

Chapter 16

The Role of Institutional Pressures on Green Supply Chain Practices in Building the Organizational Image: An Empirical Study of Indian Hospitals

Manisha Sharma
Gautam Buddha University, India

ABSTRACT

Supply chain management has been used by businesses and the companies have attributed their success to effective supply chain management. But in case of healthcare sector, supply chain management is not that prominent since it deals with finished products. Supply Chain Management is a concept, strategy and approach that is proving its worth in hospital management all over the world. The pressures on hospital supply chains are changing. In response to these pressures some hospitals have initiated green supply chain management (GSCM) practices that provide tremendous opportunities to improve supply chain performance. This paper tries to provide empirical results in order to examine the impact of GSCM practices in building the positive image of the Indian hospitals incorporating two moderating variables namely regulatory and competition. In order to gain unique insights of current levels of awareness/adoption of GSCM and the potential impact GSCM could have in building organizational image, a survey was conducted among 53 hospitals from NCR (National Capital Region) India. Moderated hierarchical regression analysis has been used to arrive at the following results: (1) Indian hospitals have experienced increasing environmental pressure to implement GSCM practices; (2) The implementation of GSCM practices have helped in building positive organizational image (3) The existence of competitive and regulatory pressures influence hospitals to implement green supply chain practices that eventually help in building positive organizational image especially when these pressures cause adoption of green purchasing and green hospital services even though organizational image is most influenced by Internal environment management; (4) Hospitals implement green transportation policies under regulatory and competitive pressures. Implications for operations strategists from these relationships are also discussed.

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1. INTRODUCTION

The term 'supply chain' describes the network of suppliers, distributors and consumers. It also includes transportation between the supplier and the consumer, as well as the final consumer . . . the environmental effects of the researching developing, manufacturing, storing, transporting, and using a product, as well as disposing of the product waste, must be considered. (Messelbeck & Whaley, 1999, p. 42). It is the integration of key business processes from end user through original suppliers that provides products, services, and information that add value for customers and other stakeholders" (Lambert et al., 1998, p. 1).

A textbook on supply chain management (Handfield & Nichols, 1999) has described the supply chain as: The supply chain encompasses all activities associated with the flow and transformation of goods from raw materials (extraction), through the end user, as well as associated information flows. Material and information flow both up and down the supply chain. (p. 2).

One of the most accepted definitions of Supply Chain Management is: Supply Chain Management is the systemic, strategic coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole (Mentzer *et al.*, 2001). A customer focused definition is given by Gibson et al. (2005, p. 22) through a survey of SC practitioners. They have defined SCM as "encompassing the planning and management of all activities involved in sourcing and procurement, conversion, demand creation and fulfilment and all logistic management activities.

Supply chain management has been used by businesses and the companies have attributed their success to effective supply chain management. But in case of healthcare sector supply chain management is not that prominent since it deals with finished products. Hospitals have to accept what suppliers offer. Companies have been working on building a research base which will help healthcare leverage supply management. Standardization of products may help healthcare sector benefit from supply chain management. The physicians, suppliers and hospitals need to work in coordination so as to enable healthcare industry benefit from efficiencies related to strategic supply chain management. The pressures on hospital supply chains are changing. In the past, a hospital that managed its purchasing costs well could operate efficiently. Today, the cost of materials management can exceed 35% of a hospital's operating budget, with nearly 20-25% attributable to supply costs alone (Stark & Mangione, 2004).

As the consumers become more aware of environmental issues and global warming, they do ask more questions about the products they are purchasing. Companies will have to address questions about how green their manufacturing processes and supply chain are, their carbon footprint and how their recycle process. However some companies have realized that this not a bad thing and have been able to convert the consumer's interest in all things green into increased profits. A number of companies have shown the link between improved environmental performance and financial gains. Companies have started addressing the environmental concerns in the way that may produce profits. While attempting to reduce costs in their supply chain, General Motors found that the cost reductions they identified complemented the company's commitment to the environment. GM reduced disposal costs by \$12 million with the establishment of a reusable container program with their suppliers.

Companies can actually save cost by reducing the environmental impact of their business processes. By re-evaluating the company's supply chain, savings are often identified as a benefit of implementing green policies.

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