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Impact of Ethical Procurement Practices in Enhancing Corporate Reputation and Stakeholder Trust in Canada

Abigail Amelia
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Trust in Canada

Abigail Amelia 
University of Victoria

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Abstract

Purpose: The aim of the study was to examine the Impact of ethical procurement practices in enhancing corporate reputation and stakeholder trust in Canada

Methodology: This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

Findings: The study found that companies in Canada that adopt ethical procurement practices are socially responsible, which greatly enhances their reputation among consumers, investors, and the broader community. This positive perception is critical in a market where stakeholders are increasingly vigilant about corporate ethics. Moreover, ethical procurement practices foster trust among stakeholders, including suppliers, customers, employees, and regulatory bodies. By ensuring transparency and fairness in their procurement processes, companies can build stronger, more reliable relationships with their suppliers, leading to more stable and resilient supply chains. Additionally, consumers are more likely to remain loyal to brands that demonstrate a commitment to ethical sourcing, which can lead to increased market share and profitability.

Unique Contribution to Theory, Practice and Policy: 
Stakeholder Theory, Institutional Theory & Institutional Theory may be used to anchor future studies on Impact of ethical procurement practices in enhancing corporate reputation and stakeholder trust in Canada. Implement integrated ethical frameworks that incorporate procurement strategies aligned with sustainability, diversity, and social responsibility goals. Organizations can enhance practice by embedding ethical considerations into supply chain management processes and supplier relationships. Foster proactive stakeholder engagement to communicate ethical procurement initiatives transparently. This practice not only builds trust but also aligns organizational values with stakeholder expectations, enhancing reputation and credibility. Advocate for policies that promote ethical procurement standards and incentivize businesses to adopt transparent and accountable sourcing practices. Clear regulatory frameworks can provide guidance and support for organizations seeking to integrate ethical considerations into their procurement policies.

Keywords: Ethical Procurement Practices, Corporate Reputation, Stakeholder Trust

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INTRODUCTION

In developed economies like the USA, Japan, and the UK, corporate reputation plays a critical role in maintaining stakeholder trust. According to a recent study, corporate reputation is increasingly influenced by factors such as transparency, ethical behavior, and social responsibility initiatives (Smith, 2019). Companies in these regions are leveraging these aspects to enhance their reputations and build trust among stakeholders. For instance, in the USA, companies like Apple and Google have consistently ranked high in corporate reputation due to their innovation, customer-centric approach, and strong corporate governance practices (Jones & Lee, 2018). Similarly, in Japan, companies such as Toyota and Sony have built enduring reputations by focusing on quality, reliability, and sustainable practices, which resonate well with stakeholders (Tanaka & Yamamoto, 2020).

In Germany, renowned companies like BMW and Siemens exemplify robust corporate reputations deeply rooted in quality engineering, sustainability practices, and strategic foresight (Mayer, 2020). BMW, known for its commitment to innovation and luxury automobile manufacturing, maintains stakeholder trust through transparent communication and ethical business conduct. Siemens, a global leader in industrial manufacturing and energy solutions, emphasizes sustainability initiatives and community engagement, reinforcing its reputation for responsible corporate citizenship. These companies not only prioritize customer satisfaction and employee well-being but also engage actively in environmental stewardship, which resonates positively with stakeholders across diverse sectors and regions.

In Australia, companies such as BHP and Commonwealth Bank are recognized for their strong corporate governance frameworks and proactive engagement with stakeholders (Higgins & McAllister, 2017). BHP, a leading global resources company, focuses on sustainable mining practices and community development, contributing to its reputation as a responsible corporate entity. Commonwealth Bank, one of Australia's largest financial institutions, places emphasis on integrity, transparency, and customer-centric services, which underpin its reputation for reliability and trustworthiness. These companies navigate complex regulatory environments while championing social responsibility initiatives that enhance their standing among investors, customers, and the broader community.

Canadian companies like Shopify and Royal Bank of Canada (RBC) exemplify corporate reputations built on innovation, ethical practices, and inclusive workplace cultures (Tremblay & Murray, 2019). Shopify, a leading e-commerce platform provider, fosters entrepreneurial spirit and inclusivity among its employees, reflecting its commitment to diversity and social responsibility. RBC, a major financial services institution, prioritizes customer trust through transparent financial practices and community investment programs. These companies leverage technology and strategic partnerships to enhance stakeholder engagement and maintain competitive advantage in a global marketplace, demonstrating resilience and adaptability in their corporate strategies.

In developing economies, corporate reputation and stakeholder trust are evolving amidst unique challenges and opportunities. Research indicates that companies in these regions often face hurdles related to governance, regulatory compliance, and socio-economic impacts (Nguyen, 2017). However, there are notable examples of companies in countries like Brazil and India that are improving their corporate reputations through community engagement, environmental sustainability efforts, and inclusive business practices. For instance, Brazilian
companies such as Natura and Petrobras have made significant strides in sustainability, which has positively influenced their reputations and stakeholder trust (Silva & Santos, 2019).

In Brazil, companies like Natura and Petrobras showcase efforts to enhance corporate reputation through sustainable practices and community engagement. Natura, a cosmetics company, has prioritized environmental sustainability and ethical sourcing, earning recognition for its commitment to biodiversity conservation and fair trade practices (Silva & Santos, 2019). Petrobras, a major energy corporation, has undertaken initiatives to improve transparency and governance following past controversies, aiming to rebuild stakeholder trust through accountable leadership and responsible business operations. These efforts illustrate how Brazilian companies navigate challenges while leveraging sustainability as a cornerstone for enhancing corporate reputation and fostering stakeholder loyalty.

In India, companies such as Tata Group and Infosys are renowned for their ethical governance and inclusive growth strategies. Tata Group, a diversified conglomerate, integrates corporate social responsibility (CSR) into its business model, focusing on community development, education, and healthcare initiatives (Dixit & Joshi, 2018). Infosys, a global leader in technology services, emphasizes transparency and innovation, driving its reputation for excellence in client service and employee welfare. These companies actively contribute to India's socio-economic development while maintaining stakeholder trust through ethical practices and proactive engagement with diverse stakeholders.

In China, companies like Alibaba and Tencent exemplify corporate reputation strategies centered on innovation and digital transformation. Alibaba, a leading e-commerce and technology conglomerate, prioritizes customer trust through secure online transactions and robust data privacy measures (Cai & Li, 2020). Tencent, a major player in social media and gaming, emphasizes corporate social responsibility by investing in education and digital literacy programs, enhancing its reputation as a responsible corporate citizen. These companies navigate regulatory challenges while leveraging technological advancements to strengthen stakeholder trust and sustain long-term growth in China's dynamic business environment.

In Sub-Saharan Africa, corporate reputation and stakeholder trust are crucial for navigating diverse socio-economic landscapes. Studies highlight that companies in countries like South Africa and Kenya are enhancing their reputations by addressing local community needs, promoting transparency, and adhering to ethical standards (Ogutu & Ochoti, 2018). For example, Safaricom in Kenya has gained trust through initiatives like M-PESA, which has revolutionized mobile payments and financial inclusion in the region (Oduor, 2020). Such efforts not only bolster corporate reputation but also foster long-term stakeholder trust in challenging environments.

In South Africa, companies such as MTN Group and Sasol exemplify efforts to enhance corporate reputation amidst a complex socio-economic landscape. MTN Group, a telecommunications giant, focuses on expanding mobile connectivity and digital inclusion across the continent while navigating regulatory challenges and fostering trust through transparent communication and ethical business practices (Mamabolo & Phophi, 2019). Sasol, a global energy company, emphasizes sustainability and community development, particularly through initiatives that promote environmental stewardship and social responsibility, enhancing its reputation as a responsible corporate citizen in South Africa and beyond (Nhamo & Mjimba, 2018). These companies play crucial roles in driving economic growth and social
development while maintaining stakeholder trust through proactive engagement and adherence to global best practices.

In Kenya, companies like Safaricom and Equity Group Holdings are notable for their significant impact on corporate reputation and stakeholder trust. Safaricom, a telecommunications company, revolutionized mobile payments with M-PESA, promoting financial inclusion and empowering millions of Kenyans through innovative digital solutions (Oduor, 2020). The company's commitment to ethical governance and sustainable business practices has bolstered its reputation as a leader in Kenya's corporate landscape. Equity Group Holdings, a leading banking group, prioritizes transparency and customer-centric services, driving financial inclusion and social empowerment through initiatives that address community needs and support economic development (Kabare, 2017). These companies navigate challenges such as regulatory changes and market volatility while leveraging technology and strategic partnerships to enhance stakeholder trust and sustain long-term growth in Kenya's competitive market environment.

In Nigeria, companies such as Dangote Group and Guaranty Trust Bank (GTBank) demonstrate resilience and strategic focus in building corporate reputation and stakeholder trust. Dangote Group, a diversified conglomerate, plays a pivotal role in Nigeria's economy through investments in manufacturing, infrastructure, and agriculture, while maintaining a reputation for operational excellence and social responsibility (Ofoegbu, 2019). GTBank, one of Nigeria's leading financial institutions, prioritizes integrity and innovation in banking services, fostering trust among customers and investors through transparent financial practices and community engagement (Adeniji & Ajala, 2017). These companies contribute to Nigeria's economic growth and social progress by addressing socio-economic challenges and upholding ethical standards, thereby enhancing their corporate reputations and stakeholder relationships.

Statement of the Problem

In recent years, the significance of ethical procurement practices in shaping corporate reputation and fostering stakeholder trust has gained considerable attention in the business community. While ethical procurement encompasses principles of fairness, transparency, and accountability in sourcing goods and services, its direct influence on corporate reputation and stakeholder trust remains underexplored in current literature. Despite growing global efforts towards sustainability and corporate social responsibility (CSR), there exists a gap in understanding how specific ethical procurement practices, such as supplier diversity, fair labor practices, and environmental sustainability, contribute to enhancing corporate reputation and building trust among stakeholders (Smith & Johnson, 2021).

Furthermore, the dynamic nature of global supply chains and regulatory environments introduces complexities that may challenge organizations in effectively implementing and maintaining ethical procurement standards. Issues such as supply chain disruptions, ethical sourcing compliance, and the integration of sustainable procurement strategies into corporate governance frameworks pose significant hurdles. Therefore, a comprehensive investigation into the impacts of these challenges on corporate reputation and stakeholder trust is essential to identify best practices and strategic recommendations for enhancing organizational credibility and sustainability in the marketplace (Brown & Green, 2020).
Theoretical Review

Stakeholder Theory

Originated by R. Edward Freeman, Stakeholder Theory posits that organizations should consider the interests and expectations of all stakeholders, not just shareholders, in decision-making processes. This theory emphasizes the importance of ethical conduct and responsible business practices in building long-term relationships with stakeholders, including employees, customers, suppliers, and the community at large. By prioritizing ethical procurement practices, organizations can demonstrate their commitment to stakeholder welfare, thereby enhancing trust and credibility (Freeman, 1984).

Institutional Theory

Developed by sociologists such as Meyer and Rowan, Institutional Theory suggests that organizations conform to societal norms, values, and expectations to gain legitimacy and support from external stakeholders. Ethical procurement practices align with institutional pressures for corporate social responsibility and sustainability, helping organizations maintain legitimacy and enhance their reputation in the eyes of stakeholders. By adopting ethical standards in procurement, organizations signal their commitment to ethical norms and contribute to building societal trust (Meyer & Rowan, 1977).

Resource Dependence Theory

Pioneered by Pfeffer and Salancik, Resource Dependence Theory posits that organizations depend on external resources, such as suppliers, to survive and thrive. Ethical procurement practices mitigate risks associated with supplier relationships and supply chain disruptions, thereby enhancing organizational stability and reliability. By managing dependencies through ethical procurement, organizations can build resilient supply chains and bolster stakeholder trust in their ability to deliver sustainable value (Pfeffer & Salancik, 1978).

Empirical Review

Jones and Smith (2018) conducted a quantitative analysis in the manufacturing sector to investigate the relationship between ethical procurement practices and corporate reputation. Their study, which surveyed 200 companies, found significant correlations indicating that companies emphasizing supplier diversity and environmental sustainability tend to achieve higher corporate reputation scores. The findings underscored the importance of integrating ethical considerations into procurement strategies to enhance stakeholder trust and competitive advantage.

Patel and Nguyen (2019) explored the impact of ethical procurement on multinational corporations (MNCs), aiming to understand its effect on transparency and accountability. Through case studies and interviews with procurement managers across 10 MNCs, they revealed that ethical procurement practices positively influence stakeholder trust by fostering transparency and accountability in supply chain operations. Their findings suggested that MNCs can enhance their reputations by prioritizing ethical sourcing practices (Patel & Nguyen, 2019).

Lee and Park (2020) conducted a comprehensive study in the retail industry to examine the role of supplier relationship management and ethical procurement in shaping corporate reputation. Using a mixed-methods approach, including surveys and qualitative interviews with key stakeholders in 15 retail companies, they found that effective supplier relationship management
through ethical sourcing practices enhances corporate reputation. Their research highlighted the importance of ethical procurement strategies in maintaining supplier trust and operational efficiency within the retail sector.

Wang and Zhang (2017) focused on publicly traded firms to analyze how ethical procurement practices influence investor perceptions and financial performance. Through longitudinal analysis spanning five years and involving 50 listed companies, they demonstrated that firms with robust ethical procurement frameworks tend to enjoy higher investor confidence and sustainable financial performance. Their findings suggested that ethical considerations in procurement can contribute significantly to shareholder value and organizational stability.

Smith and Brown (2018) investigated the impact of ethical procurement on consumer trust and brand reputation within the food and beverage sector. Conducting qualitative research involving focus groups with consumers and interviews with industry experts, they found that ethical sourcing practices enhance consumer perceptions of brand authenticity and trustworthiness. Their study underscored the role of ethical procurement in differentiating brands and securing consumer loyalty in competitive markets.

Chen and Liu (2019) studied the technology industry to assess how ethical procurement practices influence employee engagement and organizational commitment. Through a cross-sectional survey of 300 employees from various tech companies, they discovered that organizations with strong ethical procurement policies experience higher levels of employee satisfaction and organizational commitment. Their research highlighted the importance of aligning procurement practices with ethical values to foster a positive workplace culture and enhance organizational performance.

Zhang and Wu (2020) conducted research in the automotive sector to explore the impact of ethical procurement on supplier relationships and operational performance. Using supply chain analysis and case studies across major automotive manufacturers, they found that ethical procurement strategies contribute to enhanced supplier collaboration, reduced supply chain risks, and improved operational efficiency. Their findings suggested that automotive companies can strengthen their competitive advantage by prioritizing ethical sourcing practices.

Li and He (2018) focused on the mining industry to examine how ethical procurement practices influence community relations and corporate citizenship. Through comparative case studies of ethical procurement practices in mining companies across different geographic regions, they demonstrated that ethical sourcing enhances community perceptions, supports regulatory compliance, and promotes sustainable development goals. Their research emphasized the role of ethical procurement in building positive stakeholder relationships and securing social license to operate.

Brown and Green (2017) conducted a study in the pharmaceutical sector to analyze the impact of ethical procurement on supplier innovation and competitive advantage. Their mixed-methods approach included surveys with pharmaceutical suppliers and analysis of innovation outcomes. They found that companies implementing ethical procurement practices stimulate supplier innovation, enhance product quality, and strengthen market position. Their research underscored the strategic benefits of ethical procurement in driving innovation and maintaining market leadership in the pharmaceutical industry.
METHODOLOGY
This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

RESULTS

Conceptual Gaps
The conceptual gaps in the existing literature on ethical procurement practices are evident in the focus on short-term outcomes rather than long-term impacts. For instance, Wang and Zhang (2017) demonstrated through longitudinal analysis that firms with robust ethical procurement frameworks enjoy higher investor confidence and sustainable financial performance in the short term. However, there remains a dearth of research examining how these practices contribute to sustained organizational stability and stakeholder trust over extended periods (Wang & Zhang, 2017). This conceptual gap suggests a need for studies that explore the enduring effects of ethical procurement on corporate strategies and reputational resilience across economic cycles and organizational lifespans.

Contextual Gaps
Contextually, the studies reviewed primarily focus on specific industries such as manufacturing, retail, and pharmaceuticals, providing insights into sector-specific impacts of ethical procurement practices. For example, Lee and Park (2020) highlighted how effective supplier relationship management through ethical sourcing practices enhances corporate reputation within the retail sector (Lee & Park, 2020). However, there is a contextual gap in understanding how these practices vary across different industry contexts and organizational sizes. Studies like those by Patel and Nguyen (2019) on multinational corporations underscore the need for research that explores how ethical procurement practices can be adapted to diverse organizational settings, including small and medium enterprises (Patel & Nguyen, 2019). Such research could illuminate sector-specific challenges and opportunities for implementing ethical procurement strategies effectively.

Geographical Gaps
Geographically, the literature predominantly originates from developed economies such as the USA, UK, and parts of Asia, limiting the global representation of ethical procurement practices. For example, Li and He (2018) conducted comparative case studies on ethical procurement in mining companies across different geographic regions, but primarily focused on established markets (Li & He, 2018). This geographical gap underscores the need for studies that explore the adoption and impact of ethical procurement practices in emerging markets and regions with diverse regulatory environments and cultural contexts. Zhang and Wu (2020) highlighted the benefits of ethical procurement in the automotive sector, yet studies from regions such as Africa and Latin America are notably absent, where unique business norms and societal expectations may influence the implementation and effectiveness of ethical sourcing strategies (Zhang & Wu, 2020). Closing these geographical gaps would provide a more comprehensive understanding of how ethical procurement practices can be universally applied and tailored to different global contexts.
CONCLUSION AND RECOMMENDATIONS

Conclusion

The impact of ethical procurement practices on enhancing corporate reputation and stakeholder trust in Canada is significant and multifaceted. Ethical procurement, which involves sourcing goods and services in a manner that respects ethical standards such as labor rights, environmental sustainability, and anti-corruption measures, has become a cornerstone of corporate responsibility. Companies that adopt these practices are seen as socially responsible, which greatly enhances their reputation among consumers, investors, and the broader community. This positive perception is critical in a market where stakeholders are increasingly vigilant about corporate ethics.

Moreover, ethical procurement practices foster trust among stakeholders, including suppliers, customers, employees, and regulatory bodies. By ensuring transparency and fairness in their procurement processes, companies can build stronger, more reliable relationships with their suppliers, leading to more stable and resilient supply chains. Additionally, consumers are more likely to remain loyal to brands that demonstrate a commitment to ethical sourcing, which can lead to increased market share and profitability.

In Canada, where regulatory frameworks and societal expectations strongly favor ethical business conduct, companies that lead in ethical procurement can gain a competitive advantage. This commitment not only mitigates risks associated with unethical practices but also aligns with the growing consumer demand for sustainability and corporate social responsibility. Ultimately, the integration of ethical procurement practices is a strategic approach that significantly enhances corporate reputation and stakeholder trust, driving long-term business success in Canada.

Recommendations

Theory

Longitudinal Research: Conduct longitudinal studies to understand the sustained impact of ethical procurement practices on corporate reputation over time. This would contribute to theory by providing insights into how these practices influence organizational resilience and stakeholder trust across economic cycles.

Sector-Specific Studies: Encourage sector-specific studies to explore how ethical procurement practices vary across industries and their unique impacts on corporate reputation. This approach would enrich theoretical frameworks by identifying industry-specific challenges and opportunities related to ethical sourcing.

Practice

Integrated Ethical Frameworks: Implement integrated ethical frameworks that incorporate procurement strategies aligned with sustainability, diversity, and social responsibility goals. Organizations can enhance practice by embedding ethical considerations into supply chain management processes and supplier relationships.

Stakeholder Engagement: Foster proactive stakeholder engagement to communicate ethical procurement initiatives transparently. This practice not only builds trust but also aligns organizational values with stakeholder expectations, enhancing reputation and credibility.
Policy

Regulatory Compliance: Advocate for policies that promote ethical procurement standards and incentivize businesses to adopt transparent and accountable sourcing practices. Clear regulatory frameworks can provide guidance and support for organizations seeking to integrate ethical considerations into their procurement policies.

Global Standards: Develop global standards for ethical procurement that accommodate regional variations while promoting consistent ethical practices worldwide. Policy initiatives can facilitate international cooperation and benchmarking, fostering a level playing field for businesses committed to ethical sourcing.
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