THE IMPORTANCE AND LIMITS OF SALIENT INFORMATION IN SUSTAINABLE INVESTING: AN EYE-TRACKING EXPERIMENT

We investigate how increasing the salience of sustainability or financial performance information affects investors’ attention and decision-making. Drawing on an eye-tracking based investment choice experiment and survey research, we provide evidence that salient information only takes effect when accounting for investors’ endorsement of self-transcendence values. Our findings substantiate a critical limitation of salience theory, the neglect of inter-individual differences, and caution against overly simplistic nudging strategies.

Motivation

• In recent years, sustainable investing experienced strong growth, but market sizes vary considerably across regions
• Prior studies identified various information-related barriers, predominantly through survey research
• Yet, the underlying process between informational inputs and (sustainable) investment outcomes is still largely a “black box” (Døskeland & Pedersen, 2015)
• Eye movement research can provide insights into the “black box” of human decision processes (Orquin & Mueller Loose, 2013)

Method

• Choice experiment: 176 participants received equity funds information and made 10 consecutive investment choices
• Random assignment to conditions: C1 = sustainability salient, C2 = fin. performance salient, C3 = control group
• Investment choices were eye-tracked to measure the number of fixations to information attributes
• Follow-up survey on investors’ values and further controls

Results

• On average, increasing the salience of information does not influence investors’ attention and decision-making
• Two offsetting forces explain this finding: salient sustainability information increases (decreases) attention to and importance of sustainability information among investors with a high (low) degree of self-transcendence values
• The opposite effect is found when financial performance information is salient

Implications

• (Un-)Sustainable investing depends on the interaction of salient information and investors’ values
• Salience-based sustainability labels for investment products may equally promote and inhibit sustainable investing
• Target group specific information and communication measures appear warranted

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Research interests

• Management
• Sustainability
• Finance

Lectures

• Einführung in die Betriebswirtschaftslehre (Bachelor)
• Unternehmensstrategien (Bachelor)
• Strategisches Management (Master)
• Corporate Social Responsibility (Master)
• Unternehmen und gesellschaftlicher Wandel (Master)

Literature