Dr Keiichi Kawai

Can you provide a brief overview of your research background, including how you came to do research related to organisational design?

My research interests include economics of communication and contract theory. My earliest research related to organisational design was a paper I wrote when I was a third year Ph.D. student that analyzes whether or not it is better for an advisory committee to be heterogeneous in terms of its members underlying preferences, and if so, when and how. The underlying theme of that project was to systematically analyze the problem of information acquisition, communication, and decision-making. Since then, I have been quite interested in understanding how the design of decision process and reward structure can mitigate the inefficiency in communication that arises from strategic behavior.

What are focusing your research efforts on at the present?

My current focus is on understanding how the information senders’ ability to manage public information strategically leads to a loss of information. For example, imagine that advocates of competing potential projects are seeking approval from the boss. When each of them can independently commission a study in the hope of persuading the boss to implement her own project, what kind of study should she commission? What kind of information does the boss receive in the end? I’m particularly interested in whether or not such competing advocacy ameliorates the efficiency in communication, and identifying the design of decision process that can improve the quality of decision making.

How do you think research on organisational design will develop over the next five to ten years?

For any organisation to be successful and be able to make good decisions, effective communication on relevant information is of utmost importance. What deters such effective communication is the very incentives of people in the organisation to influence decisions to their advantage by distorting information gathering and transmission. Many scholars have identified possible organisations designs, notably the allocation of decision rights that ameliorate inefficiencies arise from such
strategic nature of communication. From theoretical perspective, I believe this approach that tries to understand the organisational design from the perspective of allocations of decision rights will remain the most fruitful approach in the foreseeable future. By answering open theoretical questions, it keeps providing the new insights. At the same time, I expect field experiments and empirical work will also play big roles.

*If you had the ear of an influential politician such as a Prime Minister in Asia, what would tell him or her about your research and what they should do based on it?*

Instead of talking specifically about my research, I would talk about how insights from research on organisational design can be applied to the issue of drug approval process in Japan. The new drug approval process in Japan has attracted a lot of criticism, especially around its speed, or lack thereof.

Even though the ultimate goal of approval process is to screen the effective and safe drug from the rest in a timely manner, pharmaceutical companies try to influence regulators through the design of clinical trials. Furthermore, when they do, they do so selectively based on their unverifiable expectation about which tests will make their drug good. Because of such strategic incentives, any change in process is likely to affect the information a regulator will have to base his/her decision on.

As a means to speed up the process, an actively discussed approach among regulatory agencies and industry is the use of adaptive clinical trial designs. Unlike traditional fixed clinical trial designs, adaptive clinical trial designs enable modification of studies in response to the data generated in the course of the trial, and as such are regarded as more efficient. But such flexibility in design creates more room for strategic behavior, and does not necessarily bring regulator better information.

This is why the government has to be mindful designing a process that limits the negative consequences of such strategic behavior and improves the quality of decision-making. This is especially true that, unlike many other economic problems, competition among pharmaceutical companies does not render negligible such negative consequences of misalignment of interest given that the companies have myriad of ways to design clinical trials.