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**Critical Analysis of the Supply Chain Management Theories: Toward the Stakeholder
Theory**

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Abstract, Several authors have echoed the gap in the literature with regards to theory development in supply chain management studies. The literature on supply chain management has been mostly concerned definition of concepts and less attention has been paid to identify and describe the main theories that can address various aspects of the supply chain operations (Halldorsson et al. 2003). This study provides a critical analysis of eight commonly used theories of supply chain management. After describing the application and shortcomings of these theories, stakeholder theory is introduced as a complementary theory in supply chain management studies. A trend analysis of over 300 academic publications is conducted to illustrate the application of stakeholder theory in various aspects of supply chain management studies.

1. Introduction

Several authors in recent years have mentioned the gap in the literature concerning supply chain management theory development. Halldorsson et al. (2003) mentioned this gap in the literature and highlighted the fact that in academia, the literature on supply chain management has been mostly concerned with definition of concepts and less attention has been paid to identify and describe the main theories that can address various aspects of the supply chain operations. Seuring (2003) mentions some of the early works in the theory development in this area conducted by various authors including Handfield and Melnyk (1998), Mears-Young and Jakson (1997), New (1995), and Brush (1997). These authors have provided theoretical supports for some activities within the supply chain management, including logistics, Total Quality Management (TQM), and outsourcing. Grieger (2003) calls for development of the theories that can address the adoption of new technologies and management practices in organizational supply chain. In another study, Ketchen and Hult (2007) proposed a set of theories that can be applied to demonstrate the value creation in organizational supply chain. This study begins by describing eight most common theories of supply chain management. After careful review of these supply chain management theories, the shortcomings of each theory in describing the domain and functions of supply chain operations are presented. In the following section of this study, the need for new supply chain theories is described based on the increasing attention to the process view of organizational supply chain. In the last section, stakeholder theory is introduced as an appropriate theory for the purpose of this study that can address some of the shortcoming of previously described theories. A rigorous literature review is conducted on the application of stakeholder theory in the context of organizational supply chain. Two main trends of studies are identified. The focus of this is further narrowed down on the application of stakeholder theory in organizational supply chain management.

2. Supply Chain Theory Development: Eight Common Theories

In a recent study Lavassani, Movahedi and Kumar (2009) have studied the roots of eight organizational theories or views¹. These eight theories and views are: transaction cost theory, resource-based view, knowledge-based view, strategic choice theory, agency theory, institutional theory, systems theory, and network perspective. These theories and views are proposed by several authors to have the potential for explaining various aspects of supply chain management. In this section, it is described that, how each of the mentioned theories and views can explain various aspects of organizational supply chain management. After describing the theories and views, it is argued that each of these concepts has application and some shortcomings in describing the processes associated with various activities in supply chain management. Following that, the stakeholder theory is introduced and explicitly described, as an appropriate complementary theory for analyzing supply chain management. According to the trend analysis conducted in this study, stakeholder theory has recently (after 2007) started to attract more attentions for its application in supply chain management studies.

2.1 Transaction cost theory

Ronald Coase, Chester Barnard, and Herbert Simon are among the early authors who describe the contributions of transaction cost theory to the existence of firms (Scott, 2003; Williamson, 2005). The early studies of transaction cost theory as described in the works of Coase (1937) and others had paid little attention to the internal operation of the organization (Pitelis and Wahl 1998, as cited in Foss 1999). Williamson (1975, 1981) further expanded the application of transaction cost theory by highlighting the role of transaction cost theory in

¹ Some of the concepts are referred in the literature as theories or perspective/views. It is acknowledged that there is no consensus in the academia, on the 'predictability capability' and 'maturity and scientific development level' of some the concepts discussed here. A more detail discussion in this regard is presented in Lavassani et al. (2009)

promoting vertical integration and trust in organizations. These aspects of transaction cost theory are supporting evidences for the role of supply chain management in organizations. Whether we look at supply chain, as a network or as an integrated process, the transaction cost theory explains the vertical connection and integration of various elements of organizational supply chain, from second tier and first tier suppliers to first tier and second tier customers. Grover and Malhotra (2003) in their well-cited study conduct an extensive investigation on the application of transaction cost theory in supply chain management. In their empirical study of 1000 purchasing managers, Grover and Malhotra (2003) conclude that transaction cost theory applies to organizational supply chain management in four facets: effort, monitor, problem, and advantage. Effort to “build and maintain the relationship” with suppliers; cost of “monitoring the performance of suppliers”; resolving the problems that arises in the business relationships; and engagement of suppliers in “an opportunistic behavior”. However, transaction cost theory is primarily concerned with the direct economic factors in organizations and hence fails to address some important aspects of the operation of organizational supply chain, including personal and human relations among actors in the supply chain.

2.2 Resource-based view

Resource-based view is another organizational theory that similar to transaction cost theory, is mostly concerned with the economic aspect of operations in organizations. However, it provides more insight into understanding of value systems in the organization as it emphasizes the importance of knowledge as a production factor in organizations. Lavassani et al. (2009) identified two main schools of thought in the development of resource-based view, namely, classical and modern schools of thought. The classical school of thought describes that for achieving higher competitive advantage organizations pursue the acquisition of better economic

resources. David Ricardo's (1817) work on the rent advantage of production factors is considered one of the seminal roots of the classical view toward resource base view. One of the criticisms to the classical view of organization is that it views organizations as black boxes of operation, where inputs and outputs of the system are the main focus (Foss, 1999). Edith Penrose is credited as one of the first researchers who contributed in opening the black-box conceptualization of the organization (Pitelis and Wahl 1998, as cited in Foss 1999). The modern school of thought opened the black box of internal organizational processes to identify the process that leads to organizational growth (Rugman and Verbeke, 2002 and 2004). This view was promoted significantly by the work of Edith Penroses (1959). Rugman and Verbeke (2002) highlight the difference of Penrose approach to resource-based view and the previous approaches. Rugman and Verbeke (2002) state, "Penrose never aimed to provide useful strategy prescriptions for managers to create a sustainable stream of rents; rather, she tried to rigorously describe the processes through which firms grow. In her theory, rents were generally assumed not to occur".

More attention has been paid to the application of resource-based view in organizational supply chain management during the past decade. Morash and Lynch (2002) employed resource-based view in their study of global supply chain capability and performance. In another study Wu, Yeniyurt, Kim and Cavusgil (2005) illustrated the application of resource-base view in the impact of IT on organizational supply chain capabilities and performance. Gold, Seuring, and Beske (2009) extended the application of resource-based view to inter-organizational relations of businesses. Furthermore, they applied this relational aspect of resource-based view to "supply chain wide collaboration".

However, this view has been criticized for failing to propose strategies for organizations to acquire the resources required for growth and achieving competitive advantage. Another criticism to this view is that it is mostly concerned with the tangible resources.

2.3 Knowledge-based view

Knowledge-based view as a relatively newer view of organizational processes considers intangible resources of organizations as well. Grand (1997) who made significant contributions to the development of knowledge-based view, describes the contribution of several authors from various dimensions to the development of this view. These dimensions are: organizational learning, evolutionary economics, organizational capabilities and competencies, and innovation and new product development. While the economic view of operations, such as those described by transaction cost theory and classical resource-based view, promote the *acquisition* of factors of production i.e. labour and capital, for achieving organizational goals, the knowledge-based view promotes the *sharing* of knowledge. From the supply chain management perspective, this view provides evidence of value creation through knowledge sharing in internal and external organizational supply chain collaboration.

Hult, Ketchen and Slater (2004) applied the knowledge-based view to the information process and knowledge development in organizational supply chain performance. They could describe the “substantial variance in cycle time” of organizational supply chain performance using knowledge-based view. In another study, Ketchen and Giunipero (2004) mentioned the application of knowledge-based view in strategic management of organizational supply chain management. They tried to illustrate the utilization of this view to explain the effect of knowledge sharing across supply chain, in firms’ outcomes. While this view has been used to

illustrate the role of knowledge sharing in value creation, less attention has been paid to describe the process by which, the knowledge sharing can positively affect the organizational output.

2.4 Strategic choice theory

Child (1972) traces the origins of strategic choice theory in the works of researchers in US (Blau, Hage and Aiken, Hal, Lawrence, and Lorsch) and UK (Pugh and Woodward). This theory is concerned with the decision-making in organizations for achieving the defined goals. This theory seeks to provide answers to some the aspects of supply chain management studies such as (Ketchen and Hult, 2007):

- Direct and indirect effects of supply chain decision-making on profitability and stock prices.
- Adaptation of organizational supply chain strategies to organizational lifecycle (Miles, Snow, Meyer and Coleman, 1978)
- Supply chain strategies that can address various organizational strategies. For example those proposed by Miles, Snow, Meyer and Coleman (1978) (defenders, prospectors, analyzers and reactors), Porter (1980) (differentiation, cost leadership and focus), Walker, and Ruekert (1987) (prospectors, differentiated defenders and low cost defenders).
- The conditions that made each of these strategies to be more effective.

One of the limitations of the strategic choice theory in describing supply chain activities is that this theory is more concerned with the governance structure and political forces in decision-making and has less attention to the functional execution of organizational processes. In his 1997 paper, Child highlights this perspective by describing that the strategic choice theory emphasizes the role of authoritative management group who can “influence the structures of their organizations through an essentially political process”.

Ketchen and Hult (2007) consider strategic choice theory as an appropriate theory for describing 'strategic supply chain management' studies. According to these authors, strategic choice theory with focus on best value selection, can describe: a. the extent to which 'best value supply chain' models can affect the organizational outcome –in comparison to 'traditional supply chain'; b. the extent to which 'best value supply chain' models can 'enact their environment' –in comparison to 'traditional supply chain'. However, unlike "externally focused approaches such as institutional theory" the strategic choice theory focuses on strategies at intra-organizational level to provide certain capabilities such as agility and adaptability (Ketchen and Hult, 2007).

2.5 Agency theory

The agency theory was promoted with the seminal works of Max Weber (Beckert, and Zafirovski, 2006). The classic view of agency theory –as develop by the works of Max Weber and others– was mostly concerned with the conflict of interest between the political master and state officials. This view was built on the foundation of the neoclassical view of organization – that views organizations as black boxes of operations–, where the "relationship between performance and incentives" was overlooked (Beckert, and Zafirovski, 2006). New institutionalism view of organizations opened the black box of organizational operations and paved the way for the contemporary view of agency theory. In the old institutionalism view, opportunistic behavior based on the rational system view was dominant. However, the new institutionalism view of the organizations, promotes the delegation of responsibilities and operation, through an open system view towards the environment

The agency theory –from either classical or neoclassical perspectives– provides contributions to the understanding of supply chain management. Agency theory has been applied to various activities associated supply chain management including, outsourcing (Logan, 2000; Loebbecke

and Huyskens, 2009), sourcing (Shook, Adams, Ketchen and Craighead 2009), and supply chain collaboration (Kwon and Suh, 2004).

2.6 Institutional theory²

The roots of institutional theory can be found in the political science studies. This area of study has experienced a shift of attention from the old institutionalism to the new institutionalism, which was promoted post World War II. While the focus of old institutionalism is on behaviourism (merely concerned with the behaviour of the elite or top management) and rational choice, the new institutionalism takes an open system perspective (Scott, 2003; Peters, 2005). The old institutionalization theory is characterized by being legalism, structuralism, holism, historical, and based on normative analysis. These characteristics of old institutionalism are briefly described as follow (Peters, 2005):

- Legalism: Being concerned with law and governance.
- Structuralism: Structure matters and determines behaviour.
- Holism: Institutions are to be examined as a whole system instead of investigating the parts of the system.
- Historical: Attention to the institutional system of the time.
- Normative analysis: Institutional behaviours are based on the facts and values; moreover, the separation of value and facts is not acceptable.

The characteristics and assumptions of the old institutionalism theory have been criticized and challenged. These developments paved the way toward the new institutionalism. The

² Following DiMaggio et al. (1991) and Movahedi et al. (2009), New Institutional Theory is quoted as Institutional Theory.

developments associated with each of the old institutionalization characteristics and assumptions opened a fresh window toward the new institutionalism. As a result, there exists a “variety of [new] institutional theory”, however there are a number of “common core that binds all the approaches together” (Peters, 2005: 18). These characteristics –as explained by Peters (2005) – are briefly described as follow:

- Institution illustrates the formal and informal structure of the society, policy, and environment. From this perspective, institutional theory is concerned with organizations and groups as well as individuals.
- Institutionalization of some stable behaviours may help with the development of some organizational features during the time. For example, the faculty and students of a business school who decide to meet every Friday for a research seminar may create a predictable and stable feature in organization.
- Institutionalization affects the behaviour of individuals who are members of the organization. In the example of the research seminar, the activity may affect individuals’ behaviour by creating a commitment to participate and contribute to the function.
- Existence of some relatively shared values, norms, and understanding among the institutional members.

The new institutional theory has been illustrated as an open system perspective in contrast to the rational system as described by Scott (2003). The open system view of supply chain encourages the attention to the role of environment in the behaviour of organization, its components, and its members. From the institution theory perspective, supply chain management should pursue two main goals: 1- monitoring the environment for collaborative opportunities, and 2- identifying the

best practices in the industry and comparing the organizational operation with best practices, for continuous improvement (Scott, 2003; Movahedi et al., 2009).

According to the institutional theory “external pressure”, play a major role in shaping organizational strategies associated with supply chain management. For example, strategies associated with the organizations’ choices of technology adoption and supply chain collaboration (Ketchen and Giunipero, 2004). However, since organizations are all monitoring their environment and try to adopt the best practices, it is expected that “organizations become homogeneous as a function of isomorphism over time” (Ketchen and Hult, 2007).

2.7 Systems theory

Ludwig von Bertalanffy made seminal contribution to the development of systems theory specifically during the 1950s. Bertalanffy’s contributions to the methodology of science were mostly from physics and biology perspective. For example, in his paper published in the 1950 – while he was a professor in the University of Ottawa– Bertalanffy analyses the open system view of equilibrium of living organisms in contrast to the close systems. His researches before the 1950s were mostly from biology perspective, which led to development of organism system theory. After the 1950s, his research was mostly around the methodology development of science, which led to the development of general system theory.

Bertalanffy challenged classical modeling, which were based on mathematical view of the systems, and argued that these open systems are affected by the time factor. Therefore, a dynamic view of systems is required for understanding these open systems (Sarjoughian and Zeigler, 1995; Lowaon, 2003).

Gripsrud, Jahre and Persson (2006) explore the historical background of application of systems theory in supply chain management and specifically in the context of logistics. They argue that the neoclassical economic theories were dominant during period of 1950s-1970s. During this period, the focus was one “total cost” and “trade-offs”. However, since the 1970s systems theory has become the dominant theory for explaining the domain and functioning of organizational supply chain. The post 1970s era itself witnesses a shift of focus. While the balance of cost-service as well as trade-offs were the center of attention until 1985, the focus of the theory was shift around 1985 to describe efficiencies and the role of processes. This latter period continues to date.

2.8 Network perspective

Networks perspective –also cited as networks theory in the literature (McNichols and Brennan, 2006)– is mostly concerned with the value generation through inter-organizational relations. From this viewpoint, network perspective has similarities with resource-based view. However, while the resource-based view focuses on dyadic relationships, network perspective considers multi-party relationships as well (McNichols and Brennan, 2006). As the size, range and diversity of the network increases, so does its effectiveness (Child and Mansfield, 1972). However, as the supply chain networks are expanded to more diverse professional and geographic domains, the organizational supply chains are exposed to various forms of risks. The networks perspective has been utilized for both global supply chain studies as well as supply chain in specific industries or countries (Peck 2005; Zhao, Anand and Mitchell, 2005).

3. Supply Chain Theories: Applications and Shortcomings

After describing the application of the eight theories and perspectives in the area of supply chain management studies, it is argued that some aspects of supply chain operations may not be fully described with the above mentioned frameworks of thought. Table 1 summarizes the main argument in each theory or perspective for application in supply chain management studies.

Table 1:

Application of Organizational Theories in Supply Chain Management Studies

Theory	Justification for application of theory in SCM studies
Transaction Cost Analysis	Reducing cost generated through asset specificity and uncertainty. Vertical Integration
Resource-based view	Tangible and intangible resources influence the creation, sustainability, and competitive advantage of the firm
Knowledge-based view	Knowledge is a source of competitive advantage Exchange of knowledge increases the SC value creation
Strategic choice theory	Establishment of structural forms Manipulation of environmental features Choice of relevant performance standards
Agency theory	Conflict arising from delegation of authorities: encourages internalization Positive relationships: encourages collaboration
Institutional theory	Monitoring environment for collaborative opportunities Following best practice
Systems Theory	Simplifying the relations among the components of the systems, in order to gain better understanding and analysis of values generated by SC
Network Perspective	Several-party inter-organizational relations increase the resources capabilities and competencies of the individual firms

Transaction cost theory is a valuable framework for describing the vertical integration in supply chain management studies. However, this theory mostly carries a neoclassical view of organizations as black boxes of operation. Therefore, this theory does not provide strong guidelines at intra-organizational level for value creation. Although resource-based view and knowledge-based view pay more attention to value creation, however their value creation mechanism is mostly influenced with the Ricardo (1817) rent perspective of value creation, which stems from acquisition of the resources. While knowledge-based view addresses some perspectives of collaboration, it focuses merely on the actors –and consequently processes–, which are directly involved with the organizational operations.

Strategic choice theory provides valuable insight by opening the organizational operations to the external environment and provides roadmaps for manipulation of environmental features. However, this theory is more concerned with the governance structure and political forces in decision-making and pays less attention to the functional execution of organizational processes. While agency theory provides justifications for the behaviour of organizational player at individual, group and organizational level –similar to strategic choice theory–, it has a static view towards the stakeholders as actors, which need be managed and structured in the most optimal way to achieve individual, group and/or organizational goals. While strategic choice theory and agency theory recognize the complex relations among the organizational actors, they do not provide a mechanism to explore and identify these relationships.

As described previously, there exist varieties of institutional theories that address various shortcomings of the old institutionalization theory. One of the shortcomings related to supply chain management, among various institutional theories is that the change processes, advancements, and innovations are viewed in this theory as reactive plans to address the external

pressure. As a result –according to this theory– over the time, organizations will become homogeneous. While this theory has applications in certain environments and contexts, in the other cases of organizational supply chain and operation, this theory may not be able to fully describe some of the unique and innovative process management practices. For example, this theory is capable of describing why all auto manufacturers in the world follow the Ford Motors’ assembly line practice (and hence they are all homogeneous from this perspective). However, the theory does not apply to the case of Dell Inc. While Dell’s model has been a success story, major competitors in the environment have not adopted the same operation strategy (and hence the major competitors do not have homogeneous operation plans).

Systems theory, which views organizations as living organisms, acknowledges the complexity of these relationships. System theory challenges the static view of organizations and following an open system view, suggests that organizations –at individual, group and organizational level– are affected by the time factors. This theory promotes the dynamic view of organizations. System theory is currently one of the dominant theories in supply chain management studies. This theory applies in this study for simplifying the complex organizational structures and identifying the organizational stakeholders. However, in this theory the functional paradigm view is dominant, which may limit its application in the process view of organizational management philosophy.

Finally, networks perspective is described in this section, as a perspective that provides framework for understanding and analyzing the several-party inter-organizational relations for increasing resources, capabilities, and competencies of the individual firms. This perspective however is limited with its focus on connecting the entities. This issue bounds the capability of networks perspective to describe the process perspective of operations, which goes beyond merely connecting nodes (Stanford-Smith and Chiozza, 2001; Davenport and Short, 1993). Table

2 summarizes the main shortcoming of each theory in the context of supply chain management as described above.

Table 2:
Shortcomings of the common supply chain management theories

Theory	Shortcoming of theory in describing SCM studies
Transaction Cost Analysis	Provision of intra-organizational level guidelines Attention to indirect costs; Addressing personal and human relations among actors in the supply chain.
Resource-based view	Value creation through collaboration; Propose strategies for organizations to acquire the resources; Intangible resources. Multi-party relationships with open system view
Knowledge-based view	Value creation through collaboration Multi-party relationships with open system view
Strategic choice theory	How organizational processes should function (vs. What governance structure and political forces should be) Mechanism to explore and identify stakeholders
Agency theory	Dynamic view of stakeholders Mechanism to explore and identify stakeholders
Institutional theory	Shaping organizational strategies is mostly influenced by “external pressure”; hence over the time organizations become homogeneous
Systems Theory	Dominant of functional view of operations
Network Perspective	Describing more mature integration mechanisms beyond networking

3.1 Stakeholder Theory: A New Perspective

These limitations in the current popular supply chain theories call for the need of a new theory with open system view, which can describe the process view of the organizational supply chain. It is important to note that this study acknowledges the fact that, not a single theory can capture various aspects of the organizational operations (Singh and Power, 2009). The various theories are not to substitute other theories, but are complementary means for gaining our understanding of the organizational supply chain. Stakeholder theory is introduced in this section as a theory that can assist this research by providing theoretical ground for identifying and analyzing activities with respect to various organizational key stakeholders in supply chain operations.

Most of the previous approaches in employing supply chain theories were based on atomistic view to the supply chain operation (attention to parts of specific perspective of the system). “Only recently have supply chain researchers begun to employ the holistic, theoretic approach of social exchange theory to the study of supply chain relationships” (Narasimhan, Nair, Griffith, Arlbjørn and Bendoly, 2009). This new approach is fueled by the realization that in contemporary business environment, it is not only the “individual businesses” that “compete as solely autonomous entities”, but also organizational supply chains compete in the environment as well (Drucker, 1998). This fact increases the complexity of identifying and defining the key stakeholders associated with the business processes. The stakeholder theory has been used as one of the primary theories to identify the “key stakeholders” in various organizational studies (Tate, Ellram and Brown 2009). In the following section, the result of an extensive literature review on the application of the stakeholder theory in operations management, and specifically in the case of supply chain management, is presented. Moreover, a trend analysis of the literature provides evidence for the growing application of stakeholder theory in supply chain management studies.

The idea of stakeholder theory was first initiated in an internal memo at the Stanford Research Institute by Freeman (Andriof, Waddock, Husted and Rahman, 2002, P; 85). Emshoff and Freeman (1981) and Freeman (1984) further developed this theory.

Stakeholder theory challenges the black-box and rational system view of organizations as promoted by the old institutional theory of organization (Biancalana, 1990). This theory is in contrast with shareholder view of the organization, which indicates that the responsibility of organization is defined in regards with its shareholders and specifically to increase organizational –shareholders’– profitability (Friedman, 1962; as cited in van den Berg, Braun and Otgaar, 2004). Moreover, many researchers have provided “normative justifications for stakeholder theory” (Phillips, Freeman and Wicks, 2003). Some of these justifications are presented in Table 3.

Table 3:

Normative justifications for stakeholder theory

Author	Normative Core
Argandoña (1998)	Common Good
Burton and Dunn (1996)	Feminist Ethics
Wicks, Gilbert, and Freeman (1994)	
Clarkson (1994)	Risk
Donaldson and Dunfee (1999)	Integrative Social Contracts Theory
Donaldson and Preston (1995)	Property Rights
Evan and Freeman (1993)	Kantianism
Freeman (1994)	Doctrine of Fair Contracts
Phillips (1997, 2003)	Principle of Stakeholder Fairness

Adopted from Phillips et al. (2003)

Phillips et al. (2003) and van den Berg et al. (2004) provide evidence from several scholarly researches (Davis, 1960; Freeman, 1984; Donaldson and Preston 1995; Jones 1995; Douma and Eppink, 1996; Karake-Shalboub, 1999; Post et al., 1999; De Waal, 2000; Jensen 2000; and Sternberg 2000) that “it is in the interest of” organizations to consider all stakeholders in decision-making and operation of activities in organization (van den Berg et al. 2004). The stakeholder theory has not been immune to criticisms. In some cases, it has been described as being “explicitly and unabashedly” (Jones and Wicks, 1999; as cited in Philips et al. 2003). Moreover, some of these criticisms seem to be contradictory.

For example while researchers such as van den Berg et al. (2004) believe stakeholder theory is a comprehensive approach others such as Key (1999) does not completely agree with this perspective. According to van den Berg et al. (2004), stakeholder theory addresses the processes at all levels of organization including individual level. van den Berg et al. (2004) describes that at the individual level a stakeholder view promoted the “good citizenship” of individuals within the organization. In contrast, Key (1999) describes that “the artificial creation of stakeholder groups limits the analysis to one level, the relationship between firm and stakeholder”. Key’s (1999) criticism of the stakeholder theory is based on the Freeman’s (1962) rational view of the stakeholder theory where the “environmental assessment and environmental scanning to identify stakeholder groups” is a static approach. Following this perspective Key (1999) describes that stakeholder theory does not provide a mechanism to manage the change in the environment.

While some of these criticisms are valid, some originate from “critical distortions” and “friendly misinterpretations” (Philips et al. 2003). Philips et al. (2003), argue that it is important not only to understand what stakeholder theory “is”, but also to understand what stakeholder theory is “not”. Stakeholder theory is known to be “managerial in the broad sense of that term. It

does not simply describe existing situations or predict cause-effect relationships; it also recommends attitudes, structures, and practices that, taken together, constitute stakeholder management” (Donaldson and Preston, 1995, p. 67). Philips et al. (2003) explored what stakeholder theory is not. The summary of their finding is displayed in Table 4.

Table 4:
What Stakeholder theory is not

Critical Distortions	Friendly Misinterpretations
Stakeholder theory is an excuse for managerial opportunism (Jensen 2000; Marcoux 2000; Sternberg 2000)	Stakeholder theory requires changes to current law (Hendry 2001a, 2001b; Van Buren 2001)
Stakeholder theory cannot provide a sufficiently specific objective function for the corporation (Jensen 2000)	Stakeholder theory is socialism and refers to the entire economy (Barnett 1997; Hutton 1995; Rustin 1997)
Stakeholder theory is primarily concerned with distribution of financial outputs (Marcoux 2000)	Stakeholder theory is a comprehensive moral doctrine (Orts and Strudler 2002)
All stakeholders must be treated equally (Gioia 1999; Marcoux 2000; Sternberg 2000)	Stakeholder theory applies only to corporations (Donaldson and Preston 1995)

Adopted from Phillips et al. (2003)

4. Stakeholder Theory in Supply Chain Management Studies

The preliminary literature review conducted in this study, suggested that stakeholder theory has started to attract the attention of researchers in the area of operations management, and specifically supply chain management in the recent years. To validate the primary observation of the researcher, an extensive literature review was conducted, in three steps. The goal was to identify the trends of utilizing stakeholder theory in organizational supply chain management studies.

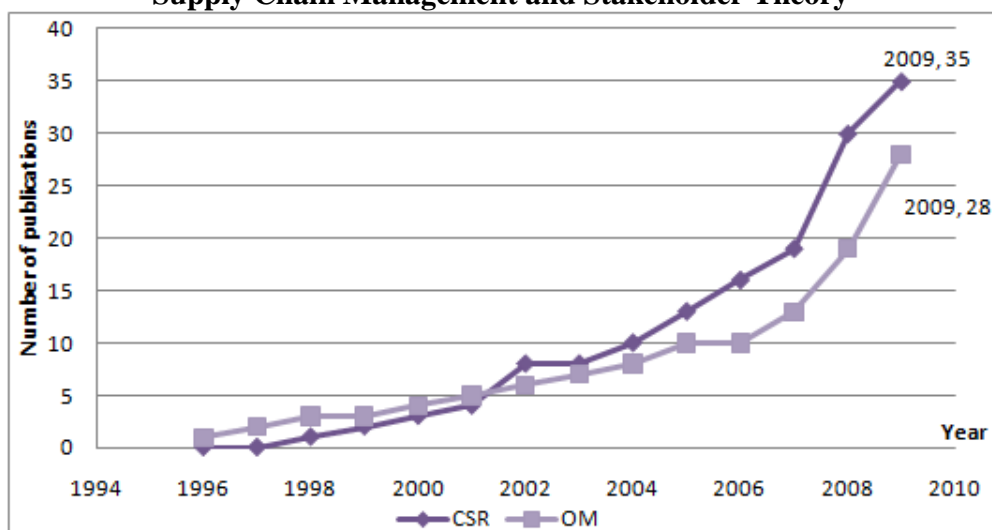
In the first step, using key words of "supply chain" and "stakeholder theory" in academic databases, about 300 academic writings were identified. In the second step, the publications were

reviewed one by one to identify if they actually address the supply chain activities and utilize stakeholder theory in this concept. The result of the second step of research was identification of 63 publications. The third step was the trend identification. Various trends were identified ranging from attention to environment, climate change and ethics to purchasing activities, sustainability of operation and collaboration. Based on the similarities, these trends could be categorized into two major trends: those publications, which are mostly oriented toward applying stakeholder theory into the concept of Corporate Social Responsibility (CSR), and those publications, which are mostly oriented toward applying stakeholder theory into the organizational Operations Management (OM) practices.

A notable amount of early studies in this trend analysis were found to have a marketing perspective toward stakeholder theory and it was not until the 2007-2008 that considerable publications related to operations management studies started to utilize stakeholder theory. The above described trends are displayed in Graph 1.

Graph 1:

Accumulative Number of Studies Associated with Supply Chain Management and Stakeholder Theory



In summary, the finding suggests that stakeholder theory have been applied to the organizational studies from two major perspectives: CSR and OM. Furthermore, the study of a sample of about 300 publications provide evidence for the increasing attention to the application of stakeholder theory in OM and CSR studies.

Identification of stakeholders in the field of operations can be conducted from various perspectives. Bourne and walker (2005) describe several approaches in this regards. One could be based on the identification of individual and collective interest groups (Cleland, 1995). Another way is identifying the stakeholders based on the individual positions and responsibilities such as clients, project managers, external service providers, and “invisible team members” (Briner, Hastings and Geddes, 1996). Accordingly, stakeholder theory in the context of organizational supply chain should focus on the type of activities associated with the various processes within the supply chain. Following this lead, the Supply Chain Operations Reference model (SCOR) produced by Supply Chain Council (SCC) –as one of the most utilized models in academia and businesses– can provide supportive framework for application of stakeholder theory.

In this model, each of activities in organizational supply chain is associated with a group of supply chain stakeholders. These groups of stakeholders are the employees who are involved in sourcing, planning, making, delivering, and return. Stakeholder theory not only can be utilized in investigations on the internal supply chain, but also can be applied in the external supply chain of organizations. It also had wide implications in competition among supply chain of organizations. While stakeholder theory can provide strong framework for identifying and defining the supply chain stakeholders, it has certain shortcomings for describing some aspects of organizational supply chain. Some of these shortcomings include providing specific strategies for value creation and, management of governance and power structure in organizations.

5. Synthesis

While many studies in the area of supply chain management deal with providing conceptual definition of advancements in this area less attentions has been paid to identification and application of theories. The paper provides a thorough analysis of common theories of supply chain management. In analyzing the theories, the historical development of each theory is described through comprehensive review of the literature. Furthermore, the application of each theory in supply chain management is described with examples from the scholarly literature. Following the discussion on the application of common organization theories in the context of supply chain management, some of the shortcomings of the theories are described. After making the case, that illustrates the need for more attention to the new theories in this area, stakeholder theory is proposed as a new theory. Some of the critical points in application and analysis of stakeholder theory is also described in this section. A rigorous review of the literature provided evidence for the recent rising attention to application of stakeholder theory in supply chain management studies. Furthermore, a trend analysis is conducted that suggests stakeholder theory has been applied in supply chain management studies from two perspectives: operations management perspective, and corporate social responsibility perspective. Finally, some of the applications and shortcomings of stakeholder theory in supply chain management studies are mentioned. Future studies can provide valuable contributions in this area through a. further investigation and application of stakeholder theory in supply chain management studies, and b. application of new theories –such as social exchange theory or resource dependency theory– in this area.

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