Managers, Don't Be Afraid to Trust!

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Abstract

Many companies monitor employee behavior in order to boost productivity, and this practice has become increasingly prevalent during the pandemic. However, greater oversight can be interpreted by employees as a signal of distrust and potentially have unintended negative consequences. Recent experimental research shows that employees do in fact penalize actions that they view as expressions of distrust and, conversely, reward actions that they view as expressions of trust. The benefits of trusting extend beyond the dyad itself (i.e., the manager who trusts and the employee who is trusted), since trust relationships have a transitive logic and spread organically through organizations.

According to a January 2021 Gallup survey, only 39% of U.S. employees are engaged by and committed to their work.[1] Employee disengagement may cost companies nearly one half trillion dollars in lost productivity each year. In order to boost productivity, companies increasingly and intrusively monitor their employees. For example, the British grocery chain Tesco required employees at one distribution center to wear "tracking" electronic armbands in order to monitor their work efficiency and break time. Amazon has used technology to monitor delivery drivers and warehouse workers,[2] as evidenced by the news headline: "If workers slack off, the wristband will know. (And Amazon has a patent for it.)."[3] Recent reports suggest that the use of workplace monitoring has grown during the pandemic because companies want to ensure that remote workers are actually working.[4] One company even offers business customers a service that captures screenshots of employees' computers once, twice, or three times every ten minutes.[5,6]

Distrust of employees appears to be widespread and endemic. Prominent

economic theories foster distrust of employees because they explicitly assume that employees will pursue their own interests and reduce work effort if given the opportunity to do so.[7] As a result, managers may feel compelled to take actions that signal a lack of trust, especially when they are pressured to hit performance targets and cut costs.[8] Although this signal may be undesirable, the following excerpt from a management journal suggests that managers' lack of trust is intentional: "When these pressures are great, many managers become focused on their own job security and respond by constricting control. This can lead to the type of thinking that focuses on only securing bottom-line outcomes, which often come at the expense of other priorities, like developing relationships and empowering employees to make independent decisions." Leaders distrust by withholding information, by not giving employees authority and control needed to be successful, and by failing to foster teamwork.[9]

Despite the many examples of workplace distrust and the justifications offered for them, there are considerable organizational benefits to be realized by embracing a culture of organizational trust. We are certainly not the first to make this assertion. Research in the management literature has suggested that trust yields improved communication and creativity, increased efficiency and productivity, and higher levels of employee satisfaction and commitment. That literature tells managers how to proceed: give up control in measured and incremental stages, share information openly, and invest in employee development.[10,11]

To be sure, some managers and some organizations have built trusting cultures, but they are the exception. News about crises of trust in organizations is widespread, and organizational behaviors are often incongruous: company executives talk about positive management practices but still put wristbands on their workers. Given these contradictions, and because much of the evidence for the ramifications of trust (and distrust) in organizations is anecdotal, we studied the effects of trust in a systematic way using an experiment call the "trust game." In particular, we asked: Do employees penalize actions that they view as expressions of distrust, and conversely, do they reward actions that they view as expressions of trust?

The results of our investigation were recently published in Social Psychology Quarterly.[12] Our findings should give managers greater confidence in using trust as an organizing principle: we consistently observed that trusting others changes the subsequent behavior of the trusted party in positive ways. Furthermore, our research should also give managers pause before monitoring and constricting control because distrusting others led to negative consequences.

In the trust game (see Figure 1), the first player is given (say) $20 by the

experimenter. He or she can keep the money or send some (or all) of it to another player. The percentage sent ($X out of $20 in the diagram) is a quantitative measure of the first player's trust in the second. The amount sent is tripled by the experimenter, and then the second player can choose to return some of the money to the first one – or not. The amount returned is a quantitative measure of the second player's trustworthiness. The rules of the game and the starting funds, $20, are known to both players before the game commences.

Figure 1. The Trust Game
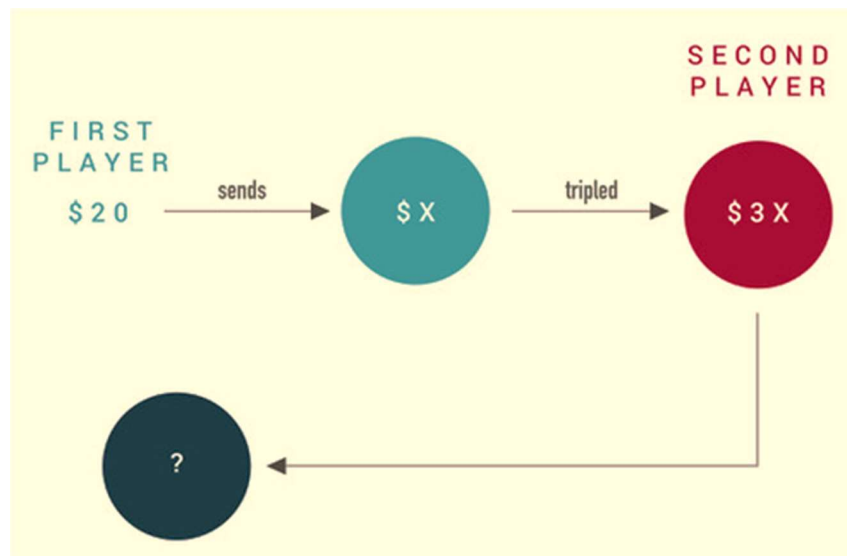
The trust game was designed to capture a basic intuition about trust and cooperation. If the first player completely trusts the second, then he or she will send all $20. When those funds are tripled, there will be $60 total to be shared among the players. If the second player responds in a trustworthy way, he or she will return a substantial amount, most often $30 (exactly half) when fully trusted. Thus, cooperation – trust and trustworthiness – benefits both players. But if the first player distrusts the second and sends nothing, they are both worse off.

Although past work has shown a correlation between the amount sent by the first player and the amount returned by the second,[13] our recent article makes an important distinction and extends the conclusion – with direct application for managers. Subjects in our experiments played the role of the second player. Those randomly assigned to a trust condition[14] learned that the first player had been given $20 as a starting point and chose to send all $20, so the second player (our subject) received $60. In contrast, subjects in a control condition (that did not involve trust) learned that they had been

given $60 by the game's coordinator rather than another player. Subjects in both conditions indicated how much they wanted to send to the first player.[15] We consistently found that subjects who were trusted sent more than those in the control condition. Here it is important to remember that the trusted subjects did not have to return anything: they could have left with the entire $60 but they returned substantial amounts instead! This result demonstrates a trust effect: being trusted motivates trustworthy behavior.

In a separate condition, subjects in the role of the second player were told that the first player received $2000 and chose to send $20. This was our distrust condition. And, although these subjects again received $60 (after the amount sent was tripled), they returned less than subjects in the control condition. The distrusted subjects told us that they were responding specifically to being distrusted and also to the unfairness involved. In academic terms, these subjects practiced "negative reciprocity" in choosing to return little or nothing. In a workplace context, a manager might think that monitoring and sanctions represent the safer alternative because they reduce shirking and vulnerability. But our experiments suggest that such actions invite retaliation – workers who are compelled to wear wristbands are likely to find more inventive ways to slack off. For an example, see the article entitled, "This brilliant camera tricks your boss to think you're working."[16] The negative reciprocity that we observed is consistent with our view that monitoring employees – a sign of distrust – is likely to lower work effort and motivation.

Importantly, the effects described here depend on the recipient – the second player – interpreting the sender's action as a deliberate and intentional act of trust or distrust. In a further study, not reported in our published article, we included two additional experimental conditions in which the actions of the first player (the sender) could not be interpreted as trust or distrust. In these conditions, the effects described above were attenuated.

Specifically, in this unreported experiment, subjects were assigned to one of four conditions. The first two conditions resembled those of the experiment just described: in the trust condition, the first player began with $10 and sent all $10 (the trust condition), in the distrust condition the first player began with $100 and sent $10. Our subjects – again in the role of the second player – returned an average of $13.82 in the trusted condition, compared to an average of just $8.49 in the distrusted condition. So, again, being trusted motivated trustworthy behavior on the second player's part (measured by the additional funds returned by the trusted subjects).

The other two conditions were the same in terms of the amounts sent by the first player: that player began with $10 and sent all $10 (as in the trust

condition), or that player began with $100 and sent $10 (as the distrust condition) – so the second player, our subjects, again received $30 (after the money had been tripled). However, in these two new conditions, we told the subjects that the first player had decided how much to send by flipping a coin – which meant that the amount sent could not be interpreted as a signal of that first player's level of trust (or distrust). We found that the average amount returned by subjects in each condition was no longer significantly different ($10.26 vs. $9.20). These results show that participants (as the second player) responded to the first player's deliberate and intentional decision to trust (or not), and not just to the amount they received. Thus, beyond just implementing trusting policies and avoid distrusting policies, managers need to make sure that their employees realize that they have been actively trusted. For additional details about this experiment, please see the Appendix.

In addition to finding that persons reward actions they view as expressions of trust and penalize actions that they view as expressions of distrust, our published article reported an important third effect. When the first player trusted the second player (and the action was interpreted as a signal of trust), the second player responded in a trustworthy way, inviting further trust. Beyond this virtuous circle of trust, we found that this interaction – the second player being trusted – made that player more likely to trust others in a subsequent, unrelated experiment. So, trust relationships have a transitive logic and can spread in an organic way through organizations. Therefore, managers seeking to forge a chain of trust should share information, delegate, show concern for others, and stand by their employees. Employees in turn will respond positively by taking initiative, helping colleagues, and becoming more loyal to the organization.

The management implications from our research are direct and potentially sizable:

- ➢ Managers should be reassured that trust works, because trust fosters trustworthy behavior.
- ➢ Managers should know that distrusting employees likely creates resentment and backfires.
- ➢ Employees must be made aware that they have been actively trusted (and not distrusted) in order for any positive effects of trust to emerge.
- ➢ The magnitudes of positive trust effects and negative distrust effects may not always be symmetric – the direction of asymmetry likely depends on organizational culture and norms.
- ➢ Managers should realize that an act of trust transcends the manager-employee dyad and can create a chain of trust that extends throughout the entire organization.

Appendix: Additional Methodological Details and Experimental Findings

This experiment employed a 2 (portion sent: minimum, maximum) x 2 (determination process: choice, chance) between-subjects full factorial design. Participants were 221 Americans (mean age = 39.14, SD = 13.31, 62.90% female) recruited using an online panel (Amazon Mechanical Turk). A 2 x 2 ANOVA revealed a significant main effect of the portion sent ($F_{(1, 217)}$ = 11.43, p = .001, η_p^2 = .050) but no significant main effect of the determination process ($F_{(1, 217)}$ = 2.26, p > .13, η_p^2 = .010) on the amount returned. More importantly, we also observed our hypothesized interaction ($F_{(1, 217)}$ = 5.09, p = .025, η_p^2 = .023). When the sender's decision was deliberate, participants who had received the maximum were likely to return more (M = $13.82, SD = 6.72) than those who had received the minimum (M = $8.49, SD = 8.18); $F_{(1, 217)}$ = 16.11, p < .001, η_p^2 = .069. However, when the sender's decision was determined by chance and therefore not an expression of trust or distrust, those who received the maximum (M = $10.26, SD = 5.85) returned about the same amount as participants who received the minimum (M = $9.20, SD = 7.10); $F_{(1, 217)}$ = .62, p > .43, η_p^2 = .003.

Interestingly, the experiments reported in our *Social Psychology Quarterly* article found that the distrust effect was stronger than the trust effect. However, in the experiment reported above, the positive effects of trust exceeded the negative effects of distrust. When the second player was trusted and received $10 of $10, that player returned $13.82 out of $30 (i.e., $10 tripled). But when the second player received $10 of $10 because of a random event (i.e., a coin toss), that player returned only $10.26. Being trusted resulted in a 35% increase in the amount returned. When the second player was distrusted and received $10 out of $100, that player returned $8.49 out of $30 (i.e., $10 tripled). But when the second player received $10 of $100 because of a random event (i.e., a coin toss), he or she returned $9.20. Being distrusted resulted in only an 8% decrease in the amount returned. These results suggest that potential asymmetries exist when signaling trust versus distrust. Crucially, managers should not underestimate the potentially large positive effects of displaying trust-particularly in organizational cultures where trust has historically not been the norm.

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Endnotes

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5. See: Employee Monitoring Software [Organization website]. *Hubstaff*.
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7. Consider this comment from one of the first economics papers on management and surveillance:
   > "Economic theory, in particular principal-agency theory, assumes that in work relations individuals pursue their own interests and expend work effort to the point where net utility is maximized... Agents [employees] relentlessly exploit every opportunity to ease their work burden, as long as the principals [managers] do not react and punish them so severely that their net utility from shirking is decreased."

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13. Johnson, N. D., & Mislin, A. A. (2011). Trust games: A meta-analysis. *Journal of Economic Psychology, 32*(5), 865-889.
14. We did not tell the subjects the name of the conditions; the experiment presented the scenario in neutral language without making any reference to trust.
15. Although no money was actually exchanged, participants were instructed to make their decisions "as if real money were at stake."
16. Wilson, W. (2021, June 29). This brilliant camera tricks your boss to think you're working. *Fast Company*.