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# Sustainable supplier development practices: Drivers and enablers in a global context



Cristina Sancha\*, Annachiara Longoni, Cristina Giménez

ESADE Business School—Universitat Ramon Llull, Av Torrelblanca 59, Sant Cugat del Valles, Spain

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## ABSTRACT

The objective of this paper is to study the impact of institutional pressures at the country level (i.e., coercive, regulatory, normative) on the adoption of sustainable supplier development practices. Globalization is allowing firms to expand in new markets and to leverage on localization advantages by establishing foreign plants and sourcing internationally. Plants located in different countries might be subject to different institutional pressures shaping their organizational response to sustainability within and outside their domain (e.g., in relation to their suppliers). The paper also aims to examine if firm specific capabilities (e.g., supply chain integration) play an enabling role in the adoption of sustainable supplier development practices. To analyse these relationships we relied on both primary and secondary data, and used hierarchical linear modelling to test our hypotheses. The results show that mimetic pressures have a positive effect on the adoption of sustainable supplier development and that this influence is positively moderated by the firm's level of supplier integration. Coercive and normative pressures have no effect on the adoption of sustainable supplier development practices. Overall our results suggest that sustainable supplier development is a proactive practice adopted for competitive reasons and enabled by firm specific capabilities.

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## 1. Introduction

The management of sustainability, which entails both environmental and social dimensions besides the economic one, has become a top priority for both practitioners' and researchers' agendas. Supply chains have shifted their focus from cost or quality issues to also include the environmental and social dimensions of sustainability (Porter and Kramer, 2006). One key challenge firms face when managing sustainability in their supply chains is captured in the premise that a firm "is no more sustainable than its supply chain" (Krause et al., 2009, p. 8), meaning that to ensure sustainability firms need to extend it to other supply chain members (e.g., suppliers). Buying firms need to audit and collaborate directly with their suppliers to build a sustainable supply chain. To extend sustainability to suppliers, buying firms can rely on the use of supplier development (SD) practices which have been described in the literature as a set of practices aimed at improving suppliers' performance and/or capabilities (Krause et al., 2000). Examples of these practices are the

evaluation and assessment of suppliers' performance and/or the collaboration with them by means of training provision. In the context of sustainable supply chain management (SSCM), sustainable SD practices are oriented towards the achievement of environmental and social goals (e.g., evaluation of the suppliers' environmental and social performance, supplier training in terms of health and safety and environmental practices). In that sense, their adoption is suggested to make suppliers environmentally and more socially responsible (Gimenez et al., 2012; Rao, 2002; Zhu and Sarkis, 2004).

Although different authors have studied the implementation of sustainable SD practices and their impact on different sustainability performance dimensions (i.e., economic, environmental and social performance) (e.g., Gimenez et al., 2012; Vachon and Klassen, 2006; Zhu and Sarkis, 2007), there are few papers that have as main research aim the study of their antecedents (Gimenez and Tachizawa, 2012). In other words, what triggers the adoption of sustainable SD practices deserves further attention. In that sense, our objective is to study the factors that make firms adopt these sustainable SD practices. We will follow Lee and Klassen (2009) approach and distinguish between two types of antecedents: drivers and enablers. A driver is a factor that initiates the adoption of sustainable SD practices. Using the institutional theory we posit that coercive, normative and mimetic pressures drive firms to adopt sustainable

\* Corresponding author.

E-mail addresses: [cristina.sancha@esade.edu](mailto:cristina.sancha@esade.edu) (C. Sancha),  
[annachiara.longoni@esade.edu](mailto:annachiara.longoni@esade.edu) (A. Longoni),  
[cristina.gimenez@esade.edu](mailto:cristina.gimenez@esade.edu) (C. Giménez).

SD practices with the aim of making suppliers more sustainable. Specifically, we believe that firms located in different countries might be subject to different institutional pressures to develop their answer to sustainability along the supply chain. Understanding to what extent country-specific institutional pressures impact on sustainable SD adoption may help global firms to shape their practices adoption to improve sustainability outside the firm domain. Moreover understanding what makes firms adopt sustainable SD practices will allow global policy makers to build a suitable environment and provide incentives for the adoption of these practices.

An enabler is a factor that facilitates or assists the firm in the adoption of these practices. Relying on the resource based view (RBV) we believe that the higher the level of firm-specific capabilities that allow sharing information and coordinating with suppliers, the easier the adoption of sustainable SD practices to extend sustainability to suppliers. In that sense we posit that the adoption of sustainable SD practices will be easier to the extent a firm is externally integrated with its suppliers. By external integration we mean the extent to which a firm coordinates and integrates physical and/or information flows with other parties in the chain (Frohlich and Westbrook, 2001). In this paper, we focus on external integration with suppliers. This entails, for example, the sharing of information about stock levels between both parties (Gimenez and Ventura, 2005). An additional example of external integration with suppliers is the collaboratively replenishment between manufacturers and suppliers (Wiengarten et al., 2014). The identification of the factors that enable the adoption of sustainable SD practices will help (1) firms to understand which capabilities they need to answer to institutional pressures in their global context and (2) policy makers to support the development of such capabilities.

To achieve our research objectives, in Section 2 we briefly provide the theoretical background and develop our research hypotheses with respect to the drivers and enablers of sustainable SD practices. In Section 3 we describe the methodology employed in this paper. The research hypotheses are tested in Section 4. In this section we also provide a summary of the results which are then discussed in Section 5. Conclusions are derived at the end of the paper.

## 2. Theoretical background and hypotheses development

In a recent literature review on the extension of sustainability development to suppliers, Gimenez and Tachizawa (2012) identified that most of the papers studying antecedents of sustainable SD practices focused mainly on internal antecedents. As firms are not only influenced by their internal dynamics but also by the external environment in which they operate, especially the country in which their plants are based, our paper will focus not only on the internal dimension but also on studying how different external factors influence the adoption of sustainable SD practices. Additionally, as already mentioned, in the study of sustainable SD practices antecedents we will distinguish between drivers, considered in terms of country-specific external pressures (i.e., coercive, mimetic and normative pressures), and enablers, considered in terms of firm specific capabilities (i.e., supply chain integration (SCI)) (Lee and Klassen, 2009).

### 2.1. Drivers of sustainable SD practices

We adopt the lenses of institutional theory (DiMaggio and Powell, 1983; Scott, 1987) to examine how external pressures coming from the environment in which the firm operates, influence firms to adopt organizational practices (Hirsch, 1975; Lai et al., 2006). In our case, institutional pressures in the country

where the firm's plant is located will influence the adoption of sustainable SD. In the current global environment it is needed to understand how plants located in different countries might be subject to different external pressures and adopt different organizational practices (e.g., sustainable SD).

Based on the institutional theory, we distinguish between three types of institutional drivers: coercive, normative and mimetic (DiMaggio and Powell, 1983). Coercive drivers have been described as a key element in exerting pressure to adopt sustainable oriented practices (Zhu et al., 2013). They are defined as the influence exerted by those in power such as governments (Rivera, 2004). Governments all over the world have developed and implemented laws with respect to environmental and social issues. For instance, in 2001 Japan introduced the Japanese Law on Promoting Green Purchasing, which forced firms to purchase from environmentally friendly suppliers. Similarly, the Occupational Health and Safety Act (OHSA) in Canada imposes labour standards and duties on employers, owners and suppliers among others. The extent to which these regulations are strictly enforced may affect the effectiveness of coercive measures (Zhu et al., 2013). In that sense, in this paper we consider coercive measures as the ability of the government in the country where the plant is located to implement sound policies and regulations.

Normative drivers are related to pressures coming from social groups (e.g., non-governmental organization (NGO)) (Ball and Craig, 2010). Firms will adopt organizational practices to be able to conform to social legitimacy as a result of normative pressures (Zhu et al., 2013). Social groups such as NGOs, the media, and/or trade unions influence organizations to adopt certain practices (e.g., environmental and socially responsible practices) (Gunningham et al., 2004; Hoffman, 1999). For instance, several NGOs have developed voluntary standards such as the Natural Step and the Global Initiative Guidelines to incentivize firms to go beyond minimal sustainability requirements (Bradbury and Clair, 1999; Delmas and Terlaak, 2002; Hedberg and von Malmberg, 2003). In addition, these groups influence firms to adopt sustainable practices since they have a huge impact on public opinion and guide consumers' behaviour (Gunningham et al., 2004). Based on these previous arguments, in this study we will use the number of NGOs, media and trade unions in the country where the plant is located as a proxy for normative drivers.

Finally, mimetic drivers push firms to imitate successful competitors in the same industry (Aerts et al., 2006). Firms that adopt proactive environmental practices show higher levels of business and financial performance (Montabon et al., 2007; Zhu and Sarkis, 2004). In fact, customers may decide to buy from firms that are environmental and socially friendly than from firms that are not. According to mimetic pressures, firms follow the actions of successful competitors (i.e., green and social champions). In that sense, firms will be then pushed to imitate the environmental and social practices of green and social champions as a way to stay ahead of competitors. Accordingly, the greater the level of sustainable practices adopted by firms in the country where the plant is located, the higher the pressure to implement such practices.

Studies concerning sustainability development have generally recognized that firms are subject to institutional pressures in the form of normative expectations, coercive regulations, tight public policies, media and NGO scrutiny, and mimetic isomorphism within their fields (Aragon-Correa, 1998; Hoffman, 1999; Sharma, 2000; Sharma and Vredenburg, 1998; Lai et al., 2006). As pointed by Scott (1987) firms will adopt sustainable practices as a reaction to the influences of the external environment. In other words, the adoption of sustainable practices can be a result of coercive, normative and mimetic pressures. In line with this, Gonzalez-Benito and Gonzalez-Benito (2006) found that the pressure coming from competitors, NGOs and other entities explained the

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