

# Entrepreneurs build, withdraw and repair trust more quickly than others, finds NTU study

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Credit: NTU Singapore

A study led by **Nanyang Technological University, Singapore (NTU Singapore)**, has demonstrated how, compared to non-entrepreneurs, entrepreneurs have different behavioural traits and operate with different levels of trust.

The researchers found that entrepreneurs, whom they define as individuals who start new businesses, build trust more quickly with others in work-related situations.

Entrepreneurs were found to be more sensitive and quicker to react to dishonesty during a simulated business transaction. For example, entrepreneurs would be quicker to withdraw from a deal upon sensing that a potential business partner is not reciprocating, said the researchers.

Previous research on the psychology of entrepreneurs hypothesised that they had different character traits from the rest of the population and aimed to discover how those qualities made some individuals more inclined to start new ventures, while others did not.

The NTU researchers said that the results from past studies were inconclusive, as they focused on finding individual traits rather than on thought processes or behaviours in dynamic situations where trust is built, violated, then rebuilt. This was what led to the design

of a roleplaying experiment, which aimed to expose participants to situations where they had to conduct business deals.

Along with **Dr Bi QingQing** from the **University of Canterbury, New Zealand**, who was a former research fellow at NTU's Nanyang Business School when the study was done, the team carried out an experiment in Singapore with 416 participants, who were categorised as entrepreneurs, managers, and professionals based on their occupations.

The experiment placed participants through several rounds of business transactions, where participants had to decide how much money they would entrust for investments to an agent, who displayed different levels of trustworthiness.

Analysing the behaviour and results of the experiment, the researchers found that while entrepreneurs showed comparable levels of initial trust with professionals and managers, entrepreneurs built trustworthy relationships faster by increasing their investments by around 50 per cent, which is significantly higher compared to managers and professionals (21 per cent and 35 per cent respectively), signalling that they were more trusting and willing to build a partnership.

However, the investments from entrepreneurs decreased sharply, by over half (53 per cent) compared to their investments during the initial trust-building stage, when their business partners displayed dishonesty, compared to managers and professionals, at 22 per cent and 38 per cent respectively. The researchers said this showed that entrepreneurs were quick to adapt to bad situations, especially those that would lead to losses or the detriment of their business.

Another key finding was that entrepreneurs recovered more easily, defined by the research team as a signal of forgiveness, from losing trust in business dealings compared to non-entrepreneurs if the other party apologised or clarified the situation. This was evidenced in the relatively fewer number of interactions the entrepreneurs took to re-engage in business negotiations, compared to their counterparts.

**Professor Boh Wai Fong, Deputy Dean of NTU's Nanyang Business School**, who co-led the study, said: "Our study is significant as there are people with entrepreneurial traits within us, be it at the workplace, or in our day-to-day. Understanding the trust dynamics of entrepreneurs highlights their innate business acuity when conducting business, including being able to sense and avoid fraud, and quickly cultivating trust again after a setback. These are qualities that organisations require in positions that require negotiation, trust-building and a swift ability to recover from a bad situation."

**Associate Professor Georgios Christopoulos, also from NTU's Nanyang Business School**, who co-led the study, said: "Entrepreneurs work in situations that are uncertain and dynamic. Their brains have adapted in a way that allows them to quickly monitor the social environment and to send stronger social signals – being more trusting, more punishing but also, importantly, more forgiving – to their business partners. We believe that this mindset can be realised by conditioning human behaviour – and we are working towards that goal now."

The results of the study were published in the peer-reviewed academic ***Journal of Business Venturing*** in November. This study was supported by the Science of Research, Innovation & Enterprise programme of the Singapore National Research Foundation.

### **Those with an entrepreneurs' mindset need to be placed in the right positions**

The NTU-led study's results suggest that entrepreneurs are more alert than professionals and managers to behaviours that signal changes in trust, and entrepreneurs react more quickly to such changes – making them stronger candidates for roles in companies that deal with risk or fast-paced decision making.

Elaborating on the study's implications for companies' hiring decisions, **Prof Boh** added: "It may be more suitable for companies to assign someone with entrepreneurial skills to develop partnerships in situations requiring quick reactions and response times due to highly uncertain conditions, while it may be more suitable to assign managers without entrepreneurial skills to develop partnerships in situations that require time for trust building."

**Assoc Prof Christopoulos** explained: "Being an entrepreneur requires one not only to be creative and innovative but also to have a different set of social skills. Entrepreneurs seem to be socially flexible and to quickly adapt and respond to a changing social situation."

The research team plans to extend their study to explore the possibilities of using other approaches, such as cognitive training, to further examine the trust behaviours of entrepreneurs and non-entrepreneurs.

They also look to expand the scope of the study to other countries and run the roleplaying experiment in organisations to help companies earmark executives with better entrepreneurial or managerial traits.