



Sustainable supply chain management when focal firms are complex: a network perspective



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ABSTRACT

The purpose of the paper is to generate an understanding of the prerequisites for sustainable supply chain management. A common tendency in the literature is to see sustainable supply chain management as something that is undertaken by a focal firm at the end of the chain. Even though many scholars point to the need for cooperative approaches, focal firms are still considered to manage supply chains from one fixed and coherent vantage point: the managerial outlook of the focal firm itself, understood as a structurally coherent, top-down controlled unit. Through an illustration from the Swedish retail sector, we argue that such a vantage point is problematic. We suggest a deeper analysis of focal firms and sustainable supply chain management in terms of a network perspective employed mainly in the Industrial Marketing and Purchasing (IMP) literature. The adopted network perspective recognizes both internal and external complexity of sustainable supply chain management, implying, for example, difficulties to control entire organizations and the existence of multiple supply chains to manage. It is also suggested that sustainable supply networks may be a viable concept to use when dealing with sustainability issues related to production, since it relates sustainability in the supply chain to the more general responsibility context of firms.

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1. Introduction

Sustainable supply chain management has established itself as an important ingredient in the general discussion on sustainability in business (see, for example, De Bakker and Nijhof, 2002; Mamic, 2005; Seuring and Müller, 2008a, 2008b; Curkovic and Sroufe, 2011; Seuring, 2011). Whereas traditional supply chain management focuses on the management of material, information and capital flows in the supply chain, *sustainable* supply chain management emphasizes the role of economic, environmental and social goals of stakeholders in the wider sustainability context that frames supply chains. Sustainable supply chain management concerns the achievement of such goals and should be seen as an activity that seeks to meet the needs of the present generations without compromising the possibility of future generations to meet their needs (Seuring and Müller, 2008b).

In several cases, collaborative approaches to sustainable supply chain management have been suggested (De Bakker and Nijhof,

2002; Fang and Zhao, 2009; Sharfman et al., 2009; Curkovic and Sroufe, 2011; Lee and Kim, 2011; von Geibler, 2013). Supply chains, that is, should be managed not only in close connection to suppliers, but also with regard and respect to other constituents that may be crucial to any sustainable approach (for example non-governmental organizations, trade unions, business organizations). Relations to a multitude of actors in the corporate environment matter. Accordingly, some researchers have understood the sustainable supply chain context in terms of networks, suggesting a relational approach rather than a more or less easily controlled supply chain (Andersson and Sweet, 2002).

When reflecting on the literature, however, one observation is that it tends to treat management of supply chains as a cooperative activity *in principle* – de-emphasizing hierarchy and direct control. Yet, little reflection concerns the complex nature of *the focal firm itself*. It follows, then, that sustainable supply chain management is still, more or less explicitly, *in practice* dealt with as a hierarchical, unambiguous, coherent and uncomplicated activity since the focal firm itself is not problematized with regard to structure. Mainly through an illustration from the Swedish retail sector, this paper will argue that such a structural vantage point, which we will treat under the label ‘the non-complexity assumption’, hardly corresponds to reality, which means that the sustainable supply chain

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management literature sets off from a premise that is unclear and incomplete. To provide some remedy, this article suggests a deeper analysis of focal firms in terms of a network perspective employed mainly in the IMP (Industrial Marketing and Purchasing) literature. This perspective also allows us to take, as a consequence, the step out of the focal firm and to analyze the supply chain as a relational context. The purpose of the paper, thus, is to generate an understanding of the prerequisites for sustainable supply chain management. A more specific aim of the paper is to provide an alternative view on sustainable supply chain management that is best understood as a sustainable supply network perspective, which, we argue, better illustrates the conditions of managing sustainability in a relational context.

The article is structured as follows: First, the sustainable supply chain management literature is reflected upon and the non-complexity assumption with regard to focal firm structure is identified and problematized. A methodology section follows. Then the Swedish retailer ICA is introduced as an empirical illustration of a structurally complex organization. A theoretical framework, the IMP network approach, is then introduced and applied on ICA. Based on the theoretical approach, the article goes on to discuss sustainable supply chains in terms of sustainable supply networks. A concluding discussion ends the paper.

2. The focal firm non-complexity assumption in the sustainable supply chain management literature

In recent years, sustainable supply chain management has received increased focus and interest (Seuring and Müller, 2008b; Seuring, 2011). Sustainable supply chain management has been understood as “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 and Müller, 2008b, p. 1700).

In accordance with this definition, and in particular its emphasis on cooperation and the relevance of customer and other stakeholder requirements, scholars have abandoned a confined view of the single company as the autonomous and isolated site of sustainability management (Curkovic and Sroufe, 2011). Through a sustainable supply chain perspective, sustainability is contextualized. A chain perspective provides better opportunities to understand product life cycles and impacts related to sustainability in general, it is argued (De Bakker and Nijhof, 2002; Seuring and Müller, 2008a, 2008b).

In the sustainable supply chain literature, several problematic aspects related to management have been identified. Usually, the focal firm at the end of the supply chain has to handle problems like pushing through standards and certification schemes developed by collaborating non-state actors in the supply chain (von Geibler, 2013), and to ensure compliance with codes of conduct in all parts of the chain (Egels-Zandén, 2007). Controlling for sustainability in far-reaching chains may be difficult (Mamic, 2005), which also triggers the question of how far individual focal firm responsibility stretches and how much resources that should be devoted to it (Egels-Zandén and Bergström, 2013). In some cases, unforeseen negative consequences of sustainable supply chain management have been noted, such as improvements at the expense of harder pressure on employees (Yu, 2008).

Given problems like the ones mentioned above, many scholars have begun to call for cooperative or collaborative approaches, not least because of the complexity inherent in global supply chains (De Bakker and Nijhof, 2002; Fang and Zhao, 2009; Sharfman et al., 2009; Curkovic and Sroufe, 2011; Lee and Kim, 2011; von Geibler,

2013). Frequently, such cooperation is understood as the collaboration between global multinationals and local actors. As Sharfman et al. (2009) claim, cooperative approaches are likely to be more fruitful compared to approaches where large firms mandate suppliers to comply with social or environmental initiatives. Partnership rather than coercion becomes a central issue when trying to meet social and environmental needs (Curkovic and Sroufe, 2011). As noted by von Geibler (2013, p. 39): “Within complex global production systems, single value chain actors alone cannot manage key sustainability challenges effectively.” The extent to which firms choose to engage in collaborative approaches is, according to Sharfman et al. (2009), dependent on inter-firm trust, degree of uncertainty and proactive environmental management.

Empirical findings also point to the necessity of collaborative approaches. Fang and Zhao (2009), for example, identify collaborative approaches to industrial systems resulting in much higher benefits of industrial chains compared to individual enterprises. To deal with issues of environmental and social character in a reactive, ad hoc, end-of-pipe manner has not proven efficient (Curkovic and Sroufe, 2011). In other words, unilateral top-down control of supply chains is seen as problematic. Rasche and Gilbert (2012), for example, connect surveillance and control of social aspects in the supply chain to a network perspective. According to these commentators, networking may involve working with competitors as well as local non-governmental organizations, consumer groups, trade unions, and other organizations cooperating to examine, define and improve working conditions in the supply chain.

However, despite the general call for collaborative approaches, various studies (for example, Rasche and Gilbert, 2012; Egels-Zandén and Bergström, 2013) tend to discuss the predicament of collaboratively oriented sustainability approaches in terms of focal firm structural coherence, implying hierarchical, one-sided and coherent management of sustainability, directed further down the supply chain. Descriptions are in line with, for example, Seuring's (2011, p. 475) review on sustainable supply chain management studies, where case studies contend that: “Environmental and social criteria, both for the products and the production processes, are set or implemented by the focal company. In most cases, the focal company also engages with suppliers and helps them to improve their business process, where win-win situations for environmental and economic performance can be found.” Even though the chains as such may be teeming with different actors with complex relationships to each other, the focal company usually resides at the end of the chain. As such, the focal firm is assumed to be a structurally identifiable, indivisible, unambiguous and coherent entity that has the capacity of managing and implementing sustainability more or less in a hierarchical line of command, albeit in a setting where many constituents need to be taken into account. This, we argue, is a way of understanding the focal firm in a *non-complex* way. *Complexity* in terms of focal firms would, on the other hand, in its pure form imply structural heterogeneity, ambiguity, incoherence and non-hierarchical routes of control.

The prevalent *non-complexity assumption* in the literature implies a *de facto* treatment of the focal firm as a structurally homogeneous entity, usually accompanied by a clear end-of-chain hierarchical perspective, implying that the focal entity (sometimes a factory, production unit, et cetera) is identified at the end of the supply chain, normally as a final value adding entity that ends the chain by facing end consumers or end users. At any rate, the end-of-chain entity is assumed to have autonomy and power when it comes to designing the product or service offered, and to have unambiguous interest in and capacity of managing the supply chain. Seuring's and Müller's (2008b, p. 1699) words can be used as an illustration of this. Focal companies are those companies “that usually (1) rule or govern the supply chain, (2) provide the direct

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