

Managing sustainable supply networks
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Abstract

In an era when stakeholders are demanding sustainability, mismanaging tier-one and/or lower-tier suppliers can damage a firm's operations and reputation. For instance, Apple has recently faced intense scrutiny because of the poor labor standards and unsafe working conditions of one of its largest suppliers, Foxconn. Nike and Adidas have also been criticized for doing business with a large Chinese textile supplier found to be discharging toxins into a river. And these are only their tier-one suppliers; another set of lower-tier suppliers (suppliers' suppliers) has an even higher incidence of violations with even more severe environmental and social impacts. We conducted an inductive study with three leading sustainable multinational corporations (MNCs) and a subset of their tier-one suppliers and lower-tier suppliers and complemented that information with data on several non-governmental and industry organizations. Our study: 1) reveals that many lower-tier suppliers address their environmental and labor issues passively – i.e. suppliers that constitute the riskiest suppliers in a supply network; 2) provides a grounded theoretical framework for managing a sustainable supply network that accounts for multiple network members as well as three sustainability dimensions (the 3Ps: profit, people, and planet); and 3) suggests four strategies that allow MNCs to work with multiple stakeholders who collectively not only monitor environmental and labor standards, but also build supplier sustainability capabilities.