

Feedback on Emerging Corporate Policies

Abstract

We examine the role of market feedback in firms' emerging corporate policies by assembling a large sample of corporate disclosures in which managers voluntarily discuss their green/AI-technology-related investment plans. We find that managers adjust their green/AI investments upward (downward) in response to favorable (unfavorable) market reactions to such disclosures. This association is stronger when market reactions are negative, when outside market participants are more knowledgeable about emerging technologies, and when managers have stronger incentives to promote investments in such fields. The documented investment adjustment is more likely due to managerial learning from the market than other alternative explanations, and is absent when we examine non-emerging-technology or non-investment related disclosures. Overall, our paper sheds new light on when and what managers learn from the market. It also suggests that such learning can help overcome the huge uncertainties associated with emerging corporate policies.

Key words: Emerging Technologies, Carbon Emissions, Artificial Intelligence, Feedback, Managerial Learning