

CORPORATE SUSTAINABILITY and LOGISTICS

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Abstract

Companies are facing increasing competition and financial pressures leading to a search for alternatives to traditional business models. Corporate sustainability involves a company examining every part of its operations, including its supply chain and logistics in terms of its social, environmental and economic effects. Corporate Sustainability can be integrated into logistics companies through changes in its modes and methods of distribution and storage thus leading to a more socially-aware, environmentally friendly and financially successful company.

Keywords: *Corporate Sustainability, Logistics.*

1. Introduction

Nowadays companies are facing more challenges than ever. Traditional business models are becoming increasingly criticised for failing to provide an adequate framework for a rapidly changing world. Companies are being faced with increasing technological changes and customer wishes. It is now no longer possible for companies to only consider their product, sales and their financial situation. Due to recent economic crises, companies need to find alternative ways of creating a competitive advantage. However, as businesses are becoming more global and with more complex supply chains, it is increasingly difficult for companies to track all of their effects. Thus, new approaches have been developed. One of these approaches is Corporate Sustainability (CS).

In traditional business approaches, social and environmental aspects are generally ignored as they do not have an obvious financial impact. However, in CS, the financial, social and environmental effects of companies are examined together and appropriate changes are made, if needed. This involves investigating every part of the company's operations, including its logistics. Logistics involves a large part of a company's operations and can have large effects on its CS level.

2. What is Corporate Sustainability?

Corporate Sustainability can be defined as the “capacity of an organization to continue its activities indefinitely, having taken due account of the impact on natural, social and human capitals” (AccountAbility, 1999: 94). CS requires the company to examine the long-term effects of its business’ practices on its consumers, employees and the wider world and also every aspect of how it operates in the social, environmental and economic environments must be considered (Borsa İstanbul, 2014: 1). Therefore Corporate Sustainability is the coordination of social, environmental and financial aspects of the company to ensure its long-term financial success while lessening the impact of its practices on the world. CS is a broad concept that requires the balance of economic growth, environmental protection and social equity (Wilson, 2003:1). One way to look at these objectives and the balance between them has been formed with the concept of “The three pillars of sustainability”. Each pillar, social, environmental and economic, must be in balance and given equal importance, otherwise the company will not be in equilibrium.

The social pillar is mainly concerned with the social and ethical elements of businesses practices. The Global Reporting Index (GRI) G4 guidelines categorize the social dimension into the sub-dimensions of Labour Practices and Decent Work, Human Rights, Society and Product Responsibility (GRI, 2013: 64). Within the firm, issues such as workers’ rights and equality have become increasingly important. Other issues include flexible working hours, maternity leave, training opportunities, fair and ethical labour practices. Equal pay and safety in the workplace are also extremely important.

The environmental pillar refers to practices which have an environmental effect. The environmental impact of a company is reduced when it implements processes, systems and activities aimed at reducing the environmental impact of its’ facilities, products and operations. The themes related to the environmental dimension are generally accepted to be: materials, energy, water consumption and pollution, emissions and air pollution and biodiversity (GRI, 2013: 9).

Economic sustainability involves a business carrying out practices which ensure the use of resources in an efficient manner as possible in order for the company to create a financial profit. Nikolaou vd. (2013: 177) has stated that the four main areas of the economic pillar which need to be investigated are: strategic factors (such as cost reduction), the maintenance of superior financial performance, tactical aspects (such as expenditures) and operational aspects (such as customer return levels).

A profitable business which does not pay any attention to its social and environmental impact will no longer be viable in the long-term. However, a business which is socially and environmentally aware but does not create a financial profit is also not going to continue to be successful and is, therefore, unsustainable. It can be seen from this that the balance of the three pillars is critical for the success of a business. There has been much research carried out which has shown that focusing on social and environmental issues often leads to greater profitability (Çelik vd., 2016: 441). However, the main effects of CS on profitability appear to be due to increasing customer demand

for greener products, lower production and logistic costs and also higher employee motivation and retention levels.

3. Examples of Corporate Sustainability and Logistics

PostNL

This company is the largest post and parcel delivery service in the Benelux countries and operates in 13 countries on 3 different continents (Robecosam, 2017). As a result, customer relations and logistics are the most important elements of its business. Post NL has created many initiatives and “these initiatives make PostNL, a responsive, flexible and profitable transport company and a sustainability leader in its industry” (Robecosam, 2017).

PostNL concentrates on three main areas: Being a good employer, Liveable Society and Sustainable operations. The company provides training to all of its employees with its PostNL Academy, which is also open to the families of employees (PostNL, 2016: 31). It also concentrates on the welfare and diversity of its employees, paying special attention to racial diversity, a visible LGBT community and encouraging female employees. PostNL has a programme called ‘Smart City Solutions’ which aims to allow the company to help in the local community, such as by keeping an eye on elderly people and rubbish/graffiti (PostNL, 2017: 9). The company also helps several charities to deliver parcels for free and also sponsors many local events.

As PostNL is a logistics company, they have paid a high level of attention to its collection and delivery processes. The company is concentrating on making its fleet more efficient with the use of bio-gas and electric vehicles where possible and by giving fuel-efficiency driving behaviour training to its drivers while attempting to determine more efficient routes (PostNL, 2016: 39). It is also attempting to reduce its waste levels, increase its amount of recycled materials and using renewable energy sources. According to Robecosam (2017), PostNL has “transformed its business into an efficient, flexible, customer-orientated and financially healthy enterprise over the past few years”. It is especially good at customer-related management, operational eco-efficiency and fleet fuel efficiency” (Robecosam, 2017).

IKEA

IKEA, founded in Sweden in 1943, is the world's largest household goods retailer selling furniture and accessories (Lu, 2014). According to the IKEA Website, “IKEA Group has grown into a global retail brand with 139,000 co-workers in 44 countries generating annual sales of more than 27 billion EURO” (IKEA, 2018). IKEA manages to reduce average prices despite high raw material prices, transportation costs increases and inflation such as by innovative design, cost reduction at every stage of the supply chain, a worldwide supply chain strategy and close relationships with suppliers. IKEA has more than 1,300 direct suppliers and 10,000 sub-suppliers in more than 60 countries with over

30 distribution centres in 12 countries with hundreds of logistics partners (Michelle, 2014:11).

IKEA also uses the concept of high and low flow warehouses. Products stored in low-flow warehouses are not in high demand and therefore generally manual labour and processes are used while in high-flow warehouses, stock has a higher turnover speed using more automation (Laurin and Fantazy, 2017). The high-flow warehouse is located close to the largest deep sea port in Eastern America, and helps to save on transportation costs. Furthermore, transportation costs have been reduced by placing a higher-flow warehouse closer to the stores.

IKEA's flat pack design enables more products to be transported more efficiently. Consequently, the empty space of containers and trucks and the "filling rate" increase mean that transport costs are reduced. IKEA also uses paper pallets instead of wooden pallets which are more environmentally friendly, lighter, more flexible, recyclable, and allows more products to be sent at the same time (Hellström and Nilsson, 2011: 645). IKEA has invented the OptiLedge, which makes it possible to transport more product in a smaller space (Laurin and Fantazy, 2017). As a result, IKEA reduces transport, storage and personnel costs. IKEA designs its furniture as flatpacks which take up less space while create lower transportation and warehouse costs. Savings in fuel and stock costs are transferred to customers at lower prices.

Another integral part of the IKEA philosophy is the cost-per-touch concept, meaning that every time the product is transported, loaded or unloaded, it is costly. IKEA reduces the cost per touch by enabling customers to choose their products from warehouses, requiring less warehouse personnel, and customers are also take the product home, so there is less need for delivery trucks and staff (Lu, 2014). Each IKEA store has a logistics manager to ensure that efficient flow of goods, deliveries and tracking supply and demand (Hellström and Nilsson, 2011: 639). With data from POS systems and delivery data, the in-store logistics manager can more accurately predict sales and re-order the required stock, thus preventing under or over-stocking.

4. Conclusion

There many ways in which a company can become more environmentally sustainable. The main areas of CS practices are the management of energy consumption, reduction of waste, decrease in the release of toxic materials and the use of reverse logistic practices, such as recycling, re-manufacturing and re-use (Nikolaou vd., 2013: 175). Warehouses can be improved by examining their location, stacking and processing methods. Transportation of goods can be made more cost effective by examining the mode of transport, delivery routes, shipment size, types of vehicles used and their fuel efficiency. CS is now important for all companies in all sectors as it increases customer satisfaction and worker satisfaction while improving profits.

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