Incentives in Teams and the Role of Information in Organizations

By

Eyal Winter
The Hebrew University of Jerusalem

Abstract
The paper studies the effect of transparency among peers on the principal’s cost of providing incentives. Using directed graphs to represent peer information we show that under complementarity the cost of providing incentives is decreasing with the level of transparency within the organization. We also investigate the role of the architecture of the information in boosting incentives. In arguing that substitution impedes the benefits of transparency we will compare function-based teams with process-based teams showing that the latter are more effective in providing incentives.