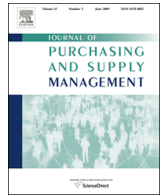




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The effect of institutional pressure on cooperative and coercive ‘green’ supply chain practices



Stefan U. Hoejmose*, Johanne Grosvold, Andrew Millington

University of Bath, School of Management, UK, Centre for Business Organisations and Society, UK

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ABSTRACT

Little is known about buyers' decisions to implement 'green' supply chain management (GSCM) through either coercive or cooperative approaches. This is an important area of study as buyers are increasingly expected to improve and ensure that their purchasing and supply chain practices are environmentally sound. Pressuring and monitoring suppliers to become more environmentally responsible dominates the coercive approach to GSCM. In contrast, a cooperative approach is associated with training and helping suppliers to become 'greener'. In this study we draw on institutional theory, and argue that the decision to implement such practices and the choice between them will be contingent upon institutional pressures (mimetic, normative and coercive), and downstream customer requirements for GSCM. Using primary survey data from 198 UK-based companies, we find compelling evidence to suggest that coercive and cooperative GSCM practices are driven by substantially different factors. Institutional pressures significantly determine cooperative approaches to GSCM while coercive practices are, to a larger extent, driven by downstream customer demands. Customer pressure is also found to moderate the influence of institutional factors on cooperative practices; no significant effect was found for coercive practices.

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1. Introduction

'Green' supply chain management (GSCM) continues to receive considerable attention (e.g. Mishra et al., 2010; Kim and Rhee, 2012; Zhu et al., 2012), but little is known about the practices which buyers use to encourage the implementation of GSCM in their suppliers. Similarly, scholarship into the conditions under which buyers choose to implement GSCM through either coercive or cooperative approaches with their suppliers remains scant. These are important emerging issues as firms are increasingly "pushed and encouraged to develop appropriate policies" for GSCM (Klassen and Vachon, 2003, p. 336).

In this paper, we make an explicit distinction between coercive and cooperative GSCM practices. We define 'coercive' as being concerned with "command and control" (Burby, 1995, p. 359), where firms require suppliers to behave in an environmentally responsible manner. In contrast, the cooperative approach is flexible and "incentive-based" (Burby, 1995, p. 359). However, the choice to adopt either a coercive or a cooperative approach, as a

result of the broader institutional environment, has remained unexplored and the distinction between the firm's propensity to use either coercive or collaborative approaches has rarely been analyzed (e.g. Bai and Sarkis, 2010; Darnall et al., 2008; Holt and Ghobadian, 2009). This is despite the fact that recent studies (Sarkis 2011; Tate et al., 2011) have emphasized that such choices are likely to be influenced by the broader institutional environment of the firm.

Institutional theory has been examined in a number of managerial settings (Lawrence et al., 2011; Tolbert et al., 2011), but warrants much greater attention in the supply chain field (Das et al., 2006; Ketchen and Hult, 2007; Rogers et al., 2007; Liu et al., 2010). For some companies, GSCM may be a response to a specific institutional pressure, which changes and develops over time (Carbone and Moatti, 2011). Indeed, institutional pressures, including regulation and societal expectations, have been instrumental in shaping the GSCM agenda (Sarkis et al., 2011). In addition, there is significant evidence to suggest (see Sarkis et al., 2011) that firms mimic the GSCM strategies of other firms, which they perceive as being successful (e.g. Aerts et al., 2006; Christmann and Taylor, 2001). As such, it is argued that institutional pressure is by far, the strongest driver of broader social and environmental supply chain strategies, irrespective of industry (Tate et al., 2010).

* Corresponding author.

E-mail addresses: S.U.Hoejmose@bath.ac.uk (S.U. Hoejmose), j.grosvold@bath.ac.uk (J. Grosvold), A.I.Millington@bath.ac.uk (A. Millington).

This study investigates how institutional pressures influence the propensity to adopt either coercive or cooperative approaches to GSCM. We do so within a conceptual framework that accounts for the direct and moderating effect of down-stream customer requirements. We draw on the work of DiMaggio and Powell (1983), and view institutional pressure as an industry phenomenon, which consists of three distinct pressures: mimetic, coercive and normative. In addition, we build on recent conceptualizations (e.g. Ketchen and Giunipero, 2004; Heugens and Lander, 2009) and argue that the propensity to respond to these pressures is contingent upon the explicit firm-level GSCM requirements of down-stream customers. We develop a conceptual framework and a set of testable hypotheses, which we then assess by drawing on primary survey data and a cross-sectional sample consisting of 198 UK-based firms.

We make two contributions. This is the first systematic analysis of the relationship between institutional pressures and the organizational propensity to initiate coercive or cooperative 'green' supply chain practices. As such, we complement earlier studies, which have investigated how coercive or cooperative practices influence environmental performance (Vachon and Klassen, 2008) and how institutional pressures moderate the relationship between GSCM and performance (Zhu and Sarkis, 2007). In so doing, we answer calls for further research into the determinants of GSCM and the exact role of institutional pressure (Sarkis 2012; Tate et al., 2010). Secondly, we explore the conditions under which firms respond to institutional pressure, by examining if down-stream customer demands for GSCM moderate how firms respond to institutional pressures (Campbell, 2007; Ketchen and Giunipero, 2004). As such, we examine both how institutions at the industry level influence GSCM, and how the propensity to respond to these industry pressures is moderated by firm-level customer demands. Thus, we also extend the work of Jira and Toffel (2013) and Toffel et al. (2013) by exploring the conditions that drive the level and 'willingness' to engage in environmentally responsible supply chain management.

The paper proceeds as follows: In the next section we develop a set of testable hypotheses, before outlining our methodology and findings. This is followed by a discussion of the results, managerial implications and avenues for further research.

2. Theoretical background and hypothesis development

'Green' supply chain management (GSCM) is a broad concept, which "ranges from green purchasing (GP) to integrated life-cycle management supply chains flowing from supplier, through to manufacturer, customer, and closing the loop with reverse logistics" (Zhu et al., 2008a, p. 262), but its exact definition depends on the purpose of the research in question. In this study, we focus on the organizational boundaries of GSCM (see Sarkis, 2011). We therefore follow existing studies (e.g. Zhu et al., 2008a, 2008b, 2007) and examine the GSCM practices of the focal firm (buyer). We argue that the buyer's decision to adopt either a coercive or a cooperative approach to GSCM is contingent upon the institutional pressure that the buyer is subject to; because institutional pressure plays an important role in shaping, and explaining, environmental organizational behavior (Delmas and Toffel, 2004).

Our distinction between cooperative and coercive practices is similar to the work of Vachon and Klassen (2006, 2007), who note that buyers can choose two approaches to environmental supply chain management: externalization or internalization. Their externalization is equivalent to our 'coercive' approach, which stems from a market and transaction cost perspective, while internalization is equivalent to our 'cooperative' approach, where firms tackle

GSCM by collaborating with suppliers to develop environmentally sound practices (Vachon and Klassen, 2006, 2008).

2.1. Conceptual framework

Drawing on two bodies of literature; supply chain management (e.g. Das et al., 2006; Ketchen and Hult, 2007; Rogers et al., 2007; Liu et al., 2010) and broader environmental responsibility literature (e.g. Darnell, 2008; Seuring and Müller, 2008; Sharfman et al., 2009; Zhu and Sarkis, 2007; Zhu et al., 2008a, 2008b), we argue that both coercive and cooperative practices are influenced by the extent to which firms (buyers) are experiencing mimetic, coercive and normative pressure from the industry environment. This is in line with existing research, which argues that institutional pressure is one of the most important external factors to consider in respect of the adoption of environmentally responsible supply chain strategies (Darnall et al. 2008; Testa and Iraldo, 2010). This is because institutions "provide rule-like social expectations and norms for appropriate organizational structures, operations, behaviors and practices" (Liu et al. 2010, p. 374). We further argue that coercive GSCM practices are directly influenced by down-stream customers' demand for GSCM. At the same time, we argue that the relationship between institutional pressure and the decision to implement a coercive or cooperative GSCM is moderated by the down-stream customers' demand for 'green' supply chain practices. In so doing, we empirically assess one of the conceptual arguments of Ketchen and Giunipero (2004), and suggest that firms will be more likely to conform to institutional pressure, when the specific firm behavior is valued and required by down-stream customers. The conceptual framework is illustrated in Fig. 1 and a set of related hypotheses are developed in the next section.

2.2. Hypothesis development

Institutional pressure plays a significant role in understanding firms' environmental management practice, as environmental management is an area where there is considerable amount of uncertainty, which is coupled with certain expectations and societal demands (Bansal and Bogner, 2002). There are three separate forms of institutional pressure which are responsible for the firm's propensity to converge on a single practice in a given industry: (a) mimetic, (b) normative, and (c) coercive pressure (DiMaggio and Powell, 1983). All of these pressures are likely to influence the firm's decision to implement both coercive and cooperative approaches to GSCM.

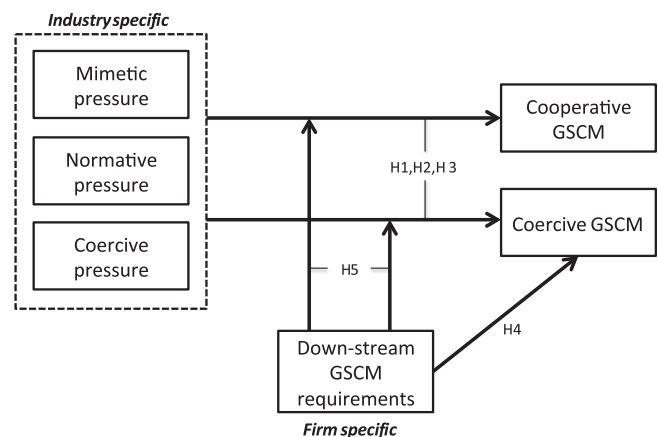


Fig. 1. Conceptual framework.

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