Building Trust
A Case Study

The CEO wants a benchmarking study. Beryl Smart and her colleague Jane Conley have been assigned to the job. Its gossip really, and Beryl does not really know for sure. But she has heard that Jane is not to be trusted, that she is a real rat and will take all the credit for work done if she gets a chance. On top she is well liked by the CEO who trusts her implicitly.

Doing the job well requires cooperation and hard work. If Beryl and Jane work as a team they can produce good work and be recognized by the CEO. The issue for Beryl is getting that recognition. The more she puts into the report, the better it is. But as the report takes shape, Jane could well present it to the boss as her own work, leaving Beryl in the dust, having worked hard for nothing.

In practice, the job requires two rounds. A first round can produce a report that is acceptable but not great. At that point, either Beryl or Jane can present the work to the CEO and consider it a finished product. But if they cooperate on a second round of research and writing Jane and beryl can produce a much better product.

1. Recall the centipede game. Describe the situation between Beryl and Jane using the centipede as a game model.

2. Assume that Jane is honest and will not take all the credit for herself. What payoffs would you assign to Jane and Beryl in the centipede game?

3. Assume that Jane is a rat. How would this change the payoffs of the centipede game that Beryl and Jane are playing?

   *We will develop the complete incomplete information game in class*