

Research Trajectory – Jordi Blanes i Vidal

The main focus of my research is the empirical study of personal relationships in organisations. Private and public organisations are run by people. It therefore seems natural that personal relationships within and across organisations should play a significant role in how these organizations operate and perform. Accordingly, issues like networks and favouritism in hiring and promotion, team management and design, peer effects, etc. are at the forefront of the study of organisations.

The empirical study of personal relationships in the workplace has often paid insufficient attention to the identification of causal mechanisms. For instance, it is often argued that cohesive teams perform better. But, is this a causal relationship or is this correlation instead due to success breeding cohesiveness? Is the fact that co-workers tend to think alike due to proximity causing the convergence of views, or is it instead the result of similar individuals choosing to work together? To design and operate efficiently an organisation we need however to understand whether these and other relations are causal.

My work uses modern econometric techniques to separately identify and evaluate the effect of these relationships. In doing so, I always use original datasets and typically study organisational settings that, while important, have been relatively neglected in the past. My empirical work is complemented by a second strand of research that is theoretical in nature but focuses equally on personal relationships in organisations, in particular on the interaction between different members in a team.

My research during the next five years will draw upon past work, and it is divided into four different parts. Below, I discuss each of these parts, first sketching my published papers and then elaborating on current and future work.

Senior English Judges (jointly with Clare Leaver (Oxford))

The Senior English Judiciary is an extremely important public organisation, and one where personal relationships inside and outside the workplace, are assumed to determine how (at least some) decisions are taken. In past work (published in 2011 in the *Journal of Public Economics*) we find that, contrary to the commonly held view, the committee promoting from the High Court to the Court of Appeal does not display a bias in favour of candidates with an 'elite' background. In a paper forthcoming in the *Journal of Law, Economics and Organization*, we find having worked together in the past makes judges cite each other's work more positively. This body of work represents the first serious quantitative study of decisions taken by the Senior Judiciary in England and Wales.

Our current work 'Bias in Open Peer-Review: Evidence from the English Superior Courts' draws upon the papers above and studies how personal relationships affect the main decisions of Court of Appeal judges. In particular, we study whether these judges are reluctant to reverse the rulings of first-instance judges with whom they have developed an on-the-job relationship, or expect to develop one in the future. To study this question, we exploit a feature of the English review process, namely that judges who preside on appeals have often worked with the first-instance judge on other cases. Our empirical strategy compares the reversal rates between reviews where an on-the-job relationship has *just* occurred with reviews where an on-the-job relationship will take place *in the very near future*. This comparison allows us to understand the mechanisms through which relationships matter, in particular

with respect to disentangling favouritism (i.e. unwillingness to criticize a peer because of some pre-existing link such as friendship or co-authorship) from reciprocity (i.e. unwillingness to criticize a peer because of his/her potential to respond with reciprocal behaviour at a future review). Our finding that reciprocity seems to be the dominant mechanism enhances our understanding of how connections between co-workers affect their evaluations of each other, in organisations. This is particularly important given the increasing prevalence of review processes such as 360-degree feedback where workers are asked to report candidly on each other's performance and are also expected to continue working together in the near future.

Politicians, Staffers and Lobbyists (jointly with Mirko Draca (Warwick) and Christian Fons-Rosen (UPF))

The US Congress is an organisation where personal connections are regarded as a critical asset determining legislative effectiveness and career advancement. We have put together an exceptionally rich database comprising (a) the careers and performance of American congressmen, as well as those of their personal staffers; and (b) detailed information on the US federal lobby industry, including the population of lobbying firms, individual lobbyists and clients and the matching between them. In a paper forthcoming in the *American Economic Review*, we find that personal connections to individual Congressmen represent a large part of the value that staffers-turned-lobbyists provide to their clients. We do this by examining how the revenue generated by lobbyists drops when their patrons lose office.

In a new project 'Client Specific Human Capital and Entrepreneurial Decisions', we study the importance of client-worker relationships in the US lobbying industry. In the study of knowledge-based firms, the ability to develop client-specific human capital, reputation and relationships is regarded as a key component allowing a worker to hold up and potentially compete with his/her employer. Efforts to understand empirically how access to clients affects entrepreneurial decisions and erodes competitive advantages have however been hampered to date by the unavailability of detailed information on workers' position, tasks, human capital specialization and relationships with clients and co-workers. Our rich dataset will allow us to tackle this issue. In particular, we expect to study the following questions: (a) how does worker accumulation of sector-specific and client-specific human capital affect the likelihood of becoming an entrepreneur?; (b) do workers turned entrepreneurs take the clients with them to their new ventures?; (c) if so, what characteristics of the parent firms make 'grabbing and leaving' with the client less likely to occur? To the extent that lobbying firms can be regarded as representative of other professional services firms, the research output will contribute to our understanding of entrepreneurial decisions in professional services industries.

The careers of US Congressmen have been extensively analysed in the political science literature. However, very little attention has been devoted to the study of Congressional staffers. This is despite the fact that these bureaucratic agents are often charged with major policy responsibilities, and, in the case of personal aides staffers, can significantly contribute to the performance of their political masters. As before, the challenge has mainly been data availability: no public-use dataset exists detailing the work spells and personal background of Congress staffers. In collaboration with the transparency watchdog LegisForm we have put together such a dataset. Our first project 'The Power behind the Throne: Staffers' Influence on Congressmen Performance' will analyse how important Chiefs of Staff and Legislative Directors are in influencing the legislative success and voting record of the Congressmen that

they work for. To do this, we will use the fact that there is significant turnover between positions among Congress staffers: we can observe a politician's performance with and without a particular staffer.

Experiments in Private Firms

A very powerful way of learning about personal relationships in organisations is to run a field experiment. In a published paper (jointly with Mareike Nossol, *Management Science*, 2011) we study a German company and analyse the effect of providing workers with information about how much they earn and produce relative to their colleagues. Access to this information can potentially change the relationships between co-workers. We find that, by simply providing this information, the company generated a sudden and sustained increase in worker's productivity. We interpret this finding as arising from the fact that workers derive utility directly from outperforming and out-earning their colleagues.

Together with Clare Leaver, I am currently in conversations with a major company in the cosmetics industry. The objective is to run a field experiment studying whether increased decision-making power at the operator level is associated with an increased level of effort and productivity. The experiment will be run in the company's main manufacturing facility.

Decision-Making and the Motivation of Co-Workers (jointly with Marc Möller (Bern))

In organisations, it is often the case that the provision of effort cannot be perfectly contracted upon. In such circumstances, workers' 'morale' (i.e. their expectations that the organisation has adopted the right path of action) can strongly affect their motivation. In a published paper (*Journal of Economics and Management Strategy*, 2007) we study theoretically how the mechanism above can affect the efficiency of the decisions taken by the organisation's 'leader'. The main conclusion is that public information regarding the preferred course of action can be detrimental to efficiency, and that 'overconfident leaders' can sometimes be more effective than realistic leaders.

Personal relationships between co-workers are particularly important when these work together in teams. Cases such as the Kennedy administration during the Bay of Pigs invasion exemplify how decision-making teams can produce notoriously bad decisions. In current work, we use a mechanism design approach to study a team whose members have private information about the qualities of alternative projects, and have to jointly choose a project and exert individual efforts to execute it. We find that the desire to keep morale high can indeed obstruct the sharing of information, leading to suboptimal decisions. Furthermore, we show that this is *more* likely to happen when the team is small. This is a surprising result, as it contrasts with the common argument (based on free-riding) that efficiency is harder to achieve in larger teams.

The last part of this project is devoted to characterising what type of institutional arrangement alleviates the lack of information sharing in our team setting. Remarkably, we find that it may be optimal to bias the decision-making process in favour of one of the alternatives. In particular, an institution that enforces 'unpopular' decisions when no evidence is produced by the team members can be efficient, as it can induce the revelation of information in conflict with prior expectations.

Our model contributes to the understanding of potential efficient biases arising in teams where members exert individual efforts to execute an agreed decision. Despite such situations being ubiquitous, we are the first to provide a comprehensive analysis of the trade-offs underlying them.