



Learning Sustainability? Absorptive capacities as drivers of sustainability in MNCs' purchasing

Rilana Riikinen^{a,*}, Katri Kauppi^a, Asta Salmi^b

^a Aalto University School of Business, Helsinki, P.O. Box 21210, FI-00076 AALTO, Finland

^b Lappeenranta University of Technology, Lappeenranta, P.O. Box 20, FI-53850, Finland

ARTICLE INFO

Keywords:

Multinational corporation
Sustainability
Triple bottom line
Purchasing function
Absorptive capacity

ABSTRACT

MNCs are expected to operate in a sustainable fashion. Implementation of sustainability requires the ability to acknowledge external (sustainability-related) knowledge, and to apply it in intra-company activities such as purchasing. We focus on absorptive capacities as potential drivers of sustainability, and investigate the effect that a purchasing function's capacity to absorb and process knowledge has on social and environmental sustainability practices, and subsequently on economic performance in purchasing. We compare MNCs and non-MNCs using a structural equation model of a large set of survey data from four European countries and find that only realized absorptive capacities impact sustainability practices in purchasing and this impact is smaller in MNCs than in other companies. We suggest that companies respond to the demand for sustainability by strengthening their implementation capabilities: the potential to acquire and transform knowledge within a purchasing function is less relevant, and what matters is its application.

1. Introduction

Demands for sustainability have increased significantly in recent years (Hansen & Schaltegger, 2016; Pagell & Wu, 2009). Companies are expected to show not only economic but also environmental and socially sustainable success (Svensson, Wood, & Callaghan, 2010). This has led to extensive research on the role of stakeholders and external drivers of sustainability adoption (e.g., Delmas, Hoffmann, & Kuss, 2011; Kolk, 2010; Perez-Batres, Doh, Miller, & Pisani, 2012). Yet, response to external actions and the adoption of sustainable practices remain company responsibilities (Kolk & Van Tulder, 2010). Despite the prominent role that employees as recipients and actors in sustainability initiatives play (e.g. Epstein & Roy, 2001), in-house capabilities have been largely disregarded in past research (Linnenluecke & Griffiths, 2010).

Recent studies indicate that internal capabilities drive the change towards sustainability (Pinkse, Kuss, & Hoffmann, 2010). Organizational learning, as a critical contributor to the development of such capabilities, facilitates the adoption of sustainability (Schneider, 2015), and specific organizational capabilities can significantly affect sustainability performance (Paulraj, 2011). Managers may avoid actions that challenge accepted modes of behavior (Leonard-Barton, 1992); a case in point is the multinational corporation (MNC), in which a strong internal voice may stifle external calls for sustainability (Crilly, 2011).

Little is known about the operational implications of sustainability initiatives within companies, or about the concrete links between capabilities and environmental, social, and economic sustainability. Furthermore, it is not known whether MNCs differ from non-MNCs in terms of learning sustainability, due to their knowledge management tools, for instance. Thus, we draw upon the absorptive capacities (Cohen & Levinthal, 1990) that represent components of learning and capability development to study the internal drivers of sustainability in the purchasing function. Absorptive capacities allow companies to identify and use external knowledge in their own operations (Cohen & Levinthal, 1990). They have previously been studied as promoters of innovation and organizational change (Cohen & Levinthal, 1990; Zahra & George, 2002), and to a lesser extent to explain sustainability. We investigate potential absorptive capacities (comprising acquisition and assimilation capabilities), and realized absorptive capacities (comprising transformation and exploitation capabilities) (Jansen, Van Den Bosch, & Volberda, 2005).

According to Cohen and Levinthal (1990), a company's absorptive capacity depends on the individuals at the interface between the organizational subunits or between the company and its environment. Purchasing function connects the company to its environment and plays a role in the increasingly important sustainable supply chain management (Ehrgott, Reimann, Kaufmann, & Carter, 2011). Purchasing is further characterized by its gatekeeping, boundary-spanning and

* Corresponding author.

E-mail addresses: rilana.riikinen@aalto.fi (R. Riikinen), katri.kauppi@aalto.fi (K. Kauppi), asta.salmi@lut.fi (A. Salmi).

<http://dx.doi.org/10.1016/j.ibusrev.2017.04.001>

Received 27 August 2016; Received in revised form 5 April 2017; Accepted 10 April 2017
0969-5931/ © 2017 Elsevier Ltd. All rights reserved.

multi-interface roles, which are key managerial antecedents of absorptive capacities (Volberda, Foss, & Lyles, 2010): making it an excellent functional context where absorptive capacity can develop (Kauppi, Brandon-Jones, Ronchi, & van Raaij, 2013). For this reason, we focus on purchasing to investigate how (and if) a company learns to implement sustainability.

Our view on sustainability builds on Elkington's triple bottom line of environmental, social, and economic sustainability (1998). Acknowledging the current dominance of market logic (Schneider, 2015) and the tendency in companies to prioritize economic performance, we focus on environmental and social sustainability practices on the one hand, and economic performance on the other. In our approach to sustainability, we follow the suggestion of Delmas et al. (2011: 117) to "look beneath the surface, under the tip of the organizational iceberg, to get a better understanding of the organizational capabilities that support the emergence of successful sustainable strategies". We therefore analyze purchasing, which in addition to having a nodal role at the interface of internal and external stakeholders is where the pressures to promote sustainability typically turn into concrete actions.

Calls for more responsible (purchasing) behavior resound in all companies. They are particularly strong in MNCs (De Bettignies & Lépineux, 2009), which control value-adding activities such as production, marketing, and R & D (in other words activities beyond mere sales) in several countries (Dunning & Lundan, 2008). In terms of their power, geographical scope and impact on the planet (Vernon, 1998), MNCs differ from non-MNCs, i.e. smaller or more locally operating companies. As MNCs are under pressure to be forerunners in sustainability implementation (Andersson, Shivarajan, & Blau, 2005; Haugh & Talwar, 2010; Pinkse et al., 2010), we investigate the differences between MNCs and non-MNCs in their purchasing sustainability and absorptive capacity. Presumably, MNCs are more resourceful and efficient in learning to be sustainable given their internal knowledge management efficiency (Gupta & Govindarajan, 2000).

Our aim is to investigate the purchasing function's ability to absorb and process knowledge so as to promote practices of social and environmental sustainability, and the subsequent effects on its economic performance. We address the following research questions: 1) Do organizational learning and capabilities (here absorptive capacities) have an impact on sustainability (environmental and social practices, and economic performance) in the purchasing function? 2) Are there differences in this impact between MNCs and non-MNCs?

We contribute to the literature on sustainability in (international) business in three ways. First, our analysis of absorptive capacities as drivers of sustainable purchasing practice and performance facilitates the analysis of sustainability-related learning in companies. Simultaneously, our mixed results with regard to the different dimensions of absorptive capacities and the different types of companies reveal the need for more investigation into this issue by both managers and scholars. Second, we broaden the perspective of sustainability in MNCs by focusing on the purchasing function. Finally, our comparison of sustainability in MNCs and non-MNCs enhances understanding of sustainability initiatives, and making further progress in this respect.

2. Theoretical background

In this chapter we review relevant previous research. First, we introduce the concept of MNCs' sustainability in the purchasing context and thereafter discuss absorptive capacity in MNCs as well as in the purchasing function.

2.1. Sustainability in MNCs and in purchasing

MNC sustainability is attracting strong interest among international business scholars with recent discussions focusing on either social or

environmental sustainability. Research on social sustainability addresses issues such as collaboration with local communities and NGO partnerships (e.g. Oetzel & Doh, 2009; Perez-Aleman & Sandilands, 2008), or MNC responsibilities regarding the local institutional environment (Chen, Newbury, & Park, 2009). Most studies on environmental sustainability focus on climate change as a driver of sustainable initiatives within MNCs (e.g. Pinkse & Kolik, 2012), or target a specific industry (Sanchez, 1998).

Previous studies have identified a variety of actions taken by MNCs to promote sustainability, including, for instance, ethical purchasing initiatives (Perez-Aleman & Sandilands, 2008), product and process design aimed at environmental-footprint reduction (Christmann, 2004), and collaboration in social, humanitarian (Selsky & Parker, 2005) and environmental (Ritvala, Salmi, & Andersson, 2014) initiatives. Sustainability initiatives within MNCs go beyond short-term considerations of economic profitability to include longer-term, broader goals with positive social and environmental outcomes (Haugh & Talwar, 2010). Capability development is an important facilitator of these initiatives (Poisson-de Haro & Bitektine, 2015).

Supply management is a fertile ground for sustainability implementation and the crucial role of sustainable supply chains in MNC success has been recognized (e.g. Perez-Aleman & Sandilands, 2008). MNCs are under pressure to move beyond mere profitability targets and establish long-term accountability (Chen et al., 2009), for example by collaborating with non-governmental organizations for transparency and traceability in MNC supply chains (e.g. Perez-Aleman & Sandilands, 2008). Global supply research has focused on purchasing strategies, yet little is known about the operational perspective of sustainability in MNC supply management, namely the relationship between purchasing and sustainability.

The purchasing function needs to address all three aspects of sustainability (Luzzini, Brandon-Jones, Brandon-Jones, & Spina, 2015), that is, adopt the comprehensive triple bottom line (Elkington, 1998) but the literature on sustainable purchasing focuses mainly on environmental aspects, and less on social issues (Quarshie, Salmi, & Leuschner, 2016). Drawing on the definition by Pagell, Wu, and Wasserman (2010), we describe sustainability in purchasing as adopting environmental and social purchasing practices while maintaining good economic purchasing performance. Environmental sustainability in this context specifically relates to the concept of "green supply", referring to activities aimed at improving the environmental performance of purchased inputs and/or the suppliers that provide them (Bowen, Cousins, Lamming, & Faruk, 2001: 175). This typically includes environmental supplier selection criteria, consideration of purchased materials and product design, and adhering to environmental standards and training (Hofer, Cantor, & Dai, 2012; Miemczyk, Johnsen, & Macquet, 2012). Socially responsible purchasing, in turn, means the inclusion of social issues in purchasing practices (Maignan, Hillebrand, & McAlister, 2002), as exemplified in supplier-assessment tools, codes of conduct, and certifications and audits related to social practices at the supplier's facilities (Gimenez and Tachizawa, 2012; Hofer et al., 2012). The third element of the triple bottom line, economic sustainability, has attracted less explicit attention in the sustainability literature, but has naturally been extensively studied in the context of purchasing (economic) performance, e.g. when considering cost issues in relation to supplier relationships (Sharma & Sisodia, 2014; Sharma, 2013). In purchasing, economic performance is often expressed in relation to its key competitive priorities: cost, quality, delivery and flexibility (Gonzalez-Benito, 2007) and furthermore, quality and speed of production are typically key aspects to consider when choosing suppliers (Sharma, 2010, 2011).

Molnar and Mulvihill (2003) refer to the importance of organizational learning, which requires very specific capacities (Haugh & Talwar, 2010), in the incorporation of sustainability practices. In the context of sustainable global supplier management, for instance, Reuter et al. (2010) find that the stock of internal capabilities

Download English Version:

<https://daneshyari.com/en/article/5106946>

Download Persian Version:

<https://daneshyari.com/article/5106946>

[Daneshyari.com](https://daneshyari.com)