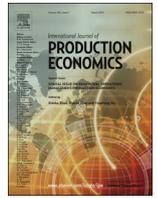




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An Institutional Theory perspective on sustainable practices across the dairy supply chain

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ABSTRACT

The need for sustainable practices in the food supply chain, particularly in the area of energy reduction, is becoming acute. The food industry currently has to contend with multiple competing pressures alongside the new challenges of sustainable production. We applied Institutional Theory to explore the role of supermarkets in the development of legitimate sustainable practices across the dairy supply chains. The paper focuses on dairy supply chain organizations and their consumption of energy. We conducted 70 semi-structured telephone interviews with various stakeholders across the supply chain. Findings revealed that the majority of actors in the supply chain identified supermarkets as the dominant player, and that the supermarkets exert pressure on other smaller organizations across the supply chain. Although some organizations wished to pursue a sustainable agenda through integrating new rules and legitimate practices within their own organization, the dominant logic appeared to be one of cost reduction and profit maximization. There was also evidence that supermarkets and other large organizations attempt to replicate publicly available information on green successes for image purposes. We conclude that the dominant logic of cost reduction is so well established that challenging the dominant logic may prove difficult. The challenge is therefore to complement the dominant logic with sustainable practices across the whole supply chain, a role Government needs to play. This will require a broader more systemic approach to encouraging sustainable practices including investment and financing practices, so that all members of the dairy supply chain can co-operate and contribute to energy reduction.

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1. Introduction

The need for sustainable practices in the food supply chain is becoming acute (Dairy Road Map, 2008). The food industry currently has to contend with multiple competing pressures alongside the new challenges of sustainable production, in particular reducing energy consumption (Boiral, 2006). The food industry has changed a great deal since the 1940s with increases in purchasing power, the introduction of packaging, and extensive mechanization and development of factory processes. It could be argued that such developments have also increased the food industry's dependency on energy at the industrial manufacturing stage. In this context, sustainable practices have become more important in achieving the cost effective production and distribution of goods. The food industry has to contend with multiple

pressures alongside the new challenges of sustainable production and the challenges faced in relation to energy consumption touch on multiple sectors in addition to food and energy production, and include construction (e.g. of storage facilities and retail environments) and manufacture (e.g. of agricultural equipment, refrigeration equipment). In the present study, we set out to explore what small and large organizations operating across one important food supply chain, namely the dairy supply chain which is an energy intensive supply chain (Dairy Road Map, 2008), are doing to implement sustainable energy practices.

Specifically, this study explores how sustainable practices become legitimized in the dairy supply chain in the United Kingdom (UK). Suchman (1995, p. 574) provides a definition of legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions". Therefore, as stated by Greenwood and Suddaby (2005, p. 36–37) "legitimizing an organizational form that does not fit a prevailing logic involves modifying or displacing that logic

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in order to establish new legitimacy criteria". In this case that would be legitimating sustainable practices.

We apply Institutional Theory which is an alternative theoretical lens to previous research that has focused on Corporate Social Responsibility (CSR), environmental management and so on (e.g. Bai and Sarkis, 2010; De Ron, 1998; Herron and Braiden, 2006; De Brito et al., 2008; Wong et al., 2012). Applying such organizational theories to supply chain management is an area which is currently in its infancy (Ketchen and Hult, 2007); particularly where the focus of attention is on sustainability and greening supply chains (Etzion, 2007; Sarkis et al., 2011). Previous research applying Institutional Theory has focused on organizations, whereas this study explores a supply chain comprising of multiple organizations. Institutional Theory has been used extensively in studies exploring environmental management in organizations (e.g. Hoffman, 1997, 1999; Delmas, 2002; Bansal, 2005). The strength of Institutional Theory is that it offers explanations of why certain practices are chosen without an obvious economic return (Berrone et al., 2010; Meyer and Rowan, 1977; DiMaggio and Powell, 1983).

We explore what stakeholders across the dairy supply chain are doing in order to increase energy efficiency, whether they have future plans to do more in terms of energy efficiency and reduction, and to discover if outsiders to organizations know about these practices i.e. are their practices visible or invisible beyond the firm boundary. We also explore the key factors preventing the development of sustainable strategies, in this case strategies to reduce energy consumption. The present study contributes to the literature on sustainable strategies, particularly in relation to environmental concerns and using Institutional Theory allows us to explore the factors that affect different actors across a supply chain and could help to identify where collaborative change in practices could be encouraged.

2. Sustainability and supply chain management

Sustainable development is an important agenda in the modern business world (Amaeshi et al., 2008; Carroll, 1991; Porter and van der Linde, 1995). Sustainable development has been defined as development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development, 1987). Sustainable development is becoming one of the most prominent topics of our time (Patzelt and Shepherd, 2011). The term sustainability integrates social, environmental and economic responsibilities (Gimenez et al., 2012, p. 149). This paper focuses attention on energy reduction and thus we provide clarity on what we mean by environmental sustainability, that is it is often related to waste reduction, pollution reduction, energy efficiency, emissions reduction, and a decrease in the consumption of hazardous materials (Gimenez et al., 2012, p. 150).

During the favorable economic climates of the 1990s, individuals and organizations seemed reluctant to respond to concerns over energy with appropriate behaviors (Sheffield et al., 1999). Now, with global economic uncertainty, increasing business complexity due to globalization, technological advancements and a significant increase of energy use, a renewed focus on energy saving is prominent. Sustainability issues have become embedded in both national and international politics (Manderson, 2006).

Developing a sustainable strategy requires a judicious blend of competitive advantage, requiring superior firm resources and capabilities as well as a fit between the external environment and the strategic action of firms (Burke and Logsdon, 1996; Husted and Allen, 2007). However, developing a sustainable social and environmental strategy may be at odds with retaining competitive advantage in the pursuit of profits. This presents a problem for

sustainable strategies and how firms actually account for progress towards strategic goals through the use of reliable measures and how they track and report progress to stakeholders. Sustainability is arguably in the interest of the firm and perhaps could be considered as a separate strategic goal for organizations.

Supply chain management (SCM) plays a central role in achieving sustainability (Ageron et al., 2012), through changing buying practices and impacts on the natural environment (Wolf, 2011). SCM has a strong and deep impact on the natural environment because it deals with the resources needed for the production of a good or service (Mentzer et al., 2001). This is particularly the case with supply chains that involve agriculture. Thus, SCM impacts the exploitation of renewable and non-renewable resources (Srivastava, 2007), which indicates the importance of incorporating sustainability in internal SCM practices (Wolf, 2011). Large firms can use their purchasing power to help instill good environmental and social practices in SMEs across the supply chain who directly supply them (Hart, 1995; World Commission on Environment and Development, 1987). However, this might have negative implications and costs for small firms. Moreover, large firms purchasing practices and preferences might also inhibit suppliers' abilities to incorporate sustainability into SCM (Wu et al., 2012).

The literature has dealt with multiple issues: green product development (Baumann et al., 2002; Chialin, 2001), green purchasing (Chen, 2005), ethical sourcing (Roberts, 2003), green supplier development (Seuring and Müller, 2008), sustainable transportation (Murphy and Poist, 2000; Murphy et al., 1996), sustainable operations and production (Kleindorfer et al., 2005), issues related to governance and reporting (Hervani et al., 2005; Keating et al., 2008; Tate et al., 2010) and product carbon management (McKinnon, 2010). Most of this research has been fragmented and considered single activities in isolation (Svensson, 2007). This present study aims to link some of these areas together through exploring perspectives across the supply chain, and examining the legitimization of sustainable practices. Sustainable supply chain management (SSCM) is defined as "the strategic, transparent integration and achievement of an organization's environmental, social and economic goals in the systematic coordination of key inter-organizational business processes for improving the long-term economic performance of the individual company and its chains" (Carter and Rogers, 2008, p. 365).

Recently, research on sustainable supply chain management (SSCM) has started to integrate the supplier perspective (Foerstl et al., 2010; Pullman et al., 2009), but such approaches are still scarce (see also the critique put forward by Svensson (2007)), and the literature on SSCM is still limited (Gold et al., 2010). There is far less research that addresses the relationship between a firm's sustainability strategy, its internal integration in the form of the supply chain sustainability strategy and the external integration with customers and suppliers (Keating et al., 2008; Pagell and Wu, 2009; Seuring and Müller, 2008; Svensson, 2007). Such an integrative perspective appears to have the potential to improve efforts in making supply chains more sustainable (Wolf, 2011). This is an area the present study seeks to address.

One of the barriers to developing an integrative perspective on SSCM is that sustainability is a concept that is vague, ambiguous, pluralistic, contested, and grounded in different value systems (Gladwin et al., 1995; Manderson, 2006; Osorio et al., 2005). Moreover, to be sustainable supply chains need to be funded and valued (Centikaya et al., 2011). This is in spite of widespread agreement that sustainability is something we all need (Gould and Lewis, 2009; Osorio et al., 2005; Wissenburg, 2001).

We chose the dairy supply chain because it is an economically important aspect of agriculture with international aspects to its supply chain (Dairy Road Map, 2008; Foster et al., 2007). In turn agriculture is an important sector, because of the impact climate change on food supply and agricultural practices

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