REGULAR ARTICLES

Management innovation driving sustainable supply management
Process studies in exemplar MNEs

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Abstract Although research in the area of sustainable supply management (SSM) has evolved over the past few decades, knowledge about the processes of emergence and innovation of SSM practices within organizations is surprisingly limited. These innovation processes are, however, important because of the considerable impact they may have on resulting sustainable practices and because of SSM’s complex societal and intra-firm challenges. In a process study on management innovation, the sequences of SSM innovation processes in two exemplar case companies are studied to address: ‘What are the sequences through which SSM emerges within exemplar organizations?’, and ‘In what way do management innovation processes influence resulting SSM practices?’.

We build on literature regarding firstly management innovation and secondly communities and internal networks of practice. An SSM innovation model and propositions are developed, proposing how the process of management innovation affects SSM practices and firm performance in a broader perspective.

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Introduction

The strategic significance of sustainable supply management (SSM), including related topics such as sustainable operations and sustainable logistics, is increasingly acknowledged within both academia and industry. SSM addresses sustainability in the inbound part of supply chain management. Many authors have realized that SSM is an entirely


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new way of working (Pagell and Shevchenko, 2014). Pagell and Wu (2009) for example studied what is characteristic of SSM processes in exemplars. They concluded that the exemplar companies had made a radical break with traditional SCM approaches.

For radically new SSM practices however, new business models are needed (Pagell and Shevchenko, 2014). This implies that progressive companies have gone through management innovation processes in order to get sustainable SCM practices. Management innovation refers to ‘the invention and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to further organizational goals’. (cf. Birkinshaw et al., 2008).

Despite the growing body of SSM literature (Touboulc and Walker, 2015), scant attention has been paid to the management innovation process which entails the emergence and development of sustainable practices in the supply chain. For several reasons however, it is of substantive interest for the SSM field of research to study processes of how SSM emerges and develops as a management innovation. First of all, SSM management innovation processes are in all likelihood steering resulting practices and their effectiveness, which makes them interesting and important factors in themselves (cf. Birkinshaw et al., 2008; Mol and Birkinshaw, 2009). Secondly, insights into exemplar SSM innovation processes will help practitioners and policy makers (Walker et al., 2012) to make informed decisions about innovation processes. The processes are relatively new, tacit in nature and complex (Gold et al., 2010), and so their development poses a novel challenge to adopting companies. Finally, from the perspective of management innovation, SSM is interesting as well since it is highly complex in several respects: it requires the expertise of different functional areas, it involves numerous internal and external stakeholders relationships (Gold et al., 2010), and it has ethical and societal dimensions which touch public interest.

Through process studies in two exemplar companies, this research focusses on gaining insights into the innovation process of SSM, its emergence and its establishment within the boundaries of an organization, and into the influence of this process on resulting SSM practices. In line with the rational perspective on Management Innovation (cf. Birkinshaw et al., 2008), we focus on (1) its development sequences at the micro-organizational level of (2) actors and firm communities, and within those sequences (3) the role of knowledge accumulation. This informs us about the innovation process that was pursued and the rationale behind it.

The research questions are:

1. What are the sequences through which SSM emerges within exemplar organizations?
2. In what way do management innovation processes influence resulting SSM practices?

Our process studies in two exemplar case companies elucidate the emergence and internal diffusion of SSM, its sequences and its impact. In this process study we connect two areas of research (SSM and Management Innovation literature).

For SSM literature, we provide insights in an under-researched area of innovation processes itself and its influence on resulting practices. In the specific context of SSM, a sequences model outlines the emergence of Communities of Practice (CoPs) which transform to an internal Network of Practice (InOP) and the distinctive roles of key actors like pioneers and leaders throughout those sequences and the need for tacit knowledge which is required about internal cross-functional collaboration on the one hand and external inter-firm collaboration. Besides, the influence of management innovation processes on SSM practices is elucidated. Next, in the area of management innovation literature, this work adds the specific insights of a SSM process study, meeting calls for studies looking into the process of creation and implementation of management innovation (Mol and Birkinshaw, 2009).

Theoretical background

Sustainable supply management

SSM adds a dimension of sustainability to the field of supply management. It can be defined as the management of material, information and capital flows, as well as cooperation among companies along the inbound supply chain, while taking economic, environmental and social dimensions into account (cf. Seuring and Müller, 2008). SSM is vital for companies that strive to be sustainable, since for many companies over half of their turnover comes from services or products bought from suppliers. This implies that a firm’s inbound supply chain offers substantial potential for influencing its triple-bottom-line (Handfield et al., 2005; Paulraj, 2011).

Research on sustainability in the supply chain has evolved over the past two decades, as has been acknowledged by various literature reviews (e.g. Carter and Easton, 2011; Sarkis et al., 2011). This has resulted in a broad array of studies, ranging from its profitability (Golicic and Smith, 2013) and the capabilities and antecedents required (Bowen et al., 2001;Gattiker and Carter, 2010; Pagell and Wu, 2009; Paulraj, 2011; Reuter et al., 2010) to organizations’ motivation and barriers to strive for sustainable supply chains (Hofer et al., 2012; Walker et al., 2008). Considerable attention has been paid in the past to the business case for sustainable business in general (Margolis and Walsh, 2003; Orlitzky et al., 2003) and for SSCM and SSM in particular (Golicic and Smith, 2013). However, because of the widely acknowledged, compelling need for sustainability, the challenge has changed from ‘whether’ to act in a sustainable way to ‘how’ to act in a sustainable way (Kleindorfer et al., 2005; Pagell and Wu, 2009). Economic gains alone are too narrow as a motivation for SSM (Pagell and Shevchenko, 2014).

Several studies have acknowledged that progressive SSM practices involve radical changes compared with traditional supply management practices (Pagell and Shevchenko, 2014) in terms of, for example, non-economic performance criteria and supply base management (Pagell and Wu, 2009). These studies have produced interesting findings on the characteristics of radically innovated SSM practices. These radically new practices imply that exemplar companies have

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