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## Industrial Marketing Management



## The role of power and trust in spreading sustainability initiatives across supply networks: A case study in the bio-chemical industry

Osama Meqdadi <sup>a</sup>, Thomas E. Johnsen <sup>b</sup>, Rhona E. Johnsen <sup>a,\*</sup>

<sup>a</sup> ESC-Rennes School of Business, 2 Rue Robert d'Arbrissel, 35065 Rennes Cedex, France

<sup>b</sup> Gianluca Spina Chair of Supply Chain Management, Politecnico di Milano, School of Management, Via Lambruschini 4/b – building 26/B, 20156 Milan, Italy

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## ABSTRACT

This paper investigates how sustainability spreads across supply networks. Adopting an Industrial Marketing & Purchasing (IMP) Interaction Approach (Håkansson, 1982), we seek to understand sustainability spread as a change process that affects different supply network actors and the impact of power and trust on the spreading process. The paper reports on an in-depth case study of the development of a sustainability initiative in the bio-chemical industry, based on data collection with multiple supply network actors across several tiers, providing unique and rich insights into understanding sustainability spread in a supply network and the perceptions of multiple supply network actors on the role of power and trust on the spreading process. Data collection comprised 20 semi-structured interviews spanning eight supply network actors, supported by secondary data such as archival records. The case study indicates that both coercive and non-coercive power as well as trust, significantly impact the actors' engagement in sustainability initiatives and its wider spread in supply networks. The paper contributes to the literature on sustainable supply chain management and IMP research on sustainability spread and, in particular, provides insights on the impact of power and trust on the process of sustainability spread across dyadic relationships into the wider supply network.

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### 1. Introduction

There is increasing consensus in both academia and practice that sustainability presents a major challenge for companies that is unlikely to dissipate in the near future. Consider the problems of the BP oil spill in the Gulf of Mexico in 2010, Nestle's troubles when faced with accusations of using palm oil in its KitKat chocolate bar, or Apple's struggles to root out child labour: such examples show not only that sustainability risks are ever present and rising but also that they usually concern suppliers and more often sub-tier suppliers. In fact, there is consensus in research that companies cannot tackle sustainability on their own as they rely extensively on their supply networks for the development, production and delivery of goods and services to customers (Andersen & Skjoett-Larsen, 2009; Krause, Vachon, & Klassen, 2009). Therefore, addressing sustainability risk and implementing sustainability initiatives require network-wide changes involving coordinated action by actors across supply networks.

Research in supply chain management (SCM) has sought to analyze sustainability implementation within a customer-supplier relationship

and supply chain context. However, this body of research rarely considers sustainability from the perspectives of different actors within supply networks, capturing their actions and reactions to sustainability being implemented by another actor. The reality is that even research that supposedly analyzes sustainability from a supply chain perspective usually goes no further than looking at immediate suppliers (Miemczyk, Johnsen, & Macquet, 2012). In order to understand how sustainability diffuses (Tate, Ellram, & Gölgeci, 2013) or spreads (Havila & Salmi, 2000) across supply networks, we need to adopt a more holistic multi-actor perspective; one that calls for a network perspective (Öberg, Hüge-Brodin, & Björklund, 2012).

Addressing the identified gap in current research on sustainable SCM, this paper seeks to understand sustainability implementation as a change process that takes place within complex supply networks. Understanding supply network change in turn requires an understanding of the level of connectivity amongst the actors that make up the network, in particular relationship embeddedness (Tate et al., 2013). Thus, it is necessary to consider the role and characteristics of business relationships that connect supply network actors (Højmoose, Brammer, & Millington, 2012). Various theories have been applied to analyze sustainable supply network phenomena, including stakeholder (e.g. Clarkson, 1995; Freeman, 1984) and institutional (e.g. DiMaggio & Powell, 1983) theories. While both stakeholder and institutional theories provide conceptual frameworks to analyze different actor types

\* Corresponding author.

E-mail addresses: osama.meqdadi@esc-rennes.com (O. Meqdadi), thomaserik.johnsen@polimi.it (T.E. Johnsen), rhona.johnsen@esc-rennes.com (R.E. Johnsen).

according to levels of salience, especially in terms of legitimacy, urgency and power, and the role of institutions (such as routines, rules and regulations), interaction processes amongst actors are largely ignored. Furthermore, both stakeholder and institutional theories typically perceive the firm's stakeholder relationships as a set of direct relationships affecting the firm. Thus, neither stakeholder theory nor institutional theory focuses on the role of relationships in connecting supply network actors and in practice these theories have little to say on how sustainability initiatives spread across multiple network actors.

In this paper we adopt the Industrial Marketing and Purchasing (IMP) Interaction Approach (Håkansson, 1982) as a theoretical lens as it has been used extensively in both industrial marketing and purchasing research to analyze and understand buyer-supplier relationships and network phenomena. In particular, for this study the focus of IMP theory on relationship connectedness and embeddedness of actors in complex networks is suitable for researching how sustainability initiatives spread across supply networks. We should point out that, somewhat surprisingly, sustainability within IMP is a relatively under-researched topic. There have been few attempts to date to understand how sustainability spreads in supply networks and the effects that sustainability induces in networks (Ritvala & Salmi, 2010). Thus, more empirical work is needed to understand how actors, especially suppliers, are engaged in customers' sustainability activities (Tate et al., 2013), how sustainability can be executed in supply networks and how relationships affect the implementation of sustainability initiatives. In this paper, we focus on understanding how power and trust impact the implementation of sustainability initiatives in supply networks. Where power is traditionally defined in terms of getting another actor to do something they would not otherwise have done (Dahl, 1961), and therefore about exploiting a superior position for one's own benefit, trust is about expectations of mutually acceptable behavior (Sako & Helper, 1998). On the one hand, extant research has identified the need for focal companies to be in a position of power in order to successfully persuade or coerce suppliers to engage in sustainability initiatives (Hall, 2000; Touboulic, Chicksand, & Walker, 2014). On the other hand, we would expect relationships characterized by trust to be an important enabler in this process (Simpson & Power, 2005; Vachon & Klassen, 2006). This presents a paradox as companies may need to coerce suppliers to engage in their sustainability initiatives but coercion is a risky strategy as it engenders the possibilities of retaliation and decreased rewards for all parties (Ireland & Webb, 2007; Molm, 1997).

In this paper, two research questions are therefore posed:

- 1- *How does sustainability spread within supply networks?*
- 2- *How do power and trust impact the successful spreading of sustainability within supply networks?*

To address these research questions, we investigate a case study of the initiative of a large chemical company to 'green' its supply network through developing bio-based products. We investigate particularly how the change induced by this initiative affects a number of actors in the supply network and the influence of power and trust between the focal company and several suppliers on successful spreading of the initiative.

The paper is structured as follows. The first section is concerned with providing a literature review on sustainability from an IMP perspective and on the role of power and trust as relationship characteristics in spreading sustainability. The second section reports on the research methodology used and how data has been collected and analyzed. The third section introduces the case study and the development of the sustainability initiative across the supply network. This is followed by the analysis of the findings. Finally, the paper discusses the findings in relation to the existing literature, outlines managerial implications and identifies avenues for future research.

## 2. Literature review

In this section we provide a brief review of the literature on the key concepts investigated. Section 2.1 begins by defining sustainable supply chain management (SSCM) and explaining why a network perspective on sustainable supply chain is required and the implications of a network perspective. Section 2.2 examines the concept of spreading of sustainability in supply networks as a process of implementing change; here we briefly introduce the concepts of connectedness, dependency and embeddedness that are essential for our analysis. In Section 2.3 we focus on the role of power and trust in the spreading process, examining each separately before we conclude the literature review by offering an interdependent view of power and trust in sustainable supply networks.

### 2.1. Understanding sustainable supply chains from a network perspective

With extensive outsourcing of production and service activities comes a need to develop sustainability, not only within a company's own boundaries, but also within its supply chains. Consequently, numerous concepts have been proposed to provide a conceptual connection between traditional supply chain management and sustainability. Whereas SSCM holistically includes all three pillars of sustainability i.e. social, environmental and economic dimensions (Carter & Rogers, 2008), many definitions of, or closely related to, SSCM concern just one aspect of sustainability, for example, green supply chain management (Sarkis, Zhu, & Lai, 2011; Srivastava, 2007), environmental purchasing (Carter & Carter, 1998) or socially responsible buying (Drumwright, 1994). Moreover, definitions that supposedly concern supply chains do not all in reality take in a chain perspective but, as identified by Miemczyk et al. (2012), are often limited to a dyadic focus.

The definition of SSCM provided by Carter and Rogers (2008) as "the strategic, transparent integration and achievement of an organization's social, environmental and economic goals in the systemic coordination of key inter-organizational business processes for improving the long-term economic performance of the individual and its supply chain" captures all three dimensions of sustainability whilst also highlighting the inter-organizational focus. The inter-organizational focus is pivotal: as Hall and Matos (2010) state, the sustainable supply chain discourse differs from mainstream SCM, as it involves the recognition of stakeholders within and beyond the supply chain. Several other authors, who defined SSCM (e.g. Hassini, Surtie, & Searcy, 2012; Seuring & Müller, 2008), also highlight the salience of engagement with multiple stakeholders in the supply chain. Therefore, analyzing SSCM phenomena, in particular, requires a focus on coordination and organization of activities amongst multiple supply chain actors; for this reason we adopt the concept of supply network (Choi, Dooley, & Rungtusanatham, 2001; Gadde & Håkansson, 2001; Lamming, Johnsen, Zheng, & Harland, 2000) rather than the more limited concept of supply chain.

Although SSCM research acknowledges the need to consider a company's suppliers and customers, some authors take this further by arguing a move beyond the supply chain perspective to adopt a network perspective (Leek, 2012; Miemczyk et al., 2012; Tate et al., 2013). Seuring and Gold (2013) emphasize the importance of meeting sustainability challenges through joint efforts and adopting a systems perspective. As indicated by Ritvala and Salmi (2010, p. 899) "actions of single actors are ineffective if they are not acted upon by other actors". A focal company and even a dyadic perspective preclude the assessment of direct and indirect impacts of sustainability strategies and programs in supply networks, leading to undesired effects or unsuccessful implementation of sustainability initiatives (Öberg et al., 2012). The following two sections discuss the notion of spreading sustainability in supply networks and explore the effects of power and trust as influential relationship characteristics that impact on sustainability spread.

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