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QUALITY DISCLOSURE PROGRAMS AND INTERNAL ORGANIZATIONAL PRACTICES: EVIDENCE FROM AIRLINE FLIGHT DELAYS

ABSTRACT

Disclosure programs exist in many industries in which consumers are poorly informed about product quality. We study a disclosure program for airline on-time performance, which ranks airlines based on the fraction of their flights that arrive less than 15 minutes late. The program creates incentives for airlines to focus their efforts on flights close to this threshold. We find that firms in this industry are heterogeneous in how they respond to these incentives. Moreover, this heterogeneity correlates with internal firm characteristics. Our findings highlight the importance of interactions between incentives created by a disclosure program and firms' internal organizational practices.

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