

Chapter 4

Sustainable Supply Chain: An Institutional Perspective

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ABSTRACT

Sustainable supply chain management (SSCM) is an evolving discipline, for which many theories are being proposed. It is dependent on other disciplines, of which organizational theories are of tremendous importance. One such theory that has great relevance to SSCM is Institutional Theory. The purpose of this study is to develop a model that relates the enablers of SSCM to Institutional Theory. This is achieved in three steps: First, SSCM enablers were identified through a literature review. These internal enablers go through certain external challenges when supply chain players practice Sustainability. Second, an attempt is made to explain these challenges from the perspective of Institutional Theory. The role of Institutional Isomorphism in regulating and creating a direction for achieving the sustainability goal is identified. Finally, a theoretical model is developed to describe the link between supply chain players, institutional isomorphism, and the support and participation of the top management in creating an enabling environment for legitimization of sustainable supply chain.

INTRODUCTION

The concepts of sustainable supply chain management (SSCM) and green supply chain management (GSCM) are in the nascent stage and are likely to have an impact for centuries to come. Because supply chains involve both inter-organizational and intra-organizational dynamics among partners, some of the organizational theories have a role in establishing Sustainability in supply chains. The integration (Wu, 2014; Yu et al., 2014) and coordination of external (Darnall et al., 2008) and internal factors in implementing GSCM practices from the viewpoint of Environment (Azevedo et al., 2011) and Economics have been discussed earlier (walker et al., 2008; Green et al., 2012; Shi et al., 2012; Zhu et al., 2012).

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However, with the growing importance of these concepts, there is a need for application-based interdisciplinary research (Linton et al., 2007; Sanders & Wagner, 2011; Sarkis et al., 2011). One such theory that has relevance to SSCM in the current scenario is the institutional theory (DiMaggio & Powell, 1983; Zhang & Dhaliwal, 2009).

The legitimization of institutional pressures in sustainability practices leads to a more predictable and more acceptable behaviour among supply chain partners (Connelly et al., 2011; Glover et al., 2014). By adopting sustainability, and simultaneously catering to Institutional pressures, organizational efficiency can be improved both operationally and strategically. Operational efficiency can be improved by concentrating on the successful philosophies of supply chain management (SCM) such as Total Quality Management (TQM) and Ethics. Strategic efficiency can be improved by overall adoption of sustainability, thus gaining a competitive edge and advantage in the market (Kang et al., 2012).

This paper attempts to review the existing literature and develop a theoretical model that forms a link between the external Institutional pressures and internal enablers of a sustainable supply chain with focus on practice-oriented utility (Corley & Gioia, 2011). The literature review has been organized sequentially in three steps: To start with, SSCM is defined and its enablers are identified. The Institutional theory and its relevance to sustainability are discussed next. Finally, a theoretical model is developed to link SSCM enablers with Institutional Isomorphism, which stabilizes sustainability across the chain. Hypotheses are then framed.

BACKGROUND

The available literature on applications of Organizational Theories to SSCM suggests that this area is still in its nascent stage, with several theories being put forward to explain SSCM (Sarkis et al., 2011). Although the relevance of institutional theory to SSCM has been mentioned briefly (Seuring et al., 2008, Sarkis et al., 2011, Glover et al., 2014). Earlier research on GSCM seeks to provide solutions to the environmental dimension of sustainability, and the research carried out on corporate social responsibility (CSR) provides answers to the social dimension of a more holistic concept of sustainability. Therefore, literature is also reviewed from other related areas such as GSCM (Zhu et al., 2013), CSR (Huq et al., 2013), and relevance of Institutional theories in other disciplines. An attempt is made to understand and relate the enablers of SSCM to external Institutional pressures.

Literature Review

A systematic literature review (Tranfield et al., 2003) is carried out on SSCM for the period 1984-2014 with more than 80% of articles published during 2008-2014. Institutional theory was extensively reviewed from the viewpoint of its application to SSCM. A structured approach is used in this concept-centric review (Webster & Watson, 2002). The concepts considered in this review are 'Sustainability Supply Chain Management' and 'Institutional Theory.' The literature review is used to develop a model to indicate the relationship between enablers of a sustainable supply chain and institutional theory based on content analysis (Seuring & Gold, 2012). Therefore the chapter is derived through deductive method based on the literature review.

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