

Title: Instructions and Incentives in Organizations

Speaker: Prof. Suraj Prasad, University of Sydney

Area: ESS

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Abstract:

We propose a new perspective on organizations, emphasizing the role of instructions in providing incentives. We examine a conflict of interest between a principal and agent over the course of action in an organization. Instructions on the principal's preferred course, lead to a more informed decision by the agent when executing it, thus steering him towards the course. But less informative instructions are an effective incentive tool only when the agent is less able (confident) in their execution or when the agent is sufficiently risk averse. Consequently, hiring a less able or a risk averse agent can be optimal. This has implications for management practices, worker autonomy, and organizational structures.

Speaker Profile:



Suraj Prasad is a Senior Lecturer at the University of Sydney. His interests are in the areas of organizational economics and contract theory. His work has been published in the RAND Journal of Economics, the Journal of Monetary Economics, the Journal of Industrial Economics, and the Journal of Law Economics and Organization, and others.

<https://www.sydney.edu.au/arts/about/our-people/academic-staff/suraj-prasad.html>