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Departamento de
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Seminario: Patrick Allmis (University of Cambridge)

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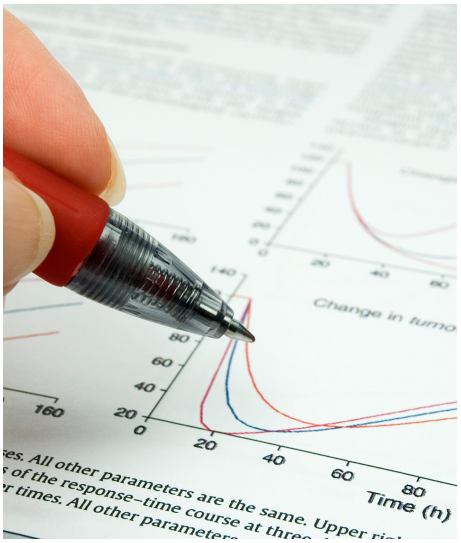

Resumen: This paper presents a model of how organizations develop complex products. Decentralizing into autonomous units increases the potential value of production but raises the risk of miscoordination. To facilitate communication, the organization can form costly and imperfectly reliable bilateral connections between units. It creates redundancy in these connections at minimal cost to make the process robust against some degree of miscoordination. Organizations either centralize processes or decentralize them substantially to exploit increasing returns to decentralization. Small reductions in connection costs can trigger substantial decentralization and, paradoxically, undermine robustness. Larger cost reductions enhance robustness and increase decentralization.

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