Organizational Behavior and Human Decision Processes 121 (2013) 246–255

Contents lists available at SciVerse ScienceDirect

Organizational Behavior and Human Decision Processes

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

Cheap talk and credibility: The consequences of confidence and accuracy on advisor credibility and persuasiveness

Sunita Sah [a,b,*], Don A. Moore [c], Robert J. MacCoun [c]

[a] Georgetown University, McDonough School of Business, United States
[b] Harvard University, Edmond J. Safra Center for Ethics, United States
[c] University of California, Berkeley, United States

ARTICLE INFO

Article history:
Received 27 May 2011
Accepted 11 February 2013
Available online 26 March 2013
Accepted by Madan Pillutla

Keywords:
Judgment
Confidence
Advisors
Influence
Accuracy
Credibility
Calibration

ABSTRACT

Is it possible to increase one's influence simply by behaving more confidently? Prior research presents two competing hypotheses: (1) the confidence heuristic holds that more confidence increases credibility, and (2) the calibration hypothesis asserts that overconfidence will backfire when others find out. Study 1 reveals that, consistent with the calibration hypothesis, while accurate advisors benefit from displaying confidence, confident but inaccurate advisors receive low credibility ratings. However, Study 2 shows that when feedback on advisor accuracy is unavailable or costly, confident advisors hold sway regardless of accuracy. People also made less effort to determine the accuracy of confident advisors; interest in buying advisor performance data decreased as the advisor's confidence went up. These results add to our understanding of how advisor confidence, accuracy, and calibration influence others.

Introduction

We regularly rely on the advice of others. Businesses pay billions of dollars each year to receive advice from consultants. Patients rely on advice from their physicians. Individuals and businesses regularly seek financial advice. When making choices, even very personal ones, we take into account the opinions of others (Ajzen & Fishbein, 1980). In this paper, we ask how easy it is for advisors to manipulate their credibility or the persuasiveness of their advice by displaying more confidence than is justified.

When does confidence help and when does it hurt?

The research literature has offered two conflicting perspectives on the value of displaying confidence. The *confidence heuristic* maintains that people see confident advisors as more accurate, knowledgeable, and credible (Anderson, Brion, Moore, & Kennedy, 2012; Price & Stone, 2004). On the other hand, the *calibration hypothesis* asserts that advisors are more credible if they express confidence only when it is warranted, and that highly confident but inaccurate advisors lose credibility (Tenney, MacCoun, Spellman, & Hastie, 2007; Tenney, Spellman, & MacCoun, 2008).

Confident leaders can have more influence over others (Van Swol & Sniezek, 2005; Zarnoth & Sniezek, 1997), attain status more readily (Anderson et al., 2012), and are viewed as more competent (Anderson & Kilduff, 2009). Price and Stone (2004) argue that people use what they dubbed a 'confidence heuristic': People assume that more confident advice will be better, even when prior accuracy information suggests it wasn't always so. These results raise the question of whether expressing confidence always benefits a leader. Can advisors use strategically expressed confidence as a means of influence (Yates, Price, Lee, & Ramirez, 1996)? What happens when confident people are wrong? Can confidence backfire?

Tenney and her colleagues (Tenney et al., 2007, 2008) demonstrate that people attend to more than simple confidence. They also attend to *calibration*. In other words, advisors are perceived as credible if they express confidence only when it is warranted. Tenney et al. (2007, 2008) gave their participants hypothetical examples of eyewitness testimony. Their participants reported that errors did a great deal of damage to confident witnesses' credibility. By contrast, the credibility of the less confident witness is not so severely undermined when he is found to be incorrect. This suggests that calibration is more important than confidence.

* Corresponding author. Address: Georgetown University, McDonough School of Business, Office 575, 37th and O Street, Rafik B. Hariri Building, Washington, DC 20057, United States.
E-mail address: ss3250@georgetown.edu (S. Sah).

0749-5978/$ - see front matter © 2013 Elsevier Inc. All rights reserved.
http://dx.doi.org/10.1016/j.obhdp.2013.02.001

Confidence, accuracy, and calibration

Confidence and accuracy contribute to an advisor's credibility or influence and prior studies differ in terms of which of these factors matter and whether they are additive or interact (Berman & Cutler, 1996; Brewer & Burke, 2002; Tenney et al., 2007, 2008). Earlier studies examining naturally-occurring confidence found that confidence increased persuasiveness (Phillips, 1999; Sniezek & Buckley, 1995; Sniezek & Van Swol, 2001; Van Swol & Sniezek, 2005; Zarnoth & Sniezek, 1997). Confidence was often correlated with accuracy in these studies; therefore, advisees may have been rational to take confidence as a cue to expertise. In other words, confidence can be an important source of information (Bonaccio & Dalal, 2006; Yaniv, 1997). Confidence and accuracy often co-vary (Sniezek, 1992) but the relationship can be weak (Deffenbacher, 1980; Kassin, 1985; Klayman, Soll, González-Vallejo, & Barlas, 1999; Shaw & McClure, 1996; Wells, Lindsay, & Ferguson, 1979; Wells, 1993) and sometimes they are uncorrelated (Brewer & Wells, 2006; Ekman & O'Sullivan, 1991).

Like Price and Stone (2004) and Tenney et al. (2007, 2008), we manipulate confidence independent of accuracy to avoid the potential confound inherent in research designs that examine naturally occurring expressions of confidence. Then we seek to resolve the discrepancy between the findings from Price and Stone and Tenney et al. using a novel experimental paradigm that includes real incentives for accuracy. We suspect that the ease of calibration played a role in these differing results with participants finding it easier and less effortful to calibrate in Tenney et al.'s (2007, 2008) studies than in Price and Stone (2004). We seek to clarify the role of clear feedback on an advisor's performance in determining when people strive to calibrate and when they use the confidence heuristic.

Tenney et al. (2007) describe good calibration as "being confident when right and unconfident when wrong" (2007, p. 47), and claim that "when people get evidence about an informant's calibration (i.e., her confidence–accuracy relationship) they override reliance on confidence or accuracy alone" (Tenney et al., 2008, p. 1368; see also, Chaiken & Eagly, 1976; Tenney & Spellman, 2011). In order for calibration to occur, accuracy information must be readily available. This is the calibration hypothesis:

Hypothesis 1. In the presence of clear accuracy feedback, calibration will be more important than confidence.

The moderating role of feedback

In previous tests of the calibration hypothesis (Tenney et al., 2007, 2008), relevant calibration evidence was readily available. Study 1 explores the impact of advisor confidence, accuracy, and calibration on perceived credibility and actual influence when advisor accuracy is freely available and clear. But in everyday settings, performance data is often either unavailable or costly to obtain and interpret. Study 2 further explores boundaries of the calibration hypothesis when information on accuracy is not available or is costly to obtain.

According to Tenney et al.'s (2008, p. 1369) "presumption of calibration" hypothesis, "people initially presume, in the absence of relevant evidence, that informants are well calibrated," giving an advantage to more confident actors. But "people will override that initial presumption when evidence that enables the assessment of the informant's calibration becomes available," at which point it is good calibration (confidence that matches accuracy) rather than high confidence that will make the source credible. Note that the "presumption of calibration" hypothesis suggests a two-stage process: First, equating high confidence with high accuracy, perhaps relying on normative rules of reasoning, i.e., a deliberative process (Evans, 2003), and second, once accuracy information is available, calibrating accordingly. In contrast, the confidence heuristic implies an effortless intuitive process (Kahneman, 2003; Masicampo & Baumeister, 2008; Tversky & Kahneman, 1974) in which confidence is used as a peripheral cue. Accuracy information may, or may not, be present but confidence is used as a short-cut for advisor credibility and influence. It's possible that the first stage in the presumption of calibration hypothesis is also intuitive and utilizes the effortless confidence heuristic; however, the key difference is that once accuracy information is available, according to the calibration hypothesis, people will use it to calibrate their advisors. In the absence of accuracy information, either of these two accounts, the presumption of calibration or the confidence heuristic, will lead to the same outcome: Greater confidence results in greater credibility and influence.

Hypothesis 2. When feedback on accuracy is unavailable, people will assign greater credibility to, and be more persuaded by, confident advisors than their low confidence counterpart.

Study 2 also investigates the situation in which feedback is potentially available but costly. We predict, as in so many other domains (Payne, Bettman, & Johnson, 1990; Smith, Mitchell, & Beach, 1982), that many people will revert to a simple heuristic—in this case, the confidence heuristic—as the cost of deliberation increases. Although we expect some people to seek calibration information, we also expect that many advisees will simply rely on the confidence heuristic.

Hypothesis 3. When accuracy feedback is costly, many advisees will revert to the confidence heuristic and find high confidence credible and persuasive.

Our test of Hypothesis 3 also provides an opportunity to examine whether advisor confidence influences advisees' decisions about purchasing or seeking feedback on advisor performance.

Our experimental paradigm

Previous researchers have investigated the influence of confidence when feedback was unavailable (for example, Sniezek & Van Swol, 2001), however, those studies employed naturally-occurring confidence in which confidence and accuracy happened to be positively correlated, thus complicating causal inference. Advisors in the Sniezek and Van Swol experiments were also rewarded when advisees were correct. Therefore advisors wanted to calibrate their confidence to their accuracy and both parties knew it. However, many professional advisors are rewarded when people buy or follow their advice, regardless of whether it is in the recipients' best interests and regardless of whether it is accurate (Sah & Loewenstein, 2012; Van Swol, 2009). Our paradigm systematically manipulates confidence and can therefore investigate what happens when confidence is not a valid cue to accuracy.

We also introduce two other methodological contributions. First, our stimulus materials employ a continuous outcome metric. By contrast, Price and Stone's (2004) advisors predicted whether a stock would go up or down in value, and witnesses in Tenney et al.'s stimulus cases testified that a suspect was present or absent at the scene of a crime. The benefit of using a continuous outcome metric is threefold:

(1) It allows us to disentangle proximity to the correct answer from confidence in one's answer. This distinction is helpful, for instance, in testing Hypothesis 1 (the calibration hypothesis), regarding advisors who are low in confidence but whose answers are nevertheless close to the correct answer.