

Eco-innovation in the textile industry: the strategic importance of data privacy and environmental knowledge management

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Author post-print (accepted) deposited by Coventry University's Repository

Original citation & hyperlink:

Di Chiacchio, L, Eva, M-C, Cegarra-Navarro, JG & Garcia-Perez, A 2023, 'Eco-innovation in the textile industry: the strategic importance of data privacy and environmental knowledge management', *Kybernetes*, vol. (In-Press), K-02-2023-0222.R1, pp. (In-Press). <https://doi.org/10.1108/K-02-2023-0222>

DOI 10.1108/K-02-2023-0222

ISSN 0368-492X

Publisher: Emerald

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3 **Title:** Eco-innovation in the textile industry: the strategic importance of data privacy and
4 environmental knowledge management
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6
7 **Abstract**

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9 **Aim**

10 This study investigates the impact of the ethical management of data privacy on the overall
11 reputation of businesses.
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14 **Design/methodology/approach**

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16 A conceptual model was proposed and tested. Data was collected from 208 SMEs in the textile
17 industry in Valencia, Spain using a survey instrument. Partial Least Squares allowed for the
18 analysis of the data collected.
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21 **Findings**

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23 The theoretical model explains 46.1 per cent of the variation in the organisational reputation
24 variable. The findings indicate that ethical data privacy has a beneficial effect on an
25 organisation's reputation and eco-innovation. They also demonstrate how eco-innovation
26 drives the development of new knowledge and green skills that, in turn, communicate to
27 stakeholders a company's ethical commitment. These results should encourage small and
28 medium-sized enterprises to invest in data privacy in order to meet the needs of their
29 increasingly technology- and environment-sensitive stakeholders and to improve their
30 reputation.
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38 **Originality**

39 This study provides the first empirical evidence that ethical data privacy management has a
40 positive impact on the reputation of firms. Furthermore, the originality of the research derives
41 from the analysis of the results from an environmental perspective. Indeed, this study shows
42 that effective data privacy management can indirectly support organisational reputation
43 through eco-innovation and green skills.
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51 **Plain Language Summary**

52 Ethical management of data privacy and environmental knowledge is key to the overall
53 reputation of businesses.
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56 **Keywords** – Data privacy practices, green knowledge management, organisational
57 reputation, eco-innovation, textile sector.
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1. Introduction

Information is power. In the case of companies, obtaining data from their clients or potential clients is vital to surviving in an environment as competitive as the current one. The collection of data enables the development of more market-oriented strategies that are suited to customer needs. Since the irruption of Information and Communications Technologies (ICTs) and the advance of online services, accessing and collecting customer data has become easier. Society's digitisation has resulted in a rise in firms' access to data, for example, 70% of organisations report having expanded their acquisition of personal data since 2020 (KPMG, 2021). Additionally, it has contributed to the complexity and multilayering of the meaning of data privacy by obscuring its actual definition (Winegar and Sunstein, 2019). Thus, stakeholders express concerns over the collection and management of their personal data by firms in this context. For instance, 40% of customers stated that they don't trust businesses with how their personal information is handled (KPMG, 2021). Although cultural factors may influence an individual's concerns and perspective about data privacy (Hong *et al.*, 2021; Paupini *et al.* 2022), the literature indicates that these concerns primarily centre around the improper data collection, unauthorised use of private data inside the company, data breaching and data management errors (Lulandala, 2020; Roberts *et al.*, 2022).

To address such issues, companies should implement data governance principles that ensure their stakeholders can manage and control the "flow" of their information (Nissenbaum, 2011). Therefore, data privacy related-issues affect all organisations regardless of their size or sector. Indeed, according to Da Conceição Freitas and Da Silva (2018), SMEs are not exempt from the effects of digitalisation, and a company's size does not affect the amount of data it handles. Hence, data privacy has evolved into a societal concern that requires attention from researchers and merits further investigation, as evidenced by the introduction of regulations and guidelines such as the GDPR in Europe or the ISO 27701. Moreover, it has been found that data privacy may serve as a strategy for differentiating from the competition and so constitute a competitive advantage enhancing stakeholders' trust and consumer satisfaction (Bak *et al.*, 2023; Beier *et al.*, 2020; Cegarra-Navarro *et al.*, 2019).

Over the last few years, the importance of corporate reputation has grown both for individuals and for organisations, especially because of the increasing use of the Internet and social media platforms by companies. With this growth, the business sector has had to improve their use and ethical management of customer data. Considering the value of data

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3 and information, corporate reputation now also depends on the companies' ability to protect
4 sensitive customers' data (Corradini and Nardelli, 2020). In this context, the reputation
5 management field stresses that there is little empirical evidence about the consequences of
6 poorly managed data privacy on corporate reputation (Confente *et al.*, 2019). In parallel, the
7 recent literature about data privacy calls for studies addressing the interface between the
8 needs of acquiring data for innovation from an environmental perspective (Cegarra-Navarro
9 *et al.*, 2019; Jové-Llopis and Segarra-Blasco, 2018; Kiani-Mavi and Kiani-Mavi, 2021). In that
10 regard, given the market's growing interest in environmental protection (Statista, 2022),
11 businesses might think about their innovation in connection to the data supplied by their
12 customers and to keep up with consumers' rising environmental consciousness (Bleier *et al.*,
13 2020) and stringent international environmental regulations. In doing so, companies actively
14 engaged in environmental management and eco-innovation can minimise their
15 environmental footprint (Costantini *et al.*, 2017) but may also improve corporate reputation.
16 In addition, the literature also shows that eco-innovation can support employees in reducing
17 their environmental footprint, building a more sustainable and climate change-resilient
18 economy and improving their working conditions (Cabral and Lochan Dhar, 2019; Larbi-Siaw
19 *et al.*, 2022; Pavlova, 2018). Therefore, eco-innovation supports the ability of employees to
20 act appropriately in a company that wants to be an actor of change toward a more ecological
21 and environmentally responsible society (Jansen *et al.*, 2006; Sern *et al.*, 2018). These green
22 skills may increase a company's profits and improve its reputation by developing sustainable
23 innovations and relations with local communities (Cegarra-Navarro *et al.*, 2021; Sern *et al.*,
24 2018; Weaver *et al.*, 2017).

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Based on the above, this research addresses the call for further research on the impact of data privacy management policies on the overall reputation of businesses providing their stakeholders with, as their major contribution, a perspective based on the environment and ecology. In doing so, green skills and eco-innovation are proposed as mediator variables in the relationship between business reputation and the management of data privacy. In the following section, four hypotheses and a conceptual model are developed. Then, the methodology adopted to construct the survey and the sample details are presented with the results from the hypotheses testing. Finally, the results are discussed.

2. Theoretical framework

2.1 Data privacy management and organisational reputation

Corporate reputation is considered one of the critical building blocks of an organisation's success. It is thus a crucial intangible capital for a company that is developed through its positive or negative interactions with its stakeholders (Argenti and Druckenmiller, 2003). The literature recognises various benefits of corporate reputation, whether in terms of competitiveness (Awang and Jusoff, 2009), performance (Ye *et al.*, 2021), favourable public opinion (Fombrun and Gardberg, 2000) or customer loyalty (Caruana and Ewing, 2010). Therefore, a company's reputation is a differentiation tool representing a competitive advantage over the competition (Maduro *et al.*, 2018). In addition, the development of web 2.0, particularly social media, has added to the criticality of a reputation for organisations. Indeed, 93% of SMEs surveyed by KPMG declared thinking about their reputation frequently or all the time (KPMG, 2015).

The development of ICT and the knowledge economy also allows businesses to observe consumers' actions at a very detailed level or to give them the means to obtain this potentially personal information (Goldfarb and Tucker, 2012). This collection of data allows companies to generate relevant content (Martin and Murphy, 2017; Zhou, 2020) such as personalised marketing messages (Tong *et al.*, 2020), product offerings (Aguirre *et al.*, 2016) and promotion (Chong *et al.*, 2015). On the other hand, as noted by Martin and Murphy, it may have detrimental effects, "including vulnerability to fraud, privacy invasions, unwanted marketing communications, and highly targeted, obtrusive marketing communications" (2017, p. 135). Thus, the emergence of this data-driven economy benefits individuals and businesses, but it raises concerns about the potential risks and negative consequences of sharing personal data (Baruh *et al.*, 2017). For example, in 2015, the taxi service Uber received a lawsuit for its mobile application, which geolocated users even after they had already closed it. Similarly, in 2018 almost 400,000 British Airways customers had their personal details and bank cards stolen in one of the most severe cyber-attacks in UK history. In response, the airline was fined £20 million by the UK's Information Commissioner's Office (BBC, 2020). Inevitably, these actions had a negative impact on the reputation of these companies.

Given the wide range of opportunities for businesses to conduct business online, their capacity to safeguard sensitive customer data should be seen as an integral aspect of their commitment to acting ethically (Aitken *et al.*, 2021; Singh and Misra, 2021). Along the same

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3 line, Kwangsawad and Jattamar (2022) demonstrated that a company's transparency in its
4 privacy management could reduce customer mistrust and dissatisfaction. Therefore, digital
5 marketing to raise consumers' awareness about data privacy practices can be a mean for
6 companies to gain legitimacy, build trust with their stakeholders and improve corporate
7 reputation (Li, 2014; Saura, 2021). Indeed, when a company's misuse of personal data is
8 publicly revealed, it will immediately and directly affect its reputation (Corradini and Nardelli,
9 2020). Along the same lines, Gwebu *et al.* (2018) argue that stakeholders perceive any
10 inappropriate use of data as a violation of their expectations of ethical firm behaviour and
11 this may ultimately affect the organisational reputation.
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20 These arguments lead to the following hypothesis:

21 *H1: Data privacy practices positively influence organisational reputation.*
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26 **2.2 Data privacy management and eco-innovation**

27 Eco-innovation can be a strategic solution for a company to respond to increasing
28 environmental and economic pressure (Fernando *et al.*, 2016). It allows the development of
29 products and processes (Chen *et al.*, 2012), significantly reducing a company's or industry's
30 environmental footprint (Horbach *et al.*, 2012). Customers' information is a valuable resource
31 for the implementation of eco-innovation strategies (Liu *et al.*, 2020), providing a deeper
32 knowledge of their expectations and preferences for green products and services (Hojnik and
33 Ruzzier, 2016; Liu *et al.*, 2013; Xie *et al.*, 2022). Wieringa *et al.* (2021) found that data privacy
34 practices and the exploitation of the consumers data by an organisation are not mutually
35 exclusive but rather complementary. Also, according to Wu *et al.*, "data-analytics technology
36 can accelerate the innovation process by enabling existing knowledge to be identified,
37 accessed, combined, and deployed to address new problem domains" (2019, p. 1). More
38 specifically, Imran *et al.* (2022) and Martínez-Ros and Kunapatarawong (2019) identify
39 customers' data as a crucial driver for green innovation.
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51 Hence, customers' data presents an invaluable opportunity for firms to innovate but only if
52 customers want and agree to share it (Khan *et al.*, 2021, Du *et al.*, 2018; Melander, 2018).
53 Culnan and Armstrong (1999) and, more recently, Saura (2021) showed that consumers would
54 be willing to disclose personal information when the firm treats their information fairly, for
55 example, to protect the environment. Furthermore, Dimitropoulous (2011) demonstrated
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3 that customers who have a favourable opinion of a firm's environmental commitment are
4 more inclined to believe that it manages their data ethically. Customers have increasingly
5 become environmentally aware and, with it, their demands for eco-friendly products and
6 manufacturing process increase (Chen *et al.*, 2023; Adrita and Mohiuddin, 2020). We argue
7 that that eco-friendly customers will be more willing to share their personal data if they
8 believe that it will be used to promote eco-innovation practices. Therefore, the following
9 hypothesis is proposed:
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16 *H2: Data privacy practices positively influence eco-innovation.*
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20 **2.3 Eco-innovation and green skills**

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22 Eco-innovation is driven by the shift in market demand toward green products and the green
23 economy that increases the need for green jobs and skills (Masterson, 2022). Therefore, eco-
24 innovation requires adjusting employees' skills and implementing an eco-friendly culture
25 within the company (Chuang and Huang, 2018; Pavlova, 2018). Indeed, studies highlighted
26 the need for companies to maintain the necessary green skills to ensure their green
27 ambidexterity (Ahmed *et al.*, 2020; Imran *et al.*, 2022; Úbeda-García *et al.*, 2022). Moreover,
28 studies demonstrated that innovation results in the need for organisations to access skilled
29 and qualified employees to replace low skills jobs (Evangelista and Savona, 2003; Ra *et al.*,
30 2019). Thus, an eco-innovative company will need to train employees with green skills and
31 will increase its green knowledge.
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40 The strong and close relationship between innovations and knowledge (Popadiuk and Wei
41 Choo, 2006) can also be found from a process perspective, as a company can learn from its
42 past eco-innovation projects and experience. This feedback loop allows for the assessment of
43 what worked and what did not work, and incorporates this new knowledge and skills into the
44 next innovation project (Chirumalla, 2017). Similarly, Kuo *et al.* (2022) argue that eco-
45 innovations lead to a competitive advantage when the company provides feedback from the
46 innovation process to its employees and improve their eco-literacy via training and green
47 awareness programmes. The literature shows that successful and sustained innovation in
48 companies allows for the creation of new knowledge resulting from the innovation process
49 that, in turn, will feed the organisational knowledge base (Correia De Sousa, 2006).
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3 Furthermore, eco-innovation can reduce the environmental footprint of a company's
4 employees, contribute to building a more sustainable and climate-resilient economy and offer
5 more desirable work environments (Cabral and Lochan Dhar, 2019; Pavlova, 2018). Thus, eco-
6 innovation supports employees' ability to act appropriately in a company that aims to develop
7 and support a society that mitigates the impact of human activity on the environment (Jansen
8 *et al.*, 2006; Larbi-Siaw *et al.*, 2022; Sern *et al.*, 2018). For instance, Karatepe *et al.* (2022)
9 show that a company's employees' proactive pro-environmental behaviour will increase if it
10 communicates its green efforts and investments to them. Therefore, following the above
11 considerations, it is possible to hypothesise that:

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19 *H3: Eco-innovation supports the development of green skills.*

20 21 22 23 **2.4. Green skills and organisational reputation**

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25 As discussed in the previous sections, there is increasing market pressure on companies to
26 eco-innovate, translating into the need to acquire the necessary green skills (Masterson,
27 2022) to meet the demands of stakeholders. Therefore, a company that supports the
28 development of the green skills of its employees can meet the expectations of its customers
29 and market. Furthermore, doing so can strengthen the trust it receives from its external
30 stakeholders and, in turn, its reputation (Carmeli and Tishler, 2005). Indeed, Opoku *et al.*
31 (2021) showed that green human resource management and eco-citizenship of a company's
32 employees positively influence its reputation. According to Cegarra-Navarro *et al.* (2021), this
33 can be explained by the fact that the public's perception of a firm can be influenced by the
34 image projected by its personnel. Also, employees who embrace environmental issue become
35 more committed to the company and its environmental management objectives, thus
36 enhancing its reputation and image (Opoku *et al.*, 2021).

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47 Furthermore, building on the signalling theory, it is argued that a company employee's green
48 skills may be a signalling tool that conveys its intention to behave ethically (Hirsch, 2013).
49 Consequently, stakeholders interpreting these signals will make inferences about the
50 company's ethical commitment, informing their beliefs about its reputation (Truong *et al.*,
51 2021). Hence, companies that accumulate environmental knowledge and develop green skills
52 among their employees signal their environmental objectives to their internal stakeholders
53 (Dangelico, 2015; Pham and Paillé, 2019). Also, a company can positively influence its
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3 reputation by attracting, retaining, and supporting employees whose values and green skills
4 are aligned with its environmental commitment (Dögl and Holtbrügge, 2014; Larbi-Siaw *et al.*,
5 2022; Pham and Paillé, 2019). *Indeed, a company's ability to maintain and advance the green*
6 *skills of its workers can have a beneficial effect on the employer's green branding, enabling it*
7 *to draw in more candidates with green-skilled applicants* (Dögl and Holtbrügge, 2014;
8 Karatepe *et al.*, 2022; Pham and Paillé, 2019). Finally, Dangelico's (2015) study demonstrates
9 that the constitution of green teams of employees within a company that aims to improve
10 environmental performance can positively impact its reputational performance.
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18 Thus, the following hypothesis is proposed:

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21 *H4: The development of green skills positively influences organisational reputation.*
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23 Figure 1 provides a synopsis of the arguments above.

24 Figure 1. Proposed research model - here

25 26 27 **3. Methodology**

28 29 **3.1 Data collection**

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31 In recent publications, the textile sector of Valencia has been considered one of the most
32 relevant in the Spanish economy (Cegarra-Navarro *et al.*, 2021). The Valencian Community is
33 a suitable context since their companies have implemented a model in recent years based on
34 privacy, ethics, and transparency as triggers for technological innovation (Cegarra-Navarro *et al.*,
35 2021; Dangelico, 2015).
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40 According to the 2019 records of the SABI (Iberian Balance Analysis System) database, a total
41 of 760 SMEs represent the population of SMEs in the textile sector in the community of
42 Valencia. Between January and February 2020, a total of 208 responses were obtained from
43 these companies, which represents a response rate of 27.36% with an error factor of 5.79%
44 for $p = q = 50\%$ and a reliability level of 95.5%. To eliminate the potential bias of non-response,
45 the first and last respondents were compared with respect to ecological skills (Armstrong and
46 Overton, 1977), the independent samples t-test did not show significant differences between
47 both groups ($p = 0.848$).
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54 All measures were self-reported and, to prevent the common method bias (CMB), we
55 implemented a priori activities to ensure the respondents' ability and motivation to respond
56 to survey questions accurately. We ensured, responders a possibility to withdraw from the
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3 study at any stage without any consequence, confidentiality in the introductory note and
4 emphasised that individual opinions of responders were in the primary interest of the study.
5 We also applied physical distance between dependent and independent variables together
6 with different anchors of scales for those variables (Podsakoff *et al.*, 2012). First, we operated
7 a post hoc common method variance (CMV) assessment with Harman's single factor with the
8 use of exploratory factor analysis (EFA; one factor explained 41.18 of variance, which is well
9 below the threshold of 50%). Second, we compared the fit between the one-dimensional
10 model (Satorra-Bentler $\chi^2_{(65)}= 310.42$; $\chi^2/d.f=4.77$) versus the measurement model (Satorra-
11 Bentler $\chi^2_{(59)}= 104.95$; $\chi^2/d.f=1.77$), resulting in a better fit of the measurement model, which
12 reveals that there is not a great problem with CMV (Podsakoff *et al.*, 2003).
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23 **3.2 Measures**

24 As shown in the appendix, a total of 13 items on a 7-point scale were used to operationalise
25 our constructs.
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27 The items used to measure privacy were adapted from a scale developed by Smith *et al.*
28 (1996). The three selected items focus on customers' personal information and its use by the
29 company. These items reflect that privacy is important for the company and its customers
30 emphasising that privacy generates trust among customers, to the extent that they do not
31 hesitate to provide personal information about them (Smith *et al.*, 1996).
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38 Three items measured eco-innovation and assessed the extent to which companies were able
39 to improve their green products, services or processes through minor modifications (Jansen
40 *et al.*, 2006). Such items offered an overview of the evolution of the company's sustainable
41 innovation and its environmental commitment to its local market. These are relevant
42 indicators to support decision-making at the organisational level on the different aspects
43 related to reducing the costs of internal processes associated with ecological products or
44 services (Jansen *et al.*, 2006).
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51 Green skills may be considered the necessary knowledge to meet sustainable economic
52 growth. Based on Pavlova's study (2018), four items were used to assess the presence of this
53 knowledge to promote greener products and services. These items also describe how
54 organisational members use communication and negotiation skills to deal with conflicts of
55 interest in complex contexts.
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3 Organisational reputation was assessed with a 3-item scale developed by Carmeli and Tishler
4 (2005). Among the indicators of organisational reputation, the ability to attract, develop and
5 retain talent is most often used (Carmeli and Tishler, 2005; Midtsundstad, 2011). We also
6 used companies' intention to optimise the use of their assets, which is also certainly one
7 strong indicator of environmental responsibility (Carmeli and Tishler, 2005).
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14 **3.3 Measurement model**

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16 The PLS-Graph software version 3.2.6 Build 1058 was used to analyse the data. All the
17 constructs were specified as composite reflective constructs (mode A), given that there is a
18 high level of correlation between indicators (Cepeda-Carrion et al., 2019).
19

20 Table 1 shows the weights, loadings, Dijkstra and Henseler rho (ρ_A), the average variance
21 extracted (AVE) and the variance inflation factors (VIF), In all cases, the values are adjusted to
22 the common standards, justifying that all the constructs do not have collinearity problems
23 and that the convergent validity of the constructs is met (Cenfetelli and Bassellier, 2009; Kock,
24 2009; Petter *et al.*, 2007).
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33 Table 1. Measurement Model Evaluation - here
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36 As shown in Table 2, the discriminant validity was contracted using The Fornell-Larcker
37 criterion and the Heterotrait-Monotrait Ratio of Correlations (HTMT), in both cases the
38 established criteria are met, thus discriminant validity was also found (Fornell and Larcker,
39 1981).
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45 Table 2. Construction correlation matrix - here
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49 **4. Results**

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51 As noted above the construct loading matrix of the composites was estimated as "Mode A"
52 since all items have been considered human-designed tools to measure the latent variables
53 that otherwise would not be possible to measure directly in nature (Henseler, 2017). The fit
54 of the measurement model is good since all elements had a standardised loading greater than
55 0.7 on the composites, which is the appropriate level at which 50% of the variance of the
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3 indicators can be explained (Cepeda-Carrion *et al.*, 2019). After verifying that the
4 measurement model meets all requirements, we perform the assessment of the structural
5 model by testing the sign, size (relevance) and significance of the path coefficients (see Table
6 3).
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11 The structural model was examined to test the hypotheses by using bootstrapping (5,000
12 resamples). Table 3 shows the parametric results (i.e., test t-values) and non-parametric tests
13 (i.e., percentile confidence intervals) carried out to test our hypotheses. As can be seen in
14 Table 3, results show a positive relationship between data privacy and eco-innovation
15 ($a_1=0.254$, $p<0.01$), data privacy and organisational reputation ($a_2=0.205$, $p<0.01$), eco-
16 innovation and green skills ($a_3=0.675$, $p<0.01$), and green skills and organisational reputation
17 ($a_4=0.600$, $p<0.01$). Furthermore, results show that the explained variance was 46.1 and, in all
18 cases, the value of Q² in the dependent variables exceeded the value of 0, indicating
19 predictive relevance (Kock, 2014).
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28 Table 3 also shows that test t-values are significant in all indirect links. In addition, the
29 percentile confidence intervals do include zero in both cases, the direct and indirect effects.
30 Based on all these results, we can consider the four hypotheses proposed to be supported.
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37 Table 3. Model statistics - here
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41 **5. Discussion**

42 Ackoff (1989) presented the Data-Information-Knowledge-Wisdom hierarchy as a pyramid
43 with raw data at its base, followed by information, then knowledge, and wisdom at the top.
44 Building on the pyramidal nature of the scheme besides being causal and hierarchical, and on
45 the risks associated with the growing volumes of data in the current business environment,
46 the present study has investigated the potential effects of data privacy on organisational
47 reputation among CEOs from the Spanish textile industry. The relationship between such
48 concepts has been studied through the analysis of the role of eco-innovation and green skills
49 in SMEs.
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57 Our findings suggest that organisations that can protect their stakeholders' data to ensure
58 customers' higher levels of privacy are likely to engage in more eco-innovation activities,
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3 supporting the development of communication and other green-related skills. Such green
4 skills then mediate the relationship between eco-innovation and organisational reputation.
5 In addition, we found that perceived data privacy directly affects organisational reputation.
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7 In other words, the organisation's reputation strengthens when managers perceive that they
8 conform strongly to data privacy regulations.
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11 Concerning hypothesis 1, our results support the importance of data privacy in any effort to
12 increase the reputation of the organisation and its business. This means that often efforts
13 made by the organisation to implement data privacy strategies may also positively impact its
14 reputation. These findings support the views of Corradini and Nardelli (2020) and Wei *et al.*,
15 (2017), while referring to the way the ability of organisations to protect sensitive customer
16 data has a direct effect on their reputation. However, it should be noted that in certain
17 contexts, the subject of data protection becomes a “risk” rather than an “opportunity” (Quach
18 *et al.*, 2022). In this direction, our findings support the views of Kamleitner and Mitchell
19 (2019), whereby perceived failure to protect customers’ data will not only scare away
20 customers who have previously placed their trust in the company but also, as a side effect,
21 damage the reputation of the business.
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24 Regarding hypothesis 2, we have found that eco-innovation strategies require adopting and
25 exploiting data to design new production processes and improve existing ones (Hojnik and
26 Ruzzier, 2016; Liu *et al.*, 2013). These results can be explained by the advantages of data
27 protection strategies, which ensure speedy transit to sustainable growth and lower
28 environmental costs (Arya *et al.*, 2019; Saura *et al.*, 2021). These results are in line with Li’s
29 study (2014), who found that data protection is essential in translating information into an
30 enhanced customer perception of the organisation and its business. Based on these results,
31 we argue that executive leadership should promote data protection to successfully
32 implement eco-innovation processes. Such a need goes beyond compliance with existing and
33 emerging regulations to a clear understanding of how data governance may impact eco-
34 innovation processes.
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37 The study of hypothesis 3 led to the question of whether innovation can be considered as an
38 “outcome” or a “process”, as initially discussed by Simeone *et al.* (2020). In the current study,
39 we have considered eco-innovation as a process that has the potential to trigger the creation
40 of new knowledge (i.e., green skills). Therefore, our findings lead to a debate on the
41 application of eco-innovation as a driver for the acquisition of new knowledge and skills, in
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3 line with the findings of other scholars such as Chirumalla *et al.* (2017) and Popadiuk and Choo
4 (2006). As Aboelmaged and Hashem (2019) pointed out, this type of prior learning makes it
5 easier for organisations to understand and apply agile approaches to the industrialisation
6 process and allows managers to identify and implement new sustainable solutions.
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10 Concerning hypothesis 4, our results highlight the potential impact of green skills on the
11 reputation of organisations. A possible explanation for this result would be that with the
12 necessary green skills, organisations find themselves in a better position to assure a
13 sustainable supply, reduce certain risks, improve their reputation, and secure new consumer
14 niche markets more efficiently than if they were to start from scratch. This aligns our findings
15 with previous research (Baah *et al.*, 2021; Carmeli and Tishler, 2005; Dangelico, 2015).
16 Similarly, this finding confirms that as argued by Dögl and Holtbrügge (2014), an
17 organisation's reputation can benefit positively from attracting, retaining, and supporting
18 employees whose values and green skills are aligned with its environmental commitment.
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20 From the management point of view, this study provides some relevant results. Firstly, eco-
21 innovation is presented as a transformation of data into knowledge. That is, eco-innovation
22 mediates the relationship between data protection and green skills. Eco-innovation,
23 therefore, becomes a learning process for developing green skills and environmental
24 knowledge. For this reason, it becomes imperative for managers to invest resources not only
25 in protecting data but also in transforming the available data into green skills by using the
26 appropriate knowledge management strategies and tools. Secondly, we have learned that
27 while eco-innovation is today an essential part of a business strategy, it does not guarantee
28 an improved reputation for the business. Therefore, organisations must support employees
29 in the adoption of green knowledge through both learning and reuse. The creation of green
30 skills represents the internalisation of eco-innovation knowledge, which in turn enables
31 external stakeholders to perceive the sustainability efforts, ultimately leading the
32 organisation to an increase in reputation.
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51 52 53 **6. Conclusions**

54 This study adds to the body of knowledge by providing the first empirical evidence of the
55 positive impact of ethical data privacy management on the business's overall reputation. In a
56 context defined by both the increased availability of data and increasing challenges with the
57 relevance and reliability of such emerging data, the reputation of most businesses is often
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3 influenced by the rigour of the data-driven decisions they make. This study confirms that
4 appropriate management of data privacy is a factor that positively affects the reputation of
5 organisations.
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8 Thus, this research's key contribution is raising awareness of the existing tension between
9 data privacy and organisational reputation. Customers are increasingly aware of risks
10 associated with how organisations use their personal data, making them less willing to share
11 their data unconditionally. While some organisations may see investments in data privacy as
12 an additional cost to their business, others may base their strategy on protecting their
13 customers' data. We have found that when customers believe their data is secure with the
14 organisation, they will positively perceive the organisation and its reputation. Through
15 mechanisms such as online reviews and word of mouth using social networks and digital
16 media, the perception of individuals about data protection soon becomes public knowledge,
17 directly impacting reputation.
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20 Another contribution of this research derives from analysing our findings from an
21 environmental perspective. This study shows that effective data privacy management can
22 indirectly support organisational reputation via eco-innovation and green skills. The use of
23 data by an organisation for environmental purposes encourages its customers to share their
24 personal data, thus providing a source of knowledge for the business to develop eco-
25 innovations in products, services and processes that meet the needs and concerns of
26 consumers. Moreover, our results suggest that green skills derived from using customers'
27 data can benefit both the environment and society, which can improve the organisation's
28 reputation. Public perception of the environmental commitment by a particular business
29 through the development of green skills in its workforce can enhance the organisation's
30 reputation. Hence, investments in data privacy indirectly facilitate a strategy that improves
31 the business's reputation while protecting the environment.
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34 This research has been driven by the need for a better understanding of the potential impact
35 of digital transformations on societal perception of commitment of businesses to protecting
36 the environment. We have found that prudent governance of information systems holding
37 sensitive data is of utmost importance as the reliance of business in digital technologies
38 increase. Through a sustainable integration of data privacy into the management strategy of
39 the organisation, measures for the protection of the cyber infrastructure of the organisation
40 and, indirectly, the privacy of their customers, must be prioritised and regularly tested.
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3 Furthermore, we argue that such efforts to combine data-driven innovation with solid data
4 privacy efforts should be communicated to key stakeholders –from customers to the wider
5 value chain, in order to improve trust in the organisation. Improved trust would encourage
6 customers to share their data which, in turn, enables the organisation to develop new
7 products and services that meet not only their customer demands but also environmental
8 practices.
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14 These results should also encourage small and medium-sized enterprises to invest in data
15 privacy in order to meet the needs of their increasingly technology- and environment-
16 sensitive stakeholders and to improve their reputation. This study presents some limitations
17 that can open new research opportunities. Indeed, the data were collected before the covid-
18 19 crisis in SMEs in the textile industry in Spain. Future research could investigate the impact
19 of Covid-19 on the results and digital privacy practices and other industries in other regions.
20 Moreover, future research may complete our theoretical framework with more variables (i.e.,
21 financial performance). Finally, investigating the impact of the type of business activity (B2B
22 or B2C) on these results could be an interesting avenue of research.
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33 **Funding statement**

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35 <Omitted for reasons of anonymity – to be added after review>
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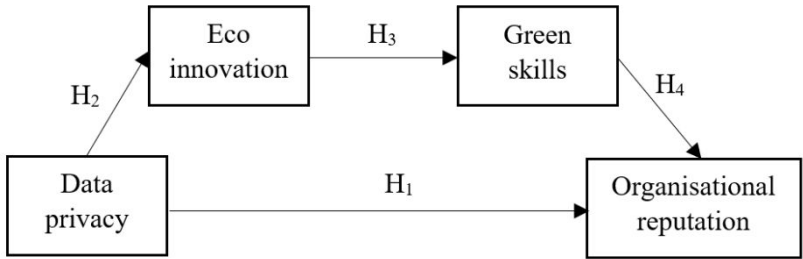
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Figure 1. Proposed research model



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Table 1. Measurement Model Evaluation.

Construct	VIF	Weight	loading	Reliability (ρ_A^a , AVE ^b)
Data Privacy				
DP1	1.729	0.395***	0.846***	$\rho_A = 0.831$ AVE=0.698
DP2	1.868	0.488***	0.898***	
DP3	1.488	0.300***	0.756***	
Eco-innovation				
EI1	2.539	0.380***	0.897***	$\rho_A = 0.855$ AVE=0.776
EI2	2.575	0.375***	0.899***	
EI3	1.765	0.380***	0.846***	
Green skills				
GS1	1.550	0.329***	0.783***	$\rho_A = 0.808$ AVE=0.630
GS2	1.673	0.282***	0.787***	
GS3	1.631	0.301***	0.784***	
GS4	1.696	0.347***	0.820***	
Organisational reputation				
OR1	1.701	0.363***	0.818***	$\rho_A = 0.766$ AVE=0.675
OR2	1.372	0.458***	0.813***	
OR3	1.709	0.397***	0.833***	

Notes:

Global goodness of fit and bootstrap-based 95% and 99% quantiles (estimated model): [SRMR= 0.059; SRMR₉₅=0.059 and SRMR₉₉=0.067; d_{ULS}=0.314; d_{ULS_95}=0.321 and d_{ULS_99}=0.548; d_G= 0.161; d_{G_95}=0.170 and d_{G_99}=0.235]

VIF→ variance inflation factor; ^a Dijkstra-Henseler's rho → (ρ_A); ^b Average variance extracted→ (AVE)

*** <0.01

Table 2. Construction correlation matrix

	Correlation matrix							
	Mean	S.D	CA	HTMT	1	2	3	4
1. Data privacy	5.880	1.214	0.786	0.445	0.835			
2. Eco-innovation	4.588	1.719	0.855	0.811	0.249	0.924		
3. Green skills	4.946	1.378	0.804	0.812	0.234	0.675	0.793	
4. Organisational reputation	5.514	1.007	0.761	0.812	0.345	0.436	0.633	0.875

Notes:

Mean = the average score for all items included in this measure; S.D. = Standard Deviation; CA = Cronbach's Alpha; Intercorrelations are presented in the lower and shady triangle of the matrix. Bold numbers on the diagonal are the square root of the Average Variance Extracted.

Table 3. Model statistics

<i>Direct effects</i>	<i>Path coefficients</i>	<i>t-values</i>	<i>5%CI_{lo}</i>	<i>95%CI_{hi}</i>	<i>R²</i>	<i>Q²</i>
<i>DP → EI</i>	<i>a₁=0.254^{***}</i>	3.007	0.084	0.401	0.064	0.048
<i>DP → OR</i>	<i>a₂=0.205^{***}</i>	4.189	0.101	0.287	0.461	0.298
<i>EI → GS</i>	<i>a₃=0.675^{***}</i>	17.297	0.583	0.739	0.456	0.281
<i>GS → OR</i>	<i>a₅=0.600^{***}</i>	13.222	0.512	0.686	0.461	0.298
<i>Indirect effects though</i>		<i>Point estimate</i>	<i>5%CI_{lo}</i>	<i>95%CI_{hi}</i>	<i>Sig</i>	
<i>DP → EI → GS → OR=</i>		0.103 ^{***}	0.038	0.169	0.000	
<i>DP → EI → GS=</i>		0.171 ^{***}	0.062	0.273	0.000	
<i>EI → GS → OR=</i>		0.405 ^{***}	0.329	0.490	0.006	

Notes:

*** <0.01

DP: Data Privacy EI: Eco-innovation GK: Green Skills OR: Organisational Reputation

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