



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
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AWI This Week

Wednesday, 15. 06. 11

Departmental Seminar

16.00-17.30

Jen Brown, Northwestern University

AWI **00.028**

"Selecting the Best? Spillover and Shadows in Elimination Tournaments"

18.15

8. Alfred Weber Lecture

Grabengasse 1

Prof. Dr. Dr. h.c. Claus Leggewie

Alte Aula

"Woher kommen Europas Energien? –
Überlegungen zur Europa- und Energiepolitik"

Jour Fixe

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

Departmental Seminar

Jen Brown

"Selecting the Best? Spillover and Shadows in Elimination Tournaments"

Innovation competitions between firms and personnel tournaments within firms are both examples of contests where competitors are eliminated over successive stages of play. In this paper, we consider how match outcomes in elimination tournaments are shaped by past, current, and future competition. We present a two-stage model that yields the following results: (a) a shadow effect of future competition -the weaker the expected competitor in the next stage, the greater the probability that the stronger player wins in the current stage; (b) an effort spillover effect- with negative (positive) spillover, more effort in earlier rounds leads to a lower (higher) probability of winning in later stages; (c) noise around effort increases the probability that the weaker player wins; (d) under certain conditions, the weaker player is more likely to win in the final stage, relative to earlier stages; and (e) a steeper prize structure improves the stronger player's probability of success in all stages. We test our theory predictions using data from professional tennis matches and betting markets. We find evidence that negative spillover and the shadow of a tough future opponent increases the probability that a weak competitor wins.

Talks and Research Visits

Wendelin Schnedler presented his paper "Hidden action, Identification, and Organization Design" at the *Conference Gaming Incentive Systems: Theory and Evidence*, University of Bonn, June 10.

Jörg Oechssler held a lecture on "Blasen auf den Finanzmärkten – Eine experimentelle Analyse" at the *14. Jahrestagung Portfoliomanagement* in Frankfurt, June 7.

Miscellaneous

Wendelin Schnedler has received an offer as a professor for managerial economics by the University of Paderborn.

Editorial deadline for issue 15/2011 of the newsletter:
Wednesday, June 15, 2011, 12 o'clock
newsletter@awi.uni-heidelberg.de

If you would like to receive the newsletter by email,
please contact the address above