

The Hong Kong University of Science and Technology

Dept of Information Systems, Business Statistics
and Operations Management
Dept of Industrial Engineering & Decision Analytics

Joint Seminar Announcement



Effect of Consumer Awareness on Corporate Social Responsibility Under Asymmetric Information

by

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Date : **4 October 2019 (Friday)**
Time : **11:00 am - 12:15 pm**
Venue : **Room 3003, LSK Business Building**



Abstract: This paper studies the interaction between a firm and consumers under the consideration of corporate social responsibility. The firm can be either socially responsible or socially irresponsible; however, the consumers cannot observe the firm's exact type, which is private information. The firm can try to signal its type through pricing and other information-disclosure mechanisms (e.g., issue sustainability reports or third-party certifications). We find that due to the existence of asymmetric information, increasing consumer awareness of corporate social responsibility may not necessarily benefit a firm with socially responsible behaviors. More specifically, when a larger fraction of consumers become socially concerned or when the consumers have stronger willingness to reward (punish) the responsible (irresponsible) firm, the responsible firm could be worse off whereas the irresponsible firm could be better off. This is because the seemingly favorable trend in consumer behavior will affect the responsible firm's signaling cost as well as its equilibrium strategy (separating vs. pooling). In addition, we find that improving the accuracy of the deployed signaling mechanism will always benefit the responsible firm but may or may not hurt the irresponsible firm. Our results suggest that addressing the information asymmetry issue is the key to align consumers' goodwill with firms' responsible corporate behaviors. In particular, concerned parties should first exert efforts to create transparency in firms' sustainability practices before making investments to educate consumers and influence their purchasing behaviors. We further provide several model discussions to both confirm the robustness of our results and derive additional managerial insights.

Bio: Dr Xiaomeng Guo is an Assistant Professor at Department of Logistics and Maritime Studies, Hong Kong Polytechnic University. She received her bachelor degree in Mathematics and Physics from Tsinghua University and her Ph.D. degree in Operations Management from Washington University in St. Louis. Her research interests include supply chain management, operations and marketing interface, omni-channel retailing, and behavioral operations. Her research work has been published in Journal of Marketing Research and Manufacturing & Service Operations Management.

All interested are welcome!

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