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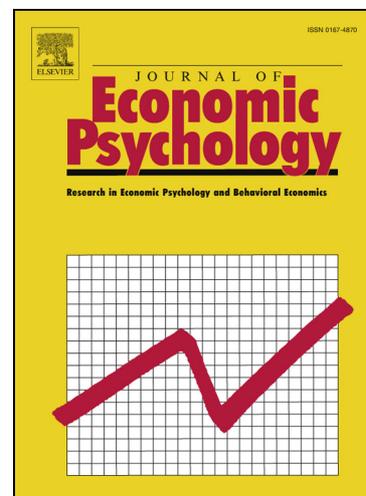
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How Many Pennies for Your Pain? Willingness to Compensate as a Function of Expected Future
Interaction and Intentionality Feedback

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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.

Keywords: compensation; intentionality; perpetrators; transgression; reconciliation; trust repair;

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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.

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 (De Cremer, 2010; Desmet, De Cremer & Van Dijk, 2010; 2011a, b; Bottom, Daniels, Gibson & Murnighan, 2002; 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 1960's (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.

1. Transgressors and victim feedback

Following a transgression, transgressors are often motivated to engage in reconciliatory behavior (Shnabel & Nalder, 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 and colleagues (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).

An interesting question that then arises is whether transgressors will also adapt their compensation strategy (i.e. the level of financial compensation they are willing to pay) depending on how victims think about the intentionality underlying the violation. We are not aware of any research that has investigated the effects of allegations of intentionality on a perpetrators willingness to compensate. Nevertheless, this is arguably an important variable to

study, as this kind of information is likely to be communicated by a victim in the wake of a transgression. How may this intentionality feedback influence the willingness of a perpetrator to financially compensate a victim?

When a transgressor learns that a victim believes that the transgression was committed intentionally, this may suggest to the transgressor that the damage to the relation is much more severe than when the victim believes the transgression was committed unintentionally. Furthermore, it may suggest that the victim does not have a strong motivation to forgive. The important question then becomes whether the transgressor is willing to engage in these costly reconciliation efforts, when the risk of not being forgiven is relatively high and the cost of the restorative action is equally high. Indeed, financial compensation literally comes at a substantial cost to the transgressor. Given that the likelihood to be forgiven is much lower when a victim believes the transgression was intentional, an instrumental perspective on the willingness of transgressors to pay financial compensation would suggest that when a victim believes the violation occurred intentionally, perpetrators would be less inclined to compensate as the cost of financial compensation may be too high concerning the relatively low likelihood of being forgiven (i.e. the benefits). When the victim believes the violation occurred unintentionally, perpetrators may perceive the likelihood of a financial compensation obtaining its desired effect as higher, and are as such more willing to financially compensate the victim, compared to when the victim thinks the transgression occurred intentionally.

2. When refusing to compensate is not an option: A future interaction perspective

The reasoning above suggests that instrumental transgressors will be less inclined to offer a financial compensation when victims hold bad beliefs regarding the transgressor's intent to commit the transgression. We propose that under some circumstances, transgressors will still be

motivated to pay financial compensation to victims, even when these victims displayed their belief of bad intent on behalf of the perpetrator. We argue that this will be a function of the structure of the relationship with the victim (i.e. whether transgressor and victim are engaged in a short-term or long-term relationship).

When people are in an exchange relationship with a long-term interaction perspective, their behavior towards their interaction partner can be fundamentally different from when the relationship has a short-term perspective. Experimental findings with economic games have consistently shown that when people expect ongoing interaction, they behave more cooperatively than when they do not (Mannix, 1994; Murnighan & Roth, 1983; Shapiro, 1975). Murnighan and Roth (1984) for example explicitly manipulated the expected probability of future interaction and observed that this probability was an important determinant of cooperative behavior. This “shadow of the future” as coined by Axelrod (1984, p. 126) has not just been shown to foster cooperation in game settings, but also in organizational settings such as interactions between buyers and suppliers (Heide & Miner, 1992).

Importantly, a crucial difference between having a future interaction perspective and not having a future interaction perspective lies in the interdependence structure of that relationship. When agents have a future interaction perspective, they are more dependent on the other party for their future pay-offs and may therefore be more committed to the relationship and value the relationship more than when future interactions are not expected (Kelley & Thibaut, 1975; Poppo, Zhou & Ryu, 2008). One result of this stronger commitment is that agents are more likely to initiate reconciliation in the event of transgressions (Tomlinson, 2011; Finkel et al., 2002). Perpetrators in relationships with a long future interaction perspective may therefore be more motivated to provide compensation to the victim as well.

Given that relationships with a future interaction perspective have much greater potential benefits to a perpetrator, we hypothesize that in relationships with a future interaction perspective, transgressors will be prepared to make an effort to reconcile even when the victim believes the transgression was committed intentionally. However, when there is no future interaction perspective with the victim, perpetrators will provide less compensation when the victim believes the transgression occurred intentionally, compared to when the victim believes the transgression occurred unintentionally. This would mean that after a victim accuses a transgressor of intentionally transgressing, the transgressors should be more willing to provide a financial compensation when they have a future perspective with the victim, compared to when they have no future perspective with the victim.

3. The present research

So far, research has provided evidence on when financial compensations can be effective. However, very little is known about the willingness of transgressors to provide these compensations. Following an instrumental perspective, we hypothesize that transgressors will be less willing to pay a financial compensation when a victim believes the violation occurred intentionally (as opposed to unintentionally), but only so when transgressor and victim have no future interaction perspective together. When a transgressor has a future interaction perspective with the victim, a transgressor will be willing to provide the same amount of compensation irrespective of whether the transgression is perceived to be intentional or unintentional.

We tested these predictions in two studies, using a hypothetical transgression in an organizational setting in Study 1 and by means of a laboratory experiment using a modified trust game (Study 2) that allowed us to measure the willingness to compensate after an experimentally induced transgression.

4. Study 1

4.1 Method

4.1.1 Participants & design.

Participants were recruited through the online recruitment system of Amazon Mechanical Turk.

A total of 103 participants were recruited (49 women; $M_{(age)} = 35.89$, $SD_{(age)} = 12.94$).

Participants were randomly assigned to our 2 (future interaction: future / no future) X 2 (intentionality feedback: intentional / unintentional) between-subjects design.

4.1.2 Materials.

In the scenario, participants were asked to imagine they were the director of a company producing specialized parts for bicycles and motor bikes. Due to a computer system crash, their company had been unable to deliver a batch of bicycle parts to a customer (bicycle) company in a timely manner. Participants learned that due to this incident, the bicycle company had suffered an estimated financial loss of \$ 50,000.

We manipulated future concerns by adding in the no future condition the information that their company had recently decided to stop producing bicycle parts and focus on making and selling motorcycle parts only. Therefore, this would be the last delivery of parts to this company. In the future condition, the relationship with this company was described as an ongoing interaction. Intentionality feedback was manipulated by stating that in response to the late delivery, the owner of the bicycle company had contacted their firm communicating that he believed their company (un)intentionally did not meet the deadline.

4.1.3 Measures.

All measures, except for the amount of compensation, were measured on a 1 (*not at all*) to 7 (*very much*) Likert scale. We checked the effectiveness of our future interaction manipulation by

asking participants: (1) Our company will still have contracts with the bicycle company in the future (2) Our company will no longer deliver bicycle parts to the bicycle assembly company in the future and (reverse coded; $r = .71$; $p < .001$). We checked our intentionality feedback manipulation by asking participants: (1) The bicycle company accuses my company of intentionally breaking the delivery deadline; (2) The bicycle company understands that our company did not intend to break the delivery deadline (reverse coded; $r = .87$; $p < .001$). The amount of money that participants were willing to compensate was our main dependent variable. Using a slider, anchored from \$ 0 to \$ 100.000, participants could indicate the amount they wanted to offer to the customer company as compensation.

4.2 Results

4.2.1 Manipulation checks.

An ANOVA with future interaction and intentionality feedback as independent variables and the future manipulation check scale as dependent variable indicated a significant effect of our future manipulation ($F(1, 99) = 153.36$, $p < .001$, $\eta_p^2 = .61$). There was no effect of our intentionality feedback manipulation ($F(1, 99) = .07$, $p = .79$, $\eta_p^2 = .001$), nor an interaction effect $F(1, 99) = 1.61$, $p = .21$, $\eta_p^2 = .02$). As expected, participants in the future condition anticipated more future interaction with the customer company ($M = 5.56$, $SD = 1.19$) than participants in the no future conditions ($M = 2.21$, $SD = 1.51$).

An ANOVA with future interaction and intentionality feedback as independent variables and the intentionality feedback manipulation check scale as dependent variable indicated a significant effect of intentionality feedback ($F(1, 99) = 185.12$, $p < .001$, $\eta_p^2 = .65$) as well as an effect of future ($F(1, 99) = 9.54$, $p = .003$, $\eta_p^2 = .09$). The interaction effect was not significant ($F(1, 99) = .52$, $p = .48$, $\eta_p^2 = .005$). As expected, participants in the intentional conditions

indicated they were accused of intentionally breaking the deadline ($M = 5.52, SD = 1.45$) while participants in the unintentional conditions indicated they were accused of unintentionally breaking the deadline ($M = 1.88, SD = 1.28$). Unexpectedly, participants in the no future conditions were also more inclined to think that the owner of the customer company thought they did not meet the deadline more intentional ($M = 4.25, SD = 2.30$) than participants in the future conditions ($M = 3.07, SD = 2.11$).

4.2.2 Amount of compensation.

An ANOVA with future and intentionality feedback as independent variables and the amount of compensation as dependent variable indicated a significant interaction effect ($F(1, 99) = 4.43, p = .04, \eta^2 = .04$). There was no main effect of intentionality feedback ($F(1, 99) = 1.01, p = .32, \eta_p^2 = .01$), nor of future interaction ($F(1, 99) = 1.34, p = .25, \eta_p^2 = .01$).

Simple effects analyses (see Table 1 for cell means) indicated that in the no future interaction conditions participants were willing to offer more compensation when the owner of the customer company thought that not meeting the deadline was unintentional than when the owner of the customer company thought that not meeting the deadline was intentional, ($F(1, 99) = 5.00, p = .03, \eta^2 = .05$). In the future interaction conditions there was no significant difference between intentional and unintentional ($F(1, 99) = .58, p = .45, \eta_p^2 = .006$).

Moreover, when the owner of the customer company thought that not meeting the deadline was intentional, participants were more willing to compensate the owner when there was a future with that company compared to when there was no future ($F(1, 99) = 5.24, p = .02, \eta_p^2 = .05$). When the owner of the customer company thought that not meeting the deadline was unintentional, the amount of compensation participants were willing to offer when there was a

future compared to when there was no future with that company did not significantly differ ($F(1, 99) = .45, p = .50, \eta_p^2 = .005$).

4.3 Discussion

The results of Study 1 confirmed our predictions. Whereas participants were willing to pay significantly less compensation to a victim that believed the transgression happened intentionally as opposed to unintentionally, this was only the case when victim and transgressor had no future interaction perspective together. In contrast, when both parties had a future interaction perspective, perpetrators wanted to compensate an equal amount when the victim thought the transgression happened intentionally or unintentionally. As such, the findings of Study 1 supported our hypothesis using a diverse sample and a typical transgression in organizational settings.

To strengthen the confidence in these initial findings, we decided to conduct a second study. In this second study, we aimed at addressing a number of issues concerning Study 1. One of the weaknesses of the scenario approach we employed there is that participants did not commit an actual transgression, but were merely asked to imagine they committed a transgression. Likewise, in deciding how much compensation they would offer to the victim, participants were not actually making decisions about their own outcomes. Finally, in Study 1 the manipulation of future interaction perspective and intentionality feedback was not completely orthogonal as the future interaction manipulation also influenced perceptions of intentionality. Therefore, in Study 2, we wanted to verify whether we could replicate our findings with participants that (1) actually committed a transgression and (2) were making decisions that affected their own outcomes. For this purpose, we turned to the lab and conducted a controlled laboratory experiment.

5. Study 2

5.1 Method

5.1.1 Participant & design.

A total of 197 participants (75 women; $M_{(\text{age})} = 20.45$, $SD_{(\text{age})} = 1.80$) were recruited at a major Dutch university. They were randomly assigned to one of the four conditions of our 2 (future / no future) X 2 (intentional feedback / unintentional feedback) design.

5.1.2 Procedure.

In this study, we aimed to investigate financial compensation behavior for actual transgressions. In order to induce participants to commit a transgression we used a paradigm developed by Leunissen and colleagues (2012). This paradigm is a modification of the trust game (Berg, Dickhaut, & McCabe 1995), in which participants are coaxed into committing a transgression against their interaction partner.

The game was presented as a task on social decision-making. Participants were told that they would be playing an interaction task with another person in the lab. By means of a fixed lottery, all participants were assigned to role of Player 2, while the other (non-existing) participant was Player 1. It was explained that Player 1 had received a valuable endowment consisting of an undisclosed number of valuable chips. Participants were told that any chips transferred to them by Player 1 would be tripled. Participants could then decide how many of the tripled number of chips to return to Player 1.

The game was modified in such a way that participants were likely to make an unfair decision towards Player 1 (i.e., more likely to keep more chips for themselves than to give back to Player 1). This was done by inducing uncertainty over Player 1's initial endowment. It was explained that the initial endowment of Player 1 could be anything from 10 to 30 chips; however,

the exact endowment was unknown to the participant. Subsequently, the participant learned that Player 1 has transferred 10 chips. Because 10 chips was the lowest endowment possible, we expected that most participants would infer that the original endowment of Player 1 would be larger than 10 chips (this assumption was confirmed, see the results section). Because participants estimated the original endowment of Player 1 to be larger than 10 chips, Player 1's contribution of 10 chips implied that he/she had chosen not to transfer all his/her chips. We therefore expected that participants would also feel justified to return a smaller share than 50% of their 30 chips.

After participants had made their decision on how to divide the 30 chips, we revealed that the initial endowment of Player 1 had in fact been only 10 chips, meaning that Player 1 showed a high level of trust by transferring the entire endowment. This meant that participants who made an advantageous unequal division (138 of the 197 participants) had violated the equality rule and acted unfairly towards Player 1. After we gave participants feedback about the final division of the chips, we asked a number of questions on their perceptions of the final division (see dependent measures section). After these questions, the experiment stopped for the participants who had not committed the transgression. Those participants who had committed a transgression proceeded towards the intentionality feedback manipulation and the subsequent dependent measures

5.1.3 Manipulations.

Expected future interaction was manipulated by informing participants in the no future condition that this game was a single shot interaction. Participants in that condition were told they would only play one round with their interaction partner. In the future condition, they were told that this was the first interaction of an indefinite number of interactions, without being

specific on how many interactions there would be in total. Because we manipulated whether or not more than one round of interaction was expected, and because we did not want to induce any suspicion whether this was true or not, we chose to not explicitly ask about this during the experiment and therefore did not include manipulation checks for the future interaction manipulation. After participants made the first division, they received feedback on Player 1's thoughts about the initial division. This feedback consisted of a screenshot of two questions that Player 1 had answered. These two questions were: (1) "To what extent do you think Player 2 made this distribution intentionally?", and (2) "Do you think it is possible that Player 2 made this distribution by mistake?" Both questions were answered on a 1 (*not at all*), to 7 (*very much so*) scale. In the intentional feedback condition, Player 1 answered a 6 on the first question and a 2 on the second question. In the unintentional feedback condition, Player 1 answered a 2 on the first question and a 6 on the second question.

5.1.4 Measures.

We checked our intentionality feedback manipulation with two items: (1) Player 1 thinks I intentionally created this division, and (2) Player 1 thinks I did not intend this distribution (recoded; $r = .72, p < .001$). After the transgression and the intentionality feedback manipulation, participants were given the opportunity provide a compensation to Player 1. Our dependent variable of interest was the final amount of chips that Player 1 received.

5.2 Results

5.2.1 Transgression.

A total of 138 participants committed the transgression against Player 1 and 59 participants did not. Because our future manipulation was induced before participants made a decision on how many chips to keep and how many to return to Player 1, we checked whether

our future manipulation had an effect on the transgression rates. A logistic regression analysis indicated that this was not the case ($b = -.16$, Wald's $\chi^2 = .26$, $p = .61$, odds ratio: .85).

In accordance with our expectations, participants overestimated the original endowment of chips of Player 1 ($M = 19.9$, $SD = 6.41$). Participants who committed the transgression thought the original endowment of Player 1 was significantly larger ($M = 20.86$, $SD = 6.36$) than participants who did not commit the transgression ($M = 17.68$, $SD = 6.00$; $t(194) = 3.27$, $p = .001$). As a result, participants who committed the transgression returned significantly less chips to Player 1 ($M = 17.81$, $SD = 4.46$) than participants who did not commit the transgression ($M = 7.31$, $SD = 3.76$; $t(195) = -16.98$, $p < .001$).

A t-test on whether participants thought the final division was fair indicated that participants who had committed the transgression thought the final division was significantly less fair ($M = 5.51$, $SD = 2.04$) than those who did not commit a transgression ($M = 3.05$, $SD = 1.71$; $t(195) = -8.71$, $p < .001$). Moreover, participants who committed the transgression felt more guilty about the final division ($M = 3.88$, $SD = 1.88$) than participants who did not commit the transgression ($M = 2.10$, $SD = 1.46$; $t(195) = 6.50$, $p < .001$).

5.2.2 Manipulation check.

An ANOVA with the intentionality feedback manipulation and the future manipulation as independent variables and our intentionality feedback manipulation check scale as the dependent variable indicated a main effect of our intentionality feedback manipulation ($F(1, 134) = 195.24$, $p < .001$, $\eta_p^2 = .59$). As expected, participants in the intentional feedback condition indicated that Player 1 ascribed more intentionality to the division ($M = 5.66$, $SD = 1.23$) than participants did in the unintentional feedback condition ($M = 2.75$, $SD = 1.19$). Neither the main effect of future

interaction ($F(1, 134) = .24, p = .62, \eta_p^2 = .002$), nor the interaction effect ($F(1, 134) = 1.24, p = .27, \eta_p^2 = .009$) were significant.

5.2.3 Compensation.

An ANOVA with future and intentionality feedback as independent variable and the final amount of chips for Player 1 as the dependent variable indicated a significant interaction effect ($F(1, 134) = 5.94, p = .02, \eta_p^2 = .04$; See Table 2 for cell means). Neither the main effect of intentionality feedback ($F(1, 134) = .43, p = .51, \eta_p^2 = .003$), nor the main effect of future was significant ($F(1, 134) = .53, p = .47, \eta_p^2 = .004$).

Simple effects analyses indicated that when there was no future with Player 1, Player 1 received a higher final amount of chips when Player thought the transgression was unintentional than when Player 1 thought it was intentional ($F(1, 134) = 4.94, p = .03, \eta_p^2 = .04$). When participants expected a future interaction with Player 1, there was no significant difference between when Player 1 communicated that he/she thought the transgression was intentional and unintentional ($F(1, 134) = 1.54, p = .22, \eta_p^2 = .01$).

Moreover, when Player 1 thought the distribution was intentional, Player 1 received higher final outcomes when a future interaction was expected than when no future interaction were expected ($F(1, 134) = 5.58, p = .02, \eta_p^2 = .04$). When Player 1 thought the distribution was unintentional, Player 1 received equal outcomes when there was a future compared to when there was no future ($F(1, 134) = 1.33, p = .25, \eta_p^2 = .01$).

5.3 Discussion

The results of Study 2 confirmed our previous findings, but now in a laboratory setting where participants actually committed a transgression. As in Study 1, we observed that whereas participants were willing to pay significantly less compensation to a victim who believed the

transgression happened intentionally (as opposed to unintentionally), this was only the case when the victim and transgressor had no future interaction perspective together. In contrast, when both parties had a future interaction perspective, victims that believed the transgression happened intentionally were compensated just as much. In contrast to Study 1, this time we did not find an effect of our future interaction manipulation on ascribed intentionality, giving confidence that these variables were orthogonally manipulated.

6. General discussion

Financial compensations have proven to be a widely used and effective response to distributive harm (Desmet et al., 2011a, b). Remarkably, we know little about the willingness of perpetrators to provide such a financial compensation and about the factors that influence this willingness to compensate. Across two studies, we have shown that both intentionality feedback by the victim and whether or not future interaction with the victim is to be expected influence this willingness. When a victim communicates that he or she perceives the violation as intentional, a transgressor will be inclined to pay less compensation than when the victim thinks it happened unintentional, but only so when transgressor and victim share no future interaction perspective. When they share a future interaction perspective, the difference between compensation after a victim communicated he/she thinks the transgressor transgressed intentionally and after a victim communicated he/she thinks the transgressor transgressed unintentionally did not differ significantly.

These results support an instrumental perspective on the willingness of perpetrators to financially compensate a victim. This instrumental perspective departs from the idea that a perpetrator is willing to reconcile with a victim but predicts that the willingness to compensate is conditional on the costs and benefits that a perpetrator assigns to the reconciliation attempt.

Financial compensation comes at a cost but also at a benefit (i.e. a restored moral identity, standing in the community, and a restored relationship with the victim; Shnabel & Nadler, 2008). Because the likelihood of forgiveness and reconciliation is higher when a victim believes the transgression occurred unintentionally compared to when the victim believes the transgression occurred intentionally, perpetrators are more willing to compensate a victim who communicated he/she though the transgression was committed unintentionally than we he/she communicated that he/she thought the transgression was committed intentionally. Indeed, reconciliation, even in the absence of a future relationship with the victim, still entail benefits to the perpetrator because the perpetrator is forgiven and their standing in the community is restored.

When perpetrator and victim share a future interaction perspective, the potential benefits of a restored relationship become much larger (because the perpetrator can now obtain direct benefits from their relationship with the victim) and as a result a perpetrator is more willing to incur costs to restore the relationship. In support of this, perpetrators were significantly more willing to initiate reconciliation when a victim believed the transgression was committed intentionally when they had a future with the victim, compared to when they did not had a future with the victim. Taken together, our findings contribute to the literature in several ways.

A first contribution of our findings to the study of financial compensation and trust repair is that we studied the transgressors' willingness to provide them. Prior research in the area of trust repair has mainly evaluated the process of trust repair by focusing on the effects of this restoration strategy on victims. By showing that transgressors are both sensitive to victims' reactions and relational characteristics in their decision to compensate, our studies join recent efforts that investigate when transgressors are actually willing to employ restoration strategies or not, which is an equally crucial stage in the process of trust repair (e.g. Leunissen et al., 2013).

A second contribution of our studies is that we focused on financial compensations that transgressors are willing to pay as an outcome variable. The few studies that did investigate the motivation of transgressors' to engage in restorative actions only looked at transgressors' willingness to apologize (e.g. Leunissen et al., 2012; Shnabel & Nadler, 2008). Very little research on trust repair has investigated the factors that influence the amount of financial compensation that a transgressor is willing to pay. In the context of economic exchanges, interactions consist of the exchange of resources with a tangible value and transgressions therefore most often imply a material loss for the victim. Prior research has shown that in such cases, although apologies can be effective to some extent, supplementing these with a financial compensation for incurred losses is a more effective road towards trust repair (Bottom et al., 2002; Haesevoets, Reinders Folmer, De Cremer, & Van Hiel, 2013). As a result, an equally important challenge for research on trust repair exists in uncovering the factors that underlie transgressors' compensation behavior. By showing that transgressors' willingness to pay is influenced by both victims' reactions and relationship characteristics, our findings provide a valuable first step in this direction.

Furthermore, although our findings show that transgressors can indeed be instrumental in their decision to compensate, an important observation is that when victims and transgressors would no longer interact, transgressors still pay a substantial amount of compensation to victims that communicated their belief about the transgressor's good intent,. Our findings therefore also show that transgressors do not necessarily behave as utility-maximizing decision makers, which would predict that transgressors would not engage in compensation at all when there is no future interaction perspective with the victim (see Leunissen et al., 2012 for similar findings).

Our findings also open some interesting avenues for future research. First of all, more research is needed on the transgressor's motives for providing financial compensation to victims. Although we embedded our research within the existing literature on trust repair, our findings do not allow concluding that the compensation behavior by transgressors is in fact driven by the desire to restore trust as we did not measure this trust repair motive. A desire to repair trust could be one of the motivators of perpetrators to provide financial compensation but there may also be other reasons why perpetrators may provide less compensation to victims that communicate their belief about bad intent. For one, perpetrators may also be less willing to compensate victims in basic act of reciprocity to an accusation of bad intent (i.e. reactance) which may be overruled by considerations of future interaction. Moreover, it would also be worthwhile to investigate to what extent victim feedback affects experienced guilt, which may in turn explain compensation behavior. Future research should therefore focus on providing more insight in the motives of transgressors' compensation behavior by investigating underlying mechanisms.

Second, given that our focus in these experiments was on the willingness to compensate only, one of the intriguing areas for further research lies in investigating when perpetrators are more willing to either offer compensation or verbal accounts (like denials, excuses or apologies) or provide both in combination. Findings have indicated that even in the case of distributive harm, providing apologies in combination with financial compensation can sometimes foster more reconciliation than the provision of compensation alone (Haesevoets et al., 2013; Okimoto & Tyler, 2007). Given that compensation and apologies are both costly but may entail different social costs, it may be interesting to unveil how the willingness of perpetrators to engage in either or both of these restoration strategies may differ along characteristics of the relationship with the victim, the violation or the transgressor.

Finally, by taking a transgressor's perspective, our findings also open the possibility for researchers to study when reconciliation is likely to happen (or not) by running double-sided studies with subjects in both roles (victims and transgressors), while allowing mechanisms of communication and compensation between victims and transgressors (e.g. SimanTov-Nachlieli & Shnabel, 2013). These studies can provide an interesting starting point to investigate when a transgressors' willingness to engage in restorative actions coincides or conflicts with victims' actual need for these actions. Putting our findings that in short-term relations transgressors will be willing to pay less compensation when victims view the transgression as intentional side by side with previous findings that intentional violations can make financial compensation less effective (Desmet et al., 2011a), suggests therefore that in such situations reconciliation is unlikely to happen as both parties will be less inclined to show goodwill towards each other.

7. References

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Tables

Table 1.*Means (SD) for compensation amount, and in Z scores, in Study 1*

	intentional	unintentional
Future	30.696 (21.606)	26.337 (18.390)
	.24 (1.06)	.03 (.90)
No future	17.732 (17.890)	30.094 (22.700)
	-.39 (.88)	.21 (1.11)

Table 2.*Means (SD) for final amount of chips for the victim (Player 1) in Study 2*

	intentional	unintentional
Future	14.62 (4.91)	13.13 (4.76)
No future	11.97 (5.93)	14.56 (3.28)

Highlights

- We investigate perpetrators' willingness to compensate in economic relations
- We test how victims' feedback influences the amount of compensation awarded
- Whether feedback affects compensation size depends on the relation's time horizon

ACCEPTED MANUSCRIPT