



Corporate sustainability approaches and governance mechanisms in sustainable supply chain management



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ABSTRACT

The role of governance from a sustainable supply chain management perspective is receiving more attention from scholars and practitioners. However, several aspects still remain unclear including how corporate sustainability approaches are implemented and aligned with governance mechanisms at the supply chain level. With the aim of filling this gap in the literature, an empirical investigation is proposed by analysing seven case studies through the lenses of contingency theory, the strategic alignment perspective and the resource-based view of organisations. Findings include the characterisation of three sustainability profiles, namely sustainability leaders, sustainability practitioners and traditionalists; a classification of the governance mechanisms on the basis of their level of collaboration and formalisation; the identification of factors that enable governance mechanisms. The empirical results are useful to practitioners seeking to implement sustainability initiatives at the supply chain level, and to scholars for further theory development and refinement.

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1. Introduction

Many of today's environmental and social issues are rooted in unsustainable patterns of economic and industrial development. Consequently, driven by regulation and market factors, and with the overall goal of building a competitive advantage, companies are developing new diversified corporate sustainability approaches (CSAs) (Hahn and Scheermesser, 2006).

In this research, business sustainability (Hassini et al., 2012) is defined in reference to the triple-bottom-line (TBL) as proposed by Elkington (1997) where the economic, social and environmental dimensions of business are simultaneously taken into account. This calls for completely re-thinking the way business is designed and conducted not only at the company level, but also at the supply chain level, as notably maintained by sustainable supply chain management (SSCM) scholars.

There is evidence from literature that firms embed sustainability in their business models in different ways (Bocken et al., 2013) and approach the TBL differently (Hahn and Scheermesser, 2006), develop short and long term initiatives (Epstein, 2008) and measure

and report their performance in different ways (Taticchi et al., 2013). In order to implement and control sustainability strategies and initiatives, with the ultimate goal of improving sustainability performance, companies establish governance mechanisms and structures to manage relationships with their supply chain actors (Gimenez and Tachizawa, 2012). Given its relevance, research in the field of sustainable supply chain governance (SSCG) (Vermeulen and Seuring, 2009) has started to investigate the role of governance mechanisms in SSCM. Early works published in SSCG literature, have highlighted the role of collaborative approaches (Vurro et al., 2009) and different levels of governance mechanisms formalisation (Alvarez et al., 2010). However, several aspects of SSCG remain still unclear. For instance, Kovács (2008) calls for examining environmental and social responsibility beyond corporate boundaries by stressing the need of understanding upstream and downstream implications; Carter and Easton (2011) posit that a better understanding of how supply chain governance structures are affected by sustainability-based strategies, with particular emphasis on contracting issues, is needed. Although the research has provided several frameworks (e.g. Van Bommel, 2011; Vurro et al., 2009) to investigate the relationship between governance mechanisms, there is limited empirical evidence of how strategies and business models for sustainability are effectively translated into practice and "aligned" with governance mechanisms.

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To address this gap, in this paper we aim to provide empirical evidence and develop theory by drawing on multiple case studies and use contingency theory, the strategic alignment perspective and the resource-based view of organisations. Our contribution includes the characterisation of three sustainability profiles, namely sustainability leaders, sustainability practitioners and traditionalists; a classification of the governance mechanisms on the basis of their level of collaboration and formalisation; the identification of factors that enable governance mechanisms. The use of three different theoretical lenses allows to capture the complexity and the richness of the issues investigated, as well as to facilitate the development of a clear discussion and the identification of practical implications.

The remainder of this paper is organised as follows: in the second section we define SSCM and review the literature on sustainable strategic approaches, governance mechanisms and theoretical lenses that are used in the paper. In the third section the research methodology is introduced. This is followed by the description of the cases in section four. Section five discusses findings of the empirical research, that include the characterisation of three sustainability profiles, namely sustainability leaders, sustainability practitioners and traditionalists; a classification of the governance mechanisms on the basis of their level of collaboration and formalisation; the identification of factors that enable governance mechanisms. Section six concludes the paper and highlights the limitations of this research, practical implications and suggestions for future research.

2. Literature review

2.1. Definition of sustainability

Business sustainability is defined as “the ability to conduct business with a long-term goal of maintaining the well-being of the economy, environment and society” (Hassini et al., 2012). Several definitions of green supply chain management (GSCM) and sustainable supply chain management (SSCM) are available in literature. In their literature review, Ahi and Searcy (2013) argue that SSCM is essentially an extension of GSCM, and that seven characteristics properly describe it: economic focus, environmental focus, social focus, stakeholder focus, volunteer focus, resilience focus and long-term focus. In this paper we adopt their definition to describe SSCM as: “The creation of coordinated supply chains through the voluntary integration of economic, environmental, and social considerations with key inter-organisational business systems designed to efficiently and effectively manage the material, information, and capital flows associated with the procurement, production, and distribution of products or services in order to meet stakeholder requirements and improve the profitability, competitiveness, and resilience of the organisation over the short- and long-term” (Ahi and Searcy, 2013, p. 339).

2.2. Strategic approaches to corporate sustainability

In the literature there is evidence that firms approach business sustainability differently. Shrivastava and Hart (1995) identify companies approaching sustainability with “band-aid” solutions not affecting their mission or strategy (e.g. characterised by isolated actions for waste reduction, pollution prevention and recycling); “more serious” companies establishing a lifecycle approach to products and developing sustainable strategies supported by consistent investments; and companies adopting “deep-change” strategies by completely rethinking business models and operations driven by sustainability. In a more recent work, Hahn and Scheermesser (2006) distinguish between three significantly

distinct types of approaches to corporate sustainability: sustainability leaders, environmentalists and traditionalists. However, this categorisation focuses predominantly on environmental issues, with limited consideration of the social component, and does not address supply chain implications.

Furthermore, in the domain of SSCM a number of studies have investigated strategic issues. Hall (2000) argues that different approaches to SSCM, and the nature of initiatives implemented are dependent on environmental and market pressures, firm resources, knowledge and channel power of the company in the supply chain. Seuring and Müller (2008) add that SSCM is often triggered and characterised by two distinctive and complementary strategies: “supplier management for risk and performance” and “supply chain management for sustainable products”. The first is driven by the fear of company reputation damage if sustainability related problems are raised. Hence, additional environmental and social criteria are added to complement economically based supplier evaluation. The second strategy is driven instead by the definition of life-cycle-based standards at the supply chain level for the environmental and social performance of products. It is evident that SSCM requires rethinking the management of the firms' economic capital by deploying tangible resources such as investments to improve corporate and supply chain processes, and develop intangible resources such as knowledge and organisational culture for sustainability (Dyllick and Hockerts, 2002).

Since the issues surrounding corporate sustainability are complex and far-reaching, Amini and Bienstock (2014) have explored the complexity of different corporate sustainability approaches and provided a useful framework to guide academic research. Among the variables discussed in this framework, they underline the key role played by the ‘scope of organisational focus’, namely the different levels of sophistication in the company's interaction with other supply chain actors toward sustainability. Overall, given the early stage of this body of literature, scholars have claimed the need for empirical research for both driving theory development and refinement, and influencing practice (Ashby et al., 2012; Tonelli et al., 2013).

2.3. Sustainable supply chain governance mechanisms

Monks and Minow (2004) define governance as the structure that ensures that decisions are made to determine long-term, sustainable value for an organisation. Fawcett et al. (2006) maintain that little has been written concerning the commitment levels among supply chain actors and the types of governance structures that should be adopted within a given organisation and along the supply chain. More recently, Pilbeam et al. (2012) underline a clear opportunity for scholars to perform empirical studies to clarify the relationships between supply network contexts, outcomes and governance instruments.

The need for deepening the knowledge on governance mechanisms from a supply chain perspective is especially critical when considering sustainability. According to Vermeulen and Seuring (2009) new schools of research and knowledge have emerged in the field of SSCM and SSCG in support of businesses taking up their active role in their supply chains, for instance by communicating their environmental and social impacts throughout the supply chain and developing strategies to improve them.

Enriching the definition provided by Gimenez and Sierra (2013), we define sustainable supply chain governance mechanisms (SSCGMs) as practices, initiatives and processes used by the focal firm to manage relationships with 1) internal functions and departments and 2) their supply chain members and stakeholders with the aim of successfully implementing their corporate sustainability approach. In this vein, this paper refers to internal

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