

Addressing Supplier Sustainability Misconducts: Response Strategies to Nonmarket Stakeholder Contentions

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Abstract

Purpose: Firms are increasingly accountable for their suppliers' social and environmental practices. Nonmarket stakeholders nowadays do not hesitate to confront buying firms for their suppliers' misconducts by mobilizing demonstrations, social media campaigns, and boycotts. This paper aims to develop a typology of response strategies by targeted firms when they face such contentions and to empirically investigate why these strategies vary among those firms.

Methodology: Drawing on social movement and stakeholder salience theories, we develop a set of hypotheses linking our typology of four response strategies to three key contextual factors – nonmarket stakeholder salience, nonmarket stakeholder ideology, and the target firm reputation –and examine them using a vignette-based experiment methodology.

Findings: The results suggest that nonmarket stakeholder salience significantly impacts the nature of response (reject or concede), whereas the nonmarket stakeholder ideology is significantly related to the intensity of response (trivial or vigorous). Interestingly, the firms' reputation was found to have no significant effect on their response strategy when they faced stakeholder contentions.

Originality: This paper adds both theoretical and methodological value to the existing literature. Theoretically, the study develops and tests a comprehensive typology of response strategies to nonmarket stakeholder contentions. Methodologically, this study is original in leveraging a vignette-based experiment that allows establishing causal factors of response strategies following a supplier sustainability misconduct.

Keywords:

Supplier sustainability misconducts, Nonmarket stakeholder contentions, Risk response strategy, Experiment

1. Introduction

Over the past two decades, campaigns or media activities of nonmarket stakeholders — which include the non-governmental organizations (NGOs) and activist groups such as Greenpeace and Human Rights Watch — have augmented public awareness of the misconducts in the firms' supply networks (Burchell & Cook, 2013). Such awareness has increased these buying firms' accountability for several layers of their supply chains (Gualandris, Klassen, Vachon, & Kalchschmidt, 2015); and failure to put in place proper due diligence poses a risk to their reputation, market value, and economic standing (Chen, Zhang, & Zhou, 2019; Cousins, Dutordoir, Lawson, & Neto, 2020; Krüger, 2015). In the supply chain management (SCM) literature, such risk is referred to as supplier sustainability risk (Hajmohammad & Vachon, 2016) — the potential adverse impacts from the social and environmental misconducts (e.g., child labor, unsafe working conditions, polluting, or unsustainable use of natural resources) within supply chains that are materialized after concerned stakeholders detect and publicize those misconducts and attribute the responsibility to the buying firms; creating episodes of *contention* between firms and those stakeholders. Managing supplier sustainability risk has become increasingly crucial to the firms as several recent instances of modern slavery in the UK suggest that such misconducts are not limited to suppliers from developing countries (Stevenson & Cole, 2018).

Recent studies at the intersection of sustainable supply chain management and supply chain risk management have investigated how the buying firms can manage the supplier sustainability risk to protect themselves against financial and reputational losses (Giannakis & Papadopoulos, 2016). These studies have mainly focused on *proactive* risk mitigation strategies that these firms enforce in their relationships with suppliers to reduce the probability of suppliers' misconducts or, at least, help with their timely detection. Such strategies include socially-responsible sourcing and supplier selection (Zorzini, Hendry, Huq, & Stevenson, 2015), evaluation and monitoring of supplier sustainability compliance (Gualandris et al., 2015; Shafiq, Johnson, Klassen, & Awaysheh, 2017), engaging and collaborating with suppliers in environmental and social practices (Huq, Chowdhury, & Klassen, 2016; Wu & Pagell, 2011), and enhancing supply chain

visibility (Busse, Schleper, Weilenmann, & Wagner, 2017) and information sharing (Busse, Meinschmidt, & Foerstl, 2017).

Yet, recurring news about the controversial practices within the firms' supply chains suggest that in most cases, buying firms do not take proactive measures, only to be ultimately forced to *react* and take action when they are targeted and confronted by the concerned nonmarket stakeholders. Even then, contrary to what some studies have found (Tamayo-Torres, Gutierrez-Gutierrez, & Ruiz-Moreno, 2019), firms' responses to stakeholder contentions could vary greatly and do not always translate into effective and sustained change in suppliers' environmental or social practices. Although there are firms like Timberland that embrace the contention situation and try to find a common ground with stakeholders and improve their supplier management practices (Swartz, 2010), it is not rare to see a targeted firm publicly debating or dismissing the demands of nonmarket stakeholders. For instance, Apple defended Foxconn's work conditions after news of employees' suicides broke out in 2010 (Johnson, 2011). Media coverage of repeated employment law violations by suppliers of high-tech companies like Apple and Amazon (Albergotti, 2019; Condliffe, 2018), continued modern slavery and child labor use by suppliers of the fashion and apparel industry brand holders like Gap and Marks & Spencer (Phung, Greig, & Lewchuk, 2019; Webb, 2016), and continued deforestation practices by palm oil suppliers of the food industry global brands such as Kellogg's and Mondelez (Harvey, 2020) are just a few recent examples.

Surprisingly, the dynamics underlying the firms' different reactive responses to the materialized supplier sustainability risks have been largely overlooked by the SCM literature. Indeed, there is a growing and fruitful discussion among SCM scholars on the positive and crucial role of stakeholder pressures — specifically by nonmarket stakeholders — in driving the adoption of sustainability practices in the supply chains (Bregman, Peng, & Chin, 2015; Roy, Silvestre, & Singh, 2020). Yet, the contentions between targeted firms and the targeting stakeholders, various strategies pursued by those firms to address or resolve such contentions, and the factors that could lead to effective change after these contentions are yet to be explored, both theoretically and empirically.

In addition, while previous studies in the strategy literature have been important in establishing how nonmarket stakeholders initiate change or choose the firms they are likely to target (Eesley, Decelles, & Lenox, 2016), their contributions to explain target firms' reactions to stakeholder contentions are limited in two fundamental ways. First, theory development in this literature has outpaced empirical work, where empirical studies have viewed the firm response strategies as well as their contextual drivers in a relatively simplistic and isolated fashion without considering the full range of response strategies (Bundy, Shropshire, & Buchholtz, 2013). Particularly, the firm's responsiveness to nonmarket stakeholder demands has been mostly operationalised as a discrete outcome, that is, whether or not the firm responds to the demand (Eesley & Lenox, 2006; King, 2008; Pacheco & Dean, 2015). Second, the few existing empirical studies have mainly investigated nonmarket stakeholder demands associated with the target firms' own misconducts without considering those of their suppliers for which the target firms are also deemed accountable, albeit indirectly.

Our study contributes to both supply chain and strategy literatures by addressing these gaps and investigating the firms' post-event risk response strategies, i.e. those initiated after nonmarket stakeholders detect suppliers' misconducts, confront the firms, and hold them accountable. Specifically, we aim to answer three research questions:

- (1) What are the response strategies pursued by the firms targeted by nonmarket stakeholders and how can they be classified?
- (2) Why do firms vary in their choice of response strategy amid contentions with nonmarket stakeholders?
- (3) What are the contextual elements related to the contention episode that drive the firms to initiate effective change in their supply chains?

In doing so, we follow Doty & Glick's (1994) guidelines and develop a typology of target firm response strategies to stakeholder contentions along two dimensions: the nature (rejection or concession)

and the intensity (trivial or vigorous) of the response. Importantly, our typology of four response strategies (deliberate inaction, defense, symbolic accommodation, and substantive accommodation) is concerned with the characteristics of the response as such, and not with questions of the response's impact or effectiveness. In other words, we do not consider the degree to which the response is effective in meeting the stakeholder demands or how it impacts the targeted firm. This approach is in line with our focus on the genesis of target firm reactions to stakeholder contentions and the role stakeholders play in shaping the choice of response strategy, rather than its ultimate organizational impact.

We then draw on stakeholder salience and social movement theories to identify the major factors that may drive the target firms' response strategy. Specifically, we focus on the effects of nonmarket stakeholder salience in terms of their power, legitimacy, and urgency (Mitchell, Agle, & Wood, 1997) and their ideology reflected in their radical or reformative mindset (Den Hond & De Bakker, 2007), as well as the target firm reputation captured in the general perception of their favourability (McDonnell & King, 2013). Finally, we empirically examine our proposed hypotheses using a vignette-based experiment, focusing on scenarios where the firms are targeted because of their suppliers' social and environmental misconduct.

2. Literature Review

2.1. Supplier sustainability risk

A fruitful stream of research in the SCM field has emerged over the past two decades which focuses on the crucial role of stakeholder pressures in driving the adoption of sustainability practices in the supply chains (Adebanjo, Teh, & Ahmed, 2016; Bregman et al., 2015; Roy et al., 2020; Zhu, Sarkis, & Geng, 2005). Such pressures may lead to a sustainability-related contention — a conflictual context between a firm and its stakeholders caused by their suppliers practices that damage the environment or the society, for example by polluting, using child labor, or having poor working conditions (Tamayo-Torres et al., 2019). Oftentimes, it is the nonmarket stakeholders who detect and publicize supplier misconducts and initiate contentions with the responsible firms (Hartmann, 2021). Unlike market stakeholder groups, nonmarket stakeholders — including media, NGOs, local communities, advocacy groups, and activists — are not

“engaged in any transactions with the corporation and are not essential for its survival” (Clarkson, 1995, p. 107). Lacking direct resource exchange relationships with the firms, nonmarket stakeholders instead initiate contentions by relying on their power to influence the firms’ market stakeholders, such as shareholders, employees, and customers (Charan & Murty, 2018). Nonmarket stakeholders execute this influence via online campaigns, protests, sit-ins, strikes, and boycotts (Eesley & Lenox, 2006; King, 2008; Weber, Rao, & Thomas, 2009; Zhang & Luo, 2013). These actions can harm the target firms in several ways including (i) an increase in risk evaluations by potential and current investors affecting their market value (Vasi & King, 2012), (ii) an adverse impact on their legitimacy (Palazzo & Scherer, 2006), or (iii) a negative impact on their public image (McDonnell & King, 2013) to alter their customers’ choices and thereby reduce their profit (Luders, 2006).

This risk has been referred to as supplier sustainability risk within the SCM literature (Hajmohammad & Vachon, 2016). As with other types of risk, it is crucial for the buying firms to manage the supplier sustainability risk to protect themselves against financial loss and reputational damage (Giannakis & Papadopoulos, 2016). In doing so, they may enforce proactive strategies in their relationships with suppliers to reduce the situation’s uncertainty and the probability of suppliers’ misconducts (Klassen & Vereecke, 2012) or, at least, help with their timely detection (Klassen & Vereecke, 2012; Stevenson & Cole, 2018). Based on their thematic content analysis of CSR reports published by the top 100 socially and environmentally responsible companies (e.g., IBM, IKEA, Xerox, etc.), Tate et al. (2010) found that these firms adopt proactive strategies as part of their risk management scheme, mainly to respond to the pressures and demands from stakeholders. Such strategies include socially responsible sourcing and supplier selection (Zorzini et al., 2015), engaging and collaborating with suppliers in environmental and social practices (Huq et al., 2016; Wu & Pagell, 2011), evaluating and monitoring of supplier sustainability compliance (Gualandris et al., 2015; Shafiq et al., 2017), and enhancing the supply chain visibility (Busse, Schleper, et al., 2017) and information sharing (Busse, Meinschmidt, et al., 2017). Given the complex nature of modern supply chains and their limited resources, buying firms may not be able to implement these proactive

strategies on their own. To tackle such barriers, some firms may form horizontal collaborative partnerships and alliances with their competitors (Benstead, Hendry, & Stevenson, 2018; Berkowitz, Bucheli, & Dumez, 2017; Touboullic & Walker, 2015), as Walmart and Patagonia formed the “The Sustainable Apparel Coalition” (Nidumolu, Ellison, Whalen, & Billman, 2014). Others may proactively engage and collaborate with their nonmarket stakeholders (Hahn & Gold, 2014; Rodríguez, Giménez Thomsen, Arenas, & Pagell, 2016) to signal their commitment to sustainability, gain legitimacy, and reduce the demands that they face from various stakeholders (Mena & Palazzo, 2012; Waddock, 2008).

Nonetheless, to tackle the supplier sustainability risk, the buying firms should also improve their responsiveness in the event of stakeholder contentions so that they can reduce the magnitude and severity of any negative consequences (Klassen & Vereecke, 2012). Surprisingly, possible reactive strategies to the materialized supplier sustainability risk have been largely overlooked in the SCM literature. Specifically, an array of possible strategies pursued by the target firms to respond to the stakeholder demands are yet to be explored, a gap that we seek to address in the present paper.

2.2. Firm-stakeholder contentions and firm response strategies

A growing strand of research in strategy management has focused on the contentions between firms and their nonmarket stakeholders over firms’ social or environmental misconducts (Arenas, Sanchez, & Murphy, 2013). According to this literature, the episodes of contention between firms and nonmarket stakeholders are shaped by the strategic decisions made by both parties: how and why the latter targets the former, and how the former responds to the latter’s claims and demands (Piazza & Perretti, 2020). While these studies have been comprehensive in establishing how nonmarket stakeholders choose which firms to target (Eesley et al., 2016) and whether their contentions leads to actual environmental or social impact (Li & Wu, 2020), their contributions to explain target firms’ reactions to stakeholder contentions are limited in two fundamental ways.

First, theory development in this literature has outpaced empirical work, where empirical studies have viewed the firm response strategies as well as their contextual drivers in a relatively simplistic and isolated

fashion without considering the full range of response strategies (Bundy et al., 2013). Particularly, the firm response to nonmarket stakeholder demands has been mostly operationalised as a discrete outcome, that is, whether or not the firm responds to the demand (Eesley & Lenox, 2006; King, 2008; Pacheco & Dean, 2015). Only a handful of conceptual studies in this literature have attempted to explore an array of response strategies available to target firms when they are challenged by nonmarket stakeholder (Lee, 2011; Pedersen & Gwozdz, 2014). In their study, Bundy et al. (2013) put forth a classification of response strategies that include no-response, defense, negotiation, and accommodation, whereas Waldron et al. (2013) attempt to describe the factors that drive the firm's choice between resistance and accommodative strategies. Conceptualizing the organizational hostility between stakeholders and firms, Markman et al. (2016) suggest that firms' initial response to stakeholder contentions could range from adversarial reactions to reluctant engagements to rapid compliance. Reviewing a set of published teaching case studies, Lawrence (2010) concludes that target firms may react in four different ways to nullify the stakeholder attacks: waging a fight, waiting for the conditions to change, withdrawing from the dispute and pursuing their goals in a different arena or location, or working out a mutually acceptable solution.

Second, the few existing empirical studies have mainly investigated nonmarket stakeholder demands associated with the target firms' own misconducts without considering those of their suppliers for which the target firms are also deemed accountable. For example, Eesley and Lenox (2006) used publicly available data centered on firms contested for their poor environmental practices, whereas King (2008) limited his sample to the firms faced with boycotts fueled by misconducts related to morality, labor conflicts, and consumer product problems. Other studies, on the other hand, have made an attempt to explore firm responses to nonmarket stakeholder demands associated with specific firm-related misconducts such as workforce strikes (Greenwood, Díaz, Li, & Lorente, 2010), a controversial technology in the oil and gas industry (Hiatt, Grandy, & Lee, 2015), and the desirable wind power technology in electric power generation industry (Pacheco & Dean, 2015).

In this study, we follow Doty & Glick's (1994) guidelines and consolidate the abovementioned

literature to develop a theoretical typology of response strategies available to a targeted firm along two primary dimensions. First, the target firm needs to choose the nature of the response that shapes the message to the nonmarket stakeholders, i.e., whether *to reject* or *to concede* to their demands. Second, the firm needs to determine the response intensity, i.e., whether the substance of undertaken actions is going to be *trivial* or *vigorous* (Bundy et al., 2013; Waldron et al., 2013). Accordingly, target firm response strategies can be classified into four categories — as depicted in Figure 1 — that we describe in this section.

--- Figure 1 ---

The first category of response strategies is *deliberate inaction* (lower left quadrant of Figure 1). Following this response strategy, the target firms choose to reject the nonmarket stakeholder demands by using approaches of trivial intensity. Specifically, the firms disregard the nonmarket stakeholder claims and evade any direct reactions (Carlos & Lewis, 2018). In other words, they simply ignore the stakeholder and deny responsibility for the supplier misconduct via their strategic silence. For example, in 2008, Greenpeace made an initiative to improve the sustainability of the grocery industry's seafood sourcing practices. Costco largely ignored the initiative, whereas some others quickly switched to more sustainable seafood providers (Waldron et al., 2013).

The second category of response strategies is *defense* (upper left quadrant of Figure 1). With this strategy, the target firms reject nonmarket stakeholder demands and respond with vigorous intensity. The firms take a strong stand against the nonmarket stakeholder to defend themselves and to fight back by discrediting the stakeholders and framing their claims and their own actions in ways that protect their image and reputation (Bansal & Clelland, 2004). In doing so, the firms may issue press releases and conduct media interviews to cast their actions in a positive light and gain legitimacy in the eyes of key audiences, or question the nonmarket stakeholder motives and shape the public debate of the raised issues (Hiatt et al., 2015; Oliver, 1991). For example, Earthworks, a small environmental NGO, joined forces with Oxfam America in 2004 to launch the No Dirty Gold campaign targeting the gold jewelry retailers. The campaign's goal was to eliminate poor mining practices around the world. While some companies like Tiffany & Co.

and Zale's joined the activists in publicly calling for better mining practices, others like Macy's and Costco initially refused to get involved (Spear, 2012). Similarly, Apple's initial reaction to Foxconn employees' suicides was to compare the suicide rate at Foxconn to China's suicide rate without committing to any actions (Johnson, 2011).

The third category of response strategies is *symbolic accommodation* (lower right quadrant of Figure 1). Firms following this strategy concede to nonmarket stakeholder demands but respond with trivial intensity. They accept responsibility for the supplier environmental or social misconduct but take minimal actions to address them. In doing so, they may make ceremonial expressions or take symbolic actions to merely change the discourse and create an impression of change (Bromley & Powell, 2012; Waldron et al., 2013). Trivial concessive actions may include adopting a corporate social responsibility (CSR) board committee (Georgallis, 2017), producing performance reports associated with the stakeholder concerns to communicate favorable achievements (Waldron et al., 2013), or seeking affiliation with prominent associations aligned with the stakeholder goals to signal that they intend to address their demands (Hiatt et al., 2015). For example, with the rise of the anti-sweatshop movement, Nike's CEO Phil Knight appeared at the National Press Club on May 12, 1998 to announce "new initiatives to further improve factory working conditions worldwide and provide increased opportunities for people who manufacture Nike products" (Cushman, 1998). However, over two decades later, we still hear news of Nike working with suppliers that rely on forced labor from Uyghurs (Fifield, 2020).

The last category of response strategies is *substantive accommodation* (upper right quadrant of Figure 1). With this strategy, target firms concede to nonmarket stakeholder demands and respond in a vigorous manner. In doing so, they completely take responsibility and aim to make genuine changes in the contested practices and address their own or their suppliers' environmental or social misconducts (Briscoe & Safford, 2008). Responding in good faith or out of necessity, they engage in a dialogue with the stakeholders to come to a mutually agreeable resolution (Dawkins, 2014). For example, in 2009, Timberland was pressured by a Greenpeace campaign against the deforestation of the Amazon to pull out of Brazil. After the CEO

received 65,000 emails from Greenpeace supporters, he was motivated to engage with the activists and its Brazilian supplier and improve the traceability of its leather sourcing (Swartz, 2010).

The question remains as to why amid contention with nonmarket stakeholders, firms vary in their choice of nature and intensity of their response. What makes a specific nonmarket stakeholder demand worth for the target firms to concede to? In what situations do they reject the demand to modify their behavior, and when do they deliberately choose a substantial accommodative approach?

3. Drivers of Target Firm Response Strategies

Facing nonmarket stakeholder contentions, target firms strive to minimize the damage to their reputation and economic standing by choosing an appropriate strategy. A handful of studies suggest that whether or not the firm responds in such situations depends on a variety of contextual factors (Eesley & Lenox, 2006; Pacheco & Dean, 2015; K. M. Taylor, Hajmohammad, & Vachon, 2021; Waldron et al., 2013). Yet, firms' choice of response strategies to those contentions has broadly remained underexplored. To further enhance the theoretical understanding of the firm-stakeholder contentions (Doty & Glick, 1994), we draw on social movement and stakeholder salience theories to develop hypotheses on the factors that drive the target firms' response choice: nonmarket stakeholder characteristics in terms of their salience (Eesley & Lenox, 2006) and ideology (Markman et al., 2016), as well as the target firms' reputation (King, 2008). Figure 2 represents this conceptual model.

--- Figure 2 ---

3.1. Stakeholder salience

Firms are constantly trying to find a balanced approach in fulfilling often divergent demands of various stakeholders (Berman, Wicks, Kotha, & Jones, 1999). In doing so, they usually prioritize the demands of salient stakeholders to minimize risks (Neville, Bell, & Whitwell, 2011). Mitchell et al.'s (1997) seminal framework of stakeholder salience suggests that more salient stakeholders are those who are perceived to possess power, legitimacy, and urgency. A stakeholder has power over the firm when the former can get the latter to do something that the latter would not have otherwise done (Agle, Mitchell, & Sonnenfeld,

1999). Specifically, the power of nonmarket stakeholders resides in (i) their reach to, and subsequent influence over, the market stakeholders (Charan & Murty, 2018) and (ii) their mobilizing ability which greatly depends on their access to critical resources such as financial assets (Neville et al., 2011). Stakeholders are deemed to be legitimate when their demands align with the existing societal values and beliefs (Suchman, 1995). Finally, stakeholder urgent demands are those that call for immediate attention and action on the part of the target firms (Mitchell et al., 1997). For example, the nonmarket stakeholders attracting broader media coverage are perceived as more legitimate and their demands as more urgent (Bednar, Boivie, & Prince, 2013; Eesley & Lenox, 2006; McDonnell & King, 2013). According to the stakeholder salience framework, stakeholders with a greater number of these three attributes or those exhibiting a greater degree of them are perceived to be more salient (Neville et al., 2011).

Contentions with salient stakeholders are more likely to make firms vulnerable (Waldron et al., 2013) and elicit responses that are positive in nature (Zhang & Luo, 2013), while firms tend to reject the demands of those stakeholders that lack power, legitimacy, or urgency (Oliver, 1991). In fact, a number of studies have demonstrated that increased stakeholder salience leads to adoption of such practices as CSR disclosure (Thijssens, Bollen, & Hassink, 2015), responsible investment (Majoch, Hoepner, & Hebb, 2017), stakeholder-firm partnership (Erdiaw-Kwasie, Alam, & Shahiduzzaman, 2017), sustainability reporting (Kaur & Lodhia, 2018), and sustainability management at lower tiers of the supply chain (Meinlschmidt, Schleper, & Foerstl, 2018). Previous studies also found that the chance of a firm's positive response to a stakeholder contention increases if the contention receives broader media coverage (King, 2008) amplifying the firm's perception of stakeholder salience (Bednar et al., 2013).

Accordingly, we hypothesize that:

H1: Target firms are more likely to concede to high-salient nonmarket stakeholder demands rather than to low-salient nonmarket stakeholder demands.

3.2. Stakeholder ideology

Studies in social movement literature have investigated the firm-stakeholder contentions to shed light

on the type of firms that are more likely to be targeted (King, 2008) or the targeting tactics stakeholder choose to elicit vigorous responses (Eesley et al., 2016; Yaziji & Doh, 2013). According to this literature, the targeting behavior of nonmarket stakeholders varies significantly depending on their interests, identities, or ideologies. While the interests and identity of nonmarket stakeholders can explain why and when they act in pressuring an organization, their targeting behavior is significantly shaped by their ideological position. In other words, nonmarket stakeholders with similar interests and identities but with different ideologies tend to operate differently to foster change in their targeted organizations.

Following Markman et al. (2016) and Kraft et al. (2013), we differentiate between radical and reformative nonmarket stakeholders. Radical stakeholders distrust the firms and consider them as the crux of problems and not as a part of the solution. They act in a more confrontational manner, publicly dragging their targeted firms “through the mud” to coerce change (Eesley et al., 2016, p. 2427). By doing so, they aim to deinstitutionalize the contested social and environmental practice (Den Hond & De Bakker, 2007). Hence, radical nonmarket stakeholders offer a comprehensive version of the problem, and require drastic change as a solution (Zald, 2000).

In contrast, reformative nonmarket stakeholders believe that although target firms are a significant part of the problem, they can also be a part of the solution. As a result, they tend to act in more collaborative terms to engage the firms in a dialogue through relatively more “moderate tactics” (Eesley et al., 2016, p. 2427). By doing so, they aim to institutionalize preferred alternative social and environmental practices (Den Hond & De Bakker, 2007). Hence, they call for more gradual change (Zald, 2000). For instance, they may use evidence-based tactics to persuade the target firms to change (Briscoe, Gupta, & Anner, 2015) by providing them with such information as testimonials from people adversely affected by their existing practices (V. Taylor, Kimport, Van Dyke, & Andersen, 2009) or scientific information about the pros and cons of new practices (Hiatt, Sine, & Tolbert, 2009).

Because of their harsh and reckless tactics, radical nonmarket stakeholders are perceived as a substantial threat to the target firms’ public image and an impediment to their operational routines (Perrault

& Clark, 2016). In addition, they generate a high level of attention by aggressively striking firms in public arenas (King, 2008) and send a signal that the target firms should be subject to a greater public scrutiny (Georgallis, 2017). Together, these actions necessitate the firms to take more vigorous actions, regardless of the actions' nature (concede or reject). As a result, some firms may decide to substantively accommodate the stakeholder demands, commit resources, time, energy, and effort to the issue, and change their practices to end the contention (Briscoe et al., 2015). However, others may find nonmarket stakeholder demands communicated via protests or boycotts to be unclear, unrealistic, or unrelated to their own goals (Bromley & Powell, 2012). These firms are likely to attempt to protect their reputation by defending themselves and convincing market stakeholders of the legitimacy of their practices (Hiatt et al., 2015) or the illegitimacy of nonmarket stakeholder demands (Vasi & King, 2012).

The reformative nonmarket stakeholders, on the other hand, are more patient with firms and are inclined to send warning signals first and gradually escalate the conflict, only if necessary. In fact, in most cases, their success in creating social and environmental change significantly depends on the extent of attention and support they receive from regulatory and juristic authorities (Markman et al., 2016). Hence, contested by a reformative nonmarket stakeholder, target firms do not perceive a high level of material damage to their public image or their internal dynamics (Weber et al., 2009). Instead, they see the nonmarket stakeholder pressures as episodic and ephemeral events that will subside if they ignore them or, at the most, take symbolic actions just to signal compliance and gain legitimacy while, in reality, continuing business-as-usual (McDonnell & King, 2013; Zhang & Luo, 2013). As such, we hypothesize that:

H2: Target firms are more likely to make vigorous responses to radical nonmarket stakeholder demands rather than to reformative nonmarket stakeholder demands.

3.3. Target firm reputation

Firm reputation, defined as “a set of attributes ascribed to a firm, inferred from the firm's past actions” (Weigelt & Camerer, 1988, p. 443), is an intangible firm asset, created subjectively by the stakeholders and held objectively by the firm (Lange, Lee, & Dai, 2011; Suchman, 1995). A review

of reputation ranking studies and reputation indices shows that, nowadays, firm reputation is not only evaluated in terms of their financial gains, product/service quality, or management approaches, but it also reflects the stakeholders' concerns on a growing range of new issues including firm social and environmental performance (Barnett, Jermier, & Lafferty, 2006; Carter, 2006). While the firm reputation can be viewed as a function of its credibility among various stakeholders (Herbig, Milewicz, & Golden, 1994) with regard to specific aspects of its processes and activities, such as product quality, corporate governance, employee relations, customer service (Eccles, Newquist, & Schatz, 2007), in this study, we consider it as the generalized favourability of the firm among its stakeholders (Lange et al., 2011).

The choice of response strategy to nonmarket stakeholder demands depends not only on the stakeholder characteristics but also on the firm's reputation: the main organizational asset threatened by the contention with the stakeholder (McDonnell & King, 2013). In most cases, reputation is the primary reason some firms invest in sustainability (Fombrun, Gardberg, & Barnett, 2000; Hoejmose, Roehrich, & Grosvold, 2014). In general, it takes a shorter time to lose rather than build a firm's reputation (Staw & Epstein, 2000). Even a good reputation can be lost if market stakeholders withdraw their support after a controversial event. Therefore, highly reputable firms may be especially concerned about reputation loss and preoccupied with meeting public expectations (Zhang & Luo, 2013). That is why high-reputation firms are viewed as easy and more effective targets by nonmarket stakeholders.

Yet, a high reputation can create a halo effect (Perrow, 1961), a perception among the target firm decision-makers that their company is resilient in face of the reputational threat (McDonnell, 2016). In other words, highly reputable firms are likely to perceive less risk when they are challenged by nonmarket stakeholders because they believe that their market stakeholders are more likely to give them the benefit of the doubt (McDonnell, 2016). Besides, negative news about highly reputable firms is less likely to be covered by the media (Balzer & Sulsky, 1992), resulting in lower perceived risk on their part. Therefore,

reputable firms are more likely to weather the negative publicity and use trivial responses to resolve a contention with a nonmarket stakeholder (Marquis, Glynn, & Davis, 2007). In addition, they are likely to avoid defense strategy as much as possible because defensive actions may implicitly acknowledge and give credibility to the nonmarket stakeholder claims (McDonnell & King, 2013) or may appear as hypocritical (Carlos & Lewis, 2018), both consequences resulting in reputational damage. In contrast, less reputable firms are more likely to concede to nonmarket stakeholder demands (King, 2008). In doing so, they are more likely to take vigorous actions by seeking out collaboration with the nonmarket stakeholder to gain legitimacy (Selsky & Parker, 2005), rather than making trivial expressions of compliance. To them, taking such symbolic actions would result in additional risk. Due to their track record, their key market stakeholders will not trust them and will scrutinize their actions more closely (Barnett & King, 2008). We, therefore, hypothesize that:

H3: Target firms are more likely to make trivial responses to nonmarket stakeholders when they have high reputation rather than low reputation.

4. Methodology

To date, the empirical methodologies used to examine the factors affecting the target firm response strategies to nonmarket stakeholder demands have been mostly limited to event-based or time-series archival data (Eesley & Lenox, 2006; Hiatt et al., 2015; King, 2008; Pacheco & Dean, 2015) and surveys (Greenwood et al., 2010; Shubham, Charan, & Murty, 2018). Despite their strengths, these observational methods are inherently noisy and cannot conclusively show causality (Miller & Tsang, 2011). Besides, in case of the current study, capturing adequate variance among the three factors and four response strategies across firms would be difficult if the survey method is be used. Furthermore, firms' evaluations of the nonmarket stakeholder salience and their own reputational standing are mainly perceptual (Agle et al., 1999) and not properly reflected in the secondary data collected from news and media outlets or the self-reported survey data.

In this study, we used a vignette-based experiment as an alternative method to counter the abovementioned shortcomings and establish a causal relationship between nonmarket stakeholder

characteristics as well as target firm reputation and target firm response strategies. Through a randomly assigned experiment, we have eliminated the extraneous factors and the resulting endogeneity (Croson, Anand, & Agarwal, 2007) and provided a more accurate picture of the firms' strategic choices, putting the existing theories to test and extending them in new directions.

4.1. Vignette development and experimental design

Drawing from real-world events reported in the media, we developed two scenarios about two fictitious multinational companies. In the apparel industry scenario (A), a retailer is targeted by a human rights activist group because of poor working conditions and child labor use by its Southeast Asian suppliers. In the food industry scenario (F), a company is targeted by an environmental activist group because some of its Indonesian palm oil suppliers are involved in clearing protected peat forest areas. Neither scenario used a recognizable company name to reduce potential biases related to particular brands. Eight vignettes for each scenario were carefully designed to allow the manipulation of the three two-level treatments: stakeholder salience (high; low), stakeholder ideology (radical; reformative), and target firm reputation (high; low).

Each participant received an introductory letter and was randomly assigned to one of the sixteen vignettes. After reading the vignette, the participants were asked to adopt the role of a top management team member and indicate the likelihood of pursuing a list of possible reactions to nonmarket stakeholder demands by responding to a set of questions. Next, they were asked to choose one of four response strategies as their major approach to handle the contention. This item represented a discrete choice categorical variable (Appendix A). Finally, participants reported general demographic information, characteristics of their employer, and responded to an established scale assessing their knowledge about sustainability.

4.2. Manipulations of independent variables

Salient nonmarket stakeholders are perceived to be powerful and legitimate parties with urgent demands (Mitchell et al., 1997). The power of nonmarket stakeholders resides in their reach to, and subsequent influence over, various groups of firm's market stakeholders (Charan & Murty, 2018). Further,

nonmarket stakeholders with greater access to such critical resources as financial assets or broader international reach (Neville et al., 2011) possess more power due to their ability in mobilizing against firms. Lastly, media coverage of firm-stakeholder contentions augments the legitimacy of stakeholders and the urgency of their demands (Bednar et al., 2013; Eesley & Lenox, 2006; McDonnell & King, 2013). Accordingly, we manipulated the nonmarket stakeholder salience as high (S+) by noting that an international activist group with around 10 million online subscribers and Twitter followers in more than 150 countries and over \$100 million annual income from public donations had targeted the firm, and several national and international media had picked up the news and reached out to the firm for comments. Conversely, the nonmarket stakeholder salience was manipulated as low (S-) by noting that a local activist group with around 1,000 online subscribers and Twitter followers and about \$50,000 annual income from public donations had targeted the firm, and this news had not attracted any major media attention.

The ideology of nonmarket stakeholders is best reflected in the particular tactics they prefer and employ to invoke change: radical groups tend to act in confrontational ways, whereas reformative groups' approach is inherently collaborative (Den Hond & De Bakker, 2007; Markman et al., 2016). Accordingly, we manipulated the nonmarket stakeholder ideology by describing a radical activist group that had organized disruptive protests outside the firm's headquarters in addition to an aggressive social media campaign to boycott its branded products (I+) versus a reformative activist group that had offered to help and asked for a meeting with the firm's top management team to discuss potential solutions (I-).

Finally, we followed conceptualization of reputation as a global perception of favourability, i.e., being known (McDonnell & King, 2013). Therefore, participants assigned to the high reputation condition (R+) were informed that the firm in the scenario was highly reputable with a low employee turnover and high consumer ratings. In contrast, those assigned to the low reputation condition (R-) were informed that the firm had a poor reputation, a high employee turnover, and low consumer ratings.

4.3. Operationalization of dependent variable

We operationalized the dependent variables in two distinct ways: as a discrete measure and as

continuous measures. Discrete choice scale requested participants to choose only one strategy among the four options as their major response strategy to the activist group described in the vignette. Continuous measures employed seven-point Likert scales to quantify each of the four response strategies. These scales included a set of “action items” identified in the social movement literature (Bundy et al., 2013; Lee, 2011; McDonnell & King, 2013; Pedersen & Gwozdz, 2014; Waldron et al., 2013). We refined the list of actions throughout the pilot testing process resulting in a final list of 15 items (Appendix A). Confirmatory factor analysis and reliability analysis results are presented in Section 5.

4.4. Pilot tests

Three supply chain sustainability scholars were involved in assessing the scenarios’ content validity. After making appropriate adjustments to scenarios and questionnaires, we conducted two rounds of pilot tests to verify the validity of manipulations and the plausibility of scenarios (Rungtusanatham, Wallin, & Eckerd, 2011). Particularly, the participants answered a series of questions that assessed the effectiveness of treatment factor manipulations (Appendix A). In addition, they also assessed the scenario plausibility along three dimensions: realism (one item scale: “the presented case scenario is realistic”), believability (one item scale: “the presented case scenario is believable”), and role involvement (one item scale: “I took my assumed role seriously while filling out the questionnaire”), on seven-point Likert scales ranging from strongly disagree to strongly agree.

After modifying the scenarios based on our first pilot test results using MBA students as the subject pool, we conducted a second large-scale pilot test (including only one vignette per participant) using a sample of 77 full-time top managers working for US-based companies with at least 200 employees in two socially- and environmentally-sensitive industries: manufacturing and retail (Amaeshi, Osuji, & Nnodim, 2008; Seuring & Müller, 2008). Our sample was drawn from an internet panel recruited by Qualtrics, which has access to specific populations for more targeted empirical analyses than conventional laboratory studies. During this round, the realism, believability, and role involvement items had a mean of 5.96 or higher across the participants, showing that both scenarios were plausible. Importantly, the manipulation check analysis

results confirmed the effectiveness of the manipulations.

4.5. Sample and data collection

Perception and experience play a major role in evaluating possible response strategies to contentions with nonmarket stakeholders, and managers with real-world experience provide an ideal subject pool (Mantel, Tatikonda, & Liao, 2006). We, therefore, partnered with Qualtrics again to get access to the same population of participants as in the second round of the pilot test (i.e., full-time top managers working for US-based companies with at least 200 employees in two socially- and environmentally-sensitive industries: manufacturing and retail). The experiment was administered electronically, with Qualtrics estimating a response rate of 30-40% based on prior studies with similar length, target population, and offered cash incentive.

The participants were asked a set of qualifying questions at the outset to ensure that they fit the target parameters. To assure high data quality, attention-check questions were included to identify and screen out participants who were attempting to answer the questions without reasonable reflection. In addition, the responses which were completed in less than 5 minutes (i.e., half the completion time median) or had an undesirable pattern (e.g., straight-lining) were screened out from the sample. Data collection continued until a sample size of 382 high-quality complete responses was achieved. Table 1 provides a summary of the participants' demographic information.

--- Table 1 ---

5. Data Analysis and Results

5.1. Preliminary analyses

We conducted confirmatory factor analysis (CFA) to validate the continuous measures of the four response strategy constructs in this study. The results suggested acceptable unidimensionality, reliability, and convergent and discriminant validity for all measures. Specifically, the fit between the CFA measurement model and the dataset was acceptable ($\chi^2=151.5$ on 84 df, $p<0.001$; CFI=0.980; TLI=0.975; RMSEA=0.046). The composite reliability values ranged from 0.882 to 0.919. The individual item loadings

were higher than 0.7 and significant at $p < 0.001$. The average variance extracted (AVE) scores ranged from 0.655 to 0.788, implying that most variances in the constructs were captured by the indicators rather than denoting measurement errors. Besides, none of the squares of correlations between constructs was higher than the value of the related AVE.

5.2. Main analysis

After completing preliminary analyses, we tested our hypotheses using the discrete choice scale of response strategies and running a series of logistic regressions. Following Fox (2015), we grouped choices to reflect the underlying conceptual model. Specifically, to understand how stakeholder salience affects the nature of response strategies, we grouped deliberate inaction and defense responses into the *rejection* category of response strategies, and symbolic accommodation and substantive accommodation into the *concession* category of response strategies. As reported in Table 2, the logistic regression results support Hypothesis 1 ($\beta = 3.21, p < 0.001$), suggesting that firms are more likely to concede to — rather than reject — the nonmarket stakeholder demands when facing high-salience stakeholders. To have a better understanding of the effect size, we created an effect display (Fox, 2003). Depicted in Figure 3 (Panel A), the effect display converts logistic regression's log-odds into the values of a probability of concession depending on the nonmarket stakeholder salience level.

We then ran two separate logistic regressions for rejection and concession categories of response strategies to investigate how the nonmarket stakeholder ideology and target firm reputation affect the response intensity. The results provide support for Hypothesis 2 ($\beta = 2.61, p < 0.001$ for rejection category and $\beta = 1.01, p < 0.001$ for concession category of responses), but not for H3 ($\beta = -0.15, p > 0.05$ for rejection category and $\beta = -0.27, p > 0.05$ for concession category of responses). Specifically, firms are more likely to choose vigorous rejection and concession responses – defense and substantive accommodation, correspondingly – when they face radical rather than reformative nonmarket stakeholders. However, firm reputation appears to not affect the intensity of firms' responses. To improve interpretability of the results, we depict them using effect displays in Figure 3 (Panels B and C).

--- Figure 3 and Table 2 ---

5.3. Robustness checks

As a first robustness check, we repeated the analysis for discrete choice dependent variable using multinomial logistic regression analysis. Fox & Weisberg (2018) note that interpreting the results of multinomial regression analysis can be challenging because the coefficients are given *vis-à-vis* an arbitrarily selected base category and, instead, recommend visualizing the results using effect displays. Following their recommendation, we provide not only the results for polytomous logit regression analysis in Table 3 (Panel A), but also the visual representation of these results in Figure 4. Effect displays show the probabilities of choosing particular response strategies.

As a second robustness check, we tested the formulated hypotheses using the four continuous measures of response strategies, rather than the discrete choice variable. Specifically, we utilized multivariate multiple regression analysis (MMRA) to account for the correlations between possible choices by simultaneously estimating the four regression models. The MMRA results are provided in Table 3 (Panel B). As a final robustness check, we repeated the analysis with demographic information variables (Table 1) included as control variables, which did not lead to any changes in the results.

--- Table 3 and Figure 4 ---

The results of all three robustness checks were in line with the results of the main analysis based on nested dichotomies (Table 2 and Figure 3). As Hypothesis 1 predicts and robustness checks confirm, high nonmarket stakeholder salience increases the probability of a firm choosing concessive responses — symbolic accommodation and substantive accommodation — and decreases the probability of choosing rejective responses — deliberate inaction and defense. The results based on multinomial regression analysis and MMRA further confirm Hypothesis 2 predictions that facing a radical — rather than a reformative — nonmarket stakeholder, a firm is more likely to respond vigorously, either by choosing substantive accommodation or defense, and less likely to respond trivially, either by choosing deliberate inaction or symbolic accommodation. Finally, similar to the main analysis results, robustness checks offer no

conclusive support for Hypothesis 3 predictions.

6. Discussion

A nonmarket stakeholder that discovers a social or environmental misconduct in a firm's supply chain cannot undermine the firm's viability directly. Instead, it can confront the firm by leveraging shaming tactics that include protests, strikes and sit-ins. By so doing, the stakeholder aims to threaten the firm's reputation and thereby elicit the firm's response. This research establishes a comprehensive framework of target firms' response strategies to nonmarket stakeholder contentions and then tests the framework empirically using a vignette-based experiment. The results from the experiment confirm that nonmarket stakeholder's characteristics determine how the target firm responds to the confrontation. Specifically, a stakeholder salience — taking the form of its organizational reach and size — was likely to solicit a concession, rather than a confrontational rejection, from the target firm. This result is aligned with Lawrence (2010) who suggests that target firms experiencing high resource dependence, an aspect that is associated with the stakeholder salience, should avoid a confrontational approach with a nonmarket stakeholder (i.e., waging a war in Lawrence's term). Another key stakeholder characteristic is its ideology. A nonmarket stakeholder exhibiting aggressive behavior, such as inclination for disruptive protests or hostile online campaigns, necessitates the target firm to be more vigorous in its response. Interestingly, a firm could be vigorous both when it decides to reject the stakeholder claim (i.e., by avoiding accountability and disputing the claims) or concede to it (i.e., by taking genuine actions and investing appropriate resources to solve the issue). Finally, a target firm's reputational capital — revealed in employee loyalty and high customer ratings — did not play a key role in the firm's strategic response.

6.1. Theoretical and conceptual contributions

When nonmarket stakeholders target firms because the firms work with suppliers known for health and safety or environmental misconducts, the goal of the stakeholders is to urge the firms to take substantive actions to address those misconducts. Yet, target firms do not always choose to take appropriate measures and their responses to stakeholder contentions vary from deliberate inaction to defending themselves to

making symbolic gestures to taking substantive actions. Focusing on the firm-stakeholder contention phenomenon giving rise to the materialization of supplier sustainability risk, this paper makes a number of theoretical contributions to the extant literature.

First, we sought to connect the strategy literature on firm-stakeholder contentions and the SCM literature on supply chain sustainability. The former has mainly limited itself to the misconducts perpetrated by firms themselves (Eesley & Lenox, 2006; Hiatt et al., 2015; King, 2008; Pacheco & Dean, 2015). The latter has long acknowledged the role of stakeholder pressures in triggering the adoption of sustainability practices along the supply chains (Bregman et al., 2015; Roy et al., 2020); yet it has mainly focused on the pre-event risk management strategies that buying firms enforce in their relationships with their supplier to reduce the likelihood of a potential adverse event, i.e., stakeholder contentions (Giannakis & Papadopoulos, 2016). This study bridged the gap between the two literatures by focusing on firm-stakeholder contentions related to the instances of supplier misconducts and investigating the firms' risk response strategies, i.e., those initiated after nonmarket stakeholders detect the supplier misconducts (i.e., post-event).

Second, the existing empirical studies in strategy literature have viewed the firm response strategies as well as their contextual drivers in a relatively simplistic and isolated fashion — mainly as a discrete outcome, that is, whether or not the firm responds to the stakeholder demands (Eesley & Lenox, 2006; King, 2008; Pacheco & Dean, 2015). We built on a handful of theoretical studies that have explored an array of response strategies to contentions with the nonmarket stakeholders (Bundy et al., 2013; Lawrence, 2010; Markman et al., 2016; Waldron et al., 2013) and offered an inclusive framework of potential response strategies. The theoretical typology presented in this study and depicted in Figure 1 conceptualized four mutually exclusive response strategies in terms of their nature and intensity. The nature of the response takes the form of a target firm either rejecting or conceding the nonmarket stakeholder demands to address supplier misconducts. The intensity of response – for both rejecting or conceding nature of the response – can be either trivial or vigorous. Trivial rejection takes the form of deliberate inaction, while vigorous rejection materializes as defense. Likewise, trivial concession emerges as symbolic accommodation, while

vigorous concession takes the form of substantive accommodation of nonmarket stakeholder demands. The four response strategies from the typology were validated empirically with a factor analysis suggesting four distinct dimensions. Our proposed framework clarified that only substantive accommodation – the strategic response with conceding nature and vigorous intensity – could lead to meaningful changes and prevent future supplier misconducts. With the other three response strategies, the target firms are unlikely to intervene in supplier practices and would proceed with business as usual.

Third, we contribute to the social movement and stakeholder salience theories by examining the conditions under which the stakeholder contentions can stimulate a positive change in firm's supply chain sustainability practices. Specifically, we clarified the role that specific nonmarket stakeholder characteristics such as salience (Eesley & Lenox, 2006) and ideology (Markman et al., 2016) play in determining the nature and intensity of the firm's responses to the nonmarket stakeholder demands. Importantly, our empirical results enhance the findings of previous studies (Tamayo-Torres et al., 2019) by revealing the complementarity of high salience and radical ideology in determining the effectiveness of the stakeholder contentions. Lacking either aspect is unlikely to result in a substantive conceding response. High salience is required to necessitate firms to choose concession over rejection, while radical ideology is required to necessitate the firms to choose substantive concession over a symbolic one. In addition, the empirical results revealed that it was these stakeholder characteristics – and not the firm reputation – that served as primary forces shaping firm responses. The fact that firm reputation did not play a key role was rather surprising because the degree of what can be lost while interacting with a nonmarket stakeholder (i.e., the reputation) and thereby the perceived risk should be higher for reputable firms. Drawing on prior studies, firm reputation was conceptualized as a global perception of favourability, i.e., being known (McDonnell & King, 2013). Future studies should investigate whether reconceptualizing firm reputation as a domain-specific perception of favourability (e.g., being known for being environmentally or socially responsible) would change its effect on the response intensity (Aouadi & Marsat, 2018; Jensen & Roy, 2008).

6.2. Managerial and policy implications

This research offers implications both for managers, whose companies are targeted by nonmarket stakeholders, as well as the nonmarket stakeholders who seek to keep firms accountable for supplier sustainability misconducts. First, the consolidated framework of response strategies shows that target firms have a range of response strategy options that vary greatly in terms of the effort required to implement them. Importantly, the firms should be aware that vigorous responses – either oriented towards defending their reputation against stakeholder claims or substantively accommodating stakeholder demands – are likely to require significant resources to assure that these responses are effective. Second, the empirical analysis revealed that the nature and intensity of a firm response were ultimately determined by external rather than internal factors. In other words, since target firms have no control over stakeholder characteristics, they should be prepared to take upon any response strategy depending on the stakeholder that choose to confront them. Results suggest that when faced with a stakeholder contention, target firms assess the stakeholder characteristics in two steps. First, they evaluate whether the stakeholder has sufficient saliency to pose as a threat; this will determine the nature of their response, concede or reject. Second, they consider whether the stakeholder follows a reformative or radical ideology. Importantly, when the firms face radical nonmarket stakeholders, they should be prepared to respond vigorously. In contrast, confronted by reformative stakeholders, firms may suffice to make trivial response strategies.

Our results also offer a few policy implications for stakeholders that seek to reduce the instances of supplier sustainability misconducts. First, while radical nonmarket stakeholders are more likely to instigate vigorous responses from the target firms, those who lack salience will not bring about a positive change but, instead, will encourage the firms to take defensive actions. Therefore, before initiating any contention with a firm, the nonmarket stakeholder should first determine whether it has sufficient power and legitimacy to facilitate concessive response from the target firm, otherwise its efforts are likely to be counter-productive. One potential solution for nonmarket stakeholders lacking salience is to seek cooperation with other powerful stakeholders prior to initiating a contention with firms. For instance, gaining support from

government and consumer groups can empower and increase the salience of the stakeholder claims and therefore increase the odds of substantive accommodation from firms (Erdiaw-Kwasie et al., 2017). Second, our results show that nonmarket stakeholders that employ reformatory tactics can often fail to facilitate meaningful changes in supply chains, even if they have high salience. While a chance exists that their efforts lead to firms responding by substantive accommodation, their more radical counterparts turn out to be much more effective at facilitating such a response. These findings supplement Chen et al.'s (2019) advice to NGOs to be aggressive in discovering and publicizing misdeeds so that the brand owners feel the pressure to tighten their own scrutiny on the suppliers. Reformatory stakeholders, therefore, should rethink their role in eliminating the instances of sustainability misdeeds within the modern supply chains.

6.3. Limitations and future research avenues

As any research, this study has several limitations that offer potential avenues for future research. First, the scope of this study is limited to the social or environmental misdeeds that have been noticed and assessed as noteworthy and salient by the nonmarket stakeholder, giving rise to the contention episodes (Barnett, 2014). Yet, it is impossible for nonmarket stakeholders to directly police and monitor all firm actions at all times. So, as selective observers, they may not notice some misdeeds due to their limited attention span (Barnett & Salomon, 2012). They also may ignore and do not act upon situations of extreme controversial practices due to their resource scarcity or because those misdeeds are not deemed to be relevant or timely by their supporting members (Weick, Sutcliffe, & Obstfeld, 2005). As a result, stakeholders' inconsistency in punishing firms may bound the effectiveness of stakeholders' pressures at driving improvements in firms' supply chain sustainability and deterring misdeed (Barnett, 2014).

Second, we examined the target firm's response strategies in the wake of its supplier misdeeds, rather than a misdeed committed by the target firm itself. By offering this extension to the strategy literature, we did not consider that the responsible supplier could also take certain actions. For instance, the supplier may ignore the desire of the target firm to implement a substantive accommodation. Alternatively, the supplier may decide to improve its practices even when the target firm chooses to reject the nonmarket

stakeholder demands. Future research can similarly rely on vignette-based experiments to manipulate supplier actions and investigate how those actions can affect the response strategies of target firms in their contentions with nonmarket stakeholders. Comparing the nature and intensity of target firms' response strategies when the misconduct is associated with their suppliers as apposed to those associated with their own operations could also provide valuable insights.

Third, this research omitted a common situation where health and safety or environmental violations of one supplier or a certain group of suppliers result in the nonmarket stakeholders confronting multiple buying firms. In such cases, collective action by the involved targeted firms in the form of horizontal business partnerships is a viable strategic response (Peloza & Falkenberg, 2009). For instance, following a factory collapse in 2013 in Dhaka, Bangladesh, multiple fashion brands connected to the factory were targeted by media and activists (O'Conner, 2013). Besides, each firm's response may depend on other firms' actions and responses (K. M. Taylor et al., 2021). Future research should investigate whether targeting multiple buying firms increases the chances of successful change in supplier practices or leads to shifting responsibilities among those buyers. In particular, while we found no evidence of target firms' reputation affecting their risk response strategy, future research can rely on empirically grounded simulations (Hajmohammad & Shevchenko, 2020) to investigate whether it plays a role when multiple firms with varying levels of reputation find themselves in contention with nonmarket stakeholders because of a shared responsibility for a supplier misconduct.

Fourth, the developed vignettes pictured a firm targeted by a single nonmarket stakeholder. Yet, often a firm may find itself to be a target of multiple stakeholders with varying degrees of salience, utilizing different tactics (Arenas et al., 2013). Specifically, reformative stakeholders can escalate a conflict by luring in and allying with radical ones to enforce social change (Markman et al., 2016). Future studies can leverage archival data analysis to clarify whether collective actions by a diverse group of stakeholders will affect the effectiveness of the contention.

Lastly, the design of our experiment represented a contention with a nonmarket stakeholder as a one-

time event. Yet, firm-stakeholder interactions often take numerous occasions over a prolonged period. Future research should explore in detail how temporal changes in nonmarket stakeholder salience and tactics or increased frequency of contentions can facilitate the change in a target firm's strategic response. Specifically, there are potential practical implications for a nonmarket stakeholder changing its tactics from reformative to radical and vice versa; or frequently targeting a firm. By qualitatively investigating the past firm-stakeholder contentions, these questions can be explored in greater detail.

7. References

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Response Intensity	Vigorous	Defense	Substantive Accommodation
	Trivial	Deliberate Inaction	Symbolic Accommodation
		Rejection	Concession
		Response Nature	

Figure 1. Typology of firm's response strategies to stakeholder contentions

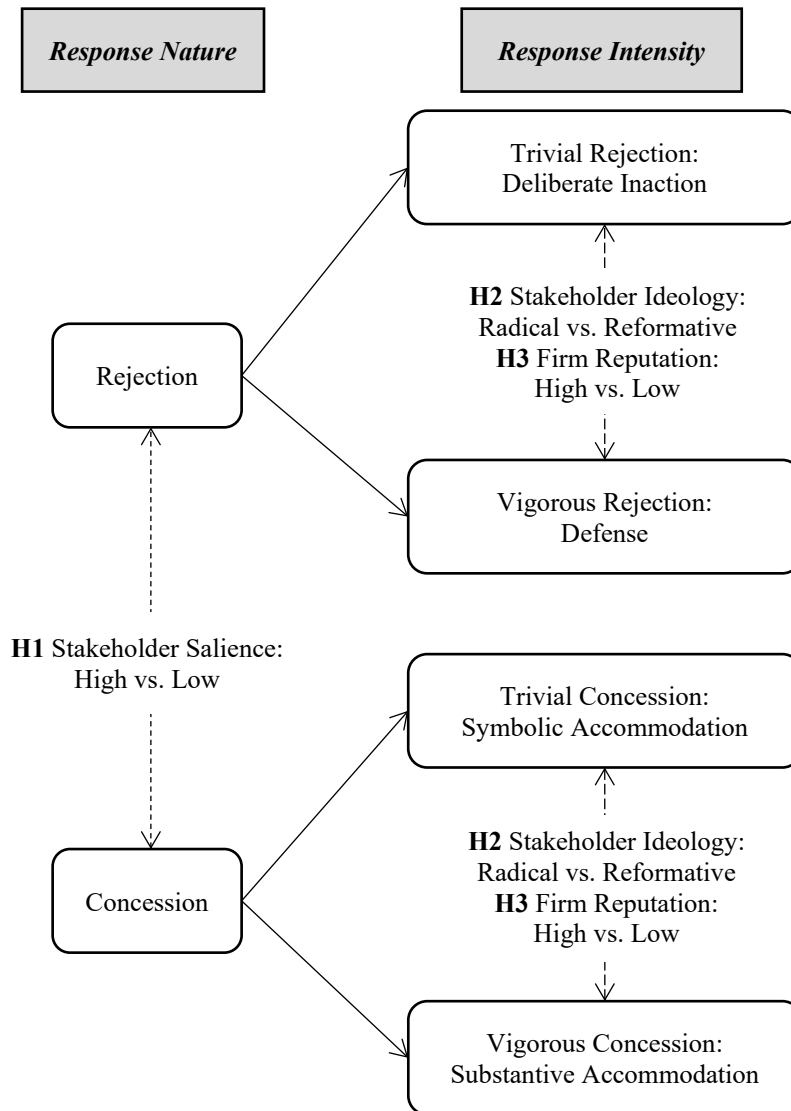
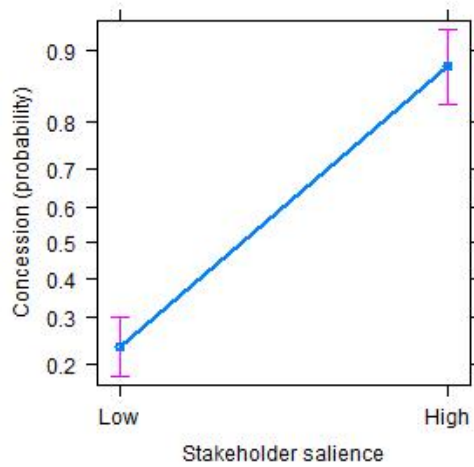
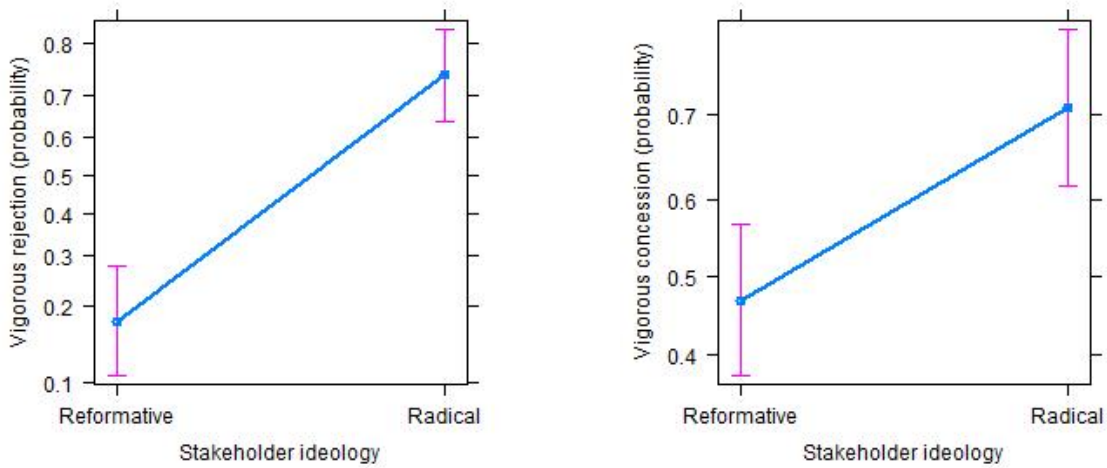


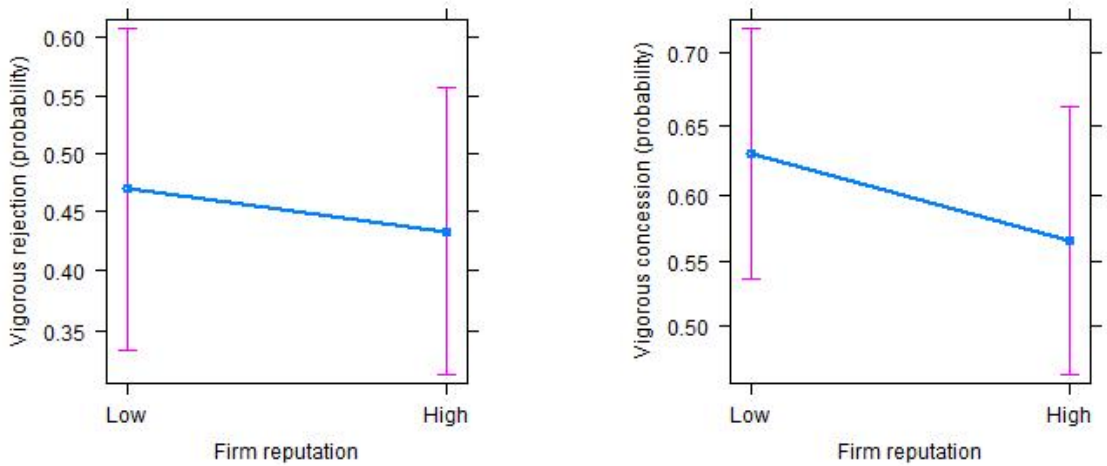
Figure 2. Conceptual framework



Panel A. Effect displays of stakeholder salience on the probability of concession responses



Panel B. Effect displays of stakeholder ideology on the probabilities of vigorous responses



Panel C. Effect displays of firm reputation on the probabilities of vigorous responses

Figure 3. Effect displays based on logistic regression analysis with nested dichotomies

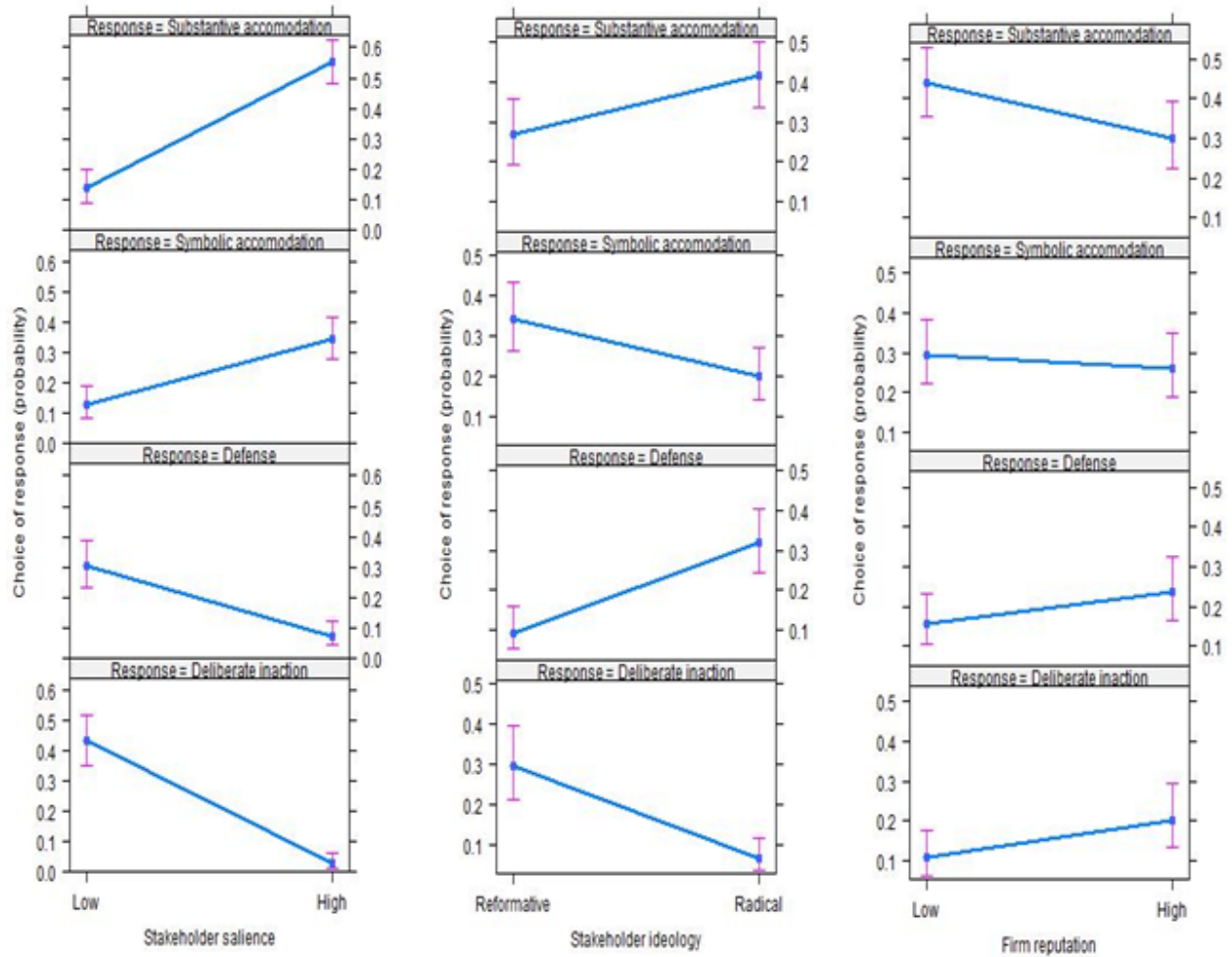


Figure 4. Effect displays based on multinomial logistic regression analysis

Table 1. Sample demographic information

Variable		N
Industry	Manufacturing	118
	Retail	264
Firm Size	Small: 200 - 1000 employees	148
	Medium: 1001 - 5000 employees	83
	Large: 5000 + employees	151
Gender	Female	172
	Male	210
Education	High School or College	198
	Undergraduate	111
	Graduate	98
Age	< 40 years	242
	40 - 60 years	126
	> 60 years	14
Experience	< 10 years	96
	10 - 20 years	155
	> 20 years	131
Sustainability Knowledge	Mean: 3.26 SD: 0.87	382

N=382.

Table 2. Logistic regression analysis based on nested dichotomies

Independent Variable	Hypothesis 1	Hypotheses 2 and 3	
	Concession ^a (Symbolic or Substantive Accommodation)	Vigorous Rejection ^b (Defense)	Vigorous Concession ^c (Substantive Accommodation)
Stakeholder Salience (High)	3.21*** (0.29) ^d	0.83 (0.56)	0.49 (0.35)
Stakeholder Ideology (Radical)	0.09 (0.27)	2.61*** (0.39)	1.01*** (0.29)
Firm Reputation (High)	-0.76** (0.28)	-0.15 (0.39)	-0.27 (0.29)
Pseudo R ²	0.34	0.26	0.05
Number of Observations	382	167	215

a. Base Category: Rejection (Deliberate Inaction or Defense).

b. Base Category: Trivial Rejection (Deliberate Inaction).

c. Base Category: Trivial Concession (Symbolic Accommodation).

d. Regression β Coefficient (Standard Error).

e. *N*=382; *** *p* < 0.001; ** *p* < 0.01; * *p* < 0.05.

Table 3. Robustness checks

<i>Panel A. Multinomial logistic regression analysis</i>				
Independent Variable	Strategic Response ^a			
	Defense	Symbolic Accommodation	Substantive Accommodation	
Stakeholder Salience (High)	1.22** (0.50) ^b	3.65*** (0.46)	4.08*** (0.47)	
Stakeholder Ideology (Radical)	2.70*** (0.39)	0.94* (0.39)	1.92*** (0.38)	
Firm Reputation (High)	-0.25 (0.36)	-0.77* (0.37)	-1.02** (0.37)	

<i>Panel B. Multivariate multiple regression analysis</i>				
Independent Variable	Strategic Response			
	Deliberate Inaction	Defense	Symbolic Accommodation	Substantive Accommodation
Stakeholder Salience (High)	-1.62*** (0.17) ^b	-0.63*** (0.16)	0.69*** (0.17)	1.47*** (0.14)
Stakeholder Ideology (Radical)	-0.71*** (0.17)	1.11*** (0.16)	-0.08 (0.17)	0.48*** (0.14)
Firm Reputation (High)	0.25 (0.17)	0.37* (0.16)	0.01 (0.17)	0.13 (0.14)
R ²	0.23	0.16	0.04	0.26
F-value	37.13***	24.10***	5.42***	44.39***

a. Base Category: Deliberate Inaction.

b. Regression β Coefficient (Standard Error).

c. N=382; *** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$.

Appendix A: Description of scenarios and manipulation of treatment factors

Scenario A

CasDress Inc. is a multinational apparel retailer based in the United States, offering affordable clothing and accessories for men and women. The CasDress brand is available online and in more than 700 stores in North, Central, and South Americas, Europe, and Asia. With only 10% of its clothing made locally, the company has a large international supply base located in Asia (about 70%) and Central America (about 20%). In 2017, CasDress spent about \$2 billion on purchasing clothing and accessories from suppliers.

[CasDress is a highly-reputable firm with a low employee turnover and high consumer ratings vs. CasDress has a poor reputation, a high employee turnover, and low consumer ratings].

Two weeks ago, *[an international vs. a local]* human rights activist group *[with around 10 million online subscribers and twitter followers in more than 150 countries and over \$100 million income from public donations in 2017 vs. with around 1,000 online subscribers and twitter followers and about \$50,000 income from public donations in 2017]* approached CasDress with implicating information about unsafe and unhealthy work conditions and use of child labor at some of its supplier facilities in Southeast Asia. *[Several national and international media have picked up the news and reached out to CasDress for comments vs. This news has not attracted any major media attention].*

The activist group *[has organized disruptive protests outside CasDress headquarters in addition to an aggressive social media campaign to boycott its branded products vs. has offered to help and asked for a meeting with the CasDress top management team to discuss potential solutions].*

Scenario F

Sweet Parlee Inc. is a multinational confectionery producer based in the United States with over 10,000 employees. Established in 1995, the company now manufactures chocolates, snacks, and refreshment products at twenty plants spread across North America and Europe. These products are distributed and sold around the world. Palm oil is one of the major ingredients of Sweet Parlee chocolate products and its suppliers are mainly based in Asia. In 2017, Sweet Parlee spent about \$1 billion for the imported palm oil.

[Sweet Parlee is a highly-reputable firm with a low employee turnover and high consumer ratings vs. Sweet Parlee has a poor reputation, a high employee turnover, and low consumer ratings].

Two weeks ago, *[an international vs. a local]* environmental activist group *[with around 10 million online subscribers and twitter followers in more than 150 countries and over \$100 million income from public donations in 2017 vs. with around 1,000 online subscribers and twitter followers and about \$50,000 income from public donations in 2017]* approached Sweet Parlee with implicating information about some of its Indonesian palm oil suppliers clearing protected peat forest areas. Deforestation is one of the main contributors to climate change and destruction of rainforest ecosystems. *[Several national and international media have picked up the news and reached out to Sweet Parlee for comments vs. This news has not attracted any major media attention].*

The activist group *[has organized disruptive protests outside Sweet Parlee headquarters in addition to an aggressive social media campaign to boycott its branded products vs. has offered to help and asked for a meeting with the Sweet Parlee top management team to discuss potential solutions].*

DV Scales: Response Strategies (Likert-Type Items)

Given the information provided in the scenario, to what extent are you likely to take the following actions in response to the activist group's claims? (1=very unlikely, 7=very likely)

Deliberate Inaction

1. Ignore the activists and their claims.
2. Make no direct responses to activists.
3. Take no actions.

Defense

4. Issue a press release and distance yourself from your supplier misconducts.
 5. Deny and dispute the activists' claims.
 6. Resist and avoid making any changes to conform to activists' demands.
 7. Refuse to accept responsibility for your suppliers' misconducts.
-

Symbolic Accommodation

8. Take some superficial actions to signal that you plan to solve the problem in your supply chain.
9. Take a few minimal actions to show that you intend to tackle the problem.
10. Make promises about initiating change in your supply chain that you may not be able to keep.

Substantive Accommodation

11. Take genuine and deep-seated actions to address the activists' concerns.
 12. Invest and allocate all the resources required for solving the problem.
 13. Make significant changes in your supply base and how you manage your suppliers.
 14. Revamp your supply chain management practices to solve the problem.
 15. Work closely and actively with the activists to find and implement a solution to the problem.
-

DV Scale: Response Strategies (Discrete Choice Item)

Given the information provided in the scenario, which one of the following four strategies would you choose as your MAJOR approach in response to the activist group's claims?

- a) Ignore the activists and make no direct responses to them.
 - b) Dispute the activists' claims publicly and deny responsibility for your supplier's misconducts.
 - c) Take some minimal actions to show that you plan to solve the problem.
 - d) Take genuine actions to make any changes required to solve the problem.
-

Manipulation Check Scales

To what extent do you agree or disagree with the following statements? (1=strongly disagree, 7= strongly agree)

Stakeholder Saliency (Agle et al. (1999), Mitchell et al. (1997), Goddard and Assad (2006))

1. This activist group is a powerful organization.
2. This activist group has the ability to impact [Target firm].
3. This activist group has adequate means to get in the way of [Target firm] business.
4. This activist group is a legitimate organization.
5. This activist group has a high public standing.
6. This activist group has a strong influence upon the public opinion.
7. This activist group's claims are considered legitimate by the public.

Stakeholder Ideology (Markman et al. (2016) and Mattessich & Monsey (1992))

1. This activist group has approached [Target firm] in a confrontational manner.
2. This activist group intends to damage [Target firm]'s reputation.
3. This activist group's approach toward [Target firm] is aggressive.
4. This activist group wants [Target firm] to feel threatened.
5. This activist group's approach toward [Target firm] is disruptive.
6. This activist group intends to hurt [Target firm]'s performance.

Target Firm Reputation (Ponzi et al. (2011), Schilke & Cook (2015), Wang (2013))

1. [Target firm] has a good relationship with its consumers.
 2. [Target firm] is a good place to work.
 3. [Target firm] can be trusted.
 4. [Target firm] has a satisfactory overall performance.
 5. [Target firm] has a good overall reputation.
-

*Note: **Bold headings** were not included in the experiment's questionnaire.*