

A Framework of Key Stakeholders and Their Influence on Sustainable Supply Chain Management Adoption

Samah MOURTAKA^{a,1} and Mohamed SABAR^a

^a*Groupe ISCAE, Km 9,5 Route de Nouasseur BP. 8114 – Casablanca, MOROCCO.*

Abstract. The topic of sustainable supply chain has become of great value for the community of researchers and practitioners. Supply chain professionals become not only cost managers, but they also had to manage relationships with key stakeholders. These latter are demanding that organizations address and manage the environmental and social issues which are impacted by their operations. Therefore, the aim of this paper is to understand the influence of stakeholders on the decision of adopting sustainability practices into the supply chain. We conduct a literature review, including content analysis, examining publications on sustainable supply chains published in English. We form the link between the institutional isomorphism as a driver for SSCM and its relation with stakeholders of the organization. The study draws on institutional theory and stakeholder theory in building its framework. We'll conclude by discussing the limits and critics of this framework, while proposing future research directions.

Keywords. Sustainable Supply Chain management (SSCM), institutional theory, stakeholder theory.

1. Introduction

In the last decade, many companies have been held accountable for their performance in sustainability, in particular their impact on the environment and social welfare. The interest of including the sustainable development in the supply chain has arisen in the late 90s and had been gradually adopted by researchers. In fact, the topic of sustainability in supply chain management has gone through many phases before becoming Sustainable Supply Chain Management (SSCM). Carter and Rogers [1] defined SSCM as, “The strategic, transparent integration and achievement of an organization’s social, environmental, and economic goals in the systemic coordination of key interorganizational business processes for improving the long-term economic performance of the individual company and its supply chains”.

However, despite the number of studies that have addressed the concept of sustainable supply chain, there is still a lack of proposed frameworks that include stakeholders. This lack of explicit consideration of the impact of stakeholders on the decision to adopt sustainable supply chain management leads us to focus on their role in this article.

¹ Corresponding Author. smourtaka@groupeisca.ma

The paper is structured as follows. First we discuss the institutional isomorphism, being the driver of innovation in organizations. The following section provides details about the main stakeholders found in literature to have an impact on the decision of adopting SSCM. Next, based on previous reading, we draw a framework that explains the nature of influence (isomorphism) which drives each stakeholder and give him power to influence the decision of implementing SSCM. Finally, we address the limits of this framework, while providing future research directions.

2. Institutional Isomorphism

The institutional perspective in supply chain management is usually used to explain the adoption of technological advancements or green practices by organizations [2]. The work of DiMaggio and Powell [3] offers a suitable framework to study the drivers behind the decision-making in organisations. The authors introduced the concept of institutional isomorphism, which is defined by Deephouse [4] as “factors leading organizations to adopt similar structures, strategies, and processes”. There are 3 types of isomorphism:

- The coercive isomorphism refers to both formal and informal pressures exerted on organizations by other organizations. Coercive occurs from influences exerted by those in powerful positions. It includes pressures from the government, regulatory bodies, or authorities [3];
- The normative isomorphism is driven by professionalism and practices that become legit by all the actors in a specific field [3]. It includes social obligations which are exerted by NGOs, trade unions, and society;
- The mimetic isomorphism occurs when organizations imitate the actions of successful competitors in the industry [3].

2.1 Stakeholders Pressure

Due to the increasing demand from different stakeholders to implement sustainable practices, companies have been pushed to adopt sustainable supply chain management [5]. Clarkson [6] classified stakeholders into primary and secondary stakeholder groups. Primary stakeholders are those with a direct influence on your organisation and its success. Secondary stakeholders are those whose stake is more representational than direct and who are not essential for the organization's survival.

Stakeholders are exerting pressure on organisations, which affects their decision making [7]. This pressure is referred to as “Stakeholder pressure” and it is the extent to which the organization is held accountable for its actions and decisions regarding sourcing, product design, production, or distribution to stakeholders.

2.2 Primary stakeholders

2.2.1 Customers

Several researches have studied the influence of customer pressures on adopting and implementing sustainable practices [8], [9]. Futerra's survey [10] of more than 1,000 consumers in the USA and UK in 2018, revealed that 88% of consumers want companies to help them improve their environmental and social footprint.

However, the exerted pressure significantly depends on the type and the size of customers. For example, public authorities and large-scale business customers have a much stronger influence on their suppliers to engage in sustainability practices [11]. As Krause et al., [12] suggested “a firm is only as sustainable as its suppliers”, which explains the reason why some companies request from their suppliers to adopt CSR actions. Large companies and public institutions, when they act as customers, can exert pressure on their suppliers, due to their high bargaining power [13], [14].

2.2.2 Government

Government is considered as a powerful driver for sustainability in supply chain [15], by establishing an adequate legal framework that protects the public interest and that promotes responsible business practices [16]. It can use different types of incentives to encourage companies to reduce their environmental impact such as the emissions trading policies (aka cap-and-trade policies), green taxes, labelling and certification. Besides these instruments, governments can also lead by example by acting responsibly as an economic actor, or by stimulating customers to buy green products [16].

2.2.3 Suppliers

In order for the entire supply chain to be sustainable, social and environmental requirements should preferably be passed on among the different suppliers of supply chain [17]. Companies acting as suppliers promote and encourage their customers to adopt practices that aligned with their environmental and social standards. The downstream suppliers are more aware of the regulations that target manufacturing industries [18], since they are close to the end consumer.

2.2.4 Shareholders' pressure

Shareholders and investors exert pressure on organizations to implement sustainability practices [19], by threatening them of withdrawing investments in case of poor sustainability performance [20], [21]. The main demand of shareholders and investors is to meet the same high level of sustainability requirements in the sector or country where they operate [20].

2.2.5 Employees

Employees are considered one of the main internal drivers that pushes a company to adopt sustainability practices, especially the ones concerning the social dimension [22]. They can either act alone or through their unions to pressure organizations to adopt and implement sustainability initiatives into their supply chain [20]. Their main concerns are to improve work-related health and to reduce safety incidents.

2.3 Secondary stakeholders

2.3.1 Competitors

Organizations adopt sustainability practices to gain a competitive advantage by setting industry norms and to differentiate themselves from competitors [23]. Sometimes, they may find themselves under higher pressure, which pushes them to adopt the social and environmental practices undertaken by their competitors [24], [25]. For example, IKEA, the world's largest furniture retail chain, adopted many sustainability initiatives, which place its competitors under higher pressure to achieve the same level of sustainability [14]. In this regard, organizations can imitate, in a cost-effective way, the sustainability practices undertaken by the competition.

2.3.2 Financial institutions

Financial institutions such as banks can also exert pressure on organization to adopt sustainability practices, by cutting or suspending credit in case of not respecting sustainability standards [20], [21].

2.3.3 Media and press

Media and press are a stakeholder which is growing in power with time, especially with the development of social media. It's become much easier to mobilize public opinion towards companies involved in poor environmental or social practices [21].

2.3.4 NGOs, unions, and societal groups

NGOs, unions, and societal groups help raise public awareness of sustainability best practices [20], [21]. They possess the ability to mobilize and unite other stakeholders, and to draw their attention towards sustainability issues [25]. Eventually, this leads organizations to implement sustainability practices due to the increased pressure from different stakeholders.

2.4 Key Stakeholders and Their Influence on SSCM Adoption

We propose the following framework (Figure 1) to explain the motives and drivers of the organization's key stakeholders that lead to the adoption of the SSCM. For each stakeholder, we define the type of his influence on the decision of adopting SSCM. Coercive pressure can be exerted by internal stakeholders like shareholders or investors [20], [21] or by external stakeholders such as government authorities [15]. In some cases, international customers (e.g., the European Union) may also exert coercive pressure on organizations [13]. Normative pressure mainly comes from external stakeholders such as suppliers [17], customers [8], [9], [24], the media and other social entities. Unions, such as trade unions [20], and other associations like NGO's are usually considered the basic entities behind normative pressures [3]. Mimetic pressure mainly arises from the competition between companies to achieve superior level of sustainability in their supply chain [24], [25]. Although, SSCM is perceived as a costly innovation in the short term, but it's considered very beneficial in the long run [26].

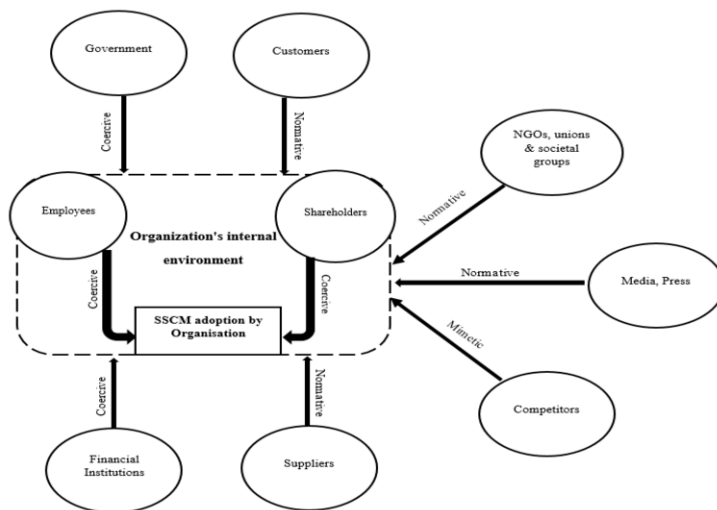


Figure 1: Key stakeholders and their influence on SSCM adoption

3. Conclusion

This research aimed to define and study the drivers of SSCM mentioned in literature, while focusing on the main stakeholders discussed by researchers of sustainable supply chain. Our aim was to explain the nature of influence (isomorphism) which drives each stakeholder and give him power to impact the decision of implementing SSCM.

First, we tried to understand the role of institutional isomorphism in adopting sustainability practices by organizations. We discovered that institutional pressures stimulate organizational norms and values, which leads to the implementation of sustainability practices. Second, we defined and categorized the main stakeholders behind the decision of adopting SSCM. The findings of the literature review revealed that stakeholders, like customers, government, shareholders, competitors, suppliers and employees, have a direct impact on the decision of adopting SSCM. While other stakeholders like, financial institutions, media and press, NGOs, unions and societal groups, impact indirectly the adoption of sustainability practices into the supply chain.

This research paper makes the following contribution to the SSCM literature. We offer a framework that explains the motives and drivers of the organization's main stakeholders found in literature. For each stakeholder, we define the type of his influence on the decision of adopting SSCM. Nevertheless, the study has some inherent weaknesses that offer opportunities for future research. First, we did not include all types of stakeholders existed in organization's sphere, we've only focused on the ones found in literature. While in reality, other types of stakeholder might have an impact on SSCM adoption. The second weakness is related to the stakeholder requirements, which might be different depending on the sector's nature or the geographical origin. In this article, we've only focused on stakeholders' role in SSCM adoption, while there are other factors that trigger the implementation of sustainability practices like culture and the risk of resource depletion.

References

- [1] C. R. Carter and D. S. Rogers, "A framework of sustainable supply chain management: Moving toward new theory," *Int. J. Phys. Distrib. Logist. Manag.*, vol. 38, no. 5, pp. 360–387, 2008.
- [2] R. Lin and C. Sheu, "Why Do Firms Adopt/Implement Green Practices?—An Institutional Theory Perspective," *Procedia - Soc. Behav. Sci.*, vol. 57, pp. 533–540, 2012.
- [3] P. J. Dimaggio and W. W. Powell, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields," vol. 48, no. 2, pp. 147–160, 1983.
- [4] D. L. Deephouse, "Does Isomorphism Legitimate?," *Acad. Manag. J.*, 39(4), pp. 1024–1039, 2014.
- [5] S. Sharma and I. Henriques, "Stakeholder influences on sustainability practices in the Canadian forest products industry," *Strateg. Manag. J.*, vol. 26, no. 2, pp. 159–180, 2005.
- [6] M. B. E. Clarkson, "A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance," *Acad. Manag. Rev.*, vol. 20, no. 1, pp. 92–117, 1995.
- [7] R. E. Freeman, *Strategic management: A stakeholder approach*, vol. 1. 1984.
- [8] A. S. Mobley, T. S. Painter, E. M. Untch, and H. Rao Unnava, "Consumer evaluation of recycled products," *Psychol. Mark.*, vol. 12, no. 3, pp. 165–176, 1995.
- [9] L. H. Essoussi and J. D. Linton, "New or recycled products: How much are consumers willing to pay?," *J. Consum. Mark.*, vol. 27, no. 5, pp. 458–468, 2010.
- [10] Solitaire Townsend, "88% Of Consumers Want You To Help Them Make A Difference," *Forbes*, 2018. [Online]. Available: <https://www.forbes.com/sites/solitairetownsend/2018/11/21/consumers-want-you-to-help-them-make-a-difference/?sh=621884d96954>.
- [11] F. Ciliberti, D. Baden, and I. A. Harwood, "Insights into Corporate Social Responsibility Practices in Supply Chains: A Multiple Case Study of SMEs in the UK," *Oper. Supply Chain Manag. An Int. J.*, vol. 2, no. 3, pp. 154–166, 2014.
- [12] D. R. Krause, S. Vachon, and R. D. Klassen, "Special topic forum on Sustainable Supply Chain Management: Introduction and reflections on the role of purchasing management," *J. Supply Chain Manag.*, vol. 45, no. 4, pp. 18–25, 2009.
- [13] D. Rigby and S. Tager, "Learning the advantages of sustainable growth," *Strateg. Leadersh.*, 36(4), 24–28, 2008.
- [14] U. Elg and J. Hultman, "Retailers' management of corporate social responsibility (CSR) in their supplier relationships - does practice follow best practice?," *Int. Rev. Retail. Distrib. Consum. Res.*, 21(5), 445–460, 2011.
- [15] B. Clemens and T. J. Douglas, "Does coercion drive firms to adopt 'voluntary' green initiatives? Relationships among coercion, superior firm resources, and voluntary green initiatives," *J. Bus. Res.*, vol. 59, no. 4, pp. 483–491, 2006.
- [16] I. Henriques and P. Sadorsky, "Exports-Led Growth or Growth-Driven Exports? The Canadian Case," *Can. J. Econ.*, vol. 29, no. (3), pp. 540–555, 1996.
- [17] M. Andersen and T. Skjoett-Larsen, "Corporate social responsibility in global supply chains," *Supply Chain Manag. An Int. J.*, vol. 14, no. 2, pp. 75–86, 2009.
- [18] K. Green and B. Morton, "Purchasing and environmental management: Interactions, policies and opportunities," *Bus. Strateg. Environ.*, vol. 5, pp. 188–197, 1996.
- [19] J. Gualandris and M. Kalchschmidt, "Customer pressure and innovativeness: Their role in sustainable supply chain management," *J. Purch. Supply Manag.*, vol. 20, no. 2, pp. 92–103, 2014.
- [20] C. L. Huang and F. H. Kung, "Drivers of Environmental Disclosure and Stakeholder Expectation: Evidence from Taiwan," *J. Bus. Ethics*, vol. 96, no. 3, pp. 435–451, 2010.
- [21] C. . Bai, J. . Sarkis, and Y. Dou, "Corporate Sustainability Development in China: A Review and Analysis," *Ind. Manag. Data Syst.*, vol. 115, pp. 5–40, 2015.
- [22] K. Govindan, K. Muduli, K. Devika, and A. Barve, "Investigation of the influential strength of factors on adoption of green supply chain management practices: An Indian mining scenario," *Resour. Conserv. Recycl.*, vol. 107, no. August 2018, pp. 185–194, 2016.
- [23] M. J. . Meixell and P. Luoma, "Stakeholder pressure in sustainable supply chain management," *Int. J. Phys. Distrib. Logist. Manag.*, vol. 45, no. 1/2, pp. 69–89, 2015.
- [24] Q. Zhu and J. Sarkis, "The moderating effects of institutional pressures on emergent green supply chain practices and performance," *Int. J. Prod. Res.*, vol. 45, no. 18–19, pp. 4333–4355, 2007.
- [25] D. Harms, E. G. Hansen, and S. Schaltegger, "Strategies in sustainable supply chain management: An empirical investigation of large german companies," *Corp. Soc. Responsib. Environ. Manag.*, vol. 20, no. 4, pp. 205–218, 2013.
- [26] Z. Wu and M. Pagell, "Balancing priorities: Decision-making in sustainable supply chain management," *J. Oper. Manag.*, vol. 29, no. 6, pp. 577–590, 2011.