HORIZONTAL REPUTATION AND STRATEGIC AUDIENCE MANAGEMENT

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Abstract
We study how a decision maker uses his reputation to simultaneously influence the actions of multiple receivers with heterogenous biases. The reputational payoff is single-peaked around a bliss reputation at which the incentives of the average receiver are perfectly aligned. We establish the existence of two equilibria characterized by repositioning towards this bliss reputation that only differ through a multiplier capturing the efficiency of reputational incentives. Repositioning is moderate in the more efficient equilibrium, but the less efficient equilibrium features overreactions, and welfare may then be lower than in the no-reputation case. We highlight how strategic audience management (e.g., centralization, delegation to third parties with dissenting objectives) alleviates inefficient reputational incentives, and how multiple organizational or institutional structures may arise in equilibrium as a result. (JEL: D80, D82, D83)