

# Organizational Design and Career Concerns

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## Abstract

This paper studies organizational design as the allocation of decision rights, primarily focusing on its interplay with agents' career motives. We identify a new trade-off between delegation and centralization, which arises solely from career concerns (i.e., it emerges even if information is perfectly symmetric between a principal and an agent): Under delegation, the agent takes inefficient actions at the cost of the principal but also works harder ex post to implement his project, in order to manipulate the market expectations of his ability. Extensions with information acquisition and with formal contracts are also discussed.

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