The Impact of Proximity on Trust Restoration from an Organisational Apology

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ABSTRACT

Modern organisations frequently issue public apologies in the aftermath of a perceived transgression as a strategy to restore lost trust. Our paper examines the impact of social proximity on the efficacy of organisational apologies issued to consumers based on questionnaire data from two studies of 193 and 342 participants. It was discovered that the inclusion of language indicating geographic and leadership proximity in an apology led to the restoration of significantly more trust compared to apologies that did not include any references to proximity. By contrast, apologies that included references to relationship and network proximity were significantly less restorative of trust compared to apologies that did not include any proximity references. Our research is the first study to examine the intersection of social proximity and organisational apologies. Based on our findings, we contend that organisations should include references to geographic and leadership proximity in their apologies and exclude references to relationship and network proximity.

KEYWORDS: *apology, communication, leadership, proximity, trust.*

JEL CLASSIFICATION: *M14*

1. INTRODUCTION

Maintaining organisational trust is critical to a firm's long-term strategic success for a firm because a breakdown of trust can weaken the bond among stakeholders and reduce customer loyalty, resulting in business losses (Bhattacharjee, 2002). The integrated model of organisational trust posits that trust in an organisation is dependent on how stakeholders perceive characteristics associated with benevolence, integrity, and ability (Mayer et al., 1995). If perceptions of an organisation's benevolence, integrity, and ability are violated, overall trust in the organisation also declines (Mayer et al., 1995). Knight (2014) uncovered that the successful management of crisis communication is an important tool for restoring trust in the aftermath of a transgression.

Firms issue apologies to mitigate any negative perceptions held by the public in the aftermath of a transgression (Tomlinson, 2011) and to restore lost trust (Kim et al., 2009). To be effective at restoring trust, an organisational apology should craft a narrative of the incident that includes aspects of causality and attribution (Smith, 2008). Transgressions that are perceived by the public to result from a breach of integrity or morality are more difficult to repair than breaches relating to performance, competence, or ability (Kim et al., 2004). Organisations must also consider the perceived severity of the transgression and the

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likelihood of future recurrence when issuing an apology to customers to ensure a commensurate response (Tomlinson & Meyer, 1999).

Social proximity can also impact on perceptions of trust. A study of online relationships between organisations and customers (Cyr et al., 2007) found that using facial photos to signal social proximity led to increased trust in an online service provider (Cyr et al., 2007). In another study, it was found that individuals referred by a known connection to a social network increased perceptions of social proximity to others in the network (Gulati, 2007). Further supporting the nexus between social proximity and trust, Gupta, Rice, and Sundararajan (2016) found that the tagging of two individuals in a social media post together was positively associated with trust.

Consumers now expect organisations to issue an apology when they commit a perceived transgression (Ashforth & Gibbs, 1990). Because the post-Covid world has led to more outsourcing, remote work, and online (versus in-person) transactions, the restoration of trust is made more difficult because diverse communities have differing norms, and communication is more likely to take place digitally than in-person. A study by Lewis, Parra, and Cohen (2015) found that relational closeness is a key factor impacting apologies, but the relationship between proximity and trust formation remains unclear (Nilsson, 2019; Sunley, 2008).

Hypotheses

In consideration of the extant literature on social proximity, trust restoration, and organisational apologies, we hypothesise as follows:

Hypothesis 1: Following an integrity violation, organisational apologies will restore more consumer trust if an element of personal proximity is included in the apology.

Hypothesis 2: Following an integrity violation, organisational apologies will restore more consumer trust if an element of geographic proximity is included in the apology.

Hypothesis 3: Following an integrity violation, organisational apologies will restore more consumer trust if an element of network proximity is included in the apology.

Hypothesis 4: Following an integrity violation, organisational apologies will restore more consumer trust if an element of leadership proximity is included in the apology.

2. LITERATURE REVIEW

Modern organisations issue apologies more rapidly and with greater frequency than they did prior to the advent of the Internet and social media (Rhodes, 2017), and customers have come to expect an apology from a company when norms are violated (Ashforth & Gibbs, 1990). While the elements included in an apology can vary (Coombs et al., 2010), a cross-disciplinary review of the apology literature by Fehr et al. (2012) found that apologies usually include three major elements: responsibility acknowledgements, compensation offers, and expressions of empathy.

The literature also shows that increasing compensation in apologies is more restorative of trust (Desmet, 2010) and that compensation alone (in the form of restitution) was shown to be more effective in one study than an apology alone (DiFonzo, 2018). The display of sorrow or regret through such words as "I'm sorry" can convey sincerity and make apologies more effective (Goffman, 1967; Lazare, 2005; Tavuchis, 1991), even though the sincerity may be feigned (Hearit, 2006) as a defensive strategy. Apologies that include compensation offers and

refer to changes in procedure following a transgression are viewed as demonstrating more sincerity (Cugueró-Escofet et al., 2014).

Organisational transgressions related to failures in performance are classified as violations of competence, while transgressions related to moral failures, such as community insensitivity, are classified as integrity violations (Kim et al., 2004). Integrity violations erode more trust than competence violations, and apologies are less effective at restoring trust after an integrity violation versus a competence violation (Kim et al., 2009; Pfarrer & Reger, 2012; Zavyalova et al., 2011).

The issuance of an apology impacts both the issuing person and the individual receiving the apology (Byrne, 2014), and apology recipients are less forgiving of leaders when they fail to apologise for a transgression (Tucker et al., 2006). Organisations face more challenges in issuing an apology because they are perceived as being less ethical than natural (human) persons (Yago & Pferrer, 2019). Modern consumers may also be more wary of organisations that issue auto or AI-generated form apologies rather than individualised person-to-person apologies.

The literature on proximity has focused on various aspects of the construct, including institutional, organisational, geographic/spatial, technological, cultural, cognitive, and social (Knoben & Oerlemans, 2006). Because organisations are social groupings with regular patterns of interactions (Tichy et al., 1979), we focus on social proximity as the primary aspect impacting the restoration of trust from an apology. The connection between trust and proximity is underexamined in the literature (Nillson, 2019; Sunley, 2008), and no prior study has examined the link between proximity and organisational apologies.

Social proximity has been shown to impact inferences of reputation, similarity, and identity and can impact consumer perceptions of an organisation's benevolence (Nilsson, 2019). If an organisation is geographically close to a customer, perceptions of reputation, similarity, and identity will likely increase because they share the same community space and are more likely to have established social relationships (Breschi & Lissoni, 2009). We posit that references to social and geographic proximity in an organisational apology will lead to greater trust restoration from any apology due to the increased perceptions of benevolence.

3. METHODOLOGY

Two studies were conducted to evaluate the effectiveness of apologies in restoring trust following an organisational transgression. In Study 1, we textually analyse questionnaire data from 193 participants (135 university students, 58 MTurkers) with a single open-ended item. In Study 2, we quantitatively analyse data from 342 different participants (163 university students, 115 MTurkers) using four transgression scenarios and 101 multiple-choice items using a Likert scale.

Cloud Research was utilised to source the Amazon Mechanical Turk panel in order to address concerns about participants bypassing the U.S. location requirement by using proxy servers (Dennis, Goodson, & Pearson, 2018). The overall quality of MTurk data samples has been shown to surpass undergraduate and other community-based groups (Kennedy et al., 2018). The MTurker ratings and experience levels were screened to improve panel quality, and the location was verified by Cloud Research using IP addresses.

3.1 Study 1 Methodology

Study 1 included 193 participants (135 university students, 58 MTurkers). Two scenarios representing organisational transgressions were presented, with a single open-ended item asking, "Is there anything else the CEO could have done to make you more likely to forgive the company?" The first scenario ("Deleted Files") focused on competence violations, while the second ("Insensitive Video") related to integrity violations. The Deleted Files scenario was an adaptation of existing material (Gonzales et al., 1992) that has been used in the past in other studies on violations of competence (Fehr & Gelfand, 2010). The Insensitive Video scenario was developed to reflect the most common type of violation necessitating an organisational apology, according to a recent grounded theory study of the phenomenon (Rhodes, 2017).

A two-step item and matrix listing process was employed to textually analyse the open-ended item. Item and matrix listing was recognised by Miles et al. (2013) as an effective method of data analysis. Responses were first manually coded in Microsoft Excel to describe the causes put forward by participants for the loss or restoration of forgiveness. The inventoried causes were then collaboratively reviewed by researchers and categorised based on references to proximity.

3.2 Study 2 Methodology

Study 2 included 342 participants (163 university students, 115 MTurkers). Four transgression scenarios and 101 questionnaire items were used to assess the restorative potential of apologies following a transgression by a large corporation. The four transgression scenarios all focused on violations of community sensitivity (an integrity violation). They included the Insensitive Video scenario from Study One and three additional scenarios–Offensive Tweets, Hurtful Posters, and Offensive Items–derived from preceding events to other community sensitivity violations uncovered in a recent grounded theory study of organisational apology (Rhodes, 2017). As community sensitivity infringements are the most common antecedent necessitating organisational apologies, they were used for all four scenarios, thus allowing for more uniform measurement across scenarios.

For each transgression event, participants indicated their level of trust in the organisation with a 9-point Likert scale (from strongly agree to strongly disagree) based on four aspects of trust Bhattacherjee (2002): fairness, openness/receptivity, good faith, and general trustworthiness. Subsequently, participants indicated their trust based on five alternative apologies issued by the organisation, each incorporating a different aspect of proximity: no proximity, social proximity, network proximity, geographic (spatial) proximity, and leadership (CEO) proximity.

The four apology types shared three key elements: an explicit apology ("I apologise"), a compensation offer, and a responsibility acknowledgment. Two attention-check items were also included in the questionnaire for all participants. The data was analysed using a paired-sample T-test with SPSS software; all reported results are two-tailed.

4. RESULTS

4.1 Study 1 results

All three co-authors collaboratively reviewed the answers given by participants in the open-ended item. The majority of participants (99/193, 51%) indicated that more could be done to improve forgiveness after the issuance of an apology. A textual review of the 99 answers on

what/how more could be done led to the emergence of four primary enhancement categories: individual compensation offers, community outreach, a rewording of the apology, and internal change or training.

Specifically, 37 participants stated that a compensation offer would make them more forgiving, 29 participants referenced community outreach, 27 participants referred to some form of enhanced apology, and 14 participants suggested that internal change or training would increase their level of forgiveness. Since some participants referred to more than one category, the combined total of apology enhancement references was 107.

Further consideration of the categorical responses in connection with a review of the literature on social proximity suggested that 72 out of the 107 apology enhancers (67%) related to personal proximity (37 of 107), network proximity (23 of 107), or geographic proximity (12 of 107). See Table 1 below. Because multiple responses referred specifically directly or indirectly to the delivery of an apology by the CEO, we added leadership (CEO) proximity as an additional form of apology.

Table 1. Dimensions of Social Proximity in Organisational Apologies

Personal Proximity	- "A phone call shows they understand my concerns about the advertisement." (Presumably a person-to-person call) - "In Person apology" - "Travelling personally to my community and getting a face-to-face talk apologising for the incident." (Face-to-face reference makes it personal and straddles network proximity)
Network Proximity	- "Make a follow-up video, apologise at the conference" (Benefits the community group of conference attendees) - "Address the problem, find a solution, and work with the insulted community group to learn not to make people feel uncomfortable." (Refers to a group versus geographic community) - "Offer a new conference at no cost" (Benefits the impacted community group, not a specific geographic area of consumers)
Geographic Proximity	- "Do something to give back to my community or do something to show that they are really apologetic" (Calls for a local response, straddles network proximity) - "Brought me to another convention." (Refers to location-based transport) - "Apologise publicly to the community they offended instead of just the poster." (Refers to a community, straddles with network proximity)
Leadership Proximity	- "Maybe the CEO should have made a public announcement apologising because the customer probably wasn't the only one who felt like that."

Source: Author's own work

4.2 Study 2 results

Hypothesis 1 predicted that the inclusion of personal proximity within an apology would improve trust in the organisation following an integrity offense. Contrary to our expectations, the inclusion of a personal proximity element in the apologies had a negative and significant impact on trust perceptions ($p < .001$) despite being more restorative of trust than no apology. Therefore, references to personal proximity made the apology less effective in restoring trust.

Hypothesis 2 predicted that consumers would trust an organisation more after an apology if it contained a reference to shared network proximity.

Contrary to expectations, the inclusion of a network proximity element had a significantly negative impact on trust restoration (p < .001) in comparison to the baseline apology. The inclusion of network proximity in the apology thus rendered the *mea culpa* less effective in restoring trust.

Hypothesis 3 predicted that consumers would trust an organisation more after an apology that included an element of geographic proximity. In line with our prediction, the inclusion of geographic proximity was found to be positive and significantly restorative of trust (p < .001) in comparison to the baseline apology (with no proximity element). Including an element of geographic proximity in an organisational apology enhanced its effectiveness.

Hypothesis 4 predicted that consumers would trust an organisation more after an apology if it included an element of leadership proximity (delivered personally by the CEO). As predicted, the inclusion of leadership proximity was found to be positive and significantly restorative of trust (p < .001) in comparison to the baseline apology (with no proximity element). This indicates that including an element of leadership proximity in an organisational apology makes it more effective in restoring trust.

Figure 1 below presents a model of how proximity impacts the effectiveness of organisational apologies in restoring trust. The results are set forth in Table 2 below.
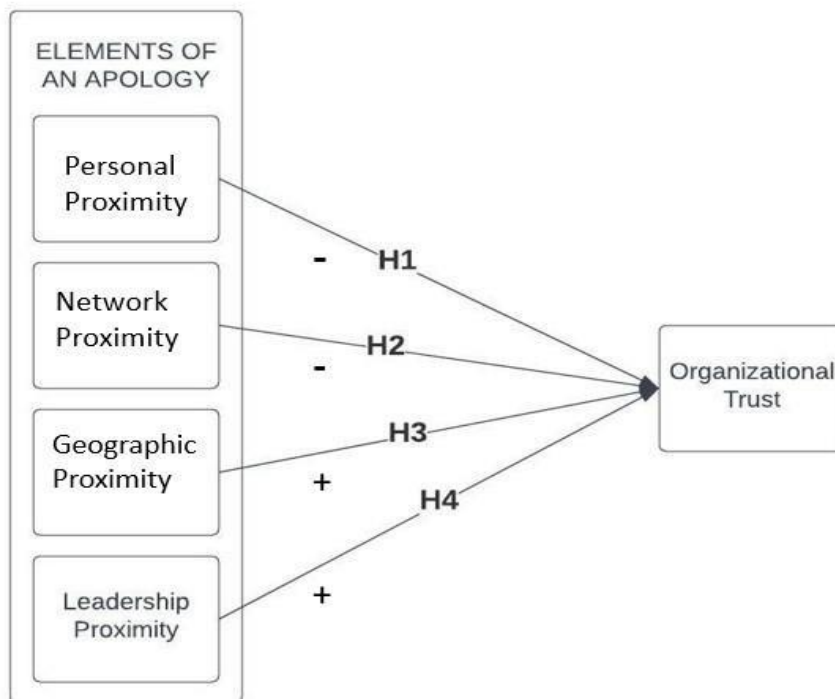

Figure 1. Impact of Proximity Elements of an Apology on Organisational Trust
Source: Author's own work

Table 2. Impact of Proximity on Trust Restoration

Proximity Type	Mean Effectiveness	Baseline Comparison	DF	T-value	Significance
Baseline Apology (no proximity)	4.33	na	na	na	**na**
Personal Proximity (negative)	4.56	-.116	341	-3.901	**p <.001***
Network Proximity (negative)	4.62	-.141	341	-3.906	**p <.001***
Geographic Proximity (positive)	4.15	.277	341	3.453	p <.001*
Leadership Proximity (positive)	3.4	1.06	341	14.014	p <.001*

Source: Author's own work

N=342; *p<.001
9-point Likert scale; 1=most effective trust restoration, 9=least effective trust restoration

5. DISCUSSION OF FINDINGS

Our research uncovered that social proximity can significantly impact the effectiveness of an organisational apology issued to its customers. If the apology includes a reference to someone personally close to the customer within the apology or in the same social network, the apology is significantly less restorative than a baseline apology without references to proximity. By contrast, if the apology is issued with reference to a shared spatial relationship (i.e., in the same city or geographic location) or personally issued by an organisational leader (CEO), it will restore more trust than a baseline apology.

When a violation takes place in a customer's social circle (personal proximity) or colleagues/affiliates (network proximity), we contend that the emotional reaction to the breach is heightened, and the loss of trust is more strongly felt. When a customer receives an apology from someone they know personally or professionally, they likely feel a greater sense of hurt or betrayal, which likely counteracts the sincerity expressions in the apology itself.

The social connection thus amplifies the reputational harm and potentially leads to a ripple effect in a shared social network of friends or colleagues, further disseminating news of the transgression that led to an apology. The foregoing is supported by attribution theory, which asserts that transgressions are mentally processed to assign causal blame (Tomlinson, 2011) and make it harder to separate the organisation from the offense.

Apologies that include an element of spatial or geographic closeness are likely more restorative of trust because they signal expectations of an ongoing relationship with the customer. This spatial closeness is likely to enhance notions of similarity and identify and increase perceptions of the organisation's benevolence toward the local community. Our research suggests that organisations should consider referring to a shared geographic location (local branch or closest regional headquarters, for example) when they issue an apology, even if it requires multiple apologies to be issued in different communities.

An apology that is personally issued by a CEO to an offended community is likely more effective because the CEO can more clearly impart a sense of separation between the organisation and the misconduct (Goffman, 1967). We posit that consumers are more likely to trust that a CEO has the power to ensure the organisation will not repeat the offense in the future, in comparison to an apology issued by an unknown or lower-ranked employee (or, worse, auto-generated by a corporate chatbot).

Our findings align with extant research showing that consumers are more forgiving of CEOs when they apologise because they are perceived as transformation leaders (Tucker, 2006). While virtual interactions between organisations and customers have become the norm in a post-COVID world, organisational leaders should consider delivering important communications (such as apologies for integrity offences) directly to customers.

6. CONCLUSIONS

Our findings help fill the research gap relating to proximity and trust (Nilsson, 2019; Sunley, 2008). We suggest that organisations pay attention to our findings related to proximity when crafting their apologies and training employees on how to respond to customer complaints. Firms should aim to geographically localise their apologies and have them issued by leadership rather than a lower-ranking agent or representative.

It is acknowledged that this study is limited in scope and relates only to integrity violations. Further research should be conducted to assess the impact of proximity on other forms of organisational communication beyond apologies, as well as the impact of apologies relating to violations of competence rather than integrity.

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