

"The Silent Treatment"

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Abstract

Information overload is costly to organizations. Limited cognitive resources, multiple obligations, and short deadlines can lead a principal to overlook important ideas from subordinates. We propose a stylized model to highlight a remedy to this problem that should be relevant in many contexts. Since interactions in organizations are often repeated over time, there may be ways to incentivize agents to speak up only when they have something important to communicate; that is, to be discerning. One of the principal's jobs is then to steer the organization in this direction.

In our model, a principal's attention is repeatedly sought by multiple agents, each eager for his ideas to be implemented. An idea's quality stochastically affects the principal's profit, and agents' abilities to generate good ideas may be private information. The principal is unable to review proposals before choosing one each period. She can provide incentives only through her selection rule among proposals, but cannot commit to this rule in advance. We show how she may discipline agents to exercise restraint, achieving her first-best in an intuitive belief-free equilibrium. Whether first best is achievable hinges on the worst possible agent, the organization's 'weakest link.'

Selecting ideas in our model is reminiscent of multi-armed bandit problems, with the new feature that an arm's availability is a strategic decision each round. Our analysis also shows that such problems admit simple, robust solutions.

Keywords: limited attention, organizations, belief-free equilibrium, mechanism design without commitment, multi-armed bandit