

## Chapter 20

# Adoption of Supply Chain Sustainability in Developing Countries: An Empirical Investigation

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### ABSTRACT

*Sustainability and social responsibility incorporate specific and measurable practices across the supply chain. However, little effort has been done regarding these practices in developing countries. Therefore, the purpose of this chapter is threefold. First, it reviews research on supply chain sustainability in developing countries. Second, it develops key propositions related to the adoption of supply chain sustainability and its impact on sustainable performance. Third, it empirically tests these propositions in a developing context. Challenges and opportunities for further research are also highlighted.*

### INTRODUCTION

Recently, Corporations have had to consider responsibility for their operations that impact society and the environment along with their economic prosperity. They are also being asked to apply sustainability principles to the ways in which they conduct their business, products, services and processes, particularly following the establishment of the United Nations Environmental Program (UNEP) in 1972.

To enhance their efforts in being socially responsible, the most socially responsible organizations continue to revise their short- and long-term operations, policies, and strategies to stay ahead of rapidly changing challenges and to remain competitive. It is common nowadays to observe banners such as ‘sustainable operations’, ‘sustainability for development’, ‘environmental initiatives’, ‘go green’, or ‘eco-designed’ highlighted in a firm’s documents and websites. Corporate responsibility or sustainability is a prominent feature of the

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business and society literature, addressing topics of business ethics, corporate social performance, global corporate citizenship, and stakeholder management.

Growing environmental concerns also are part of the organizational culture to help reengineer the strategies of firms (Madu, Kuei, & Madu, 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 has 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 diphenyl-ethers (PBDE). 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, leading electrical and electronic firms such as Samsung, Dell, Fujitsu, Toshiba HP, IBM, Motorola, Sony, Panasonic and NEC began to invest in developing green products and establishing standards associated with using and supplying of hazardous substances with the aim of fulfilling environmental directives when exporting to EU countries. This implies that companies are now starting to recognize the role of environmental

awareness in improving competitive advantage (Walton, Handfield, & Melnyk, 1998), promoting efficiency and synergy among business partners (Rao & Holt, 2005), and creating business value (van Hoek, 1999).

This paper contains seven sections. The following section introduces the concepts of corporate social responsibility and sustainability. Sections three and four link research on sustainability to supply chains in the context of developing countries. Section five explores key propositions related to the adoption of supply chain sustainability while section six empirically tests these propositions within a specific context. Conclusions and research implications are presented in section seven. Finally, challenges and opportunities for further research are highlighted.

## **CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY**

The rationale for corporate social responsibility (CSR) and ongoing corporate commitment can be derived based on a moral argument, a rational argument, or a financial one based on economic self-interest (Werther & Chandler, 2006). Campbell (2007) represented a group of studies that create testable propositions related to the conditions under which organizations will move toward CSR. He sees corporations' level of social responsibility as being influenced by factors such as the financial conditions of the firm, the health of the economy, and well-enforced state regulations. Husted and Allen (2007) point out that much effort has focused on CSR in an attempt to demonstrate that positive CSR can be linked to improved financial performance. There is a growing sense that looking after the people and the community as well as the environment are all relevant to long-term business survival.

Some research findings point to the fact that European companies do not value sustainability

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