

Market Response to Conflict Sourcing: A Study on the Consequences of Sourcing Blood Diamonds and Conflict Minerals

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Abstract

Firms are increasingly held accountable not only for their own actions, but also for the practices of their (in)direct suppliers. This study examines both investor and consumer responses to firms following public disclosure of supplier misconduct. It further explores whether these responses vary based on the firm's position within the supply chain. We conduct a cross-country analysis, examining the consequences of 178 public announcements released between January 2007 and December 2023, in which firms are linked to raw material suppliers that engage in conflict mining. Preliminary results show that both consumers and investors respond negatively, and that the magnitude of this reaction is dependent on a firm's supply chain position, where retailers appear to experience the least damage. The study further explores how firms and policy makers can mitigate the consequences of supplier misconduct.

Keywords: ethical sourcing, supplier misconduct, supply chain management

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