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COMMUNICATION

“I Expected More From You”: Navigating Client Trust Violations

by Anna M. Cianci, Amanda M. Convery, John D’Arcy, and George Tsakumis

Image Credit | Hello I'm Nik

Negative client communication may adversely influence professional judgment.

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Have you ever felt a client let you down or even betrayed your trust? A trust breakdown may result in conflict between a service provider and client, triggering reactions ranging from mild annoyance to feelings of anger at the broken promise/unmet expectations.[1] In turn, these negative reactions may cause the affected party to become defensive and distrustful, possibly exacerbating the extent and intensity of the newly created conflict and resulting in a loss of relational quality.[2]

As business leaders and their clients continue to contend with the ramifications and fallout from the global pandemic, negative events in the firm-client relationships (e.g., clients unexpectedly cutting back on services) may have occurred more frequently. An industry analysis estimates the consulting industry would lose $30 billion of value in 2020 due to the service cuts, delays, and other losses from the pandemic.[3] Further, negative events in firm-client relationships or alliances can lead to a loss in trust tarnishing the quality of the relationship and even triggering questions as to whether to continue the relationship.[4] Thus, it is especially important to understand how negative client relationship events (such as perceived client trust violations) may adversely influence and bias professional judgment. This article identifies biases that may be triggered by a perceived trust violation – engendered by a promise-breaking client – so that professional service firm leaders can avoid those biases in their own decisions.

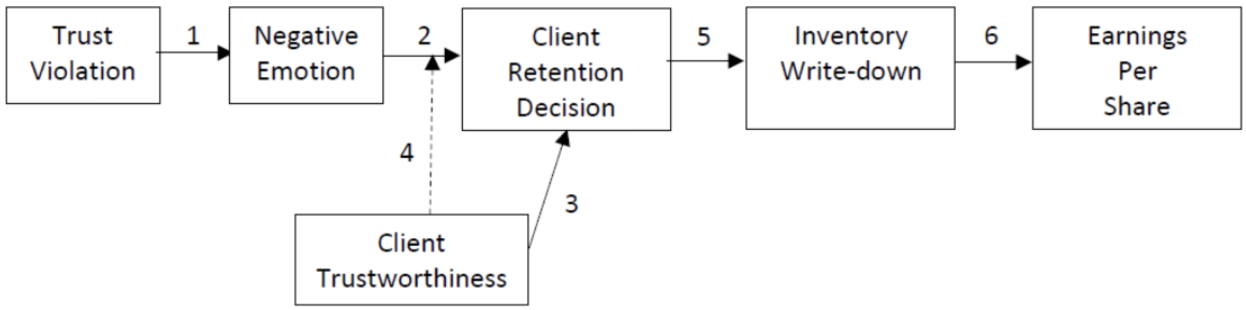
Broken Trust Triggers Bias

When trust is broken, it may result in both a cognitive appraisal, in which the trustor (i.e., professional service firm leader) determines the responsibility for and costs of the violation, and an emotional reaction, composed of some mixture of anger, hurt, and frustration.[5] Often, when making such appraisals, trustors fail to fully appreciate the potential influence of external/situational forces and will instead err on the side of making dispositional attributions, placing more emphasis on the character or intentions of the offending party, a phenomenon known as the fundamental attribution error (“FAE”).[6] Applying FAE to a client’s trust violation, the trustor may attribute the betrayal as a client’s character flaw rather than a result of a difficult situation. In fact, one study finds arms-length or professional relationships, as studied here, may be especially vulnerable to trust violations, since trust at this level is often partial, tentative, and fragile, depending heavily on cognitive assessments of trustworthiness without the more emotional bounds of deeper relationships.[7] Others note that the consequences of ambiguity for business alliances likely change over the alliance life cycle.[8] Worse yet, we find the trustors in our setting tend to be harsher on clients previously considered more trustworthy because they expected better treatment from them. For our partners, the shock that their more trusted clients would let them down triggers a stronger negative emotional response.

Experimenting with Broken Trust

We examine these potential biases to client trust violations in a field experiment – developed in consultation with several international professional service firm partners and a former CEO of a privately held technology and analytics corporation – in which 128 professionals fall into the FAE trap, especially with their more trustworthy clients. With an average work experience of 27 years, the professionals are seasoned client service leaders in the public accounting industry. The experiment randomly assigned the leaders to consider a scenario in which the client, described as having either high or low prior trustworthiness, does, or does not, violate trust by breaking a previous promise to recommend the professional's firm to provide a new line of services. The professionals then answered a survey questionnaire to measure their responses to their version of the scenario. These questions probe not only the professionals' likelihood of retaining the client, but also the professionals' decisions related to the underlying client services.

We find that professionals react more conservatively (i.e., are more likely to recommend an accounting action that decreases the amount of assets and profit reported by the client) when a high-trustworthy client betrayed them. Not surprisingly, participants report stronger negative emotions when a trust violation occurred, but the downstream consequences of those emotions are surprising. We illustrate those consequences with the following conceptual model:



We found that a client-induced trust violation increased service firm partners' negative emotions (Link 1). In turn, these negative emotions reduced partners' willingness to retain the client (Link 2). While client trustworthiness directly affected partners' willingness to retain the client (Link 3), the *interaction* of client trustworthiness and negative emotions in Link 4 provides a very interesting finding. This result suggests professionals displayed stronger negative emotions coupled with a lower likelihood of retaining the client when they "expected better" from the client (i.e., a high trustworthiness client) than when dealing with a low trustworthiness client.

In addition, this "I expected better from you" effect has downstream consequences that led professionals to make more conservative professional judgments. Specifically, the scenario we developed provided participants with key information that questioned the client's reserve for obsolete inventory as potentially optimistic. As discussed above, we worked with significant input from leading professionals in this area to craft a scenario that could be argued either way. Participants were asked to rank their likelihood of recommending a write-off of the potentially obsolete inventory or not and to select the earnings per share (EPS) they deem appropriate given the scenario information. We find that participants less willing to retain the client were more willing to take more conservative and less client-preferred positions by recommending higher inventory write-offs (Link 5) and lower EPS (Link 6) for the client. Thus, the negative emotional bias toward a client appears to spill over to other key decisions.

Breaking the Cycle of Broken Trust

Is there anything leaders can do to avoid these unintended consequences? Our field experiment provides insights here as well. We suggest leaders reflect on the betrayal along three dimensions – prior trust, time, and feedback loops.

1. ***Reflect.*** Leaders should reflect on whether a client's betrayal evoked the "I expected better from you" effect. If it did, our experiment suggests leaders should be wary to correct for this in subsequent decisions.

2. ***Time-awareness.*** Leaders should consider how much time has passed since the betrayal. We find that for the majority of professionals in our experiment, time must pass before they feel that their trust is repaired. For example, 22 percent of respondents expected it to take between 1-3 years.

3. ***Feedback.*** Our research suggests feedback is a key element to repairing broken trust. Over 45 percent of our sample suggested multiple sources of feedback that could repair the relationship, including reaching out to the client to understand the reason(s) underlying the trust violation, receiving an apology, and working together to address the issue and prevent its reoccurrence.

While our experiment provides several suggestions for professionals to consider, it is not without its limitations. In particular, we recognize that trust violation is only one of three phases in a collaborative relationship–formation, violation, and repair –and there are extensive findings related to the other phases that readers may find interesting.[9]

In this article, we share the results of a field experiment that finds professionals react more negatively to a more trustworthy client in response to a perceived betrayal. This bias is especially important to understand now as many client-professional relationships have likely been strained while navigating the pandemic. If a trusted client violated that trust in the past year, we advise professional service firm leaders seek to repair the broken trust so that subsequent judgments are not unduly affected by the violation.

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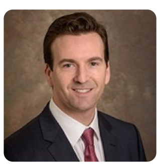
Anna M. Cianci

Anna Cianci is an Associate Accounting Professor at Wake Forest University. Anna gave a TED talk in 2017 and her research has been published in leading academic journals including Academy of Management Journal, Accounting, Organizations and Society, Journal of Business Ethics, Journal of Applied Psychology, and The Leadership Quarterly.

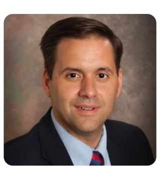
Amanda M. Convery

Amanda M. Convery is an Assistant Accounting at the University of Delaware's Lerner College of Business and Economics. Amanda has published in leading academic journals including Accounting Horizons, Accounting, Auditing, and Accountability Journal, Advances in Accounting, and Current Issues in Auditing.



John D'Arcy

John D'Arcy is a Professor of MIS at the Lerner College of Business and Economics, University of Delaware. His research focuses on the management of cybersecurity in organizations. He received his Ph.D. from the Fox School of Business, Temple University. He currently serves as Associate Editor at MIS Quarterly.



George Tsakumis

George Tsakumis is an Associate Professor of Accounting and Iannaccone Fellow in the University of Delaware's Lerner College of Business and Economics. George has published in leading academic journals including The Accounting Review, Behavioral Research in Accounting, The Leadership Quarterly, Journal of Business Research, and the Journal of Business Ethics.