs and other public figureheads represent the face of the organization, and research has found that investors are prone to making decisions based on the remarks of one representative (Fragale, Rosen, Xu, & Merideth, 2009; Kellerman, 2006). Thus, there is reason to expect that relative to normatively congruent emotions such as sadness, deviant emotions such as happiness expressed during apologies will yield unfavorable perceptions of the organization as well as the apologizer him/herself. We therefore hypothesize that investors will be less likely to back companies whose company representative expresses deviant affect (happiness) relative to normative affect (sadness) during a public apology.

3. The role of perceived sincerity

Why would affective deviance expressed by a company representative during an apology predict a decrease in investors' willingness to buy company stocks? We theorize that investors perceive expressions of inappropriate affect to reflect the apologizer's insincerity. While a furrowed brow and downturned lip corners can corroborate the verbal exposition of remorse, guilt, and/or shame, the lack thereof may give the observer concern that the

¹ Other evidence for emotion norms in apology contexts comes from the perspective of the victim. Rose, Nadler, and Clark (2006) find that victims are also expected to express appropriate levels of emotion, and that victims' emotional expressions impact observers' perceptions of them.

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