

## Chapter 83

# The Influence of Supply Chain Sustainability Practices on Suppliers

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### ABSTRACT

*Literature shows that focal firms (downstream in supply chain, the customers) which initiate supply chain sustainability (SCSIs) can increase their financial performance; however, the impact of SCSIs on the suppliers (upstream in supply chain, supplying firms) is unclear. This chapter analyzes the costs and benefits from the perspective of suppliers in SCSIs by focal companies. Furthermore, impact of suppliers-specific characteristics (firm size, resources dependence setting and self-sustainability) on SCSIs are investigated. According to the findings, we propose a performance implication-based conceptual model of SCSIs from the perspective of suppliers. We conclude that costs of SCSIs happen immediately to suppliers in implementation, but the benefits are expected in long run. These suppliers-specific characteristics are the decisive factors if suppliers can survive over short-run costs and reach the long-run benefits. This chapter extends the understanding of SCSIs from focal companies to suppliers while providing managerial support on collaboration between supply chain actors.*

### INTRODUCTION

Today, the business community has recognized that sustainability contributes to individual firms' financial performance (Becchetti, Ciciretti, Hasan, & Kobeissi, 2012; Jacobs, Singhal, & Subramanian, 2010; Scholtens & Dam, 2007). Moreover, in search of strategic advantages, many firms are expanding the scope of their sustainability initiatives to encompass their full supply chains (Fiksel, 2010), as suppliers, focal companies, and customers become linked by information, material and capital flow in

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the sustainable supply chain. In this chapter, we consider the focal companies to be the more powerful companies in the supply chain. They design products and services, and they contact directly to customers (Seuring & Müller, 2008); therefore, they mostly launch supply chain sustainability initiatives (SCSI). Due to its importance in SCSIs, focal companies have been studied by a proliferation of sustainable supply chain management (SSCM) literature. In general, scholars illustrate positive impact of SCSIs on focal companies by cost reduction, compliance to future regulation and reputation improvement (Carter & Rogers, 2008). However, there remains a lack of work addressing the internal organizational process of suppliers, while it is widely accepted that participation of suppliers in SCSIs is essential (Caniëls, Gehrsitz, & Semeijn, 2013).

Although the SCSIs by focal firms can result in pressure on suppliers to make substantial investments in sustainability within their firms, focal companies rarely make concrete promises how they will reward such increased sustainability by suppliers. Consequently, it is unclear if suppliers achieve benefits by meeting the requirements that focal companies impose through the SCSIs. This confusion forms a theoretical gap in extant SSCM literature in terms of performance implications to suppliers in SCSIs. Meanwhile, the uncertainty leaves supply chain managers in a dilemma. While suppliers' managers hesitate to implement the SCSIs as the benefits or costs are unknown, managers from focal firms find it challenging to convince their suppliers to adopt the SCSI as the evidence of benefits is lacking. Thus, there is a clear need to research the costs and benefits to suppliers in SCSI by focal companies to provide theoretical development in this research area and support of managerial decisions on supply chain sustainability.

The overall goal of this chapter is to provide the reader with insights into the essence of SSCM from the perspective of suppliers, with the view of identifying both benefits and costs of suppliers in SCSIs by focal companies in the supply chains, and meanwhile analyzing moderating factors which influence challenges to suppliers. Following this introduction, an overview of background on SSCM is presented. Carter and Rogers (2008)'s definition implies that factors impact on focal companies but differently on their suppliers in the SCSI. The concept of supply chain dyadic perspective in literature also supports the difference and demonstrates costs led by SCSIs of focal companies to suppliers, which seems inevitable to suppliers by focal companies' SSCM mechanisms.

The core of the chapter then provides a detailed description of immediate costs and long-run benefits to suppliers in SCSIs. Consequently, the suppliers' dilemma is whether they can survive over immediate/short-run costs and thereafter obtain the long-run benefits. The supplier-specific characteristics, such as firm size, resource dependence setting, and the suppliers' self-sustainability, are moderating factors that may aid them in overcoming the significant short-run costs, by which suppliers managers are able to estimate their financial or operational benefits/loss in SCSIs by focal companies. These findings propose a conceptual model to cover the theoretical gap and present a springboard to managers. According to the foregoing, future research directions are suggested and conclusions are presented.

## **BACKGROUND**

Within its general framework, SSCM includes supply chain management (SCM) and sustainability (Turker & Altuntas, 2014). SCM is integration of material, information, and capital flows as well as cooperation among companies along the supply chain through improved supply chain relationship to achieve a competitive advantages (Seuring & Müller, 2008). Owing to the important positions of focal companies

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