

THE ROLE OF WILLINGNESS TO PAY FOR SUSTAINABLE PROCUREMENT IN IMPROVING ORGANIZATIONAL PERFORMANCE

Owais Khan and Andreas Hinterhuber, Ca' Foscari University of Venice

Contact Information: “For further information, please contact Owais Khan, Assistant Professor, Venice School of Management, Ca' Foscari University of Venice (owais.khan@unive.it).”

Keywords: Individual Values; Institutional Pressures; Organizational Performance; Sustainable Procurement;

Description: This paper highlights factors that shape willingness to pay for sustainable procurement.

EXTENDED ABSTRACT

Research Question – Sustainable procurement is important to realize sustainable industrial development. However, most companies have not yet adopted sustainable procurement due to various reasons. Scholars argue that companies would be more enthusiastic to adopt sustainable practices if their customers would be willing to pay a premium price for sustainable products or services. A plethora of studies have examined the willingness to pay for sustainable products in the business-to-consumer (B2C) contexts, but more research is needed on this topic in business-to-business (B2B) contexts. We thus explored what individual and organizational factors shape willingness to pay and whether sustainable procurement adoption is worthwhile for companies.

Method And Data – We developed a multi-level framework to examine the willingness to pay for sustainable procurement. We tested this framework with 372 procurement managers using partial least squares structural equation modeling.

Summary of Findings – We found that the individual values of procurement managers and perceived institutional pressures shape their willingness to pay for sustainability. Furthermore, the confluence of this willingness to pay, past pay behavior, and institutional pressures lead to sustainable procurement adoption which consequently improves the operational performance of their companies.

Statement of Key Contributions – The role of procurement managers is crucial for ensuring sustainability throughout the supply chain. Whether or not they are willing to pay for sustainable products or services is an important question. We, therefore, examined the antecedents and consequences of their willingness to pay. To the best of our knowledge, this paper is the first large-scale empirical study that has examined willingness to pay for sustainable procurement in a business-to-business (B2B) context. Globally, most companies remain reluctant to invest in sustainability, but our findings specifically on the improvement of performance may motivate them to consider investing and adopting sustainable procurement.