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Information Provision with Milestones in Teamwork: External Governance versus Self Governance

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Many economic activities rely on teamwork where groups of individuals work together for a common goal by pooling their resources or skills. Cooperation within teams can be challenging due to the social dilemma problem. We study teamwork using a dynamic public goods game where individuals make multiple contribution decisions to a team project and face strategic uncertainty about the behavior of their team members. We study whether providing feedback about the team's progress at regular intervals (time-based feedback) or based on the achievement of pre-determined milestones (milestone-based feedback) is more beneficial for increasing aggregate contributions. Under external governance, our results reveal that milestone-based feedback leads to a significant increase in aggregate contributions as compared to time-based feedback. This result is largely driven by conditional cooperators. Under self governance, majority of team members demand time-based feedback. Moreover, it is the conditional cooperators who are more likely to prefer time-based feedback. Our results provide guidance on how information structures can be designed in team environments by showing that external governance leads to higher cooperation rates.