Journal of Behavioral and Experimental Economics 58 (2015) 11–19

Contents lists available at ScienceDirect

Journal of Behavioral and Experimental Economics

journal homepage: www.elsevier.com/locate/socec

Motivating trust: Can mood and incentives increase interpersonal trust?

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ARTICLE INFO

Article history:
Received 14 October 2014
Revised 26 April 2015
Accepted 3 June 2015
Available online 11 June 2015

Keywords:
Trust
Experiment
Trust game
Incentives
Emotions

ABSTRACT

This paper examines the decision to trust anonymous others in the two-person trust-game. Our experiment tests predictions that the decision to trust an unknown other can be motivated by exogenous factors. We consider the effects of changes to incentives as well as psychological state by manipulating the trustors' possible gains from trusting and their mood. Results indicate that a happy mood, as well as higher possible gains from trusting, increase the likelihood of trust behavior. The motivating power of these incentives, however, depends on the mood of the trustor. We also find that a happy mood motivates a higher degree of trust, while higher potential gains from trusting do not. Implications for trustworthiness behaviors are also discussed.

1. Introduction

> *"From now on it must become a relationship either of cordiality or hostility."*
>
> Levi-Strauss, 1957, c.f. Blau, 1964

The first offer of positive acknowledgement – a warm welcome, a handshake, or an offer of assistance – toward a stranger is one of the purest expressions of good will because it is not motivated by obligations to reciprocate past generous acts (Simmel, 1908). It is an invitation to engage in a positive interaction with an orientation toward the present or future. This first offer of positive acknowledgement is pivotal to the development of a productive and trusting relationship between two previously indifferent individuals (Blau, 1964; Zand, 1972; Ferrin, Bligh, and Kohles, 2007). People's decisions to trust others are valuable to business and economic development because they lower transaction costs (Arrow, 1974), reduce the cost of monitoring (Frank, 1988), lower employee turnover (Dirks and Ferrin, 2002), and promote levels of uncompensated positive employee behaviors (Dirks and Ferrin, 2002; Konovsky and Pugh, 1994). Yet despite the acknowledged importance of this initial gesture, relatively little is known about whether it can be externally motivated. The current paper investigates two potential factors that might motivate initial trust – the incentive structure surrounding the decision to trust and the mood of the decision-maker.

Both pecuniary and non-pecuniary incentives can motivate social action in exchange (e.g., Mirrlees, 1976; Shavell, 1979; Fehr and Falk, 1999; Miller and Whitford, 2002). Pecuniary incentives in the form of higher stakes have been found to reduce trust (e.g., Johansson-Stenman, Mahmud, and Martinsson, 2005) while higher potential gains from trust have been hypothesized to enter into a person's trust calculation and motivate trust (Coleman, 1990; Mayer and Davis, 1999). Emotions in turn are also fundamental and powerful non-pecuniary motivators of human behavior that are triggered during social interactions (e.g., Damasio, 1994; Fredrickson, 1998; Lazarus, 1991). Recent developments in emotion research suggest that a happy emotion state increases a person's intention to trust both known and unknown others (Dunn and Schweitzer, 2005). Indeed, other research has found that when individuals experience increased levels of oxytocin, a chemical released when individuals engage in positive social interactions, they are more likely to trust (Kosfeld et al., 2005). While the motivating power of increased potential gains has been hypothesized to affect trust, and while a positive emotion state has been shown to affect trust judgments, it is not known whether these factors can in fact motivate trust *behavior*. It is also not clear how these different factors, one psychological and one contextual, influence trust when both are present.

This paper makes a contribution to the limited literature on how to motivate trust decisions by testing whether an adjustment to the incentive context or a positive emotion state can promote trust. We predict that higher possible gains from trusting will increase the likelihood of trust behavior, and we also expect a happy emotion state

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http://dx.doi.org/10.1016/j.socec.2015.06.001
2214-8043/

to motivate trust. When both factors are simultaneously present, we expect that pecuniary incentives, through higher possible gains, will not motivate trustors who are already in a happy state to trust more. We test our hypotheses in a laboratory setting using the 'trust game' (Berg, Dickhaut, and McCabe, 1995) to simulate an exchange environment where subjects carefully consider the costs and benefits of their decision to trust. We investigate the effects of these external factors on initial trust and the underlying motivations triggered by the trusting party's emotion state.

2. Literature review and hypotheses

Trust has been studied across a range of disciplines as "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another" (Rousseau, et al., 1998, p. 395). This multi-disciplinary work on trust can be organized into two broad categories: an 'economic' tradition that is grounded in observable trust choices and rational expectations, and a 'psychological' tradition that is grounded in cognitive and affective processes, focusing on trust beliefs or expectations rather than behavior (Lewicki, Tomlinson, and Gillespie, 2006; Kramer, 1999). These distinct approaches have led researchers to pursue different research questions and different understandings of the factors underlying and influencing trust (Lewicki, Tomlinson, and Gillespie, 2006). For example, the economic tradition has focused on the behavioral manifestations of trust (i.e., trust-related risk taking) that represent the willingness to be vulnerable (Colquitt, Scott, and LePine, 2007), and has made inferences about intentions and degrees of trust and trustworthiness based on the level and frequency of cooperative choices made (e.g., Berg, Dickhaut, and McCabe, 1995). The psychological tradition, in contrast, has focused on the intra- and interpersonal processes and states associated with trust (e.g., Mayer, Davis, and Schoorman, 1995; McAllister, 1995; Rousseau et al., 1998), examining how internal factors such as feelings toward the other and emotions experienced influence the confident expectation that trust will be respected (Davidson, 1993).

When considered together, these different traditions of trust research highlight an opportunity to uncover how initial trust in an unfamiliar other can be motivated through either psychological or contextual factors. We focus on emotions and potential gains because these factors are prevalent in social interactions and they have been found to influence trust in the psychological and economic traditions. Research along the psychological tradition has identified that incidental positive emotions can increase *intentions* to engage in trust behavior (Dunn and Schweitzer, 2005), and research in the economic tradition has identified that the incentives involved in the exchange influence levels of trust *behavior* (Johansson-Stenman, Mahmud, and Martinsson, 2005). Accordingly, we focus on the effects of incidental positive emotions and the potential gains from trusting on trust decisions in anonymous exchange and also consider how these factors interact.

2.1. Incentives

Research using the economic tradition has found that certain factors describing the exchange context surrounding the trust decision, such as the stakes involved in the exchange (Johansson-Stenman, Mahmud, and Martinsson, 2005), can influence trust behavior. Stakes have traditionally been studied as the amount of money that is being invested in a risky exchange with an anonymous counterpart. A study conducted in rural Bangladesh found that as stakes increased, individuals trusted less (Johansson-Stenman, Mahmud, and Martinsson, 2005). It may, however, not always be possible or practical to lower the stakes involved in an exchange transaction in an effort to incentivize trust. Sometimes there is a minimum investment that must be made for an interaction to occur at all. So, what might entice a trustor to increase his or her stakes to participate in an exchange based on trust? And to extend this, how might the entrepreneur or job candidate entice the trustor to invest at the higher end of a given range?

To answer these questions, we focus on differences in potential gains from trust, that is the potential 'rate of return' on trust as opposed to the size of the investment, since this is something that may serve as an incentive which a leader might more easily control and adjust in business exchange settings to promote trust. Coleman's (1990) conceptualization of trust assumes that potential gains from trust influence whether a person will trust. According to him, a rational actor will place trust based on a comparison of the ratios of the (1) *chance* of gain to loss, and (2) *amount* of potential loss to gain; when the first ratio is higher than the second a rational actor will engage in trust. The implication is that people should be more willing to trust when there is a greater potential gain from their trust, all else equal. Subordinates, for example, may be more willing to place trust in their leaders if they perceive greater potential benefits from trusting a trustworthy leader (e.g., they may be more willing to comply with a leader's request outside the scope of their job if the leader's trustworthy behavior has the potential to significantly enhance promotional opportunities).

To further consider this phenomenon, research from the psychological tradition presents a slightly different perspective on the relationship between contextual factors and trust. This work is generally focused on trust intentions based on a willingness to be vulnerable and a positive expectation that the counterpart is dependable (Mayer, Davis, and Schoorman, 1995), and to date, these intentions have not been studied as a function of contextual factors such as potential gains from trust. Some theoretical work in this tradition has, however, posited that the consequences of trust (trust behavior) would in fact be influenced by contextual factors that include the possible gains and potential losses that may be incurred from exchange with the trustee (Mayer, Davis, and Schoorman, 1995, p. 726). These factors influence trust behavior through changes to the perception of risk involved in the exchange. Together with Coleman's (1990) expectation that greater potential rewards lead to trust, this leads us to our first hypothesis:

H1: Greater potential gains from trust will positively influence an individual's (a) decision to trust, as well as (b) the degree of trust in the counterpart.

2.2. Positive emotions

Researchers examining trust within the economic tradition have generally not considered the effect of psychological factors such as incidental positive emotions (Zak's (2010) work examining the relationship between moral sentiments and prosocial behavior is a notable exception). The psychological tradition of trust, in contrast, has found that attributions about a counterpart can be influenced by situational factors, such as incidental affect, that influence individual judgments and cognitions. Affect is a general term that encompasses both moods and emotions (i.e., components of the psychological state that comprises trust). Moods are "low-intensity, diffuse and relatively enduring affective states without a salient antecedent cause and hence little cognitive content (e.g., feel good or feel bad)" (Forgas and George, 2001), while emotions are usually "shorter in duration, more intense, and the result of a specific cause" (Schwarz, 1990).[1] The following

[1] While there is a clear theoretical distinction between mood and emotions, this distinction is less distinct at an empirical level. "In research practice, virtually identical techniques are used for inducing positive moods and positive emotions (e.g., giving gifts, viewing comedies). As a consequence, much of the sizable literature on the effects of positive mood on cognition and behavior (Aspinwall, 1998; Isen 1987, 2000) is directly relevant to positive emotions" (Fredrickson and Branigan, 2001).