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The role of Guanxi in green supply chain management in Asia's emerging economies: A conceptual framework

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ABSTRACT

In recent decades, rapid industrial modernization and economic growth have brought substantial environmental problems such as air pollution, hazardous waste, and water pollution for the Asian emerging economies (AEE), in particular China, Taiwan, India, Malaysia, Indonesia, Thailand, and South Korea. These countries have started to adopt green supply chain management (GSCM) as a strategy to reduce the environmental impact. There are anecdotal evidences that the adoption of GSCM in this region is partly influenced by Guanxi – a cultural norm, which plays a significant role in relationship governance within supply chain activities among the AEE. Based on a systematic literature review, we develop a conceptual framework that characterizes the drivers and barriers for the adoption of GSCM practices, incorporating Guanxi as a moderator in the manufacturing sector of the AEE. The conceptual framework addresses the roles of two types of Guanxi in the adoption of GSCM: the relational Guanxi at individual level based on social exchange theory and the aggregated Guanxi at firm level derived from social capital theory. This recognition of Guanxi at two separate decision levels help companies better manage their relationships while they green their supply chains. Directions for future research and managerial implications are discussed accordingly.

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1. Introduction

In recent decades, the rapid economic growth in Asian emerging economies (AEE) has resulted in major environmental problems. This phenomenon is actually a global issue, as the majority of products consumed in developed countries have their raw materials, part of the manufacturing processes, and many other operations located in developing countries (Lai & Wong, 2012). One of the main concerns of Western investors is the lack of stable legal and regulatory systems that could be employed to monitor and facilitate business operations in the AEE. Instead, firms often rely on Guanxi (translated as 'relationships' and 'connections' in English, Luo, 1997; Seligman, 1999) norms to regulate business dealings (Tseng, Kwan, & Cheung, 1995), referring to the cultural characteristics of interpersonal relationship ties that exist within a society. Recent green supply chain management (GSCM) literature has focused largely on drivers of and barriers to the adoption of GSCM practices ignoring the impact of the culturally specific concept of Guanxi in the AEE.

In recent years, a large number of Western manufacturers have relocated their manufacturing bases and production facilities to AEE, taking advantage of lower labor and material costs (Tang & Zhou, 2012). These relocations have placed continuing pressure on the AEE, particularly China, Taiwan, India, Malaysia, Indonesia, Thailand, and South Korea, to improve all aspects of their supply chains (Faber & Frenken, 2009; Lai & Wong, 2012). For instance, Fig. 1 shows the increasing carbon emissions in these countries. The increases in emissions for China and India are shown in panel (b) because of their significantly higher CO₂ emissions than other countries. Fig. 1 also shows that the increases in emissions in Thailand, South Korea, Indonesia, Taiwan, and Malaysia are measured in the hundreds, while those in India and China are counted in the thousands. Meanwhile, the growing global awareness of environmental peril is placing increasing pressure on manufacturers in the AEE to adopt environmentally friendly production practices (Faber & Frenken, 2009).

As a result of rapid industrial modernization and economic growth, manufacturers in the AEE contribute significantly to their countries' economic growth. Fig. 2 shows the share of manufacturing in total gross domestic product (GDP) and total exports in the AEE. As the manufacturing sector in that area is expected to continue its rapid growth, the balance between economic growth and environmental damage has become a critical issue that requires focused managerial attention (Lee, 2008; Zhu, Sarkis & Lai, 2008). Therefore, manufacturers are now accepting the urgency of adopting green

strategies with both customers and suppliers to reduce the damage caused by their products and services to the environment (Zhu & Geng, 2013; Zhu & Sarkis, 2004).

Over the past decade, GSCM has emerged as a significant strategy within the domain of sustainability, involving activities ranged from green purchasing to product recycling with suppliers and customers (Walker & Jones, 2012). In particular, GSCM refers to the employment of comprehensive environmental consideration within supply chain management. GSCM therefore incorporates the design of products, the selection and sourcing of material, manufacturing processes, final product delivery to customers, and disposal or recycling at the end of a products' useful life (Zhu & Sarkis, 2004). Despite the fact that the transition from traditional supply chains to GSCM has been driven by multiple factors that motivate manufacturers to adopt GSCM practices, there are also barriers that hinder the implementation of those practices (González-Torre, Álvarez, Sarkis, & Adenso-Díaz, 2010; Porter & Van der Linde, 1995).

The extant literature reports that companies in the AEE have started adopting GSCM practices due to an increase in motivational drivers from stakeholders such as customers (Zhu, Sarkis, & Geng, 2005; Lai & Wong, 2012), legislative authorities (Birkin, Cashman, Koh, & Liu, 2009; Liu et al., 2012), and suppliers (Lee, 2008; Yen & Yen, 2012). There are two reasons why stakeholder theory is appropriate for explaining the motivational drivers for GSCM. Firstly, stakeholders are increasingly demanding that the companies in the AEE address environmental issues. Secondly, GSCM practices require inter-organizational collaboration with all stakeholders in a highly competitive environment (Walker & Jones, 2012). Stakeholder theory aims to identify and group the input and the output environments of each company (chiefly suppliers and consumers), its competitive environment (companies that produce similar products or offer similar services), and its regulatory environment (Delmas & Toffel, 2004; DiMaggio & Powell, 1983). These stakeholder groups are thus included in this study because previous research suggests that the characteristics of specific groups impact the willingness of a focal company to adopt GSCM practices (Kassinis & Vafeas, 2006).

Researchers have reported that relational governance plays a significant role in achieving a competitive advantage, including the maintenance of good relationships between a company and its partners in the supply chain (Cheng, 2011; Wang & Wei, 2007). While relational governance in the West is administered largely by legislation and regulations such as contracts, in the AEE it is driven by morality and social norms (Tomás Gómez Arias, 1998) and governed by Guanxi (Yen, Yu,

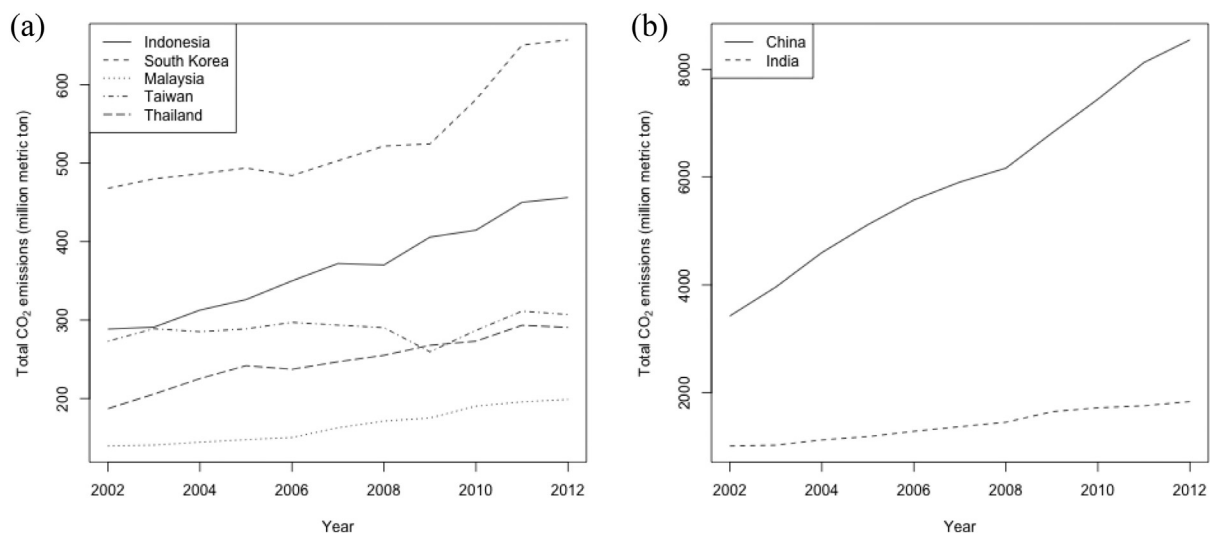


Fig. 1. The total carbon dioxide emissions in AEE. (Source: The World Bank, 2014)

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