

The Provision of High-powered Incentives under Multitasking

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Preliminary

Abstract

We study multitasking problems à la Holmstrom and Milgrom (1991) where an agent can engage in both a contractible and a non-contractible tasks which are substitutes. The agent has private information on the value of the non-contractible task, and there are followers (either a principal or a third party) who can also contribute to this task. If the principal prefers the agent to work hard in the non-contractible task, in contrast to the standard multitasking models, the principal may provide high-powered incentives to the contractible task. Intuitively, providing high-powered incentives to the contractible task makes the agent more costly to work on the non-contractible task. Hence, under such high-powered incentives, the agent's high effort in the non-contractible task enhances the credibility of the signal about the value of the non-contractible task. We apply our framework and discuss its organizational implications to leadership, help, and project selection.

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Keywords: Multitasking, Signaling, Leadership, Help, Project Selection.

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