

The Hong Kong Polytechnic University
Department of Logistics and Maritime Studies
Research Seminar

**Demand-supply mismatches and stock market reaction:
Evidence from excess inventory announcements**

by

Vinod Singhal
**Dr. Alfred F. and Patricia L. Knoll Professor of Operations
Management**
College of Management
Georgia Institute of Technology

Date: **24 February 2009 (Tuesday)**

Time: **11:00am - 12:00pm**

Venue: **M714, Li Ka Shing Tower**
The Hong Kong Polytechnic University

(Conducted in English)

Abstract:

This paper documents that excess inventory announcements, an indication of demand-supply mismatch, are associated with an economically and statistically significant negative stock market reaction. The results are based on a sample of 276 excess inventory announcements made during 1990-2002. Over a two-day period (the day of the announcement and the day before the announcement) the mean (median) stock market reaction ranges from -6.79% to -6.93% (-4.51% to -4.79%) depending on the benchmark used to estimate the market reaction. The percent of sample firms that experience negative market reaction ranges from 73% to 74%. When excess inventory is at the announcing firm's customers, the market reaction is more negative than when the excess inventory is at the announcing firm. The stock market reaction is less negative for excess inventory announcements made by larger firms but more negative for firms with higher growth prospects and with higher debt-equity ratios.

Co-author: Kevin B. Hendricks

Bio: Vinod Singhal is the Dr. Alfred F. and Patricia L. Knoll Professor of Operations Management at the College of Management at Georgia Institute of Technology. He is the Associate Dean for MBA programs, Area Coordinator for Operations Management, and the Associate Director for the Center for Paper Business and Industry Studies, an industry center

funded by the Sloan Foundation. He received his Ph.D. from the University of Rochester in 1988. His undergraduate major is in Mechanical Engineering and graduate major is in Business Management. Prior to joining Georgia Tech in 1989, he worked for three years as a Senior Research Scientist at General Motors Research Labs.

Vinod's teaching interests include operations strategy, total quality management, supply chain management, management science, and decision analysis. His research has focused on the impact of operating decisions on accounting and stock market based performance measures. His research has been supported through grants from the US Department of Labor, National Science Foundation, the American Society of Quality, and the Sloan Foundation. He has published nearly 50 articles in academic and practitioner publications and has been invited to present his research at nearly 100 practitioner conferences and 50 universities in 35 different countries. His research has been extensively cited in the media including Business Week, The Economist, Fortune, Smart Money, CFO Europe, Financial Times and Daily Telegraph.

Vinod is a departmental editor of Production and Operations Management, and Associate Editor of Management Science and Manufacturing and Service Operations Management. He is a member of the editorial boards of IEEE Transactions, Journal of Operations Management, Operations and Supply Chain Management, An International Journal and Quality Management Journal. He has served on the Board of Examiners of the Georgia Oglethorpe Award, Bell South's President Quality Award, and the Baldrige Board of Examiners. He is frequent presenter at various national and international academic and practitioner conferences.

Please email to lgtnlam@inet.polyu.edu.hk for enquiries.

~All are welcome!~