

Information Acquisition, Decision Making, and Implementation in Organizations*

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Abstract

We study a decision process of a two-agent organization that consists of a decision-maker who selects a project and an implementer who implements and executes the selected project. Each of the decision-maker and the implementer has intrinsic and possibly divergent preferences over projects. Key features of the model are that (i) there is the separation of decision and implementation, and the implementer may choose to execute no project if the cost of implementation is high; and (ii) the implementer engages in both acquiring additional information and implementing the project. We show that the implementer's incentives to gather information and to implement the selected project interact with each other in a non-trivial way. We in particular show how this interaction affects the optimality of diversity of preferences in organizations as well as the implementer's strategic communication.

JEL Classification Number: D23, D82, D83, M11.

Keyword: Decision Process, Preference Heterogeneity, Information Acquisition, Communication, Persuasion, Biased Agent.

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