



# The supply-side of environmental sustainability and export performance: The role of knowledge integration and international buyer involvement



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## ABSTRACT

Most of previous studies seek to understand buyer perspectives in green supply chain relationships and devote inadequate attention to the strategic role of upstream suppliers. Drawing on a market-oriented approach to sustainability, this paper examines the enabling factors and processes that underpin how export suppliers from emerging economies leverage their strategic intent to develop knowledge integration capacity for achieving improved export performance. The results from a sample of Chinese exporters show that the relational capacity of knowledge integration mediates the performance impact of market-oriented environmental sustainability, and such a mediating process of leaning is further enhanced by international buyer involvement. We reveal that relationship efforts should be directed at developing *integrative capacity* involving key partners for implementing proactive environmental strategy in international business-to-business (B2B) markets. This study contributes to the research of supply chain sustainability in a global context.

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## 1. Introduction

A great deal of research has been conducted to shed light on the motivations and factors explaining corporate responsibilities for environmental sustainability on the part of consumers and business organizations (e.g. Brower & Mahajan, 2013; Connelly, Ketchen, & Slater, 2011; Dangelico & Pujari, 2010; Huang & Rust, 2011; Leonidou, Katsikeas, & Morgan, 2013; Gupta & Kumar, 2013). Focusing on the *demand-side* of environmental sustainability, previous studies have explored a broad range of topics and issues involving from environmentally friendly products (e.g., Luchs, Naylor, Irwin, & Raghunathan, 2010; Lin & Chang, 2012) to proactive environmental strategy (e.g., Menguc, Auh, & Ozanne, 2010), and green marketing-mix programs (e.g., Leonidou et al., 2013). This stream of research reflects increasing pressures and rewards from the end-consumers on environmentally sustainable products and services (Lampe & Gazda, 1995). Yet, the potential important implications that business can make to the *supply-side*

of environmental sustainability remain to be seen (Sharma, Lyer, Mehrotra, & Krishnan, 2010). Research shows that suppliers may have different strategic priorities than buyers in dealing with supply chain relationships (Nyaga, Whipple, & Lynch, 2010). Thus, it is unclear whether the current knowledge associated with the demand-side of environmental sustainability could be extended to the understanding of the supply-side of priorities.

The supply-side of environmental sustainability emphasizes the specific role of manufacturing firms in providing sustainable solutions that are impactful for green supply chain management (Gold, Hahn, & Seuring, 2013; Sharma & Lyer, 2012; Yenyurt, Henke, & Cavusgil, 2013). It is apparent that, without a sustainably productive environment to provide a resource foundation, it would be difficult or impossible to imagine having a sustainable ecosystem. According to Sharma et al. (2010), businesses need to move from a sense of right-to-exploit the natural environment to an extended view of mutual interdependence and radical eco-innovation. With the rise of globalized production, marketing and outsourcing, first-tier international buyers recognize the need of greening the demand-side of organization as much as greening the supply chain (Kolk & Tulder, 2010). Although researchers concerned with sustainable supply chain management have identified green purchasing as an important diver for greening

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suppliers (e.g., [Yeniyurt et al., 2013](#); [Dou, Zhu, & Sakis, 2014](#)), they have generally stopped short of investigating how suppliers are actually engaged in environmental practices. Therefore, a basic understanding of the supply-side of environmental sustainability is of paramount importance.

We approach this issue by focusing on the role of knowledge integration and international buyer involvement in export suppliers' environmental sustainability practices and performance outcomes. *Knowledge integration* refers to a particular form of dynamic capability that enables firms to develop learning processes directed at the exchange of information and resources between buyers and suppliers in the effort to provide sustainable offerings ([Pinkse, Kuss, & Hoffmann, 2010](#); [Yeniyurt et al., 2013](#)). Recent research suggests that integrating global and local resources are essential for firms to be accountable for sustainable international business ([Yeniyurt et al., 2013](#)). In particular, related variety of environmental knowledge that export firms acquired from international markets influences their environmental strategies as an integrated part of business practices ([Aguilera-Caracuel, Hurtado-Torres, & Aragón-Correa, 2012](#)).

We take one step further through an analysis of interdependence between international buyers and suppliers to show that environmental sustainability requires a broadened view of market orientation to cultivate a supplier firm's capacity for managing environmental concerns and sustainability programs ([Crittenden, Crittenden, Ferrell, Ferrell, & Pinney, 2011](#); [Hult, 2011](#)). To fully appreciate the supply-side of environmental sustainability as a result of interaction between international buyers and suppliers, this study argues that export suppliers have to adapt, integrate and reconfigure green imperatives involved in the global supply chain. As such, they can acquire their capacity to proactively create a competitive advantage and achieve superior performance in the international marketplace ([Aragón-Correa & Sharma, 2003](#); [Buyse & Verbeke, 2003](#); [Closs, Speier, & Meacham, 2011](#)).

We draw on the market-oriented sustainability perspective ([Crittenden et al., 2011](#); [Hult, 2011](#)) to point out that supplier firms need to embrace a broadened concept of market orientation to guide their strategic practices toward environmental sustainability and ultimately achieve better performance. With its growing focus on sustainability efforts in the supply chain, the broadened concept of market orientation considers the possibility that an organization strategically aligns itself with the interests of multiple stakeholders so as to capture a unique and competitive market position ([Hult, 2011](#)). Yet, up to date, the strategic posture of market-oriented environmental sustainability has not been grounded in solid empirical work. Specifically, it is unclear what role the strategic alignment plays in implementing a proactive environmental strategy. Recognizing the impact of collaboration-oriented environmental practices in green supply chain management and the need for developing shared absorptive capacity in a firm's business networks ([Choi and Hwang, 2015](#); [Kumar & Rahman, 2015](#); [Pinkse et al., 2010](#)), we extend the theoretical base of market-oriented sustainability by developing a knowledge and capacity building block of the processes involved. We propose and test the premise that market-oriented environmental sustainability leads to improved business performance through supplier firms' knowledge integration coupled with international buyer involvement.

Our study makes several contributions to the emergent literature on environmental sustainability in international business. First, we extend the notion of the supply-side of environmental sustainability through an analysis of sustainability efforts implemented by supplier firms. Our approach goes beyond a general understanding of greening purchasing engaged in the supply chain of networks ([Yeniyurt et al., 2013](#)). Second, we recognize the importance of studying environmental sustainability

as a result of interactions that characterize international buyer-supplier relationships. Through understanding international buyer-supplier relationships over environmental management practices and strategies, this study contributes to the research of supply chain sustainability in a global context ([Choi & Hwang, 2015](#); [Kumar & Rahman, 2015](#)). And third, we present a model of market-oriented environmental sustainability that theorizes the role of knowledge integration and international buyer involvement as *enabling* factors in shaping supplier firms' export performance. Our framework argues that international buyer-supplier environmental sustainability could be better achieved through beyond increasing supplier knowledge and monitoring suppliers ([Geng, Mansouri, & Aktas, 2017](#)); relationship efforts should be directed at developing *integrative capacity* involving key partners for implementing proactive environmental strategy. To fully appreciate the supply-side of environmental sustainability from the angle of collaborative relationships, this study reveals useful insight into the enabling process involved.

Next, we review the relevant literature and develop our conceptual framework and research hypotheses, and followed by empirical examination and results. Finally, we discuss the results, and draw both theoretical and managerial implications.

## 2. Theoretical background

### 2.1. Market-oriented environmental sustainability

In this study, the concept of market-oriented environmental sustainability (MES) is defined as the organization-wide culture that promotes shared values, norms and behaviors underlying an organization's effort to implement sustainably environmental practices and strategies on the part of stakeholders' concerns for the creation of a competitive advantage in the marketplace ([Buysees & Verbeke, 2003](#); [Crittenden et al., 2011](#); [Hult, 2011](#)). It represents a market-focused cultural and behavioral perspective that organizations seek to adopt as guidance for their strategic environmental practices toward sustainability and performance outcomes ([Hult, 2011](#)). The theoretical underpinnings of MES closely resemble the widely accepted conceptualization of market orientation ([Kohli & Jaworski, 1990](#); [Narver & Slater, 1990](#)).

In keeping with the interests of multiple stakeholders concerned about various environmental, economic, and social issues, [Crittenden et al. \(2011\)](#) developed a market-oriented sustainability framework to theorize how strategic alignment of sustainability with marketing strategies would enable firms to achieve a competitive advantage. Their framework considers an organization's tendency towards sustainability as a result of developing a market-oriented culture, consisting of core ideology, dynamic capabilities, and societal engagement. As manifested in the cultural and behavioral perspectives of market orientation ([Kohli & Jaworski, 1990](#); [Narver & Slater, 1990](#)), the market-oriented sustainability is characterized to provide organizations with the unifying focus and effort, and combined with stakeholder involvement, in shaping their performance outcomes. The theoretical underpinnings of the framework are intriguing, but empirical evidence is lacking. Also, it remains unclear how an organization embraces the market-oriented sustainability to achieve superior performance. Or, more theoretically, the embedded understandings of the conceptual framework require exploring the processes that underpins strategic alignment of resources for the creation of an organization's competitive advantage, and ultimately performance outcomes.

[Hult \(2011\)](#) coins the term "market orientation plus" to highlight the broadened focus of market orientation from managing relationships with customers to strategically managing the concerns of stakeholders. Such a shift is seen as the catalyst for

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