Trust or not: Heuristics for making trust-based choices in HR management ☆

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ARTICLE INFO

ABSTRACT

The present two studies examine how the participants (i.e., 150 managers) make trust-based employee selection in hypothetical situations, based on five cues of trustworthiness derived from previous surveys. In Study 1, each executive participant is presented with a pair of candidates with different cue profiles so that the choice would favor one of them based upon each of the four following heuristics: Franklin's rule, likelihood expectancy, take-the-best (TTB), and minimum requirement (MR). Study 2 adopting a within-subject design jointly compares the four heuristics. The results show that simple heuristics (MR and TTB) outperform the more complex strategies (Franklin's rule and likelihood expectancy) in their predictive accuracy. The MR heuristic, a heuristic tallying the frequency of passes against a set of minimal rather than optimal or satisfactory requirements, performs even better than the TTB heuristic, particularly when the number of the cues identified as MRs is small.

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1. Introduction

1.1. Trust as risky choice

Trust has been identified as one of the most frequently examined constructs in the organizational literature (Bunker, Alban, & Lewicki, 2004). Despite divergence in definitions of trust, most researchers agree that trust is fundamentally a psychological state of perceived vulnerability or risk that is derived from individuals' uncertainty regarding the motives, intentions, and prospective actions of others on whom they depend (Kramer, 1999, p. 571). For example, Burt and Knez (1996) define trust simply as anticipated cooperation (p. 70). Similarly, Robinson (1996) defines trust as a person's expectations, assumptions, or beliefs about the likelihood that another's future actions will be beneficial, favorable, or at least not detrimental to one's interests (p. 576). Lewis and Weigert (1985) characterize trust as the undertaking of a risky course of action on the confident expectation that all persons involved in the action will act competently and dutifully (p. 971).

Trust related expectations and social expectations in general are characterized by probabilities and values associated with expected risky consequences. This recognition makes it suitable to study trust as a set of expected values in the framework of risky choice. Given the uncertainty and risk ubiquitously associated with trust, some organizational researchers have recognized the usefulness of conceptualizing trust in terms of individual choice behavior in various kinds of trust dilemma situations (e.g., Hardin, 2002; Siegrist, Earle, & Gutscher, 2007).

From the perspective of rational choice theory, decisions about trust are similar to other forms of risky choice; individuals are presumed to be motivated to make rational choices to maximize expected gains and minimize expected losses. When trust is justified by expectations of reciprocal consequences, it can be viewed as another version of economic exchange (e.g., Kramer, 1999; March, 1994). However, ample evidence from human studies of behavioral decision making suggest a bounded decision rationality which takes into consideration cognitive limitations and task constraints (Simon, 1956, 1990). Real-world decisions under uncertainty are better captured and guided by fast and frugal heuristics than normative and complex decision models such as Bayesian models, multiple regressions, and expected utility functions (see Gigerenzer, 2008; Gigerenzer & Brighton, 2009).

Combining the trust-as-choice approach with fast and frugal choice heuristics, the present studies examine how some stylized heuristics help make trust-based decisions with respect to employee selection.

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Several decades of behavioral research have asserted that trust is essential in organizations. Organizational scholars have demonstrated the myriad of benefits of trust for organizational functioning and performance. Without a certain degree of trust, it is almost impossible to establish coordinated action within an organization or across organizations (e.g., Barney & Hansen, 1994; Kramer & Lewicki, 2010; McEvily, Perrone, & Zaheer, 2003; Sako, 1992). Successful political, military, and business leaders are those who were able to garner a sense of trust from their people and have trust in their people regardless of the goal (Burke, Sims, Lazzara, & Salas, 2007). Therefore trust is not a trait, but a choice that is bidirectional and mutually synergistic between a leader and followers.

Given the benefits of organizational trust, the topic of trust has long been of interest to scholars in organizational behavior and human resource (HR) management (Searle & Skinner, 2011). However, while there is a significant volume of work that explores trust in organizational settings, there has been little empirical examination of the process in which a manager is making a trust-based choice between job candidates. The present work intends to bridge this gap by combining the studies on factors affecting organizational trust and the studies of choice mechanisms.

Trust and control have been two constructs widely but separately studied in organizational research. More recently, scholars have convincingly argued that trust and control need to be conceptualized in an integrated fashion (Costa & Bijlsma-Frankema, 2007; Skinner & Spira, 2003; Weibel, 2007). An increasing number of scholars have voiced their support for a trust-into-control approach to HR practices in today's fast growing organizations (Searle & Skinner, 2011). One way of taking trust into managerial control is to introduce well-studied heuristics from the literature of behavioral decision making and employ them for making trust-based decisions in HR practice.

Decision heuristics evaluate task related cues. In the context of trust-based HR decisions, these cues would be the factors that determine trustworthiness of a job candidate. Thus, starting with a set of key determinants (factors) of organizational trust derived from previous surveys and analyses (Hu, 2010, 2011), the present two studies take the top five of these determinants and feed them as decision cues (attributes) into each choice heuristic in a context of Chinese HR management. If candidate A is more trustworthy than candidate B, A would be more likely to score higher than B on these cues.

1.2. Manager's trust in subordinates in Chinese HR management

Trust is viewable as a rare social resource. Chinese culture has always placed a particular and special emphasis on trust among people and between authorities and subordinates. In Chinese firms known for their higher power-distance and more complicated personal connections, mutual trust between managers and subordinates plays a key role in business management (Barber, 1983; Farh, Tsui, Xin, & Cheng, 1998; Kanter, 1977; Kramer, 1996; Tyler & Lind, 1992). Trust between superior and subordinate serves a vital function for the long-term stability of an organization (Tan & Tan, 2000). Trustworthiness has been a crucial benchmark for making hiring and promotion decisions in Chinese corporations (Yang & Peng, 1999).

Studies conducted in the Western world suggest that trust-based decision making conform more closely to heuristic processing than to rational calculation (Uzzi, 1997; Williamson, 1994). Based on limited information and experience, decision makers employ their own evaluation criteria to a trustee. Under conditions with time pressure and cognitive constraints, the decision maker usually relies on personal judgment and fast and frugal decision heuristics. Ever since Herbert Simon (1956) proposed the notion of bounded rationality and the satisficing heuristic to cope with the constraints on information search and choice selection, many other decision heuristics have been proposed and tested in various task situations (Gigerenzer, 2008; Gigerenzer, Todd, & The ABC Research Group, 1999; Kahneman, Slovic, & Tversky, 1982; Payne, Bettman, & Johnson, 1993, 1998;

Tversky, 1972). Simple choice heuristics often outperform unbounded normative calculations by making use of fewer ecologically valid cues (Gigerenzer et al., 1999). In the HR management context, heuristics acting upon trustworthiness cues would permit many business transactions under uncertainty with a lower administration cost for both sides (Hu, 2010; Yan, 2007).

In the present two studies, we select five cues for manager's trust in subordinates in a binary choice of task assignment. The five cues are selected based on the results of an earlier study on the conceptual structure of Chinese business leader's trust in subordinates with 544 Chinese executive participants. The five cues are professional skills, communication and coordination, conscientious and responsible, turnover-intention, and supervisory loyalty. The study shows that these five cues are top factors that would determine an executive's trust in subordinates (Hu, 2010, 2011).

1.3. Trust-based choice heuristics in HR management

Based on the aforementioned analysis, the current research attempts to connect the studies of trust-based decisions with recent developments in the field of heuristic decision making in the HR management context. The two reported studies examine how Chinese executives make hypothetical HR decisions based on trustworthiness cues. The choice heuristics using these cues as input are selected for their potential usefulness for making HR decisions. These formalized heuristics differ in their operational features and principles (see Table 7 and related discussion). These heuristics in question include a benchmark likelihood expectancy/assessment heuristic, Franklin's rule, take-the-best heuristic (a one-reason decision heuristic), and minimum requirement heuristic, a newly proposed tallying heuristic. The overall hypothesis is that trust-based HR decisions are heuristic in nature and rely on a few key cues or requirements that are most reliable under uncertainty.

The participants in the present studies are asked to choose a more trustworthy subordinate from two candidates, based on five trust cues with self-generated cue weights and cue values. The cue-weight is determined by the importance rating of each cue on a scale of 1 (least) to 7 (most important). The cue-value of each cue is measured by the likelihood of trust rating (how likely you think the subordinate is trustworthy for an important task assignment based on this cue alone) on a scale of 1 (very unlikely) to 9 (very likely). Each participant is also asked to identify minimally required cues for making trust-based decisions (i.e., which cues are indispensable). On the computer display, having a + sign next to a cue indicates that this cue is an MR. For an illustration of data from a hypothetical participant see Table 1. Fig. 1 shows an example of the software interface in the experiment. Each participant makes a series of binary choices between two subordinate candidates for a task assignment based on the five cues of trustworthiness.

Since each individual is likely to have idiosyncratic priorities or weights for different cues used in evaluating choice options, we choose to elicit cue weights from the participants instead of imposing predetermined weights on them. To better evaluate heuristics and their suitable task environments in the real world, it is crucial to learn more about how decision makers select and use the heuristics that intuitively fit well with different kinds of choice problems. Another reason for eliciting cue values and weights individually is that the cues selected based on aggregated data from previous studies may overlap. For instance, if half of the managers in a survey rated Supervisory Loyalty as the top cue and the other half of them rated Showing No Turnover-Intention as the top cue for making trust-based HR decisions, both cues may be on average among the popular cues. However, as to any individual manager, if one of the two cues is rated high, the other may be rated rather low to reduce the redundancy between the two cues.

To evaluate the four choice heuristics, for every pair of candidates with different cue profiles, the choice heuristic in question would favor one candidate over the other. The four heuristics are evaluated