

# Chapter 4

## The Effect of Supply Chain Sustainability Management in the Perspective of Suppliers

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### ABSTRACT

*This chapter investigates the suppliers' economic performance when their buyers force supply chain sustainability management (SCSM) on them. While generally a negative impact is proposed, this chapter identifies mediating and moderating factors fluctuating the negative performance. These factors are governance mechanisms, SCSM dimensions, economic bond, and operational slack. According to the findings, a conceptual framework is provided for supplier managers analyzing SCSM-performance link and for affecting the decision making of buyer managers and policy makers by accommodating suppliers perspectives.*

### INTRODUCTION

Society's concern for sustainability issues does not stop at individual corporate level but has been extended to the scope of supply chains. Supply chains are responsible for up to four times the green gas of a company's direct operations, and social misbehavior is commonly detected in supply chains instead of corporate operations (Business Wire, 2009). Under the pressure of stakeholders, supply chain sustainability management (SCSM) has been adopted by many firms to integrate environmental and social management into supply chain operations (Carter & Rogers, 2008). The most effective application is the integration of SCSM into purchasing function, where

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buying firms request their first-tier suppliers to improve sustainability performance (Busse, 2016). In general, the literature focuses on buying firms (e.g., Bose & Pal, 2012; Dam & Petkova, 2014; Rao & Holt, 2005). However, there remains a lack of work addressing the suppliers' perspective in SCSM, while it is widely accepted that the compliance of suppliers in SCSM is essential (Caniëls, Gehrsitz, & Semeijn, 2013).

Investigating suppliers' perspective in SCSM is important. First, suppliers' performance impact influences the success of SCSM. In the SCSM setting, the focal operational changes are on suppliers' productions. The trade-off between economic performance and sustainable operations should be considered in business decision-making. Analyses on suppliers' SCSM-performance link provide evidence with setting appropriate SCSM practices, which balances the trade-off to ensure the success of SCSM. Second, analyses of suppliers' aspects help managers develop business strategies. It seems that SCSM has been enforced by many buying firms to their suppliers as an ordinary business practice (Busse, 2016). The strategic development of suppliers' resources is essential to the external threat. Finally, the integration of suppliers' performance into existing findings that relate to their customers helps present a supply chain perspective in SCSM studies.

The overall goal of this chapter is to provide the reader with insights into the essence of SCSM from the perspective of suppliers. The discussion of the chain of stakeholder discloses the compliance orientation of suppliers in SCSM. Under the principle of compliance to buying firms' requests, the analyses on governance mechanism, SCSM dimensions, economic bond in a buyer-supplier relationship, and strategic development on operational slack may reveal the mediating and moderating effects to suppliers' performance and provide business strategies. Particularly, the impact on suppliers' performance under a relatively new SCSM practices, group SCSM, is discussed, where a group of buying firms jointly enforce standardized SCSM practices to their suppliers. While the SCSM literature has not broadly examined this modern practice, this chapter uses the studies of group purchasing to discuss the impact on suppliers' performance. The overall findings propose a conceptual framework to cover the theoretical gap and present a springboard to managers. Also, future research directions are suggested.

## **CONCEPTUAL BACKGROUND**

The broad definition of SCSM refers to integrating social, environmental, and economic dimensions into supply chain operations (Carter & Rogers, 2008), where supply chain operations include material, information, and capital flows as well as cooperation among companies along the supply chains (Seuring & Müller, 2008). The specific SCSM practices are commonly the management of pollution control,

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