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Is doing more doing better? The relationship between responsible supply chain management and corporate reputation

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ABSTRACT

Responsible supply chain management (RSCM) can help protect a firm's corporate reputation by shielding it from negative media attention and consumer boycotts. RSCM can also enhance a firm's corporate reputation, which allows firms to secure business contracts and penetrate new market segments successfully. This study empirically examines: (i) the extent to which responsible supply chain management practices is driven by a desire to protect corporate reputation; and (ii) whether responsible supply chain management can enhance corporate reputation and thereby generate competitive advantage to the firm. We draw on primary and secondary datasets across seven firms, spanning the publishing, technology, beverage, tobacco, finance and home improvement sectors. We find compelling evidence to suggest that firms often engage in RSCM due to a desire to protect corporate reputation. Similarly, we find empirical evidence to suggest that responsible supply chain practices can enhance reputation and thereby create competitive benefits, although this link is not as profound as the relationship between RSCM and reputation protection and there are significant variations across industries. These findings have significant implications for marketing theory and, in particular, industrial marketers, who are increasingly expected to implement responsible supply chain practices.

1. Introduction

Failure to manage the supply chain in a socially and environmentally responsible manner can have significant implications for a firm's corporate reputation. Responsible supply chain management (RSCM), which encapsulates socially (e.g. child labor, working conditions, human rights) and/or environmentally (e.g. ISO 14001,[3] waste management, recycling, use of natural resources) responsible supply chain issues (Carter & Rogers, 2008; Seuring & Muller, 2008), can help protect a company's reputation by shielding the firm from negative media attention and consumer boycotts. Corporate reputation protection occurs when firms faced with negative press can prove to its stakeholders that they took reasonable steps to prevent an incident from happening (Coombs, 2013), through, for instance, appropriate RSCM practices. RSCM can also enhance corporate reputation, which in turn allows firms to secure business contracts and better target specific customer groups (Phillips & Caldwell, 2005; Roberts, 2003).

A firm's corporate reputation is enhanced through the positive actions firms take, the programs they implement and the other tangible things that firms do, rather than by increasing advertising or more effective corporate communication management (Burke, 2011; Greyser, 1999). The distinction between the two concepts is therefore subtle, but important. Corporate reputation protection is concerned with evidencing firms' efforts to meet stakeholder expectations, while enhancement goes beyond a purely evidential basis to encompass embedded practice. Conversely, corporate reputations are jeopardized by irresponsible supply chain practices which can "directly harm business contracts, marketing, and sub-sourcing, and damage the corporation's brands and the trust they have established with their business customers" (Lee & Kim, 2009, p. 144).

Fombrun and Shanley (1990) argue that social and environmental responsiveness contributes to stakeholders' opinion about the organization and its reputation. In this regard, RSCM has been highlighted as particularly important from an industrial marketing perspective, as business customers are better placed to put pressure on suppliers to take their sustainability responsibility more seriously (Sharma, Gopalkrishnan, Mehrotra, & Krishnana, 2010). Similarly, the supply chain is important for building and maintaining business relationships (Gray & Balmer, 1998), and firms use responsible supply chain practices as a way to reduce and mitigate risks and use social and environmental practices as a means to signal an image of high product quality and sustainability to consumers (Tate, Ellram, & Kirchoff, 2010). This, coupled

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[3] ISO 14001 is an environmental management system developed by the International Organization for Standardization and offer firms a framework for incorporating environmental issues into their operations (Bansal & Hunter, 2003; Curkovic & Sroufe, 2011).

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with the finding that socially responsible business practices have been shown to improve both brand equity and brand performance in the B2B market (Lai, Chiu, Yang, & Pai, 2010) reinforces the importance of RSCM for industrial marketing and the B2B market, and suggests that proactive engagement with RSCM is in the firm's interest.

The notion of proactivity in the context of RSCM is however a more recent phenomenon. Historically, firms were often deemed reactive in their engagement with social and environmental protection. Firms' concern for legislative compliance was more pronounced than a commitment to embedding RSCM practices at the firm level (Preuss, 2001). More recently, however it has been argued that firms are more proactive in their engagement with RSCM, and rather than see it as an add-on, it increasingly forms part of the firm's broader strategic commitment (Walker, Di Sisto, & McBain, 2008; Walker & Preuss, 2008; Zhu, Sarkis, & Lai, 2013). However, research to date has in the main only analyzed firms' alleged proactive RSCM practices with reference to case studies (see for example Pagell & Wu, 2009) or anecdotal evidence drawn from corporate sustainability reports (see for example, Tate et al., 2010). Few studies have sought to take a broader look at the issue across different contexts and facets (Seuring & Muller, 2008), consequently our recent knowledge of RSCM corporate reputation is based on narrowly focused, or ad hoc data. Our study seeks to redress this, and empirically examines the triangular relationship between RSCM, corporate reputation protection and corporate reputation enhancement in a systematic way across industries. In doing so, we also respond to calls from the literature for empirical evaluation of the relationship between "formal processes and organizational structures that favor the alignment and integration of supply chain orientation and [responsible] orientation" (Klassen & Johnson, 2004) across different industries and firms (Keating, Quazi, Kriz, & Coltman, 2008).[4] Thereby, we advance the debate about the strategic role of responsible supply chain management. Thus, this study addresses the following research questions: (i) To what extent is responsible supply chain management driven by a desire to protect corporate reputation?; and (ii) Can responsible supply chain management enhance corporate reputation and thereby generate intangible and tangible benefits to the firm?

To address these questions we draw on recent research in the field of corporate reputation, supply chain management and industrial marketing (e.g. Keh & Xie, 2009; Money, Hillenbrand, Day, & Magnan, 2010; Mudambi, 2002) and develop a conceptual framework. We subsequently assess this framework by using comprehensive primary and secondary datasets. We conducted 31 in-depth interviews within seven firms, spanning the publishing, technology, beverage, tobacco, finance and home improvement sectors. In order to obtain a more comprehensive picture of how reputation relates to RSCM, we interviewed organizational members across different departments and hierarchical positions. In addition, secondary data such as company and industry reports were used to gain a better understanding of industry developments with regards to our study's interest (e.g. DEFRA, 2011; NBS, 2011; United Nations Global Compact, 2012).

In this paper, we make three contributions to extant literature. First, we provide one of the first systematic analyses of RSCM and corporate reputation. In so doing, we respond to an increasing body of literature, which has started to consider the business case of RSCM (e.g. Carter, 2005; Keating et al., 2008; Walker & Jones, 2012) and in line with recent work from the strategy (e.g. Godfrey, Merrill, & Hansen, 2009; Muller & Kraussl, 2011) and the marketing (e.g. Luo & Bhattacharya, 2009; Smith, Palazzo, & Bhattacharya, 2010) literature we focus specifically on reputation. As such, we also position a revised conceptual framework to guide further research into RSCM in relation to corporate reputational exposure and enhancement. Second, our study explicitly explores rich datasets, going beyond anecdotal evidence as often offered by prior studies, concerning RSCM and corporate reputation. We do so by distinguishing between the 'protection' and 'enhancement' role of RSCM on corporate reputation, and as such our analysis provides detailed insights into the merit which practitioners put on the ability of RSCM to 'protect' and 'enhance' corporate reputation. In turn, this has significant implications for the way in which firms implement RSCM and the extent to which they view RSCM as a tool to 'insure' reputation or 'build' competitive reputation. Third, our analytical approach, which is based on multiple-case studies across seven different sectors, allows us to analyze both hetero- and homogeneity across companies and sectors. As such, we develop a more comprehensive understanding of how RSCM relates to corporate reputation and the contextual issues that may influence these relationships.

This paper is structured as follows: In the next section, we provide an overview of the extant literature and develop a conceptual framework. We then describe our methodology, followed by an analysis of our findings. These are then discussed in light of a revised conceptual framework, and theoretical and practical implications and contributions are drawn out.

2. Literature review and conceptual development

The supply chain field has often been argued to be atheoretical (e.g. Mollenkopf, Stolze, Tate, & Ueltschy, 2010; Sieweke, Birkner, & Mohe, 2012). This is particularly true for sustainable supply chain work (e.g. Hoejmose, Brammer, & Millington, 2012; Seuring & Muller, 2008), and with this paper we are addressing such earlier comments by applying a reputational perspective to the engagement with responsible supply chain management. Specifically, we draw on stakeholder theory (Mitchell, Agle, & Wood, 1997; Sarkis, Zhu, & Lai, 2011) and social cognition (Fiske & Taylor, 1991; Mervis & Rosch, 1981) — both are theories that have received limited empirical attention in the field — to explain how firms can use RSCM to protect and enhance their corporate reputation.

Research on responsible supply chain management has gained considerable attention in the last decade, with contributions from a variety of fields, including marketing (e.g. Closs, Speier, & Meacham, 2011; Piercy & Lane, 2009; Polonsky & Jevons, 2009), supply chain (e.g. Awaysheh & Klassen, 2010; Simpson, Power, & Samson, 2007), corporate responsibility (e.g. Preuss, 2009; Seuring & Muller, 2008) and industrial marketing (e.g. Corbett, 2009; Ewing, Windisch, & Newton, 2010; Helm & Salminen, 2010; Lillywhite, 2007; Liu, Kasturiratne, & Moizer, 2012). Firms that fail to implement responsible supply chain practices run the risk of damaging their reputation — if discovered. For example, firms such as Nike (Wang, 2005) Primark (Jones, Temperley, & Anderson, 2009), and Adidas (Winstanley, Clark, & Leeson, 2002) all suffered negative reputational media exposure and loss of income as a result of their irresponsible supply chain practices such as the utilization of child labor. It is, however, not only business-to-consumer firms that can experience reputational damage as a result of their irresponsible supply chain activities. For instance, Haliburton, Total SA, and Baxter are just some of the firms in the business-to-business market which have seen the value of their firms decrease and their reputation tarnished due to poor supply chain practices (Lefevre, Pellé, Abedi, Martinez, & Thaler, 2010). Despite the obvious threats and opportunities, many firms are still struggling to implement RSCM into the supply chain and manufacturing processes (Egels-Zanden, 2007), and there is evidence that suggests that there are significant gaps between policy and practice (Preuss, 2009; Yu, 2008). In turn, this means that firms are susceptible to negative media exposure, stakeholder disenfranchisement and damage to their corporate reputation. At the same time, firms may not realize potential reputational gains, if responsible policies are not fully implemented.

2.1. Corporate reputation

Corporate reputation (henceforth: reputation) has been defined as "a set of attributes ascribed to a firm, inferred from the firm's past actions" (Weigelt & Camerer, 1988, p. 443). More explicitly, Fombrun

[4] See also New in New and Westbrook (2004).