A Resource-based View on the Role of Global Sourcing for achieving Sustainable Development Goals

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Summary

This paper provides a conceptual synthesis from reviewing literature across the sustainable development and supply chain management fields and then applying to examples from the ‘grey’ literature. The paper addresses capacity building in the international development literature and supplier development in the management literature to understand the implication for global sourcing in achieving sustainable development goals. Key theories in the literature are considered with linked concepts combining to form a conceptual framework. Two sets of examples from Brazil and West Africa are covered to pilot the nature of the framework leading to an outline research agenda.

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Submission category: working paper

Introduction

Multi-national corporations involved in consumer goods manufacture frequently involve supply chains that source their raw materials from developing countries. Indeed, such trade links between developed world consumers and developing world producers are as old as international trade itself, particularly amplified in the colonial and industrial eras. Today, as awareness of global communities is enabled by modern media, consumers are coming to be made more acutely aware of the impacts such trade may have on the people and natural world where the raw materials of their purchases originate. Corporations are thus prompted to act, declaring a range of initiatives such as promising sustainable cocoa production to halt the habitat loss leading to the threatened extinction of primates (McClean, 2017), to the conflict minerals laws seeking to prevent child labour in metal extraction in mobile phones. The list of such connections is long, but so far, it is not clear to see how firms seeking to improve their global sourcing processes are able to simultaneously meet the need to maintain their profitability, whilst also meet the need to improve the social and environmental impacts linked to their supply chains. This developmental paper seeks to bring together theory in global sourcing and strategic capabilities concerned with sustainable development, with international development theory, concerned with improving communities.

Background Literature

Initial consideration of the conceptual landscape finds a relevant perspective in the resource based view (RBV) (Barney, 1991), further developed in the supply chain (SCM) context as the extended resource based view (ERBV) (Lewis, Brandon-Jones, Slack, &
Howard, 2010), developed in the environmental context as the natural resource-based view (NRBV) (Hart, 1995), and more recently for social aspects as the social resource-based view (Tate & Bals, 2016). Relevant features of these conceptual approaches are the role of performance indicators, process control and governance.

This literature review therefore examines the role of social and environmental indicators across the international development (ID) (UNSC, 2017) and supply chain / global sourcing literatures, the conflicting roles of transparency, stakeholder influence, power imbalances (Touboulic, Chicksand, & Walker, 2014), network maps (Henneberg, Naudé, & Mouzas, 2010) and governance gaps (Ruggie, 2002). A theory for supplier capacity building for sustainable development may need to reconcile the nature of these factors. Synthesising these issues across two streams of literature - supplier development for sustainability as an aspect of supply chain management (SCM) and community capacity building as an aspect of international development (ID) helps build bridges between these two academic subjects and their related practitioner communities.

In SCM, supplier development is a well-recognized approach for improving the short and long-term capabilities and performance of suppliers (Hartley & Jones, 1997; Krause & Ellram, 1997; Krause, Handfield, & Scannell, 1998; Sánchez-Rodríguez, Hemsworth, & Martínez-Lorente, 2005). The goal of supplier development is to bring underperforming suppliers to a buyer’s expected level of performance across quality, delivery, cost structure, new technology adoption, financial health, product design, and/or other important performance issues (Krause, Ragatz, & Hughley, 1999). Buying organizations need to invest in knowledge sharing activities to help suppliers internalize process and business level capabilities. With regard to sustainability, Vachon and Klassen (2008) called this environmental collaboration, to include training, on-site actions with suppliers’ production processes and operations to improve their environmental impact, and mutual projects to develop innovations.

In the ID literature, a related concept to supplier development is capacity building. The United Nationals Development Programme (UNDP) defines capacity building as a ‘long-term continual process of development that involves all stakeholders including ministries, local authorities, non-governmental organizations, professionals, community members, academics and other appropriate internal and external entities’. Others specify capacities ranging from intellectual, organisational, social, political, cultural, representational, material, technical, practical, or financial – and most likely a shifting combination of all of these (Eade, 2007). While capacity building is not always aimed at business organizations, there is a focus on transferring knowledge to local entities in order to improve process and practice, and focus on organisational learning (Jones, 2001). Yet a key difference with supplier development is the scope and inclusion of multiple stakeholders in the capacity building process and the transfer of knowledge across multiple organizational boundaries. Some criticism of this approach however highlights the one-way nature of knowledge transfer (Eade, 2007; Jones, 2001).

In the context of sustainable development, especially with regard developing market communities, supplier development and capacity building can be seen as related activities. In the case of Fair Trade coffee, the key benefits of a fair trade mechanism is the ability to help coffee producers develop their capabilities and perform better in the global coffee markets (Raynolds, 2004). A key feature is including local parties, such as financing institutions, in the improvement processes of local producers in order to create an external environment that can support the producer or supplier (Bäckstrand, 2006). However, Fair Trade itself has been criticised as ‘private regulation’, supplanting local institutions in the regulatory process. Hence, supplier development and capacity building can be seen as complementary and could provide more effective ways for local producer to meet sustainable development goals (Hajer et al.,
One concerns a focus on the supply chain and the desire of an international buying firm (often a multi-national corporation, MNC) to improve performance of a supplier, and the other concerns a focus on a community or organisation in order to improve delivery of a social, environmental or economic development activity.

From the perspective of a buying firm seeking to improve the sustainability of its supply chain, it is unclear how to properly leverage the overlap between these two approaches. On the one hand, the strategic management theories around RBV state that firms are fundamentally concerned with competitive advantage, strengthened by developing appropriate capabilities in their global sourcing. On the other, they must simultaneously be attentive to the needs sustainable development encountered in the local context of the supplier organisations or related communities. This prompts a number of initial guiding questions addressing issues of competitive strategy whilst also meeting social and environmental challenges:

1. How does a combined extended, natural and social resource-based view develop our understanding of sustainable SCM and the role of MNC global sourcing policies?
2. Which sustainability challenges benefit from MNC strategic resources in supplier development / capacity building and how to manage and measure this impact?
3. How can this view reconcile levels of analysis from organisation, supply chain to a macro-scale of sector market-level changes and societal scale changes?

The first question concerns the strategic resource allocation decisions of buyers - often MNCs. At the level of theory, we are concerned with matching the RBV/ERBV/NRBV/SRBV approaches with SSCM and global sourcing to meet sustainable development or associated social, environmental and economic concerns. This is process of theory synthesis (Rousseau, Manning, & Denyer, 2008) involving the creation of a conceptual framework.

The second question concerns how sustainability challenges are defined. The current international policy landscape is orienting around the United Nations' Sustainable Development Goals (SDG), a series of agreed targets to improve social and environmental concerns. The SDG are a set of issues that national governments seek reportable metrics around. Businesses and investors are also using the SDG as a means to channel activity towards addressing sustainability, and in doing so prompt a need to verify the effectiveness of this activity. This is a central topic in the emerging field of impact investing.

The need for performance indicators, process control and governance is seen in the strategic management literature as an essential component of effective action, and this can clearly inform the impact investment community and its related interaction with the SDGs (Bebbington, Unerman, & O'Dwyer, 2014). Key performance indicators linking economic, social and environmental criteria within the supply chain, such as via supplier contracts, supported by a sufficient and reliable level of transparency of data, is required. Process control then refers to the ability to manage the performance of the supply chain on the basis of that information. Supplier development therefore proceeds on the basis of needing the goals for economic value to be generated by the buyer, also by the supplier, and also, simultaneously, for social and environmental outcomes (potentially modelled using the concept of 'public value', in contrast to pure economic value, such as by Bozeman (2002); Moore and Bennington (2011) to complement the specific targets of the SDG).

The element of governance is important in ensuring visibility, control, and corporate responsibility, over the upstream supplier, plus the nature of a suitable legal framework and level of national government responsibility. Various cases where commodity chains become non-transparent to buyers are common across many commodity types. Often when a product enters a market, its provenance is no longer knowable, and various attempts to prevent this
'laundering', through a black-box process of a market can be seen (for example, the 2012 US Dodd-Frank Act clauses requiring buyers declare their awareness of their upstream supply chain and whether it includes minerals from designated 'conflict zones' (Narine, 2012)).

With an awareness of both a governance gap and an information gap, it may be thought that additional regulation and additional visibility, such as via auditing or better data architecture in a supply chain, these problems can be overcome. However, the objective outlined in the SDG policy framework may be at risk of assuming a structured performance measurement and management approach when in reality the deficit of information on required metrics and the underlying complexity of the context prevents easy accounting solutions for the impact in social and environmental terms of a given investment in supplier development (Alexander, Kumar, & Walker, 2018). Exploring and overcoming such limitations where possible may be is an important aspect of current and future research into SSCM and related topics.

The third question concerns levels of analysis or scales. Using the SDG as a normative set of criteria around which to define sustainability, the subdividing of these into a set of metrics prompts a further consideration of the architecture for performance measures, and how this extends from the local and specific scale of a given community or organisation deemed to be the supplier, and the related supply chain or supply network back to a given buyer. This vertical line or network can then be contrasted with a horizontal one, across a given spatial location, up to the scale of a sovereign nation, or across an economic sector of buyers, such as, say, palm oil. The role of cross-sector trade bodies seeks to aid maturity of this horizontal coordination.

Whilst a single MNC may wish to engage in supplier development (SCM) with a view to improving capacity of a given community (ID), and make a case for impact investing aligned with the SDG, a central issue of concern to both the impact investor and to the local government, will be to establish how significant that action is in achieving a macro-scale meeting of an SDG, how many such MNC actors might need to act together in order to make a substantial difference on these SDG, and hence whether the impact can really be legitimately claimed. An understanding of scale is therefore of central relevance.

This stage of the research concerns outlining of the conceptual framework. This is undertaken primarily by a literature review and subsequent thematic and conceptual synthesis, to then be extended by an initial elaboration of known case studies in the grey literature and primary research projects at an early stage of development. This paper continues by outlining the literature review undertaken thus far, a formulation of the initial conceptual framework, and an initial, basic application of this to case studies (in West Africa, concerning the cocoa supply chain, and in Brazil concerning the açai berry and brazil nut supply chain). Initial issues and challenges are then discussed, followed by an outline of next steps.

In summary, the strategic management theories of RBV and its extensions concern how the resources and capabilities a company has underpin its competitive advantage. Extending this into supply chain management and global sourcing strategies means developing supplier capabilities in order to support the buying firm's strategy. However, a significant limit to current theory is the role of multiple buyers with the same goals, hence questioning the traditional view of competitive advantage. Typical factors used are performance objectives such as product or service quality, speed or reliability of delivery, cost structure, etc. In environmentally-focused supplier development, this often involves training suppliers in new standards, improved process design (such as greater efficiency), collaboration on innovation in products or services to advance environmental (or social) performance, etc. (Vachon & Klassen, 2008). This involves various performance measures and related management
processes, with the relative level of knowledge or transparency, the relative power of the buyers, suppliers or other stakeholders, and the nature of governance and regulation, and related gaps. Meanwhile, from the perspective of international development (ID), capacity building is often also focused on organisations, including businesses, and also communities (which, in some cases, may be classed as micro-businesses, artisan businesses, or co-operatives) i.e. a different level and unit of analysis. Here, as the focus is often at a more aggregated level of a particular community, at various scales from the local up to the regional or even national, multiple stakeholders are assumed, and so multiple routes for organisational learning are considered. These various components are summarised in Figure 1, below. The goal of bringing these different elements together is in order to establish a potential 'theory of supplier capacity building for sustainable development'.

![Figure 1: initial draft of conceptual framework based on background literature.](image-url)

**Methodology**

Bringing these various themes together requires a focused and systematic literature review. This current paper provides an outline of this, with the bulk of the review itself to follow in a future paper. Here, the conceptual framework is mapped and initial findings discussed. The methodology for systematic reviews is that outlined by Briner and Denyer (2012); Denyer et al. (2008); Tranfield, Denyer, and Smart (2003), widely used in SCM research (Alexander, Walker, & Naim, 2014; Gimenez & Tachizawa, 2012; Miemczyk, Johnsen, & Macquet, 2012). The stages of this require a checking of key search terms, clear recording of the criteria used to conduct the search to enable replication and extension by other researchers, and a broad and interdisciplinary approach to ensure that insights to a topic from other disciplines are addressed and not lost in isolated academic silos. A similar analysis is being undertaken with academic, secondary sources, media/press reports and third sector reports in order to build case evidence.

**Initial Analysis**
Table 2, below offers a broad-brush synthesis of concepts from SSCM supplier development and ID capacity building to provide an initial typology against which to group the research found in the literature review (Table 2). This clustering of concepts is a simplification process that provides an initial scan of the literature. Future analysis will take this process further, highlighting additional richness and detail that aids the usefulness and explanatory power of the review. For now, this initial synthesis finds two categories, operational issues and stakeholder issues. Broadly, these refer the performance management considerations led by the main buyer, and through which they seek to influence the supply chain, and the stakeholders include a wide range of parties and relationships that will influence the success of the firm's objectives.

<table>
<thead>
<tr>
<th>SSCM</th>
<th>ID</th>
<th>Combined SSCM and ID View on supplier development and capacity building</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical factors in supplier development (e.g. Vachon and Klassen, 2008)</td>
<td>Typical factors in capacity building (e.g. Eade, 2007)</td>
<td>Combined list of concepts to form initial typology for literature review.</td>
</tr>
<tr>
<td>• Performance indicators (e.g. quality, delivery, cost structure, new technology adoption, financial health, product design, organisational learning, etc.)</td>
<td>• Specific outcomes - local context - temporal and spatial scales - measuring &amp; reporting on progress</td>
<td>Operational factors • Performance objectives • Performance measurement • Process design &amp; control</td>
</tr>
<tr>
<td>• Process control</td>
<td>• Co-ordination of multiple buyers and suppliers to achieve progress at macro-scale.</td>
<td>Relational factors • Buyer-supplier relationships • Community cooperations • Sector cooperations</td>
</tr>
<tr>
<td>• SC Governance</td>
<td>• Access to financial support</td>
<td>Financial factors • Supplier investment support</td>
</tr>
<tr>
<td>• Levels of transparency</td>
<td>• Access to technology and expertise</td>
<td>Stakeholder factors • Customer values</td>
</tr>
<tr>
<td>• Levels of stakeholder influence and power imbalances (incl. collaboration for innovation, network structure, governance gaps)</td>
<td>• Multiple stakeholder dialogue</td>
<td>Governance and institutional voids</td>
</tr>
</tbody>
</table>

Table 1: Initial synthesis of SSCM and ID into two category typology

While stakeholder theory can be considered in relation to Freeman's work in the 1980s and subsequent iterations over the following 30 years, it can also be considered in terms of theories of network maps, social capital, power and influence, which can extend beyond the central disciplines of strategic management. As a concern of a typical MNC buyer, the link between their procurement policies and tangible contribution to a sustainable development goal suggests a need to anchor international development concepts into a strategic management frame.

Main concepts

The analysis of the literature to date shows that many SSCM papers are clearly identifiable as related to either operations management topics or to stakeholders. Operations concepts primarily include performance measurement (Yawar and Seuring, 2017) and supplier selection decision analysis. Stakeholder concepts cover inter-organisational relationships between buyers and suppliers (Kumar and Rahman, 2016), with NGOs (Rodriquez, et al. 2016), or with government (Edmonsdon et al. 2008; Lauridsen, 2004), or multiple parties (Yadlapalli et al.,
2018; Liu et al. 2018). Some papers explore the barriers to effective sustainability-related supplier development (Busse et al. 2016) and others provide data suggesting that there is no economic benefit in such supplier development (Sancha et al. 2015). Overall, supplier development appears to be a growing topic of discussion in the SSCM literature, extending common theoretical approaches from supply chain, procurement and sourcing research in business and management scholarship.

The ID community by contrast takes a different approach, based on the specific evolution of that discipline and its areas of focus. Here, there is a larger number of papers across a wide range of journal titles. The approach taken is, however, very different to that of business and management scholarship. This is perhaps unsurprising in terms of the focus of the subject matter, but notably there is a difference in methodology and the use of theory. A significant majority of the papers are case studies. These largely describe a specific ID project and its context, offering some reflections and suggestions based on the findings. Notable clusters of topics are health, education, policing and climate policy. These papers are also largely atheoretical. Few papers appear to draw foundations from organisational theory, though some papers are explicitly theoretical, drawing on evaluation theory and 'theory of change'. Some papers refer to stakeholders, but this is largely in relation to engagement between different groups, rather than the original strategic management meaning which supposes that there is a focal firm to whom stakeholders must be managed in order to achieve strategic objectives.

Notably, given the topic of this paper, there is almost no mention of the Sustainable Development Goals (SDG) in either sets of literature. This suggests firstly that there is a research gap on this topic. Secondly, that synthesis between the SSCM and ID perspectives on stakeholder engagement and performance measurement may be significant in informing the SDG agenda. Firstly, from an operations management and decision analysis point of view, the extensive number of indicators (performance measures) by which national governments will be held to account in their success or failure in meeting SDG contains some extremely familiar challenges over ambiguity, contradictions and trade-offs; resistance, gaming and unintended consequences; bounded rationality, incomplete data, and institutional bias. These areas are studied in business and management scholarship, but perhaps less so in the development literature that informs the SDGs. Future work will look at this in more detail.

The next section seeks to elaborate some of the broad concepts covered in Table 2 in relation to two case studies being investigated by the authors. These will offer the basis for a parallel consideration of conceptual model and real-world phenomenon in order to enable theory elaboration as the research project moves forward. Notably, the large number of metrics and indicators associated with the SDGs are tested in some specific contexts faced with obvious sustainability challenges. To date, these cover two cases concerned with meeting the sustainable livelihoods of forest-dwelling communities while countering the intractable problem of accelerating levels of deforestation.

Case study 1: Brazil

A specific community is being assisted in developing non-timber resources as a means to establish sustainable development and counter the short-term economic lure of logging. A number of crops are already being harvested for export. These include brazil nuts and acai berries. In this case, there is a clear territory, with a coherent community engaging with international buyers directly as well as through local markets. Supplier development initiatives are focused on providing small-scale local processing to increase the value of the commodities, including by improving transportability and quality control. Additional development actions concern mapping the territory to establish possible increases in yield of food products harvested
from the wild (such as brazil nuts). A range of SDGs are being considered as performance metrics against the supplier development initiatives but there is as yet no link between the small scale, local level of activity, with the macro level.

**Case study 2: Côte D'Ivoire**

This case concerns the well known and much written about sustainable cocoa supply chain in Cote D'Ivoire (which accounts for around 33% of global supply). In contrast to the previous example this supply chain is characterised by a complex network without a clearly defined single territory for the production and processing of cocoa beans. The role of trading companies and the commodity nature of the product means that gaining traceability is a particular challenge. However as in the case above the challenge to provide greater levels of value add and yield in the production locality and to support sustainable development goals is a key focus for a number of stakeholders in the locality as well as from global MNEs sourcing from the region. In particular the Côte d’Ivoire Sustainable Cocoa Initiative bringing together national governments (in CI and Europe, trade bodies and private companies), specifically to help build capacity/capability in the production of cocoa in a sustainable way. Similar to the case above the production is often within vulnerable forestry areas carried out by local farmers. The main supply chain stages are cocoa bean growing and grinding, before shipping to Europe or the US for use primarily in confectionary products. While the bean production is spread across many thousands of small holders (and some larger cooperatives), the grinding process is concentrated to major purchasers Cargill, SAF Cacao and ADM, some operating large capacity processing plants mainly in Abidjan and San Pedro. However the majority of exports (90%) are beans, with exports are divided between a few very large players mentioned before plus Nestle, Kraft, Ferrero for consumer products. Supplier development and capacity building issues centre round the adoption of sustainable cocoa production at the grower level and the inclusion of more value add in Cote D’Ivoire to support greater economic and social sustainability.

**Conclusion**

In the regional examples, from West Africa and Brazil, supply chains stretch between multinational corporation (MNC) purchasers and low income agricultural suppliers facing environmental impacts and social imperatives. Multiple levels are explored from market-scale impacts of an MNC to the local impacts of a borderline subsistence farmer, various structures are explored. Key nodes are intermediary wholesalers, or workers co-operatives, including in the processing of commodities (Marsden & Smith, 2005) highlighting structures of supplier development and link to provenance and transparency challenges. Supplier capacity building for sustainable development is dependent on these structures of the supply base in such countries. Identifying these forms is important where reports of barriers to sustainable development are prompted by over-dependency on natural resource exports (whether agricultural or mineral) and related exposure to commodity price volatility and outward migration of capital (noted by UNCTAD), hence a need to move up the value chain.

From a strategic management perspective, international development questions can be interpreted as design of the supply chain network and location of value add activities to fund and build capacity. Numerous anti-MNC campaigns by environmental and development NGOs have exposed a lack of delivery in the face of high sounding targets for progress (whether net zero deforestation, net zero carbon, sustainable palm oil, sustainable cocoa, etc.). Hence MNCs are struggling to realised objectives with current capabilities and are still exploring the most suitable strategy given global standards and local specificities (including political/institutional, financial, infrastructure, skills base and so on).
The conceptual framework that is emerging from the research suggests that the application of RBV to this topic highlights the role of governance, to control and monitor, of capability, to have the resources and abilities to deliver, in order to have a meaningful impact on performance. Yet this needs to reconcile the fair appropriation of value in the supply chain and the question of competitively valuable capabilities whereby capacity building is supported and facilitated by competing firms with common supply chain goals but competing market share objectives. By developing this further, a bridge may be developed between the macro-scale indicators of SDGs (and MNCs promoted targets to support these) and the micro-scale context of supply chains, affecting specific communities and habitats, at the national, regional and local scale.

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