Sustainability

A hot topic widely practiced across business functions

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SUSTAINABILITY: A HOT TOPIC WIDELY PRACTICED ACROSS BUSINESS FUNCTIONS

DANSK RESUMÉ

DILF og forskere fra SDU gennemfører hvert år adskillige surveys, der bliver besvaret af det Danske Supply Chain Panel, og som har fokus på forskellige problemstillinger indenfor supply chain management.

Denne artikel præsenterer resultaterne fra et survey, der har taget udgangspunkt i bæredygtighed. Resultaterne indikerer, at respondenterne allerede på nuværende tidspunkt arbejder med og praktiserer bæredygtighed i deres virksomhedsstrategier. Derudover viser undersøgelsen, at især markedspositionering, kundekrav og topledelseskrav er vigtige drivkræfter i virksomhedernes arbejde med bæredygtighed.

/Redaktionen

DILF and researchers from the Department of Entrepreneurship and Relationship Management at SDU in Kolding each year conduct several mini-surveys focusing on different supply chain management issues. Respondents to these mini-surveys are voluntary senior managers from various Danish companies represented as the Danish Supply Chain Panel. This article presents the results of a mini-survey dealing with sustainability.

Pssst... you can join the panel for free!

Read more here

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1. Introduction

The concept of sustainability is getting more and more top management awareness although it is many years since the Brundtland Commission defined sustainable development as "development that meets the need for the present without compromising the ability of future generations to meet their own needs" (WCED, 1987).

Over the years the political climate has changed a lot where politicians stand in line to outbid initiatives that promote the sustainable agenda. However, it is also important. Global warming is an increasing problem due to carbon dioxide emissions. The population of the world is growing which leads to higher energy consumption and the planet earth's natural resources are scarce. We are also witnessing climate changes with natural disasters such as flooding, hurricanes, and forest fires. A high number of concepts – or green buzzwords – have been developed to address sustainability issues in various forms such as green supply chain, renewable energy, circular economy, recycling, and cradle-to-cradle. In 2015 the United Nations defined 17 sustainable development goals to reduce non-sustainable solutions and thus to support sustainable development.

A recent survey in the Danish Supply Chain Panel revealed that the panel members find it relevant for their supply chains to work with the UN sustainable development goals but that their actual practice does not yet match the intentions (Stentoft & Mikkelsen, 2021). However, we see an increased awareness of sustainability which is also carried by green mindset changes in the population not least from the younger generation. The widespread use of social media also increases the risk for companies and individuals to land in shitstorms if their practice goes against socially accepted norms or if there is a misfit between what they say and what they do. However, being sustainable is not only a question to comply with public norms. There is also sound economic research to focus on sustainability for private enterprises.

The first question we asked the respondents was to what degree they see the relevance of sustainability for companies. The returned answers appear from Figure 1.

Based on a 5-point Likert scale ranging from 1 (to a very low degree) to 5 (to a very high degree) it is shown in Figure 1 that the returned average is 4.23. Hence, the respondents perceive that sustainability is highly relevant for companies.

2. Strategic aspect of sustainability

The mini-survey among the Danish Supply Chain Panel firstly covered some questions regarding the perceived strategic aspects of sustainability in their organizations. One thing is to perceive sustainability as highly relevant for companies on a broader scale as such. Another thing is if the respondents perceive that sustainability should also be part of their company strategy, and not least to what degree sustainability is part of the strategy. The answers to these two questions are shown in Figure 2.

As it appears from Figure 2, the respondents believe that the companies with an average of 4.48 on a 5-point Likert scale should have sustainability as part of their overall strategy between a high or very high degree. Interestingly, this is even higher (0.25 points) than the average on the broader scale as depicted in Figure 1. This may be interpreted as the respondents believe that: "yes, this is of high relevance for business as such, but especially to our own company". When asked to what degree sustainability is implemented as a part of the overall strategy of the company, the average is 4.13, indicating that respondents to a high degree perceive sustainability implemented as part of the overall strategy. However, despite the relatively high average on sustainability as part of own strategy, the figure falls behind the 'ideal aspiration' with 0.35 points (4.48 – 4.13), indicating that some work is still to be done.

FIGURE 1. Relevance of sustainability for the companies

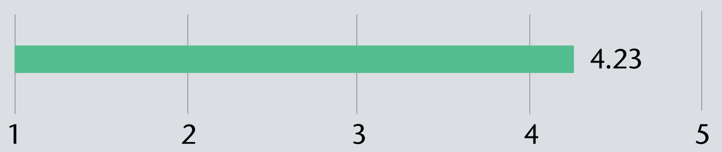
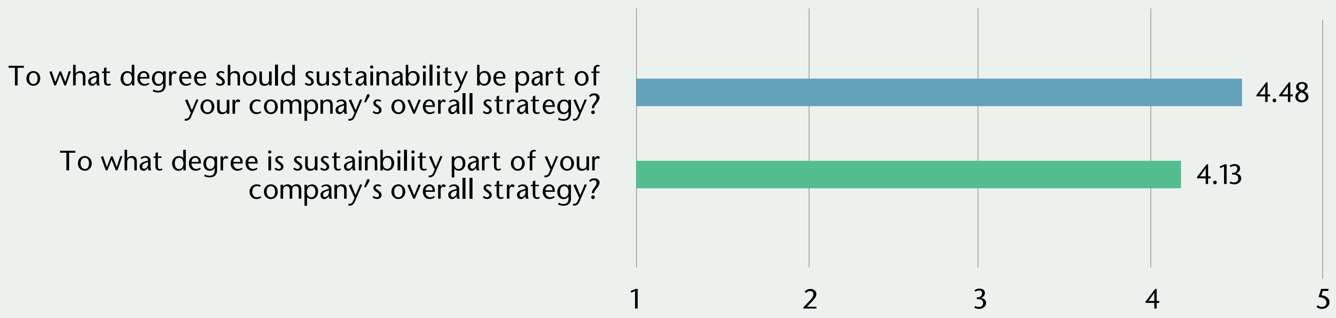


FIGURE 2. Perceived strategic nature of sustainability



3. Sustainability practice

The respondents have also been asked to evaluate their sustainability practice in various topic areas. Thus, it is interesting to identify what focus companies have in their sustainability endeavour and what practices are taken to work with and enhance sustainability in the company. The answers to this are depicted in Figure 3 below.

As indicated in Figure 3, companies work to a high degree with energy consumption reduction on an average of 4.13 on a 5-point Likert scale. This is followed by work and focus on reduction of waste with an average of 3.85, applying sustainable energy sources with an average of 3.82, investing in projects to reduce environmental impact with an average of 3.73, and applying new green technologies with an average of 3.60. Hence, the two highest ranged practices are very linked to simultaneously increase sustainability and reducing cost, while for the rest of the practices the link to cost optimization is vaguer.

Similar surveys also based on data from the Danish Supply Chain Panel were conducted in 2012 and 2019 (Arlbjørn & Mikkelsen, 2012; Stentoft, 2019). The results show that only minor changes have taken place in the ten years since then. In 2012 it was likewise found that reduced energy consumption and reduction of waste were on top of the list. The most mentionable change is that applying sustainable energy sources has moved from place six in 2012 and place four to now ranged as number three here in 2022.

4. Drivers for working with sustainability

Given the discussion in the previous subsection, an interesting question to ask is whether it is cost or sustainability that comes first. Therefore, the respondents have been asked what drives the work with sustainability in their organizations. Figure 4 shows the results from the respondents on this question.

As Figure 4 reveals, the driver market positioning obtains the highest average of 3.90 on a 5-point Likert scale. This is followed by significant drivers as customer requirements with an average of 3.84; top management requirements with an average of 3.76; to be more competitive with an

FIGURE 3. Forms of sustainability practiced

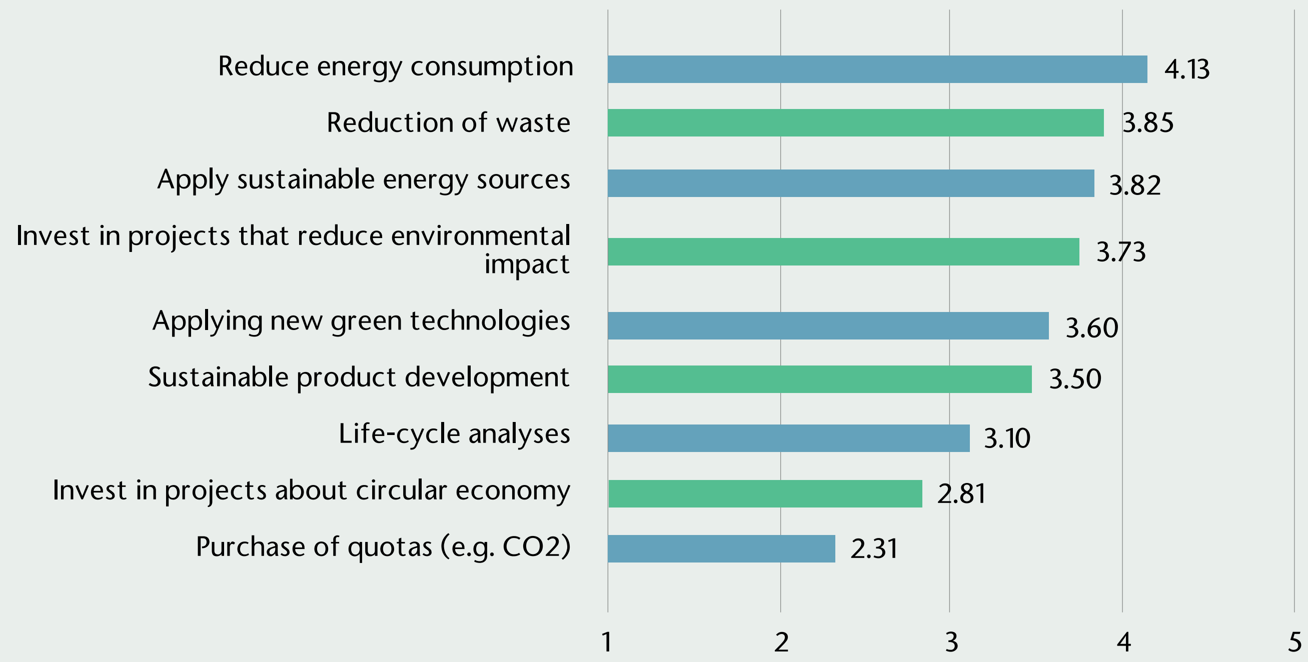
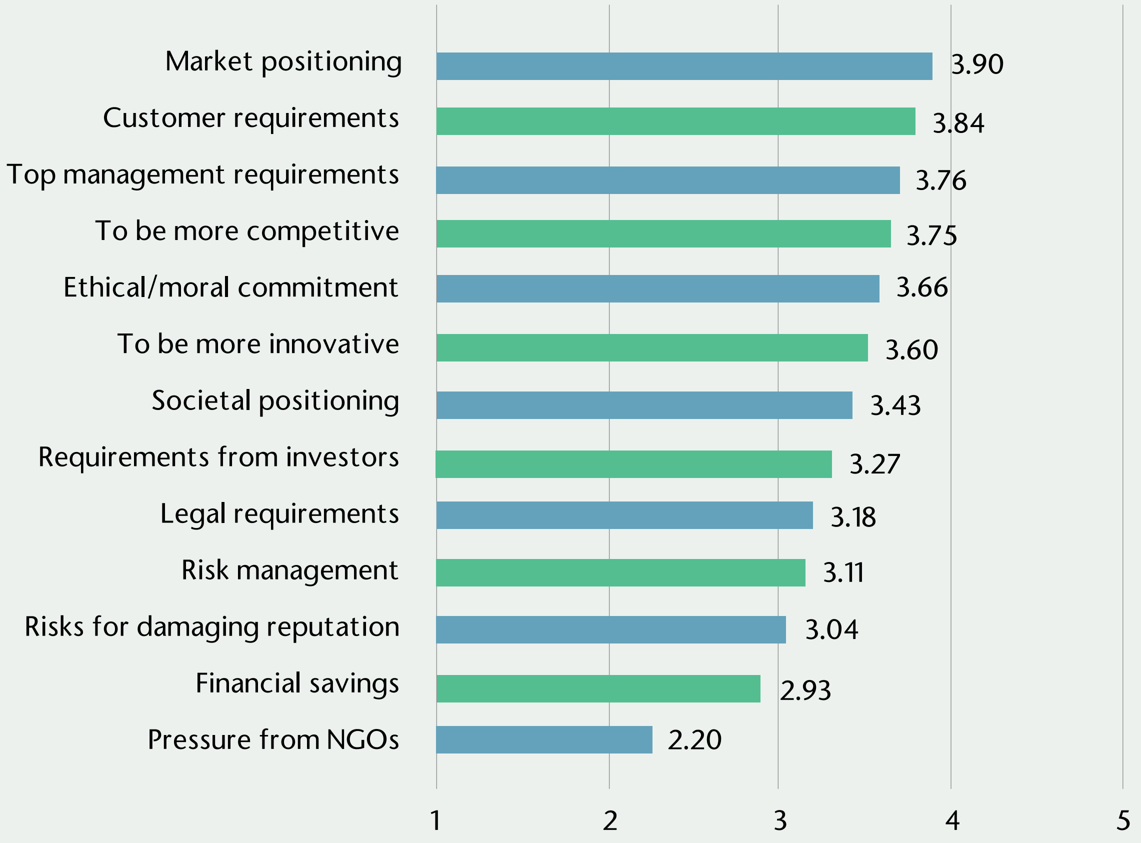


FIGURE 4. Drivers for sustainability



average of 3.75; ethical/moral commitment with an average of 3.66 and to be more innovative with an average of 3.60. The top four drivers are all considered as drivers close "to a high degree".

We see some interesting and significant changes when compared to the 2012 survey (Arlbjørn & Mikkelsen, 2012). The most significant and interesting change is that, in the 2012 survey, financial savings was by far the most significant driver for working with sustainability, while in the current survey it has fallen to position 12 as in the 2019 survey. Another very interesting change is that market positioning, which is considered the most important driver in the current survey, was only ranged at position six in 2012 and as position four in 2019. Customer requirements are the number two driver in the three surveys, while top management requirements are in the top four in the surveys.

Hence, the above-mentioned changes indicate that the increased attention and focus on sustainability in society and demand from customers seems to have changed the priorities in companies. Sustainability is not perceived as a differentiator anymore but is more and more perceived as a license to operate. In other words, if you are only focusing on profit in your business, you may well be in the business of going out of business.

A final note on market positioning as the top driver for sustainability is worth mentioning. A brief survey among our supply chain management students at SDU in December 2020 in Kolding revealed that 87 percent of the students saw the companies' work with sustainability as greenwashing. The same survey revealed that 40 percent has, due to companies' sustainability issues, avoided to buy products from companies, while 47 percent would avoid buying a product if they knew that the company has problems with sustainability. In other words, only 13 percent do not consider sustainability in their consumption. Political consumers are growing, and a greenwashing strategy should thus be avoided.

5. Barriers for working with sustainability

Working with sustainability is not an easy task for companies. Therefore, it is also interesting to investigate what barriers and challenges companies face, when working with sustainability. The answers are included in Figure 5.

Figure 5 does not indicate significant barriers (all with averages below 3.50). However, we still see some interesting results. One significant change is that even that the lack of a promising business case to some degree is perceived as a barrier (with an average of 2.73), it has moved from being the top barrier in 2012 to now a fifth place. Together with the findings on relevance and to what degree sustainability should be part of the company strategy, this may indicate that the business case is to some degree given. Sustainability is here to stay.

From a supply chain perspective, it is also interesting that companies still have issues in getting customers to pay for sustainability (average of 3.42), while at the same time experiencing that suppliers are, to some degree with an average of 3.17, not ready for sustainability. These two barriers were also number one and two in 2019 and number two and three in the 2012 survey. Especially the latter is of interest when compared to the other findings in this survey.

With the high degree of overall relevance (Figure 1) and the high degree that respondents perceive sustainability should be part of the company strategy (Figure 2), it can be argued that companies must begin investigating reasons for the relatively lower level of supplier readiness. A chain is no stronger than the weakest link, and even if supplier sustainability issues may not be the direct responsibility of the buyer, the buying company may be held accountable by the customers and society.

FIGURE 5. Barriers for sustainability

6. Where is sustainability in action?

An interesting question is also where in the many company functions sustainability is practiced. The results are portrayed in Figure 6.

As seen in Figure 6, between 65 percent and 68 percent of the companies practice sustainability in the purchasing, manufacturing, product development and transport/distribution functions, while the functions warehouse and quality not to the same degree are involved in the work on sustainability in the companies. In "other" some respondents have reported "life-cycle management, waste reduction", "travel, food, consumables", "travel and cars" and "facility management".

7. Collaboration about sustainability

As supply chain researchers we have also found it interesting to investigate to what degree companies collaborate up and down the chain, which is why the present survey focusses on collaboration about sustainability. Further, we find it of interest if companies collaborate with NGOs on sustainability. Figure 7 contains the results of the perceived levels of collaboration.

As it appears from Figure 7 companies find that they to a high degree would benefit from working up and down the supply chain on sustainability (with averages of 3.90 and 4.03, respectively) and to some degree benefit from working with NGOs. This shows that the companies recognize that they are part of a chain. In line with the findings that suppliers are only ready for sustainability to some degree (with an average of 3.17 in Figure 5), companies seem to understand that they need to collaborate with suppliers on sustainability.

As the second most significant driver for sustainability is customer requirements (with an average of 3.84 in Figure 4) it seems natural that companies perceive they would benefit from collaborating with customers. However, as shown in Figure 7 significant gaps are revealed when comparing to their current practice, not only towards suppliers and customers but also when looking at the level for NGO collaboration. Hence, this result indicates that work seems to be ahead of the companies.

8. Conclusion

This article reports on a mini-survey distributed among the members of the Danish Supply Chain Panel focused on sustainability. In general, the theme is deemed important with an average of 4.23 for its relevance, and with an average of 4.48 for being included in the companies' corporate strategies. Sustainability is practiced in various forms with the highest areas within reducing energy consumption, waste reduction, applying sustainable energy sources, investing in projects that reduce environmental impact, applying new technologies and applying sustainable product development.

The main drivers for working with sustainability are reported to be market positioning, customer requirements, and top management requirements. The main barriers are reported to be that customers will not pay for sustainability, suppliers are not ready for sustainability and the lack of data. Sustainability is widely practiced across business functions such as purchasing, manufacturing, product development, and transportation/distribution.

Finally, collaboration with suppliers and customers about sustainability is deemed important with averages close to 4, however, with averages of 3.25 of the perceived current practice, which indicates a gap to be closed. Overall, the results reveal that sustainability is a hot topic and that much work is going on among the members of the Danish Supply Chain Panel. We hope this article will stimulate discussions in your organization about the current level and where to go./

FIGURE 6. Areas where sustainability is practiced

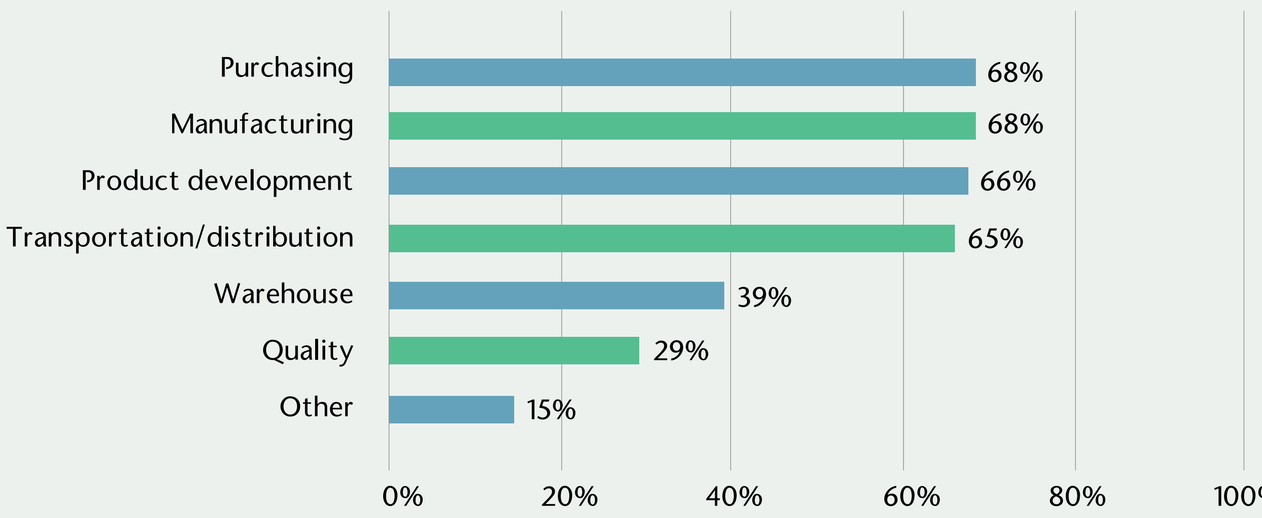
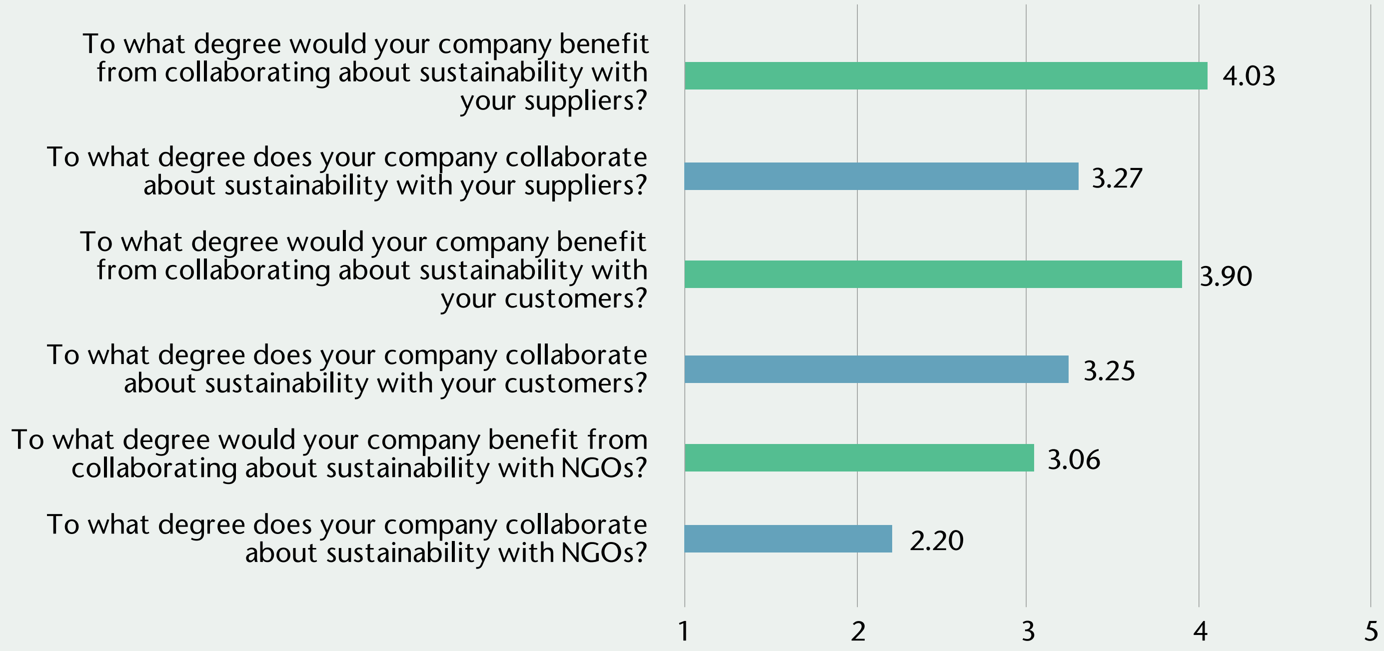


FIGURE 7. Perceived degree of collaboration and its benefits



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