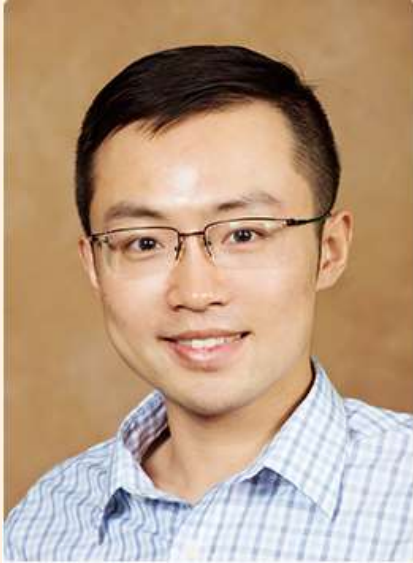


The Hong Kong University of Science and Technology
Dept of Information Systems, Business Statistics and Operations Management
OM Seminar Announcement



**Managing Systemic Disruptions
in Supply Chains:
The Roles of Dual Transparencies**
by
Prof. Chao TANG
Department of Accounting, HKUST

Date : **14 February 2025 (Friday)**
Time : **10:30 – 11:45 AM**
Venue : **Room 4047, LSK Business Building**

Abstract: This paper investigates a firm's management of systemic supply chain disruption risk when the firm's supply chain is opaque. Our analysis centers on a dual-transparency framework in which neither the systemic disruption risk nor the firm's supply chain strategies are fully transparent to outside investors. We demonstrate that, compared to first-best levels, opacity in supply chain strategies causes the firm to under-produce by ordering insufficient supplies and under-diversify by relying excessively on the more transparent supplier. Surprisingly, when the firm's supply chain strategies are highly opaque, increasing transparency about systemic disruption risk exacerbates these inefficiencies. Specifically, greater transparency leads to a reduction in the firm's total supply orders and a further concentration of those orders, ultimately impairing total surplus. An important implication of our analysis is that, to the extent physical climate risk significantly contributes to systemic supply chain disruptions, recent climate policies aimed at enhancing transparency regarding such risks may lead to unintended consequences of interfering with the effective operations of supply chains.

Bio: Chao Tang is an Assistant Professor in the Department of Accounting at the Hong Kong University of Science and Technology. His research centers on the real effects of accounting disclosures and measurement, corporate governance, and auditing. His work has been published in leading journals such as The Accounting Review, Journal of Accounting and Economics, Management Science, and Contemporary Accounting Research.