

**THE OTHER SIDE OF THE COIN: ADVANCING SUSTAINABILITY IN THE
SUPPLY CHAIN FROM A SMALL SUPPLIER'S STANDPOINT**

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Introduction

In recent years, sustainability has become the new organisational buzzword (Wikström, 2010). There has been an unprecedented multiplication of corporate attempts to address environmental and social challenges, not only within their organizations' boundaries but also along their supply chains. The implementation of codes of conduct, labels and standards has allowed large companies to communicate their values and ensure their 'legitimacy in supply chain governance' (Mueller, Gomes dos Santos, & Seuring, 2009) while representing attempts to prescribe suppliers' behaviours.

This increase in the number of codes and standards (Ciliberti, Groot, Haan, & Pontrandolfo, 2009; Henson, 2006; Stigzelius & Mark-Herbert, 2009; Tallontire, 2007) has usually been viewed in a positive light and associated to encouraging signs of proactive behaviour from buying firms. However, there is a side to the story that remains largely untold: the suppliers' standpoint. When considering, for instance, the recent news about the garment factory fires in Bangladesh, it is clear that suppliers' engagement is critical to effectively deal with sustainability issues along supply chains. However, the operations management literature on the topic has mainly focused on the large buyer firms' perspective, looking at how they devise standards and push suppliers to comply with them (Amaeshi, Osuji, & Nnodim, 2008; Awaysheh & Klassen, 2010; Hall, 2001; Lee & Klassen, 2008). Little has been done to uncover how SME suppliers cope with increasing sustainability requirements with limited capabilities in hand (Lee & Klassen, 2008; Pedersen, 2009). We thereby set out to fill this gap by addressing the following research question:

How do SME suppliers make sense of and cope with the multiplying sustainability requirements of buying firms?

This research is of exploratory nature and aims to open avenues for further studies. We explore the SME suppliers' perspective on sustainable supply chain management (SSCM) by applying sensemaking theory to analyse qualitative data collected as part of case studies. These cases were conducted in the agricultural sector in both developed and developing countries. The

context of the agricultural and food sector is theoretically relevant as (i) it is one of the most dynamic in terms of sustainability (Henson & Humphrey, 2008) and (ii) its SCs are embedded within distinctive social, economic and environmental processes (Thompson & Scoones, 2009). This paper proposes an original conceptualisation of the ambiguity and inconsistency that characterize multiplying sustainability requirements and sustainability meanings faced by SME suppliers that we refer to as '*sustainability dissonance*'. We use both insights from the literature and the empirical cases to build propositions about this concept and suppliers' interpretations and behaviours when facing it. This paper thus provides a relevant contribution to the SSCM literature by disclosing the SME suppliers' standpoint, which has been relatively under-explored to date. In addition, through our investigation and propositions related to suppliers' interpretations and behaviours, we offer a sensemaking perspective to SSCM. Finally, the study has relevant implications for practice. On the one hand, understanding SME suppliers' challenges in the domain of sustainability is essential for focal firms to further improve the social and environmental sustainability of their supply chains. On the other hand, SME suppliers can be guided to make sense and effectively cope with the multiplying requirements coming from their customers.

The remainder of the paper is structured as follows. We start by presenting the background to the research. In this section, we describe the multiplication of sustainability requirements in supply chains, discuss the theoretical foundation of this study and explain the relevance of adopting a sensemaking perspective. The following section is dedicated to our methodological approach. Next, we present and discuss the emerging insights from our empirical data, developing a number of propositions. Finally, some concluding remarks are presented in the last section of this paper.

Background

SSCM from the SME suppliers' standpoint

SSCM is far from being a novel subject, and hundreds of works have been published over the last decade highlighting the relevance of this topic (Ahi and Searcy, 2013; Carter and Rogers, 2008; Seuring and Muller, 2008; Srivastava, 2007). While there is currently no consensus regarding its definition, SSCM is advocated as a new archetype for companies to meet stakeholder requirements and improve profitability and competitiveness while improving ecological efficiency and social responsibility in their supply chains (e.g., Ahi and Searcy, 2013; Zhu et al., 2005). SSCM research to date has helped develop our understanding of the triggers and enablers of SSCM (Walker, Di Sisto, & McBain, 2008), of its relation to performance (Klassen & McLaughlin, 1996; Wang & Sarkis, 2013), and of relations between companies in the SC (Awaysheh & Klassen, 2010; Vachon & Klassen, 2006). All these studies, however, have been conducted concerning sustainable supply chain issues from a buyer firm perspective. Global supply chains however involve a large number

of SME suppliers, which face double challenges of powerful intermediaries and limited resources (Lee & Klassen, 2009; Pedersen, 2009; Roberts, 2003). SMEs constitute a large part of the economic fabric and the dominant form of business organization in all countries worldwide, accounting for 95% or more of the business population depending on the country and the definition of SMEs applied (OECD, 2005). Reflecting such data, there is a growing awareness of the need to understand how SME suppliers engage with the sustainability requirements of their big buying companies.

As buying firms are increasingly pressured to improve severe working conditions at the supplier level, guarantee product quality and respect for the environment throughout the supply chain, the suppliers are in turn inundated by multiple requirements for sustainability in addition to short lead times and competitive prices (Stigzelius & Mark-Herbert, 2009). On the one hand, the implementation of sustainability standards absorbs large resources and small suppliers may experience significant difficulties in bearing such investments (Welford & Frost, 2006). The cost for a SA8000 audit, for instance, may range between \$500 and \$1500 per day (SAI, 2008), which vary with the number of employees and the locations. In addition to the direct costs of the certification, there are precertification activities, such as improving health and safety facilities and revision of wages as well as training and consultancy. Furthermore, future business is not conditioned upon compliance with such standards (Stigzelius & Mark-Herbert, 2009). On the other hand, environmental and social standards are usually adopted in a top-down manner from buying firms, which does not allow managers and workers in supplier factories to understand the main purpose of such initiatives (Jenkins, Pearson, & Seyfang, 2002). Stakeholder groups may have different competing interests and scopes, a phenomenon referred to as stakeholder ambiguity (Hall & Vredenburg, 2003): irreconcilable differences emerge based on ethical, religious, cultural and business characteristics, and stakeholders (i.e., buying firms) may be unwilling to clearly articulate their goals and positions.

SSCM and Sensemaking

Being inundated by sustainability requirements that are pushed throughout the supply chain in a top-down manner, SME suppliers need to interpret and make sense of customers' expectations while conveying new strategies, assigning priorities and coming up with actionable plans. In line with recent studies (Basu & Palazzo, 2008; Van der Heijden, Driessen, & Cramer, 2010), sensemaking theory is applied in this paper to shed some light on the process of change for sustainability from the SME supplier's standpoint.

At the heart of sensemaking theory is the social construction of meaning (Berger & Luckmann, 1991), a concept which was then developed by a number of authors (Thomas, Clark, &

Gioia, 1993; Weick, Sutcliffe, & Obstfeld, 2005). The core tenet of sensemaking theory is that individuals need to develop a sense of certainty and stability when facing uncertain and ambiguous events or issues (Weick, 1995). In other words, uncertainty and ambiguity trigger sensemaking and actors attempt to give meaning to their new reality. Sensemaking has been primarily conceptualised as a cognitive and conative process, i.e. related to what people know about an issue (or perceive they know) and how they behave in relation to this issue (e.g. Angus-Leppan, Benn, & Young, 2010; Basu & Palazzo, 2008; Cramer, Van Der Heijden, & Jonker, 2006; van der Heijden, Cramer, & Driessen, 2012).

Gioia and Chittipeddi (1991) have complemented sensemaking theory by describing the interplay between sensemaking and sensegiving in organisational change. While sensemaking is about leadership and power, sensegiving describes the ways in which parties explicitly attempt to influence change according to their interpretations. Sensegiving, in practice, relates to strategic decisions and actions aimed at influencing others' meaning construction. It is not possible to separate sensegiving from sensemaking when studying change. While change initiators (e.g. customer asking for the implementation of a specific sustainability standards) may want to shape the process in a certain way, change recipients will develop their own interpretations and therefore influence the way the process of change unfolds (Dunford & Jones, 2000).

Adopting a sensemaking and sensegiving approach is recognising the pivotal role that individual actors play in the shaping and enactment of organisational activities. Sensemaking provides a dynamic/process rather than static/content view of organisations (Basu & Palazzo, 2008; Maitlis, 2005). Arguably SSCM can be viewed as an attempt to change inter-organisational practices in order to respond to the sustainable development imperative. Clearly, implementing sustainability initiatives in the context of SC relationships creates both uncertainty and ambiguity for the parties involved in these relationships, which have been identified as key triggers of sensemaking. Drawing on sensemaking and sensegiving theories can help gain insights on the process through which SME suppliers address sustainability. Little research has considered this perspective in the change for sustainability from the SME supplier's standpoint. This is a critical aspect of implementing sustainable practices in the SCs as the suppliers' sensemaking process will undoubtedly affect the extent and success of the implementation.

Methodology

The study presented in this paper is of exploratory nature. In order to better understand the under-researched topic of how SME suppliers make sense and cope with the multiplying sustainability requirements of buying firms, we have studied the dynamics of sixteen suppliers from both

developed and developing countries. Our approach is inductive and aimed to build theory from case study research.

The selection of cases was based on three criteria: supplier size, supplier commitment with sustainability and support provided from buyers. In all our cases, the suppliers are SMEs or micro-enterprises, they are committed to sustainability at different levels, and they receive support from buyers in order to improve their sustainability performance. However, the maturity of the sustainability initiatives implemented varies widely when comparing UK farmers and African smallholders, and even between the UK farmers themselves. The cases were selected for theoretical and not statistical reasons. The researchers relied on the advice and information provided by multinational buying companies for the final selection of suppliers for this study.

We used consistent protocols to collect and analyse our data. Case study research is a theory-building approach deeply embedded in rich empirical data coming from a variety of data sources (Eisenhardt and Graebner, 2007). Hence different sources and methods were used in this research: documentation, semi-structured interviews, focus groups, field notes and direct observation.

The participation of various researchers in this study ensures that multiple perspectives are provided, which generally reduces bias and provides complementary insights, enhancing the confidence on the findings (Eisenhardt, 1989; Lewis, 1998).

Table 1. Suppliers' profile

	Product	Kind of supplier	Dimension (EU, 2003)	Location	Employees	Annual turnover	Focus groups	N interviewees
Supplier A1	Potatoes	SME	Medium	Yorkshire (UK)	< 250	< €45m	2	2
Supplier A2	Potatoes	SME	Micro	Yorkshire (UK)	< 10	< €600k		1
Supplier A3	Potatoes	SME	Medium	Cambridgeshire (UK)	< 250	< €40m		1
Supplier A4	Potatoes	SME	Small	Shropshire (UK)	< 50	< €4m		1
Supplier A5	Potatoes	SME	Small	Berkshire (UK)	< 50	< €6m		2
Supplier A6	Potatoes	SME	Small	Norfolk (UK)	< 50	< €10m		2
Supplier A7	Potatoes	SME	Medium	Nottinghamshire (UK)	< 250	< €50m		1
Supplier B1	Oats	SME	Medium	West Sussex (UK)	< 250	< €50m	-	2
Supplier B2	Oats	SME	Small	Scotland	< 10	< €10m	-	1
Supplier C1	Apples	SME	Small	Suffolk (UK)	< 50	< €10m	-	1
Supplier C2	Apples	SME	Small	Kent (UK)	< 50	< €10m	-	1

Supplier D1	Coffee	Smallholder cooperative	Micro	Kilimanjaro (Tanzania)	600	< €50k	1	-
Supplier D2	Coffee	Smallholder cooperative	Micro	Mbeya (Tanzania)	135	< €150k	1	-
Supplier D3	Coffee	Smallholder	Micro	Mbeya (Tanzania)	1	< €3k	-	1
Supplier D4	Coffee	Smallholder	Micro	Mbeya (Tanzania)	1	< €2k	-	1
Supplier D5	Coffee	Smallholder	Micro	Mbeya (Tanzania)	1	< €1k	-	1

Emerging insights

Considering that this paper reports on work-in-progress, we present some of the insights that have started to emerge from the analysis of our cases. Once the analysis of our empirical findings will be complete we will be able to offer a fuller discussion and contribution. The emerging insights are summarised in Table 2 (page 8).

According to our observations (Table 2, second column), significant inconsistencies characterize the requirements coming from multiple stakeholders. Different customers present suppliers with a different sustainability focus (water management, social responsibility, emission reduction). In addition we observe a lack of consistency between such requirements and the understanding/attitude SME suppliers manifest towards sustainability. It is interesting to note that because of this *dissonance* we observe that the attempt to embed sustainability within corporate practices has been creating stress and anxiety for SME suppliers affected by such change. This is consistent with recent sensemaking literature (Angus-Leppan et al., 2010) and with psychology literature (Festinger, 1962), which suggest that excessive mental stress and discomfort is experienced by an individual who faces two or more contradictory beliefs, ideas, and/or values at the same time. This stress and discomfort may also arise within an individual who holds a belief and performs a contradictory action or reaction. These early findings have led us to formulate our first proposition:

Proposition 1. Sustainability ‘dissonance’ is a multidimensional concept encompassing (i) stakeholder ambiguity as the absence of consistency between sustainability requirements from different stakeholders, and (ii) the lack of congruence between the sustainability requirements from the customer firms and the sustainability attitude and understanding of the SME suppliers.

The main challenge in implementing sustainability is translating the concept into tangible actions and embedding sustainability within and between organisations (van der Heijden et al., 2012). This requires engaging people in sustainability efforts so that meanings are discussed and that a common understanding of the nature of the challenges ahead emerges (Basu & Palazzo,

2008). We observe that sustainability dissonance, being psychologically uncomfortable, will motivate the person to try to reduce the dissonance and achieve consonance through interaction and request of support. In presence of sustainability dissonance, in addition to trying to reduce it, SME suppliers actively avoid situations and information, which would likely increase the dissonance (Table 2, third column). Thus, we formulate a second tentative proposition:

Proposition 2. Sustainability dissonance triggers sensemaking from SME suppliers who attempt to cope with and reduce the uncertainty and ambiguity that are associated to the dissonance.

The framework shown in Figure 1 is a first attempt at describing the process through which SME suppliers' cope with sustainability dissonance and how this affects the overall implementation of sustainability practices (page 9).