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*Vulnerability as Strength: A Signaling Model of Trusting*

The willingness to accept vulnerability to the actions of another actor is a central feature of trust. Not surprisingly, interest in understanding why and under which conditions individuals are willing to expose themselves to risk and rely on the goodwill of others has generated an extensive body of literature that sweeps across several disciplines, including organizational studies (e.g., Whitener, Brodt, Korsgaard, & Werner, 1998, Mayer, Davis, & Schoorman, 1995) and behavioral economics (e.g. Berg, Dickhaut, & McCabe, 1995, Eckel & Wilson, 2004, Fehr & List, 2004). It is widely accepted that trusting behavior is more likely the higher the perceived trustworthiness of the trustee, and the lower the perceived risk (e.g. Mayer, Davis & Schoorman, 1995). Much of the literature suggests then that trusting is more likely when the perceived trustworthiness of the trustee is sufficiently high to mitigate the odds of harm should the trustee violate the trust.

In this paper, we depart from the current trust literature by adopting a signaling perspective (Spence, 1973, Zahavi, 1975) to offer a novel rationale as to why players may choose to bestow trust. Unlike the current literature, which tries to explain trusting behavior despite the exposure to risk, in our model we show that, under certain circumstances, agents choose a trusting behavior *precisely* because it is risky. By doing so, an individual can signal credible information about his/her otherwise unobservable superior ability. Trusting serves as a credible signal because less able individuals cannot afford to imitate this trusting behavior as it will expose them to risks that they cannot withstand in the event that the trustee breaches the trust bestowed.

Importantly, we do not argue that individuals are necessarily fully aware of what influences their trusting behavior. There is evidence, for example, that oxytocin increases the willingness to trust and accept social risks (Kosfeld et al., 2005). Furthermore, animals expose themselves to risk in their interactions with others to signal otherwise unobservable superior traits (Grafen, 1990, Zahavi, 1975, Zahavi & Zahavi, 1997). Thus, it is possible that trusting for signaling purposes is a psychological mechanism that is genetically encoded and inherent in the social nature of our species.

This framework carries important implications to the trust and ethics literatures, and can be particularly insightful when applied to the context of leaders and their followers. Signaling of quality by trusting may shed new light on the development of trust (e.g., Ferrin, Bligh & Kohles, 2008). Specifically, we suggest that the credible information regarding the trustor's ability, which is conveyed by trusting, fosters the trustee's trust, thus kick-starting the trust cycle. This image enhancing move is likely to be most important to new leaders whose qualities are unknown to subordinates. Moreover, because trusting their followers earns leaders their

followers' trust and respect, the latter will be less likely to engage in unethical behavior (e.g., Shamir, House & Arthur, 1993, Trevino & Brown, 2005, Thau et al., 2007).

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