Sustainable Supply Chain Management in a Developing Context: An Empirical Examination of Antecedents and Consequences

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ABSTRACT

The purpose of this paper is to provide further insights into drivers and consequences of supply chain sustainability in a developing country. Specifically, it aims at empirically examining the impact of stakeholder pressures on sustainable supply chain practices as well as the impact of these practices on sustainable performance including environmental, economic, and social dimensions. By means of regression analysis of data collected from 112 firms in a developing country context, the results indicate that pressures by organizational champions and customers are positively related to supply chain sustainability. However, the relationship between government pressures and supply chain sustainability is insignificant. Moreover, the findings provide evidence that the impact of supply chain sustainability on sustainable performance is significantly positive. The paper has important implications for managers, practitioners, and researchers to improve sustainable supply initiatives and sustainable performance in organizations.

Keywords: Developing Countries, Stakeholder Pressure, Supply Chain Management, Sustainable Development, Sustainable Supply Chain Practices,

INTRODUCTION

Over the past decade, companies have shown growing concern for sustainable and environmental development. This is reflected through implementing sustainable initiatives linked to products, services and processes. Hence, it is common nowadays to observe banners as ‘sustainable operations,’ ‘sustainability for development,’ ‘environmental initiatives,’ ‘go green,’ or ‘eco-designed’ are highlighted in firm’s documents and websites. Due to multiple new challenges such as climate change, increasing environmental degradation, the depletion of natural resources and growing public awareness of environmental issues, today’s firms are required to impose dramatic changes to their operations and strategies to remain competitive. Growing environmental interest has to be a part of the organizational culture to help reengineer the strategies of firms (Madu et al., 2002).
Stern (2007) shows that economic consequences of climate change, for example, would cost firms trillions of dollars and early prevention is more economically viable. The same applies to the processes of value creation of a firm which have to maintain environmentally sustainable procurement, production, distribution, use and recycling of products (Hart & Milstein, 2003). Global pressures have also prompted firms to improve their environmental performance (Zhu & Sarkis, 2006). For example, the European Union (EU) implemented Restriction of Hazardous Substances (ROHS) directive that prohibits electrical and electronic equipment containing lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) and polybrominated diphenylethers (PBDE). Linking this directive to Sony’s PlayStation game is an instance. Though it’s a responsibility of Sony’s suppliers, Sony Corporation had to endure much of the consequences when about 1.3 million of PlayStation game consoles were stopped at the Dutch border because of high cadmium levels detected in its cables (Carlton, 2006). Moreover, The EU employed the waste electrical and electronic equipment (WEEE) directive in August 2005 that keeps producers responsible for the costs of the collection, recycling, reuse and recovery of their products at the end of product’s usable life in order to reduce its environmental impact. Consequently, electrical and electronic firms must consider these directives when exporting to EU countries.

Among the many approaches that play a significant role in improving the total environmental impact of any firm is integrating environmental management to supply-side practices to form a sustainable supply chain (Damali et al., 2008), that involves cleaning the activities of designing, sourcing, producing and distributing products or delivering services in global markets as they account for most of the environmental impact. Recognizing its importance, a relatively well-developed body of research has investigated aspects of sustainable supply management in western developed contexts. Mustaffa and Potter (2009) indicated that many of supply chain applications and practices have occurred within the developed world, with only a very limited range of examples from the developing world available in the literature. Examples of sustainable supply practices in developed contexts may involve US and North America firms (e.g., Min & Galle, 2001; Paulraj, 2011; Vachon & Klassen, 2006), UK public sector (e.g., Hall & Purchase, 2006; Preuss, 2009; Walker & Brammer, 2009), UK food sector (e.g., Rimmington et al., 2006), German manufacturing industry (e.g., Wolf, 2011), civil engineering public procurement in Northern Ireland (Eadie et al., 2011), high-tech medical equipment in the Netherlands (Lindgreen et al., 2008). In contrast to sustainable supply chain literature in developed contexts, comparatively very little research has recently investigated sustainable supply chain in developing countries. Nonetheless, existing research has tended to be theoretical with a focus on reviewing sustainable supply initiatives and practices. For example, Gupta and Palsule-Desai (2011) divided sustainable supply literature into four broad categories: strategic considerations; functional decisions; regulation and government policies; and integrative models and decision support tools. They concluded the paper by discussing environmental initiatives in India and the relevance of sustainability discussions in the context of the Indian economy. Jayaratne (2011) mapped the factors that influence sustainable tea supply chain in Sri Lanka using a theoretical framework. Hus and Hu (2008) showed that four dimensions including supplier management, product recycling, organization involvement and life cycle management were critical for implementing green supply chain management in the Taiwanese electrical and electronics industries. In the same vein, there is a misleading impression that Western countries were more sustainable than non-western countries with regard to sustainable supply chain (Kim & Min, 2011).

It is therefore important to unveil aspects of supply chain sustainability in a non-western context recognizing that lessons could be learnt and knowledge could be transferred to other
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