Title: Power Is Good: Firm-Level Product Market Power Decreases Corporate Social Irresponsibility

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Area: Marketing

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Abstract:

Corporate social irresponsibility is increasing, leading to corporate harm crises. Research has explored various antecedents of corporate social irresponsibility, including product market power. However, there is limited and mixed evidence in the literature. Defining firm-level product market power as a firm's ability to set the price of its products, we propose that product market power will decrease a firm's corporate social irresponsibility. We further propose moderators of this relationship: two strategies (product market diversification and innovation output) and two performance metrics (stock market and corporate social responsibility). We test the hypotheses using the penalties imposed by U.S. regulatory agencies on 483 firms in 2000-2020. The results indicate that product market power decreases corporate social irresponsibility; this relationship is stronger as product market diversification and CSR performance increase and weaker as innovation output and stock performance increase. Consistent with our theorizing, reduced risk-taking mediates the negative effect of product market power on corporate social irresponsibility. Further, product market power mitigates the negative stock market response to severe corporate social irresponsibility incidents. The findings provide a novel theoretical account of the two-pronged beneficial role of product market power in decreasing corporate social irresponsibility and mitigating corporate harm and generate useful managerial guidance.

Speaker Profile:

Verdiana Giannetti is a Lecturer (Assistant Professor) in Marketing at the University of Leeds. She earned her PhD in Business Administration and Management (concentration in Marketing) in 2018 from Bocconi University, Milan. Verdiana's research interests lie in the broad domain of empirical marketing strategy, with her current projects focusing, among others, on corporate social irresponsibility, product recalls, and ESG issues. Verdiana's work has been published in the Journal of the Academy of Marketing Science, Marketing Letters, and the Journal of International Marketing. Verdiana serves on the ERB of the Journal of Business Research. Her work has been nominated for the Jagdish N. Sheth Best JAMS Article Award and received a Winter AMA Best Paper Award in Track.

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