Project management under information asymmetry: How trust & trustworthiness impact planning & reporting

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Problem definition: Projects involving different decision makers for planning and execution are common in practice. Information asymmetry and the well-established phenomenon in which the amount of time that is made available for a task is the time that it takes to complete it make project planning challenging and often result in poor performance. **Academic/Practical Relevance:** We study the impact of trust and trustworthiness between managers and workers on project planning and reporting in a structurally new setting. Furthermore, we investigate the moderating effect of familiarity between those players on trust and trustworthiness and, consequentially, project performance. **Methodology:** We employ a model that reflects the interaction of a manager and a worker, in which excess time planned may be exploited, that is, misreported as time required to finish the project. Based on this framework, we set up an experimental study. **Results:** The experiment supports the following hypotheses: first, workers are partially trustworthy, as they do not always exploit excess time planned; second, this trustworthiness is more pronounced in a setting with a higher degree of familiarity; and third, managers' decisions in a high-familiarity setting indicate higher trust levels towards the workers. However, managers greatly overestimate trustworthiness in the high-familiarity setting resulting in a poor planning. **Managerial Implications:** Our findings suggest that establishing familiarity between managers and workers is a promising mechanism to increase trustworthiness and thus to reduce the effect by which loosening the deadline increases project duration. However, we demonstrate that increasing both trust and trustworthiness might yet decrease project performance since the alignment between both and not the mere increase determines the effectiveness of trust and trustworthiness in projects.

Key words: behavioral operations; trust & trustworthiness; project management

1. Introduction

A phenomenon well known to those teaching classes is that students submit assignments close to the deadline or even after. One of the authors of this paper has posed an identical assignment over consecutive years and experienced consistent patterns of late submissions combined with complaints about the challenging deadline he set. In one year, twice as much time was provided for the assignment due to some organizational changes, but neither the pattern of late submissions nor the complaints about the deadline being too tight changed. This anecdote is a textbook example of a well-known