Oliver Schilke
Associate Professor
Department of Management & Organizations
oschilke@arizona.edu
Executive Education
Cutting-Edge Research
Speaker Series
Conferences

https://eller.arizona.edu/cts
Agenda

01  Why is trust important?

02  What is trust?

03  Where does trust come from?

04  When (not) to trust?
Poll:
At what levels do you think is trust particularly relevant?

[check all that apply]

1) Nations
2) Interorganizational relations
3) Teams
4) Leader-follower interactions
5) Neural processing

Eller College of Management

01 Why is trust important?
Trust can create a competitive advantage

...on several levels, as empirical research shows
Trust can create a competitive advantage

...on several levels, as empirical research shows

Nations

- Nations with higher trust have higher-performing economies
  - For every 15% increase in trust, average economic growth rate increases by 1%
  - For every 7% increase in trust, investment as share of GDP increases by 1%

Hurley (2014); Zak and Knack (2001)
Trust can create a competitive advantage

...on several levels, as empirical research shows

Interorganizational relations

• Suppliers in high-trust trading relationships benefit
  
  o Profit margins of high-trust suppliers tend to be 1.3% higher than those of low-trust suppliers
  
  o The former spend 30% more time on joint problem solving

Hurley (2014); Sako (2006)
Trust can create a competitive advantage

...on several levels, as empirical research shows

Teams

- Trust is a key success factor of teams
  - Trust decreases costly monitoring of teammates
  - Trust increases team members’ effort

De Jong and Elfring (2010)
Trust can create a competitive advantage

...on several levels, as empirical research shows

Leader-follower interactions

• Trust in leaders boosts organizational performance
  - Perceptions of senior management’s trustworthiness drive profitability
  - A 1/8th increase in trustworthiness can translate to a US$ 261K increase in profit

Hurley (2014); Simons (2008)
Trust can create a competitive advantage

...on several levels, as empirical research shows

**Neural processing**

- Trust can be identified at the brain level
  - Paracingulate cortex is critically involved in building a trust relationships
  - It helps to infer another person’s intentions

Krueger et al. (2007)
Trust can create a competitive advantage

...on several levels, as empirical research shows

- Nations
- Interorganizational relations
- Teams
- Leader-follower interactions
- Neural processing

Focus of today’s session

01 Why is trust important?
Trust can create a competitive advantage

...on several levels, as empirical research shows

Nations

Putnam (2000)
Trust can create a competitive advantage

...on several levels, as empirical research shows

Neural processing

https://www.ted.com/talks/paul_zak_trust_morality_and_oxytocin
A lack of trust can be very costly

At Siemens, Bribery Was Just a Line Item

Can VW Buy Back Drivers' Trust After Diesel Scandal?

Volkswagen must now rebuild a reputation in tatters and win back increasingly reluctant American buyers.

$180 million fine
$1.6 billion in fines
$33.3 billion in fines, penalties, financial settlements and buyback costs

Hurley (2017); Shephardson (2020); Schubert and Miller (2008)
A lack of trust can be very costly

Costs of low trust

- Fines and legal fees
- Loss in reputation
- Employee turnaround
- Restructuring
Agenda

01 Why is trust important?
02 What is trust?
03 Where does trust come from?
04 When (not) to trust?
Please take a minute and come up with a good definition of trust.
Trust—what is it?

I’LL KNOW IT WHEN I SEE IT
Trust—what is it?

...it’s related to multiple things:

- Perception
- Intention
- Behavior

Trait
Trust—what is it?

...it’s related to multiple things:

- Perception
- Intention
- Behavior

Mayer, David, and Schoorman (1995)
Trust—what is it?

…it’s related to multiple things:

- Perception
- Intention
- Behavior

Factors of Perceived Trustworthiness:
- Ability
- Benevolence
- Integrity

Trustor’s Propensity

Risk Taking in Relationship

The willingness of a party to be vulnerable to the actions of another party

Mayer, David, and Schoorman (1995)
How do you know if there is trust?

In other words, how can you measure it?

Surveys

Experiments
How do you know if there is trust?

In other words, how can you measure it?

Surveys

“Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?”

Experiments

Yes-No

General Social Survey, GSS

Eller College of Management

02 What is trust?
How do you know if there is trust?

In other words, how can you measure it?

I would consider xyz’s suggestions when making important decisions.
I would be cautious with xyz (reverse).
I trust xyz.
If someone questioned xyz’s motives, I would give xyz the benefit of the doubt
I believe in the information that xyz provides us, even if I cannot double check it.
I can rely on xyz.

Schilke et al. (2017)

Surveys

Experiments

Please take a minute to use these items to measure your own trust in your boss.
How do you know if there is trust?
How do you know if there is trust?

In other words, how can you measure it?

- Surveys
- Experiments
  - Scenario experiments
  - Behavioral experiments

Powell and Schilke (in progress)

Eller College of Management

02 What is trust?
Imagine you're sitting at your favorite coffee shop when a teenager pulls up a chair and asks you to share a bunch of personal information. Specifically, he wants to know your birthday, what kind of food you like, where you go on vacation, who you voted for, who you hang around with. He promises he won't share that information with anyone.

Would you entrust him with this information? (Yes or No)
Imagine you're sitting at your favorite coffee shop when a teenager pulls up a chair and asks you to share a bunch of personal information. Specifically, he wants to know your birthday, what kind of food you like, where you go on vacation, who you voted for, who you hang around with. He promises he won't share that information with anyone.

Would you entrust him with this information? (Yes or No)
Poll:

Would you entrust him with this information? (Yes or No)

Kenny (2019)

2.3 BILLION FACEBOOK USERS AROUND THE WORLD DO!

What is trust?

Eller College of Management
Poll:

“People just submitted it. I don’t know why. They ‘trust me.’ Dumb fucks.”

– Mark Zuckerberg, 2004, to a friend regarding user data collected by Facebook
How do you know if there is trust?

In other words, how can you measure it?

- Surveys
- Experiments
  - Scenario experiments
  - Behavioral experiments

Powell and Schilke (in progress)
You can choose to send $20 to the receiver or keep the money to yourself. If you choose to send the $20, the money is tripled (to $60). However, the receiver then decides whether to share the $60 with you (so that both receive $30 each) or whether to keep the entire amount (so you end up with nothing).
Poll: Do you send or keep your $20?

Sender

Keep $20
- Sender gets $20
- Receiver gets $0

Send $20 to receiver (the money gets tripled)
- Sender gets $0
- Receiver gets $60

Receiver

Keep $60
- Sender gets $0
- Receiver gets $60

Share $60 with sender
- Sender gets $30
- Receiver gets $30

Berg et al. (1995); Schilke and Huang (2018)

02 What is trust?
The trust game

Economic theory predicts:

All senders should keep their money
- Sender gets $20
- Receiver gets $0

All receivers should keep their money
- Sender gets $0
- Receiver gets $60

Berg et al. (1995)
The trust game

Empirical data show:

Most senders send their money
Most receivers share the money

Berg et al. (1995)
The trust game

Behavioral measure of trust

- Sender gets $20
- Receiver gets $0

Behavioral measure of trustworthiness

- Sender gets $0
- Receiver gets $60
- Sender gets $30
- Receiver gets $30

Berg et al. (1995)
The trust game

Dirks et al. (2011); Schilke et al. (2015)
Agenda

01 Why is trust important?
02 What is trust?
03 Where does trust come from?
04 When (not) to trust?
Origins of trust

“To earn trust, money and power aren’t enough; you have to show some concern for others. You can’t buy trust in the supermarket.”

— The Dalai Lama
Origins of trust

- Social learning
- Reinforcement learning
- Biological basis
- Shadow of the past
- Shadow of the future
- Broader network

Propensity to trust

Intention/Relational trust

Trust

Where does trust come from?

Schilke, Reimann, and Cook (2021)
Origins of trust

People extrapolate from early life experiences and ongoing encounters to form a general expectancy of others’ trustworthiness

Social learning

Reinforcement learning

Biological basis

Shadow of the past

Shadow of the future

Broader network

Propensity to trust

Intention/Relational trust

Trust

Can you think of any person or any incisive life events that may have shaped your attitude toward trust?
Origins of trust

People learn about their own comfort levels of trust and categorize themselves as low or high trustors.

Do you feel more comfortable in the low or high trust zone?

Schilke, Reimann, and Cook (2021)
Origins of trust

- Social learning
- Reinforcement learning
- Biological basis
- Shadow of the past
- Shadow of the future
- Broader network

Biological factors determine people’s propensity to trust

Where does trust come from?

Schilke, Reimann, and Cook (2021)
Origins of trust

Trust is heritable, whereas distrust is not

Martin Henrich1, Oliver Schilke2, and Kane S. Cook3,4

1Department of Marketing, Eller College of Management, University of Arizona, Tucson, AZ 85721-0108
2Department of Management and Organization, College of Business Administration, Pennsylvania State University, University Park, PA 16802
3Department of Psychology, University of California, Los Angeles, CA 90095
4Department of Psychology, University of California, San Diego, CA 92103

Examination of Kane S. Cook, May 18, 2017, for session Friday October 13, 2017, research by Margaret S. and Howard K. Reimann

Why do people differ in their trustworthiness? Why do some individuals appear to trust others at face value, whereas others require proof of intent before they are willing to trust? Is it possible that some people simply do not trust others? How do people form their trust in others? Understanding these and other trust-related questions requires a better understanding of the origins of trust.

Biological factors determine people’s propensity to trust

Reimann, Schilke, and Cook (2017)
Origins of trust

- Social learning
- Reinforcement learning
- Biological basis
- Shadow of the past
- Shadow of the future
- Broader network
- Trait
- Intention
- Relational trust

A partner’s trustworthiness can be inferred from past interactions

Would you trust someone who has not been trustworthy in prior interactions?

Schilke, Reimann, and Cook (2021)
Origins of trust

A partner’s trustworthiness can be inferred from past interactions

Schilke, Reimann, and Cook (2013)
A partner’s trustworthiness can be inferred from how much the partner is likely to value the relationship and to want to maintain it.

Think of someone who places great value in having a relation with you. How likely is this person to betray you?

Schilke, Reimann, and Cook (2021)
A partner’s trustworthiness can be inferred from how much the partner is likely to value the relationship and to want to maintain it.

Agius (n.d.)
A partner’s trustworthiness can be inferred from the broader network in which this person is embedded.

Schilke, Reimann, and Cook (2021)
A partner’s trustworthiness can be inferred from the broader network in which this person is embedded

Schilke et al. (2017)
Agenda

01 Why is trust important?
02 What is trust?
03 Where does trust come from?
04 When (not) to trust?
Should you always place trust in others?

(i trust you)

(0:46 video clip)
Should you always place trust in others?

Obviously
Not
Should you always place trust in others?

Your trust may not be wanted

Trust wanted

Trust received

Obviously Not

Baer et al. (2021)
Should you always place trust in others?

Obviously Not

Your trust may get exploited

TRUST ACCURACY

Trust

Trust-worthiness

Schilke and Huang (2018)
Should you always place trust in others? Obviously Not

TRUST ACCURACY

<table>
<thead>
<tr>
<th>Interpersonal contact</th>
<th>No contact</th>
<th>Picture</th>
<th>Telephone</th>
<th>Face-to-face</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust accuracy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Schilke and Huang (2018)
Should you always place trust in others?

Obviously
Not

TRUST ACCURACY

<table>
<thead>
<tr>
<th>Interpersonal contact</th>
<th>No contact</th>
<th>Picture</th>
<th>Telephone</th>
<th>Face-to-face</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust accuracy</td>
<td>0.48</td>
<td>0.58</td>
<td>0.80</td>
<td>0.78</td>
</tr>
</tbody>
</table>

Schilke and Huang (2018)

04 When (not) to trust?
Should you always place trust in others?

Obviously

Not

Other-Focused Perspective Taking

Interpersonal Contact

Trust Accuracy

Schilke and Huang (2018)
When to trust?

01 When counterpart likely wants your trust

02 When counterpart likely reciprocates your trust

04 When (not) to trust?
Key takeaways

01. Trust can be a source of competitive advantage

02. Trust can be defined as the willingness of a party to be vulnerable to the actions of another party

03. Trust in relationships is a function of the shadow of the past and the future and social networks

04. Trust needs to be placed wisely
Eller Graduate Programs

MBA
- Full-Time
- Evening - Tucson, AZ
- Professional - Chandler, AZ
- Executive - Phoenix, AZ
- Online

Specialized Master’s
- Accounting (On-campus, online)
- Business Analytics
- Cybersecurity (Online)
- Economics and Quantitative Economics
- Entrepreneurship (Online)
- Finance
- Healthcare Management (Online)
- MIS (On-campus, online)
- Marketing
Thank you for joining!

Oliver Schilke
Associate Professor
Department of Management & Organizations
oschilke@arizona.edu
Center for Trust Studies:
https://eller.arizona.edu/cts


Powell, A., & Schilke, O. in progress. Experimental trust research.

If you want to read more...


Reuters. (2011). And America's most trusted celebrity is... Retrieved from https://www.reuters.com/article/us-mosttrusted-poll-odd/and-americas-most-trusted-celebrity-is-idUSTRE77I3C820110819


Thank you for joining!

Oliver Schilke
Associate Professor
Department of Management & Organizations
oschilke@arizona.edu
Center for Trust Studies:
https://eller.arizona.edu/cts