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Influences of Firm Orientations on Sustainable Supply Chain Management

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ABSTRACT

Building on stakeholder theory, we propose and test an integrative model that incorporates the relationships between a firm's orientations and sustainable supply chain practices [i.e., sustainable purchasing practices (SPPs) and sustainable supply practices (SSPs)], and interactions between the different firm orientations as related to such sustainable practices. We empirically test our hypotheses in a two-phase survey of 149 managers in the U.S. manufacturing and service industries. Our findings reveal that a firm's environmental and cultural orientations affect its SPPs and SSPs, while local community orientation drives SPPs only in large firms. The results also suggest synergistic effects of environmental and cultural orientations on SPPs and SSPs, while societal orientation positively moderates the effect of cultural orientation on SSPs. Moreover, our findings demonstrate the moderating effect of firm business type on the relationships between cultural orientation and SPPs and SSPs.

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1. Introduction

Supply chain management (SCM) involves efficiently using internal and external supplier capabilities and technology, and creating a seamlessly coordinated supply chain, resulting in the transfer of inter-firm competition to inter-supply chain competition and ultimately firm performance (Anderson & Katz, 1998). In recent years, SCM has become environmentally proactive, and the role of the purchasing function in facilitating recycling, reuse, and resource reduction has increased (Paulraj, 2011). Indeed, firms have begun to realize the importance of their suppliers implementing responsible environmental and social practices (Sharma & Henriques, 2005), as suppliers sensitive to sustainability can provide increased efficiency and protect intangible assets of buyers (Krause, Vachon, & Klassen, 2009).

In striving to keep up with the heightened attention firms pay to sustainable supply chain management (SSCM) (Carter & Carter, 1998), recent academic research has actively examined sustainable development in supply chains (Krause et al., 2009) in terms of the antecedents,

practices, and performance implications of SSCM (e.g., Paulraj, 2011; Zailani, Eltayeb, Hsu, & Tan, 2012). As a result, over the years, SSCM has gained its status as a distinct discipline involved in the “management of material, information and capital flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development, i.e., economic, environmental and social, into account which are derived from customer and stakeholder requirements” (Seuring & Müller, 2008, p.1700). Although past SSCM research has investigated the antecedents of sustainable supply chain practices (SSCPs), its focus has mainly been on external stakeholder pressures (Paulraj, 2011). In this research, we attempt to explore firm orientations, i.e. the overall proactive strategic stance and continuing commitment of firms towards the integration of specific concerns into their strategic, tactical and operational activities (Roxas & Coetzer, 2012), as drivers of firm SSCPs, and examine the interactions between such antecedents.

The objective of this study is to propose and test an integrative research model that incorporates the relationships between a firm's behaviors related to SSCPs and firm orientations, as well as the possible interactions between the different firm orientations on firm SSCPs. Although past research suggests that a firm's strategic orientations guide the activities of a firm and generate actions aimed to ensure its viability and performance (Hakala, 2011), extant research has not examined effects of various firm orientations on a firm's purchasing and supply practices from a sustainability perspective. Accordingly, our research questions are as follows: (i) What are the relative effects

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of the different firm orientations (i.e., environmental orientation, societal orientation, cultural preservation orientation, and local community orientation) on SSCPs, specifically, sustainable purchasing practices (SPPs) and sustainable supply practices (SSPs)? (ii) What is the influence of a firm's size and business type on the above relationships? And, (iii) what is the nature of interactions that exist between the different firm orientations, as related to SSCPs? We test the hypothesized relationships on primary data obtained from a two-phase industrial survey of 149 managers from the U.S. manufacturing and service industry. We collected the data in two separate rounds from the same managers in the same firms. We first obtained firm orientations, and then we returned to gather the data on their SSCPs.

This research strives to contribute to the literature and practice of SSCM in several ways. By identifying firm-level orientations that drive SSCPs, we extend knowledge of the role of firm-level predispositions on SSCM. We provide a fine-grained investigation of firm-specific orientations and spearhead the inclusion of firm-level orientations in the nomological net of SSCM. We also extend the literature on how the focal relationships vary as a result of firm demographic differences, such as variations in firm size and business type. From a managerial perspective, we intend to inform supply chain and marketing managers about optimal strategies for SSCPs that fit firm-specific cultures and demographics.

This article proceeds as follows: in the next section, we introduce the research background on sustainability and SSCPs in general. We continue this discussion by presenting our research framework and establishing hypotheses in the next section. We then describe the data collection methods and measures for this study. After presenting and discussing the results, practical implications and future research directions are provided.

2. Conceptual background and literature review

2.1. Sustainable development and SSCM

Sustainable development is "... a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with future as well as present needs" (World Commission on Environment and Development, 1987, p. 9). A review of the literature on firm sustainability practices shows that research has encompassed a comprehensive view of sustainability, with a focus on the triple bottom line of social, environmental, and economic goals (Elkington, 2004). While prior sustainability research in the business disciplines has focused on efficient resource and energy use, reduction of pollution and waste, and promotion of green behaviors in the firm and supply chain (e.g., Roper & Parker, 2013), recent developments such as globalization and fragmentation of supply chains have turned firms toward their supply chains for customer value creation (Lockstrom, 2011; Ramirez, 2013), resulting in the integration of suppliers into the sustainability discourse of firms (Sharma & Henriques, 2005; Krause et al., 2009). In this study, we define *sustainable supply chain management* (SSCM) as the systemic coordination of key inter-firm business processes to achieve social, environmental, and economic goals (Teuteberg & Wittstruck, 2010); we refer to the resulting managerial practices as *sustainable supply chain practices* (SSCPs), comprising both sustainable purchasing practices (SPPs) and sustainable supply practices (SSPs). Based on Golicic and Smith (2013), we define SPPs as activities or efforts taken to reduce or eliminate the detrimental impact of supply chain management-related functions or processes focused on the side of its suppliers (upstream supplier-focused practices). Drawing from Closs, Speier, and Meacham (2011) and Golicic and Smith (2013), we define SSPs as the activities or efforts taken to reduce or eliminate the detrimental impact of marketing decisions regarding product design, communications or channel selection, related to the customer side (i.e., downstream customer-facing practices).

Extant research on SSCM suggests that a variety of constituents external to the firm can drive its SPPs and SSPs. Past research suggests that constituents influencing a firm's environmentally sustainable purchasing activities include customers (Ramirez, 2013), competitors (Makower, 1993), and governmental agencies (Cavazos, Patel, & Wales, 2012). Research has also identified media (Mont & Leire, 2008), industry organizations, certifications auditors, external consultants (Hoejmoose & Adrien-Kirby, 2012), NGOs (Deligonul, Elg, Cavusgil, & Ghauri, 2013), consumers (Wallace, 2007), and governmental regulations (Deligonul et al., 2013) as external drivers of socially sustainable purchasing; notably, suppliers are not one of them (Mont & Leire, 2008). On the supply side, research has identified customer pressure and governmental regulations and incentives (Zailani et al., 2012) as external drivers of a firm's sustainable supply practices.

In addition to external drivers, the literature suggests that several firm internal factors drive SSCPs; however, research in this area is limited, compared with the predominance of studies on external drivers (Paulraj, 2011). Carter and Carter (1998) suggest that organizational factors such as environmental commitment, rewards and incentives, and policy entrepreneurship can affect environmental purchasing practices. Other factors such as top management sensitivity (Menon & Menon, 1997) and involvement (Lockstrom, 2011), corporate sustainability culture (Eccles, Ioannou, & Serafeim, 2012), and company values (Mont & Leire, 2008) also affect SSCPs. Given the dearth of studies examining firm-level antecedents of SSCPs, an investigation of internal firm-specific antecedents of a firm's overall sustainability strategies can provide insights into the drivers of SSCPs, potentially forming part of the nomological net of SSCPs research. In summary, prior research on SSCPs suggests that a firm's overall orientation towards different aspects of sustainability is an important factor and thus provides an important direction for further exploration.

2.2. Theory and hypotheses

2.2.1. Firm orientations

An orientation is a latent philosophy that directs the nature and scope of a firm's internal and external activities (Kotler, 2000). While extant research suggests that firm orientations can be conceptualized as valuable intangible resources that guide its strategic practices (Ge & Ding, 2005), there is general consensus on the firm orientation–strategy–performance link in the management and marketing literature (Prahalad & Bettis, 1986). Relatedly, past literature also indicates that firm orientations can predict firm strategies and behaviors (Hakala, 2011). The concept of firm orientation has been viewed from both a strategic perspective, i.e. making a choice to compete on capabilities derived by adopting a particular business culture or concept (Narver & Slater, 1990), and structural perspective, i.e. a firm's proclivity toward a way of doing business (e.g., relational proclivity; Johnson & Sohi, 2001), which may facilitate integration of various firm concerns into tactical and operational activities. Although strategic orientations have been defined in different ways, using a plethora of terms, the common reference in these explications has been to the managerial perceptions, predispositions, tendencies, motivations, proclivities and desires, which precede and guide strategy formulation and, ultimately, the performance of the organization (Chan, 2010; Johnson & Sohi, 2001).

While past research has explained and defined firm orientations using a myriad of terminologies, in this study, our conceptualization of firm orientation refers to the managerial recognition of the importance of a specific issue facing firms (Banerjee, 2001, 2002), reflecting a set of organizational beliefs, culture, and propensity regarding a specific issue. While both the academic and practitioner literature on sustainability suggests that variables related to a firm's culture of sustainability are strong drivers of its sustainable practices (Eccles et al., 2012; Lockstrom, 2011), we contend that certain firm-specific orientations reflect the general culture in an organization and lead to sustainable practices in the supply chain, and we explore such firm orientations

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