

Industrial and Systems Engineering Seminar

Signaling and Incentive Effects of Supplier Awards

Wednesday, January 28

3:15 PM – Refreshments before the Seminar

3:30 PM – Graduate Seminar

Mechanical Engineering Room 4125 A & B



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Many firms recognize the importance of supplier performance by giving out a “Supplier of the Year” award for suppliers’ outstanding efforts. These awards are usually symbolic since they often have no monetary value attached to them for the recipient. However, we observe that many suppliers indeed care about receiving these awards, these considerations partly contribute to above and beyond efforts. However, in a market place with multiple suppliers and buyers, the effect of award is not trivial. For instance, an award signal which supplier is good to other buyers. When supply is tight, this will increase the cost of establishing and maintaining the relationship, possibly negating any gain. Using analytic model and lab experiments, we show the existence of these two contrary effects. We find that awards have motivational effects, lead to higher provision of quality and higher buyer’s profits. When publicizing awards in the market reduces the gain. We also discuss how the form of awards or positive feedback affects the profit and supply chain efficiency.

This is a joint work with Ruth Beer and Steve Leider.

Bio: Hyun-soo Ahn is an associate professor of Operations Management at the Ross School of Business at the University of Michigan. He received his PhD in Industrial and Operations Engineering from University of Michigan at 2001. Hyun-soo’s research interest are in the design and analytics of production and service systems, supply chain management, and revenue management with operational considerations. His papers are published in Operations Research Management Science, M&SOM, POMS, Journal of Applied Probability, Advances in Applied Probability, and Queuing Systems. His research has been funded by multiple government and private agencies including National Science Foundation. He has worked with more than 20 companies including J&J, 3M, and CISCO. At Ross, he teaches statistics and business analytics to MBAs and Executive MBAs. He is a recipient of several teaching excellence awards in executive MBA (2012, 2014) and MBA (2011, 2013) programs.