

# Honesty or Talent? Project Implementation with Possibility of Backstabbing

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## Abstract

Which quality of a leader is more valuable – honesty or talent? An independent pair of projects in each of two periods come up for deliberation for only one to be adopted. The leader has the sole authority to make the decision with the advice of a deputy. A corruptible leader is likely to promote projects in self-interest rather than what might be ideal.

Proving honesty (lack of bias) is shown to be a main driver of project choices early on. Whoever is initially chosen as the leader must not hurt her reputation for honesty, to remain in power. Delegating the authority of decision making plays around this motive. The bias perception may change over time, and the replacement decision is shown to penalize the leader for choosing her corrupt self's favorite project even after the decision is proven to be correct.

With future prospects in mind, the deputy never speaks up unless the quality of her information is high – offer advice only when it might make a difference. And yet with high quality information the deputy may lie low and not recommend a project simply because the corrupt type of the leader is looking for such an endorsement for private kickbacks. This possibility may arise if the leader can be brought down through shenanigans of having acted in a biased manner and thus be replaced by her silent, non-cooperative deputy. *Backstabbing* may thus be welcome for organizational efficiency. And faced with the possibility of backstabbing organizations generally prefer delegating the initial leadership to the expert who is more likely to be *talented*, even if not very *trustworthy*. Without the threat of backstabbing the leader is chosen primarily based on *honesty*.

Finally, a completely non-functional (babbling) deputy may serve in waiting in case the leader becomes untenable, and in precisely these situations the initial leader must be chosen on both merits – talent and honesty.

The above results are applicable to a broad range of decision making in organizations and party politics.

**JEL Classification:** C92; D03; H41.

**Key Words:** Organizations; politics; project implementation; cheap talk dynamics; authority; deputy; multi-dimensional types; talent; corruption/honesty; reputation; informative advice; backstabbing.

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