

THE EFFECTS OF SOCIALLY RESPONSIBLE REPUTATION AND COMPLIANCE ON SUPPLIER SELECTION: A DYNAMIC CAPABILITIES APPROACH

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Resumo

1 INTRODUCTION In the supply chain context, the disclosure of ESG signals a responsible and transparent supply chain (Cao et al., 2023). However, social sustainability has still received less attention than economic and environmental sustainability in buyer-supplier relationships (Meena et al., 2023). Considering this gap, we aim to comprehend the effect of suppliers' social reputation and compliance practices on socially responsible supplier selection. Based on Dynamic Capabilities, we believe suppliers must develop sustainable capabilities channeled through their reputation and sustained by compliance program. To build our contribution, we employed a cross-country scenario-based experiment involving managers from the U.K., the U.S., and Brazil.

2 THEORETICAL BACKGROUND We focus on a key function in supply chain management: supplier selection. From a socially responsible perspective, selecting suppliers can be called socially responsible supplier selection (SRSS). We hypothesize that suppliers' socially responsible reputation (SRR) and compliance program (CP) positively affect the likelihood of selecting the supplier. Corporate reputation can be seen as the collective evaluations made by observers regarding a firm, considering its long-term financial, social, and environmental effects. Reputation over time generates corporate reputation capital, which is an economic and intangible asset (Barnett et al., 2006). Thus, we suggest the following hypothesis, H1: The supplier's socially responsible reputation positively affects the buyer's likelihood of selecting the supplier. CP is the company's formal activity to ensure the transparency of suppliers' actions along the supply chain and monitor suppliers' adherence to business relationships' rules and standards. However, it is not enough for the buying firm alone to bear this responsibility, buyers exert pressure on suppliers to comply with sustainable standards, enhancing compliance practices' (Emberson et al., 2022). These arguments lead us to the following hypothesis, H2: The supplier's socially responsible reputation effect on the buyer's likelihood of selecting the supplier is greater when the supplier has a compliance program.

3 METHODOLOGICAL PROCEDURES We used a scenario-based, role-playing experiment with a full factorial between-subjects design. The vignette featured two independent variables, SRR and CP, each with two levels. A total of 461 individuals with managerial experience were recruited by Prolific (www.prolific.co) to participate in this experiment. Three responses were eliminated because respondents failed to check the questions. Sixty-four responses were eliminated because the respondents indicated that they were less than 4 (on a scale from one to seven) in confidence in their ability to answer the questions. This resulted in 394 valid responses, with 86 from Brazil, 156 from the UK, and 152 from the US. Of the total, 220 came from females, and 170 came from males, while 4 preferred not to identify.

Subjects were 42.9 (s.d. = 11.5) years old, on average, and 22.34 (s.d. = 11.0) years of work experience, on average.

4 RESULTS AND DISCUSSION We ran a moderation analysis with 10,000 bootstrap samples and 95% confidence intervals, with SRR and CP as the independent variables and supplier selection (SS) as the dependent variable. None of the controls show a significant relationship. Models show a positive and significant effect of SRR (H1) on SS. Considering the general model, the results were ($b = 2.07$, $SE = 0.13$, $t = 15.67$, $p = 0.000$), revealing that the supplier's selection likelihood is greater when the supplier holds a good socially sustainable reputation, supporting H1. The effect of the interaction between SRR and CP (H2) on SS is positive in all models but was not significant in the Brazilian sample. The interaction results for the general model were ($b = 1.38$, $SE = 0.26$, $t = 5.20$, $p = 0.0000$), supporting H2. In addition, the Johnson-Neyman test for conditional effects reveals that when the supplier has a compliance program, the effect of SSR on SS on trust increases, suggesting that CP has the potential to increase the effect of SSR on SS. Our study contributes to understanding how SRR plays as a driver of SS. We demonstrate that a supplier's good reputation for social responsibility signals to a buyer the attractiveness of a potential business partner, particularly in uncertain environments. Second, our study contributes to transparency and compliance in the supply chain. Our results showed that buyers are more likely to select the supplier when the supplier has a CP. We expand the findings to the context of social sustainability. Since compliance has the potential to reduce the information uncertainty on how the potential partner conducts its processes, we provide evidence that if a supplier has a compliance program to ensure that its practice is socially sustainable, this signals to the buyer that its products/components may also comply with the expectations.

5 CONCLUSION Our analysis of the impact of the SRR and CP on supplier selection likelihood has brought to light a crucial finding of the pivotal role of capabilities in the buyer-supplier relationship. The results of our study demonstrate the interaction effect of SRR and CP on SS. Suppliers must prioritize their reputation and compliance practices in social sustainability. When managed effectively, this strategic focus can bestow a significant competitive advantage upon the supplier, particularly considering the mounting pressure from stakeholders and buyers to engage in ESG. On the other hand, a failure to build a reputation and adhere to compliance practices could leave the supplier at a disadvantage compared to competitors who actively participate in such initiatives.

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Palavras Chave

Social sustainability, Capabilities, Experiment

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