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Sustainable procurement: Building legitimacy in the supply network

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ABSTRACT

The challenges introduced by sustainable development deeply affect purchasing and supply management practices and therefore foster a change in the firm's supply network. After a literature review on supply network management, sustainable sourcing and legitimacy, this paper presents the results of an in-depth case study of a gardening distributor which adopted a sustainable strategy. The analysis illustrates how the firm conquers its legitimacy in sustainable development through the evolution of its supply network. The paper highlights three types of legitimacy – product legitimacy, corporate legitimacy and cause legitimacy – and reveals the different roles of business and non-business actors in the firm's extended sustainable supply network.

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1. Introduction

Based on the Brundtland Commission's first definition, sustainable development is defined as development that "*meets the needs of the present without compromising the ability of future generations to meet their own needs*" (WECD, 1987: 8). In the field of business, it requires the conciliation of profit objectives; respect for the environment and the satisfaction of all the firm's stakeholders i.e. the actors affected by the activities of the organization—customers, employees, suppliers, subcontractors and the local community (Freeman, 1984). The pressure exerted by the general public and by customers (Klosterman and Cramer, 2006; Campbell, 2007), the new government regulations and legislation (Boiral, 2006) as well as the desire to gain a competitive advantage drive firms to position themselves towards social and environmental stakes (Walke et al., 2008) in an effort to improve their image and to gain increased legitimacy (Schrivastava, 1995). Apart from these external drivers, two main internal factors push firms to implement green supply practices: the personal commitment of managers and investors and the desire to reduce costs by minimizing waste and pollution (Walker et al., 2008). In this context, De Burgos Jimenez and Cespedes Lorente (2001) suggest adding sustainable development to the firm's competitive priorities. As mentioned by Savitz and Weber (2006:14): "*sustainability is now a fundamental principle of smart management*".

The purchasing function plays a strategic role in helping a firm reach its sustainable development objectives as acknowledged by an increasing body of research and publications on sustainable procurement (Walker and Phillips, 2009). As mentioned by Krause et al. (2009: p. 18), a company "*is no more sustainable than its supply chain*". A recent study carried out by Ernst and Young (Saviac et al., 2010) based on the interviews of 100 major companies highlights the central role of the purchasing function in the integration of sustainable development principles across all the firm's functions. Similarly, a study carried out by Orse and Ecovadis (Daudin and Kadjar, 2010) with 125 international companies reveals that 64% of the firms interviewed rank sustainable procurement as a strategic priority in their global responsible and sustainable strategy. The choice of suppliers appears critical in the implementation of a sustainable sourcing strategy as new supply chains and new coordination modes with suppliers are required to develop innovative solutions. In most sectors, the integration of sustainable development stakes thus calls for a deep change of practice in the supply chain and fosters a change in the firm's supply network (Pagell et al., 2010).

This is not an easy process as the implementation of sustainable procurement raises new risks and practical paradoxes (Carter and Rogers, 2008). As a consequence, not all firms respond similarly to the need for sustainable development. Several strategies can be identified (Handfield et al., 1997) ranging from green washing practices to more in-depth practices based on stronger convictions and values (Greer and Bruno, 1996). This paper focuses on this second type of authentic strategy and raises the central issue of legitimacy. In spite of an increasing amount of research work and articles, there is still a strong need to empirically study the implications of the integration of such a strategy on the firm's practices and supply network (Carter and Rogers, 2008). Using the theoretical framework of supply networks developed by the IMP School of Thought (Gadde and

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Håkansson, 2001), this paper aims at understanding how a firm developing a sustainable development strategy manages to build its legitimacy in this field through its procurement strategy and practices. It highlights the relevance of the network approach of sustainable purchasing integrating not only direct and indirect suppliers in the firm's value creation processes but also "non-business actors" (Hadjikhani and Thilenius, 2005) such as labeling organizations, technical experts, ecological foundations, the government, the media, as well as standardization and regulatory agencies. Developing cooperative ties with these non-business actors comes across as a key success factor to develop the firm's resources and legitimacy in sustainable development. The paper suggests analyzing this strategic legitimating process (Sine et al., 2007) at three levels: the technical level (offer legitimacy), the firm level (corporate legitimacy) and the societal level (cause legitimacy). It concludes on the evolution of the purchaser's role in the context of sustainability, which might increasingly involve identifying and engaging with these new stakeholders.

This paper is structured as follows: presentation of the conceptual framework based on the existing literature, methodology, presentation of the case study, case findings, discussion and concluding comments informing a future research agenda.

2. Literature review

2.1. From procurement and purchasing to supply network management

Over the last decades, the importance of purchasing as a field of strategic interest has been growing due to several factors: increased market globalization, escalation of purchasing costs, total quality management (Sheth and Sharma, 1997), as well as the growth of outsourcing strategies (McIvor, 2000). As a consequence, the traditional emphasis on optimizing single transactions has progressively shifted towards a long term view of procurement relying more heavily on suppliers as value generators able not only to provide resources and technology but also to grow the company's revenues (Gadde and Håkansson, 2001). Forming close relationships with suppliers is then a means for a given company of gaining access to their suppliers' resources so as to develop their activities (Araujo, Dubois and Gadde, 1999). Under this perspective, the key issue for the purchaser is no longer to manage the flow of goods and services into the organization but to manage the supply process (Cousins and Spekman, 2000). The development of a network of external resources i.e. supplier network then becomes a key mission for the purchasing firm. Buying firms need to identify suppliers that, due to their characteristics and capabilities, may leverage their own resources and activities and foster their ability to deliver superior value to customers (Dubois and Pedersen, 2002; Brito and Roseira, 2003). More recently, some IMP scholars have extended this network view to a broader range of relationships by focusing on the influence of 'non-business actors' on a firm's activities (Hadjikhani and Thilenius, 2005). Our paper is more specifically concerned with such a broader supply network perspective.

2.2. Towards sustainable supply network management

Sustainable procurement can be defined as the pursuit of sustainable development objectives through the purchasing and supply process (Walker and Phillips, 2009). One of the first issues when implementing sustainable procurement is to identify the various "*components of sustainability*" (Krause et al., 2009: p. 20). The factors of the triple bottom line (Elkington, 1998) are now acknowledged in the literature (Carter and Rogers, 2008): environmental stewardship (preservation of natural resources, waste minimization, reduced emissions); social equity which relates to the firm's purchasing social responsibility (such as cultural diversity, human rights and safety) and economic performance. The integration of these criteria in supply management has led to a variety of concepts (see Walker et al., 2008 for a complete review). Recent contributions adopt a supply chain perspective (Carter and Rogers, 2008) or supply network perspective (Young and Kielkiewicz-Young, 2001).

2.2.1. Impact of sustainability issues on purchasing practices

The literature highlights that the inclusion of environmental and social factors on top of economic factors generates more complex decision-making processes for the purchaser (Handfield et al., 2002; Carter, 2004). Firstly, purchasers need to go beyond financial metrics and to monitor new sets of risks such as employees' security, pollution, waste of resources (Carter and Rogers, 2008), the impact of their activities on local communities (Ghai and Vivian, 1995), or the risks of a negative impact on their corporate image (Foerstl et al., 2010). Secondly, the purchaser's traditional supplier management systems based on supplier portfolio models (Kraljic, 1983; Gelderman and Van Weele, 2005) often prove difficult to apply in the pursuit of sustainability. Such models are ill-adapted to account for the numerous uncertainties of a rapidly changing environment with new factors, new labels and new actors appearing in the market (Foerstl et al., 2010). This is all the more difficult as confidentiality issues often limit the purchaser's access to suppliers' information and in particular to the sharing of ideas for improvement (Wycherley, 1999). To cope with these new uncertainties, several studies emphasize the need to work more closely with suppliers (Theyel, 2001; Vachon and Klassen, 2008), relying more extensively on cooperation and partnerships (Hartman et al., 1999), joint development activities (Carter and Carter, 1998), as well as innovation with suppliers and other external partners in a long term perspective (Walker and Phillips, 2009; Baraldi et al., 2010). Buying firms are thus incited to "*proactively revisit their supplier selection decisions to elevate sustainability*" (Krause et al., 2009: p. 22). In summary, sourcing strategies have evolved:

- From a dominant focus on the current price to a total cost of ownership focus including the effects of resource depletion and the generation of by-products (Linton et al., 2007).
- From the procurement of standardized inputs to joint-value creation methodologies (Carter and Carter, 1998) in a 'reverse marketing process' (Blenkhorn and Banting, 1991) where the buyer organization works cooperatively with suppliers.
- From dominantly quantifiable and financial performance metrics to more qualitative metrics such as social welfare or working conditions (Carter and Rogers, 2008).

2.2.2. Impact of sustainability issues on supply network

Sustainable procurement often involves several changes in the structure of the supply network and the content of the relationships developed between its members: "*Network evolution can be manifested in new actors entering the network, in actors initiating changes in some relationships, in resources getting recombined and in activities being performed in new ways*" (Baraldi et al., 2010: 5). Similarly, Andersson and Sweet (2002) show that the development of sustainable solutions requires to work with a reduced number of suppliers (Vachon and Klassen, 2006) and to connect more closely the previously separated networks.

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