



## Trust recovery following voluntary or forced financial compensations in the trust game: The role of trait forgiveness

Pieter T.M. Desmet<sup>a,\*</sup>, David De Cremer<sup>a</sup>, Eric van Dijk<sup>b</sup>

<sup>a</sup>Erasmus University, Erasmus School of Law, The Netherlands

<sup>b</sup>Leiden University, Department of Social and Organizational Psychology, P.O. Box 9555, 2300 RB Leiden, The Netherlands

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### ABSTRACT

One of the major challenges that actors in economic exchange relations face today concerns dealing with defection and overcoming the erosion of trust and cooperation that may result from a transgression. As transgressions in these relations usually entail a monetary loss for the victim, a common restorative approach involves providing a financial compensation to the victim. This research examines whether compensations that were provided voluntarily (rather than forced) would promote more trust among victims. In contrast to standard economic theory, we predict that individual differences exist that determine the degree to which victims are susceptible towards information about *how* the financial compensation is delivered in their decision to trust and cooperate again. Experimental data from a trust game confirmed our hypotheses by showing that whereas receiving a voluntary compensation from the transgressor communicates more repentance to victims than when this compensation was imposed, particularly people with a low tendency to forgive discount this repentance in their decision to trust again.

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### 1. Introduction

Trust is indispensable when we interact with others in the social world. In exchange relations, characterized by interactions in which our own outcomes are at odds with those of others, trust is important and useful because it not only reduces fear of exploitation, but also fuels us to be more benevolent and prosocial towards our interaction partners. In a wide variety of economic game settings (e.g., prisoner's and public good dilemmas), trust has been shown to foster cooperation, resulting in higher joint outcomes for the interacting parties (De Cremer, Snyder, & Dewitte, 2001; Parks, Henager, & Scamahorn, 1996). Despite these positive consequences of trust, people often show behavior that violates their interaction partner's trust and thus undermines cooperation (Boles, Croson, & Murnighan, 2000; O'Connor & Carnevale, 1997; Schweitzer, Hershey, & Bradlow, 2006).

Given the pervasive and persistent negative consequences that a breach of trust may trigger (Bies & Tripp, 1996; Lount, Zhong, Sivanathan, & Murnighan, 2008; Robinson, 1996; Schweitzer et al., 2006), it is surprising that to date only few studies have devoted attention to the interpersonal effects of trust violations in economic decision making and, more importantly, to how trust

can be restored again in these settings. While some scholars have advocated the effectiveness of verbal offender accounts like apologies, promises or denials (e.g., Kim, Dirks, Cooper, & Ferrin, 2006; Kim, Ferrin, Cooper, & Dirks, 2004; Tomlinson, Dineen, & Lewicki, 2004), recent findings in economic exchange relations, in which a trust violation most often results in a monetary loss, have shown that providing a substantial financial compensation may have a positive impact on restoring trust and cooperation (Bottom, Daniels, Gibson, & Murnighan, 2002; Desmet, De Cremer, & van Dijk, 2010).

Although this new body of research is compelling and paves the way for an integrative framework on the restoration of trust and cooperation, the studies conducted so far all have in common that they focus on repair strategies that are *voluntarily* initiated by the transgressor. Voluntary repair offers on behalf of a transgressor, however, are not that regularly observed in the aftermath of real-life trust violations: apologies are often explicitly demanded by victims, financial compensations are habitually imposed by a judge, before a court. Although forced compensations may be more present in daily life, from a psychological point of view, one might wonder whether restorative acts actually reveal the expected positive effects when a transgressor did not have the initial intention to perform them and had to be coerced into making these amends.

Prior research has documented that one of the key determinants of successful restoration attempts is the perceived sincerity and remorse of the transgressor (e.g., Darby & Schlenker, 1982; Okimoto, 2008; Tomlinson et al., 2004). Voluntary, unforced acts of repair have the advantage that they can signal to the victim that

\* Corresponding author. Address: Rotterdam Institute of Law and Economics, Erasmus School of Law, Erasmus University, Burgemeester Oudlaan 50, 3000 DR, Rotterdam, The Netherlands. Tel.: +31 10 4082666.

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

the transgressor him- or herself genuinely has the intention to restore the relationship. Forced acts of repair, in contrast, do not necessarily reflect that the transgressor wishes to restore the relationship (Greenberg & Frisch, 1972; Heider, 1958; Jones & Davis, 1965). This suggests that voluntary acts of repair may be perceived as much more sincere than reparations that a transgressor did not intend to make. Consequently, the positive impact of acts of repair on trust and cooperation may be less clear-cut when such acts result from coercion by others than when they are initiated voluntarily by the transgressor.

In the present research, we examined whether in the context of a trust game, financial compensations are more effective in restoring trust when being offered voluntarily relative to being enforced by a third party. From a standard economic point of view, one might argue that the victims of a trust violation in an economic game may be concerned primarily about the final outcomes they receive and as such little difference should be found between the manner in which a financial compensation is delivered. However, adopting a personality approach, we develop the argument that individual decision makers may differ in the way they are susceptible towards the information about how the financial compensation is delivered. That is, in the present paper, we argue that individual differences exist that predict the degree to which victims take this voluntariness of the act into account when deciding to trust again. Specifically, we propose that victims' dispositional tendency to forgive will determine to what extent the way a compensation was delivered will guide their trust behavior.

### 1.1. Trust (repair) and the importance of perceived intentions

Over the past decades, a growing number of researchers have devoted their attention to the study of trust in a variety of domains, sculpting a literature that is now vast and diverse. With this surge in research efforts, the literature has generated a myriad of different definitions of trust (e.g., Boon & Holmes, 1991; Deutsch, 1960; Mayer, Davis, & Schoorman, 1995; Mellinger, 1956). Despite their abundance, most of these definitions recognize a similar core element as a basis of trust: an expectation of good intent on behalf of the interaction partner. This is best illustrated by the most widely accepted and cited definition of trust as "a willingness to accept vulnerability based upon positive expectations of the intentions or behavior of another" (Rousseau, Sitkin, Burt, & Camerer, 1998).

Apart from providing us with an understanding of what trust is this notion of good intent can also help us to understand how violated trust might be repaired. In the case of a trust violation, when a victim's positive expectations are violated, the challenge for a transgressor to earn a victim's trust again will be to revive this victim's thwarted expectations of good intentions. For a restorative attempt to be effective then, a victim's perceptions of the transgressor will have to be changed by acts that indicate at least good intent on behalf of the transgressor. But when do actions display good intent?

In economic exchange settings, where financial outcomes are divided between different parties, an important restorative act in response to distributive harm is to provide a financial compensation to the victim. Indeed, trust in these relations has been shown to be driven particularly by outcome-related concerns (cf. *calculus-based trust*, Lewicki & Bunker, 1996; Lewicki, Wiethoff, & Tomlinson, 2005). As such, we could expect that receiving compensation for a monetary loss would be a sufficient response for victims of distributive harm. However, research in exchange relations has shown that actors' behavior in these settings is not only driven by outcome-related concerns, but also by other, less tangible concerns, such as communicated intent (Falk, Fehr, & Fischbacher, 2008; McCabe, Rigdon, & Smith, 2003). Following

this, we could expect financial compensations to be particularly effective in restoring trust and cooperation if they also communicate true repentance and renewed good intentions. Therefore, whether compensations are given voluntarily or following coercion by a third party may make a substantial difference in a victim's perception of a transgressor's repentance and good intent, and subsequently, his or her trust in the transgressor.

Research into other repair mechanisms (e.g., apologies) has shown that a key determinant of successful reparations is the perceived repentance they communicate: reparations are more effective when perceived as sincere and remorseful (Darby & Schlenker, 1982; De Cremer & Schouten, 2008; Exline & Baumeister, 2000; Gold & Weiner, 2000; Ohtsubo & Watanabe, 2009; Tomlinson et al., 2004). Okimoto (2008) recently observed that this might also be the case for financial compensations. He found that following procedural injustice, providing compensation to the victim is particularly effective if the compensation is construed as a benevolent gesture communicating remorse (Okimoto, 2008).

An important factor that influences the extent to which a transgressor is perceived as repenting, is whether the act is initiated voluntarily or following coercion. Voluntary reparations may be more effective in restoring trust as they are more likely to be seen as being sincere and signaling true remorse than responses that an offender was forced to make (Tomlinson & Mayer, 2009). This idea is consistent with early attribution theory that suggests that intentional acts are more likely to be attributed to the person himself than acts that an individual did not intend to make (Heider, 1958; Jones & Davis, 1965). Thus, voluntary actions are likely to be more diagnostic for the transgressor's true intentions and commitment than responses that are imposed.

We would therefore expect that in the context of economic exchange, financial compensations show more repentance when provided voluntarily as opposed to forced. Following this reasoning, we could also expect voluntary compensations to foster more trust. Having said this, we can, however, wonder whether a signal of repentance is always a necessary precursor for victims to act on in the process of trust repair. As mentioned earlier, from a standard economic point of view, it could also be reasoned that the victim of a trust violation primarily cares about the final outcomes he or she receives himself/herself. The way the compensation is delivered may then matter less. However, as argued above, psychologically speaking an outcome never comes alone: a trust repair act (i.e., providing a compensation) always conveys additional information about why it is delivered. Adopting this psychological perspective, we reason that some individual decision makers can be more susceptible towards the manner in which a financial compensation is delivered than others. In other words, we argue that whereas voluntary compensations will indeed communicate more repentance to victims, not all people will be equally affected by this repentance in their decision to trust again. That is, while for some people seeing a transgressor repent may be a prerequisite to trust and showing behavioral goodwill, others may find a transgressor's repentance less vital to their willingness to be vulnerable again. We propose that individual differences in people's tendency to forgive will influence the impact of the voluntariness of financial compensations on victims' trust.

### 1.2. Trait forgiveness as a moderator

Whereas for years, the study of forgiveness seemed a focal point reserved for theologians and moral philosophers (Adams, 1991; Griswold, 2007; Jones, 1995), in the last decades psychologists too have started to devote empirical attention to the subject of forgiveness (Exline, Worthington, Hill, & McCullough, 2003). A commonly accepted view on forgiveness is that it involves moving away from a negative state or motivation to a more positive one.

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