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Supply chain social sustainability for developing nations: Evidence from India



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ABSTRACT

Economic, environmental and social aspects of sustainability have been shown to span beyond organizational boundaries, indicating the importance of managing sustainability initiatives across the supply chain. Although scholars and practitioners focus a great deal of attention toward economic and environmental sustainability in supply chains, less attention is paid to social aspects. This is unfortunate, because social sustainability not only plays an important role in enabling other sustainability initiatives, but social injustices in one echelon of a supply chain can lead to significant losses for firms across the chain. Social issues have been especially problematic in developing nations, where abusive labor practices continue to negatively affect trading partners. This research seeks to disambiguate supply chain social sustainability in developing nations by uncovering relevant dimensions of social sustainability and resultant outcomes. Using semi-structured interview data collected from supply chain executives in Indian manufacturing companies, this research uncovers dimensions of social sustainability in terms of not only the focal firm, but also first-tier suppliers and customers. Each of these dimensions is then associated to potential performance outcomes. The findings not only provide a baseline for future research, but help practitioners understand where to focus their attention to enhance social sustainability in their supply chains.

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1. Introduction

Due to strict regulations, increased consumer awareness, and pressure from communities and NGOs, organizations are compelled to adopt sustainable supply chain management (SCM) practices. Sustainability encompasses economic, environmental and social aspects, and transcends intra- and inter-organisational boundaries; thus, sustainability initiatives are of direct concern to SCM applications (Bai and Sarkis, 2010). Efforts toward advancing economic and environmental sustainability have received the greatest amount of attention in the literature and in practice. However, social sustainability has seen less attention. This is unfortunate because not only

can social sustainability practices help to enhance other aspects of sustainability, but all three aspects are needed to create a truly sustainable organization (Ashby et al., 2012; Pagell and Wu, 2009; Seuring and Müller, 2008).

Some have conducted research on how firms can enhance social sustainability when working with an upstream or downstream partner (Seuring and Muller, 2008; Carter and Easton, 2011; Gimenez and Tachizawa, 2012). However, there is limited understanding regarding how social sustainability can be addressed across both a firm and its immediate upstream and downstream partners. Furthermore, although there are many studies regarding developed nations (Carter and Jennings, 2000, 2004; Ciliberti et al., 2008; Lu et al., 2012), less attention has been given to developing nations, where social norms differ greatly (Ashby et al., 2012). Some advocate for developing and conserving human resources and how such efforts can help enhance competitiveness (Sodhi, 2015). In this research, we examine social sustainability in developing nations

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with regard to first-tier suppliers, the focal firm, and first-tier customers, and seek to link social sustainability efforts to performance outcomes. As such, this research contributes to the literature by way of:

1. Identifying dimensions of supply chain social sustainability (in terms of suppliers, focal firm, and customers) in developing nations;
2. Exploring outcomes of supply chain social sustainability in developing nations;

The remainder of this article is structured as follows. In the next section, we briefly review the literature on social sustainability. In section three, we describe the research setting and methodology. In section four, we present the findings regarding the dimensions of supply chain social sustainability. Outcomes of social sustainability are then described in section five, and the discussion of implication of the research are presented in section six. Section seven concludes the paper and reports limitations of the research, and additional research needs.

2. Social sustainability in the supply chain

Sustainability can be defined as meeting today's needs without compromising the needs of future generations (Bruntland Commission, 1987). By way of contextualizing this definition, corporate sustainability can be described as meeting the needs of today's direct and indirect stakeholders (such as shareholders, employees, customers, regulatory bodies and society in large) without compromising its ability to meet the needs of future stakeholders. Social sustainability addresses how social issues can be managed in a way that ensures long-term survival of the organization. These social aspects should not be limited only to the internal operations of the focal firm, but also extended to the inter-organizational level to include upstream and downstream trading partners, and also to the broader societies in which it operates or otherwise affects (Carter and Rogers, 2008).

To further discuss social issues in the supply chain, one needs to understand: to whom does a firm need to be socially responsible, and what issues must be addressed? Further, one needs to understand how these issues are addressed across the supply chain (Wood, 1991). Stakeholder theory explains how managers have fiduciary duties to the corporation, shareholders and stakeholders (Donaldson and Preston, 1995). Sodhi's (2015) stakeholder resource based view (SRBV), building on resource based view (RBV), advocates that SRBV is a "framework to inform the decision-makers of the importance of building and utilizing not only their own organizations dynamic resources, routines and capabilities but also by developing those of the company's stakeholders thereby improving their respective utilities as well" (Sodhi, 2015). The firm needs to be socially responsive to all stakeholders to achieve sustainable advantage (Frooman, 1999; Freeman, 2004; Campbell, 2007; Sodhi, 2015).

Scholars emphasize that being socially responsible means integrating ethical principles in supply chain practices (Husted and Allen, 2000; Hemingway, 2005), or operationalizing fair trade principles (Strong, 1997). However, Carter and Jennings' (2004) research suggests that a focus on ethics alone is a necessary but insufficient means toward achieving social responsibility. Other social issues, particularly those surrounding employee working conditions, have emerged (Emmelhainz and Adams, 1999). Supplier development issues through minority enterprises and their importance for social sustainability have been identified (Krause et al., 1999). In addition, research by Carter and Jennings (2002, 2004), Carter (2005), and Carter and Easton (2011) propose Pur-

chasing Social Responsibility and Logistics Social Responsibility, which encompass social issues such as diversity, philanthropy, safety, and human rights in the supply chain. Similarly, studies by Whooley (2004) and Maloni and Brown (2006) propose the importance of safety, diversity, equity, human rights and labour practices in the supply chain, whereas other scholars describe similar means through which such social issues can be addressed in the supply chain (Clarkson, 1995; Strong, 1997; McWilliams and Siegel, 2001; Guinée et al., 2011; Macombe et al., 2013; Sala et al., 2013; Martínez-Blanco et al., 2014). Chin and Tat (2015) have identified employee diversity practices in Malaysian manufacturing companies and their relationship to sustainability. Table 1 provides an overview of the dimensions of social sustainability that have been described in the literature.

A comprehensive literature review on social sustainability suggests various measures being used in different geographic locations (Table 1). It is also challenging to identify universal dimensions and measures because of lack of conceptual clarity (Omann and Spangenberg, 2002; Gugler and Shi, 2009). Especially in developing nations, Gopal and Thakkar (2015) argued that there is no conceptual clarity in specific dimensions related to social sustainability, especially in the manufacturing and operations domain. Therefore, supply chain managers do not have a clear idea of the relevant social issues and how these social issues can be measured and managed (Gopal and Thakkar, 2015; Mani et al., 2015). In an attempt to define relevant issues related to social sustainability, the majority of scholars have taken the buyer's perspective or focused on cases of MNCs that have developing country suppliers. For instance, Yu (2008), in the study of Reebok and their Chinese suppliers, suggest that the major barriers to implementing social sustainability relate to the buyer's intentions to maximise profitability and reduce costs, competition between suppliers regarding cost reduction, and lack of governmental rules that enforce labour laws. Lim and Phillips (2008) in their analysis of Nike's suppliers in Korea and Taiwan suggest that collaboration and order quantity incentives enabled the implementation of relationships between MNC's in developed countries and developing countries' suppliers. Tencati et al. (2008) suggests that collaboration and a supportive rather than imposing mode of governance is required to further build innovative partnerships and a demand-driven educational agenda for social sustainability. Ehr Gott et al. (2011) and Gimenez and Tachizawa (2012) call for more research into social sustainability from the perspective of the developing country suppliers given that codes of conduct and certifications from third-parties is very challenging and there are differences related to the socio-cultural, technological, and market environment of developing countries. Huq et al. (2014) investigated the adoption of social sustainability practices by suppliers in developing countries and the enablers and impediments to social sustainability. They proposed labour intention as an important enabler of social sustainability and highlighted the differences in requirements between the western and developing countries' codes of conduct and cultural and socio-economic context. As realized via this literature review, there is a need for research to investigate social sustainability in developing countries from the perspective of the focal firm, first-tier suppliers, and customers. This research seeks to fill this need, and also relate these dimensions to tangible outcomes.

3. Methodology

3.1. Research setting

We focus our investigation on India. India is rated the fourth most preferred manufacturing destination in terms of competitiveness (Deloitte Report, 2013), and the Indian government seeks

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