

Effect of Corporate Allegations: Do Supply Chain Partners Face Spillover Effects?

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Abstract

This study examines the financial impact of a critical research report on a multinational conglomerate with diverse global operations. We analyze two key questions: (1) How does such a report affect the firm's stock returns? and (2) Does it influence the stock performance of the firm's key suppliers and customers? Using an event study methodology, we estimate abnormal returns (ARs) to assess market reactions. Our findings reveal a sharp decline in the firm's stock value, with significant negative ARs in the days following the report's release. In contrast, the stock returns of its tier-1 suppliers and customers remain largely unaffected, likely due to industry diversification and limited direct exposure. These results highlight the substantial shareholder value erosion triggered by adverse corporate disclosures and underscore the broader implications for firms operating in interconnected supply chains. Our study provides empirical evidence on the financial consequences of reputational risk, emphasizing the importance of ethical and transparent corporate practices in mitigating market shocks.

Keywords

Corporate Allegations, Event Study, Supply Chain Resilience, Spillover Effect.

Biography

Lalbabu Nishad is a doctoral candidate in Operations Management area at the Indian Institute of Management Udaipur (IIMU), Udaipur, Rajasthan, India. He obtained his B.Sc.(H) in Mathematics and M.Sc. in Applied Operational Research degrees from Delhi University in 2016 and 2019, respectively. His research interests include agricultural supply chains, socially responsible operations, and supply chain financing. He has presented his research work at several conferences like ISB POMS, POMS Annual Conference, etc.