

Article

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# **Weight Placed on the Rival's Profit under the Relative Performance Evaluation with Cournot-Bertrand Competition and Sequential Decision of the Weight**

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## **Abstract**

In this note, assuming a duopoly market, we revisit the weight placed on the rival's profit when two firms choose weights sequentially under Cournot-Bertrand competition. Based on the managerial delegation game, prior relative performance evaluation studies mainly focus on the optimal weight placed on the rival's profit and demonstrate that the sign of weights depends on economic environments. This study shows that if firms decide the quantity in a product market under Cournot-Bertrand competition, then the owner sets the positive weight on the rival's profit in managerial compensation contracts.

**Keywords:** relative performance evaluation; sequential game; Cournot-Bertrand competition; managerial delegation; managerial compensation contract

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