

Title:

Trust and Trustworthiness in Supply Chain Management

Presenter:

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Abstract:

Human decisions are often driven by non-pecuniary, emotional factors, leading to behavior that systematically deviates from the predictions of neoclassical economic theory. Nevertheless, most existing theoretical models in operations management have primarily considered pecuniary incentives. In this talk, I will present two papers that study an important operations problem, i.e., forecast information sharing, with a novel behavioral perspective. In the first part of the talk, we introduce a theory-experiment-theory methodology to investigate the role of trust and trustworthiness in forecast sharing. Our key findings are that behaviors from human decision makers contradict predictions from standard game theory and demonstrate a continuum of trust and trustworthiness. Further, this continuum is affected more by risk than by uncertainty. We then develop a theoretical model of trust and trustworthiness to explain the observed behavior. In the second part of the talk, we extend the above study to a multi-country context. In particular, we investigate how the distinct cultures and institutional environments in China and the U.S. impact trust and trustworthiness in the same forecast sharing setting. Our experimental observations show that Chinese consistently exhibit lower trust and trustworthiness than their U.S. counterparts. In addition, when the risk or vulnerability entailed by trusting increases, the relative decline in trust (measured by the percentage decrease of trust) is more evident in the U.S., whereas the absolute decline is more pronounced in China.