

THE INFLUENCE OF A RETAILER ON ITS SUPPLY CHAIN MOTIVATION FOR SUSTAINABILITY

Markéta Svobodová

Abstract

Supply chain management in the retail industry focuses more and more also on sustainability. Especially big international companies try to select their suppliers according to various criteria, including sustainability – environmental, social as well as economical. The sustainability state of the providers at the beginning of the relationship with a retailer is important, however what can be even more important is the willingness of the suppliers to change for more sustainable behaviour in the future. The influence of the retailer on that behavioral organizational change may differ depending on various factors – for example its brand and turnover with the contractor and potential development of their future business.

This paper studies the influence/ role of a big international company (retailer) on the motivation of its supply chain for sustainability. How much are the providers influenced for sustainability by the retailer versus other motivational drivers/ agents like state authorities and family/ friends? How important sustainability change agent can a retailer be for its supply chain?

Regarding methodology, qualitative research and international comparative analysis were used.

A retailer plays an important role in the changes for more sustainable behavior of the companies in supply chain. How important however differs also according to the country.

Key words: sustainability, supply chain, motivation, change agent, influence

JEL Code: JEL Q01, Q56

Introduction

With reference to existing literature, green or sustainable supply chain management was already studied in various papers, including different financial strategies' impact on the motivation to be a greener supplier. In this paper, the focus is on finding out the motivations of the mostly used service providers in retail industry to behave more sustainably.

Those motivations in focus are from the site of the clients (big retailer) but also in comparison to other stakeholders, that have influence on the area of sustainability. The research question is *What is the influence of a retailer on its supply chain motivation for sustainability, compared to other parties*. In this paper, specifics for different countries (the Czech Republic, Slovakia and Croatia) as well as for the size of the companies are also discussed.

Additionally, what is highlighted in the findings are proposals on what could help to improve sustainability by various subjects, and client is just one of them.

1 Literature Review

There was already some research done on different aspects of sustainable or green supply chain, particularly in the recent years. A research on the factors which contribute to successful collaboration of a retailer and its suppliers was done in the paper in the year 2020 (Sheu et al., 2020). This study states that the intensity of relationship between a retailer and its supplier has bigger influence than duration of that relationship.

How both, the subsidy from government as well as Corporate Social Responsibility Investment, impact closed-loop Supply Chain Models is discussed in a recent paper (Song et al., 2020).

Game theory is used and highlighted in several papers, as an effective method for studying supply chain functioning. It is used for example in relation to green consumer behavior (loyalty) (Ma et al., 2020) but also regarding closed-loop supply chain models and behaviors of suppliers (Shekarian, n.d.). The latter paper also discusses different scenarios as well as factors for closed-loop supply chain models.

Sourcing policies importance on sustainable practices of suppliers is being also covered by another paper (Agrawal & Lee, 2019). Interesting finding comes from that paper: When there are multiple suppliers for a certain product/ service, they will not be deterred but rather motivated to switch their strategy to a more sustainable one because of the purchaser.

Research focusing on relationship of green supply chain management practices and organizational performance took place as well (Lee et al., 2012). No statistical significance for direct link between the two was however found in that study.

How strategic commitments (e.g. to wholesale price) can motivate greater sustainability investments in the supply chain was studied in another reviewed paper (Xiao et al., 2020).

Moreover, the influences of two different financial strategies on the environmental effects of product and ordering policies are discussed in a study (Zhao & Wang, n.d.). Additionally, another paper (Bian & Zhao, 2020) focuses on the impact of tax and subsidy in relation to environmental policies in retail.

What decarbonization strategies in the retail sector are (not just related to suppliers) is studied in a paper from the year 2019 (Ana et al., 2019). Sustainability-Related Supply Chain Risks are elaborated on another paper (Hofmann et al., 2014).

Qualitative research consisting of interviews with service providers of a big retailer from different countries which would be focused on influences of the providers' motivation for sustainability was not found in the literature review. Thus, it is the focus of this paper.

2 Methodology

The methods used in this paper are qualitative research and international comparative analysis. The research question is as follows: *What is the influence of a retailer on its supply chain's motivation for sustainability, compared to other selected stakeholders/ subjects.*

The method which was used for gathering information is *Structured Interview* (see *Appendix 1*). Data was gathered by taking detailed notes during interviews which were conducted via mobile phone and MS Teams application. Interviews were carried out individually, one by one.

Deductive as well as Inductive Coding for analyzing interview data was used, depending on the concrete interview questions. Deductive Coding was implemented for all questions except of interview question 5. In those questions, predefined set of codes was prepared already before the interviews took place. Inductive Coding was used for interview question number 5 for which frequent answers were more difficult to predict. Thus, defining codes beforehand was not viewed as efficient.

The focus was on the thematic content analysis of interview data to highlight important aspects from the interviews and trying to find common patterns across the data set. Alternatively described, the theme coding was used to demarcate various segments within the data.

Furthermore, narrative analysis was also conducted to show the additional important points (citations) which were found during the research.

A data matrix (codebook) was used to analyse the data (an example with a part of the codebook used can be found in *Appendix 2*).

Data was gathered by me, the author, via 14 interviews through phone (12) or through a Teams application with using camera (2). Those interviews were taken with particularly service providers (e.g. cleaning services and security services) of a big international retailer. The suppliers were chosen to be from three countries to have an international comparison. 5 interviews were conducted with Czech suppliers, 5 with Slovak suppliers and 4 with Croatian suppliers. Each interview took ca 30-40 minutes. All interviews were conducted during April 2020.

Since the method chosen was qualitative research, the information gathered is as opinions, not facts.

3 Findings

In this section, findings are presented.

The positions of people interviewed range (which position was interviewed depended mostly on the size of company) from owner/ CEO to middle management. Slightly less than half of respondents was from companies with more than 1000 employees.

3.1 General findings

Nearly all interviewees acknowledged that their company had been doing quite a lot already in sustainability but there is some space for improvements. It was also mentioned several times that in general, competence in sustainability is missing or is not unified.

Most of the times, clients and end customers were interdependent in motivating the service providers for sustainability. It was explained several times that the reason is that end customers' feedback is then received by client also. Employees were most of the times mentioned as the least important stakeholder in motivating their company towards sustainability.

Incentives from state were mentioned most of the times as insufficient. Some of the respondents stated that their company does not want to take any subsidies from the state – it had negative connotations / perception.

All the respondents stated to have a way/ system in the company how bottom up ideas or proposals can reach their CEO/ top management/ owner. The frequency of implementing the ideas was either „sometimes“ or „often“. The most common reason which was mentioned for ideas not being implemented was the needed financial investments and unrealistic ideas.

Most of the respondents mentioned that their company is medium known in their country.

3.2 Findings specific to the size of the company/ supplier

The aspects considered most relevant in relation to behaving sustainably for the sake of the client which were mentioned by the more financially stable suppliers (with relatively bigger turnover / often part of international organizations) included brand of the client and similar strategy and values. For them, a subject which motivates their company for sustainability the most was the owner/ CEO/ top management. On the contrary, for smaller companies, it was mostly the client and end customers.

A respondent from a bigger company added: „Financial site does not play such an important role in motivating us for sustainability, we mainly want to improve ourselves.“ On the other hand, for smaller, typically just national companies, the most relevant for motivating them for sustainability was current turnover and potential of future business.

Three companies with lowest amount of employee number had the biggest portion (100%) of turnover with the only one client and they mentioned the client as being the biggest motivator for them to behave more sustainably. The influential power of a retailer on its supply chain can thus differ.

3.3 Findings specific to country

The role of Incentives from state in motivating companies for greater sustainability was ranked the lowest in Croatia, compared to other two countries. A respondent from Croatia added that for some people incentives can be useful, however for her, it is complicated to understand the incentives' possibilities as she does not have time to spend on all the aspects.

In her opinion, the state of Croatia did not think about all the details yet - if the company asks the government any question, it needs to search for the answer since they do not have it yet.

In the Czech Republic and Slovakia, few respondents mentioned that what motivates their company for sustainability are also media and positive perception of the company by the whole society.

Even though there are some similarities across the countries, it also brings value to look into the details of the concrete narratives. Below, there are stated some important citations from the received answers to question 5 (*How could the following actors help your employer/ company to behave more sustainably?*), according to the selected countries:

Czech Republic

- CEO/ top management/ owner should give time for sustainability, resources to have more time for such thinking and brainstorming together and processes' setting.
- Company's client should re-think the number of deliveries needed per day and the number of used suppliers (if there were less suppliers, less transport would be needed). Retailers - clients should not push so much on the price. They are motivated the most just by the financial parameters of the offer.
- The state should make more strict legislative requirements. There should be a vision (at the Ministry of Environment) which should be kept the same for at least 10 years. In some areas however, there is a subsidy potential currently which is not possible in other countries.
- Other: Probably some professional organization could help. - To have a clear view on CSR and guidelines' setting so that everybody would need to comply with the same rules. Thus, it would be easier. Innovations and new technologies would help as well.

Slovakia

- The CEO/ top management/ owner should enable the company to behave sustainably and participating on sustainable initiatives. They should persuade employees that sustainability is the way how to do things. They should provide more investment for more sustainable operations.
- The company's client should specify in the contract the scope of the work/ services to be delivered so that afterwards the client is not preventing something agreed from happening. The retailer could help its service providers by sharing knowledge, e.g. regarding how to make a business plan in the right way, including also sustainability aspects. The client could promote the supplier e.g. in media to appreciate its sustainability efforts and initiatives so that others can see them like that too.
- The state: It cannot help. It is only about complying with laws; it does not help with anything else. The potential support is unsecure and very bureaucratic so the supplier does not have any will to try it.
- The state could help by financial but also other support, e.g. lower taxes, subsidies for more ecological operations etc. Moreover, it could help with know-how and PR – to mention good examples of companies which are good in sustainability to raise the

awareness among other companies too. Ecology is not a priority for the state now – there is a big gap in motivating companies for sustainable behavior.

- Other: Suppliers which are renting buildings should be motivating stakeholders for more ecological consumption of energy and water.

Croatia

- The CEO/ top management/ owner should talk about sustainability more to share awareness. They should keep the current best practices but continue to develop in this area even more. The owner could improve waste management more, to produce own electricity. By pushing forward the initiatives (he is “the man behind the wheels”). Sustainability does not have such an importance as it should have – top management should speak more about it and request it from employees and management to develop something in sustainability.
- Client should share best practices with its suppliers. Share ideas to adopt. The client - retailer is more aware of the problems which are going on – should share them. Clients should request what they expect from their providers and share good practices and projects which they have done – show both negative and positive results.
- The state should provide more finances for sustainability. Nevertheless, the state does not tell the companies what they should do and it does not expect any plans for sustainability from the companies. This should be changed. The state does not have sustainability in mind. If the companies would wait for state, they would not move forward. State should motivate all employers in such a manner. Companies do it now because they want to do it and their culture as well as clients want it. However, there should be one standard for all employers.
- It would be good if subsidies etc. could be managed online, not just via paper form – there is a lot of bureaucracy. Currently, the company loses 2 days by running around instead of spending 1 hour in doing it online.
- There could be some common projects of companies and the state with common interest.
- Other: Employees - they handle all the goods. They have hands-on experience and so good ideas e.g. for waste management. Media - if there is positive information about sustainability at other companies, it motivates them to be the same good in it or even better.

3.4 Other important citations

A respondent in the Czech Republic mentioned that also specific chambers and committees motivate related (by field of business) companies for sustainability. Similarly, the aspect of voluntary behavior and meaningfulness is also motivational.

Another respondent, a CEO from Slovakia, summarized how he perceives sustainability and its role: “The right investment for the company is to behave responsibly by its core business. We refused some orders because the clients did not want to respect the good workers’ conditions (they shouted at them etc.). It is not about maximising profit at one offer but about sustainably doing well. We look at the horizon of 3-5 years. I look at sustainability as longevity. We focus on win-win situations – all parties need to be satisfied. “

From the interviews, the respondents think that their employers/ companies perceive sustainability as “very important” but they are “quite active” (not “very active”), according to the interviewees. Thus, they are able to see that still more could be done in this matter.

Another important citation by an interviewee was: „If there was no support from the state and pressure from the clients, it would not be possible to do such sustainable initiatives. If the client would not be willing to pay for the service which is more sustainable, we would not be able to do it. It would be financially not viable. “

A respondent in Croatia mentioned: „The state does not motivate us - we would not take any money from the state if the supported initiative was not according to the company’s or business’ (clients’) vision - we would take only that kind of help which is in accordance with our plan. “

What sustainability means for another interviewee: „The market in Slovakia is not endless – sustainability is for us to keep our customers and if we stop cooperation with somebody, we need to do it positively (not to end on bad terms) “. Environment is however not their (service provider) everyday focus and there is still a lot to improve, especially from their suppliers’ side.

Regarding motivations by different subjects, owners/ CEOs as well as clients’ role was the most highlighted one in the interviews in general. There were however several unique citations: „Fish smells from the head – so the most important in the motivation for sustainability is the CEO. If a client brings a good sustainability related idea, then the CEO can offer it also to other clients.“ Thus, the multiplication effect brings even more positive impact of the client in regard to sustainability. Other citation was about the role of clients versus end customers: „Clients are more pragmatic in their views – they usually are not interested so much in ecology, compared to end customers who are interested in it more.“

Conclusion

It can be concluded based on the interviews that the role of a client on its supply chain sustainability is crucial, even more in case of small and medium size companies. The international comparison showed that there are not many significant differences in opinions on motivations for sustainability in the selected three countries, the Czech Republic, Slovakia and Croatia. Slight changes can be however found, e.g. in Croatia bigger skepticism about the current role of the state in motivating companies for bigger sustainability, or the need seen in the Czech Republic and Slovakia for the unified view on the rules for sustainability for companies.

The role of clients in retail sector in motivating their service providers for sustainability is significant in helping mainly smaller companies, which are not a part of any international organization, to move towards more sustainable behavior for the sake of the client. It is so since the retailer's impact on their behavioral change is relatively higher than in case of bigger, international companies.

The motivational factors for more sustainable behavior differ for small and medium versus big companies. The importance of brand is usually higher for bigger companies. On the other hand, the current turnover is crucial for motivation of the smaller companies.

In this paper was shown, on the 14 conducted interviews, that when motivating its suppliers by different means, clients can play an important role of a sustainability change agent for their supply chain. They are the most influential external stakeholder (next to internal stakeholders of owner/ CEO) in motivating a company in their supply chain for sustainability.

Acknowledgment

I would like to thank prof. Ing. Milan Malý, CSc. for his valuable advices.

References

1. Agrawal, V., & Lee, D. (2019). The Effect of Sourcing Policies on Suppliers' Sustainable Practices. *Production and Operations Management*, 28(4), 767–787. <https://doi.org/10.1111/poms.12943>

2. Ana, F., Pinheiro, M. D., de Brito, J., & Mateus, R. (2019). Decarbonizing strategies of the retail sector following the Paris Agreement. *Energy Policy*, 135, UNSP 110999. <https://doi.org/10.1016/j.enpol.2019.110999>
3. Bian, J., & Zhao, X. (2020). Tax or subsidy? An analysis of environmental policies in supply chains with retail competition. *European Journal of Operational Research*, 283(3), 901–914. <https://doi.org/10.1016/j.ejor.2019.11.052>
4. Hofmann, H., Busse, C., Bode, C., & Henke, M. (2014). Sustainability-Related Supply Chain Risks: Conceptualization and Management: Sustainability-Related Supply Chain Risks. *Business Strategy and the Environment*, 23(3), 160–172. <https://doi.org/10.1002/bse.1778>
5. Lee, S. M., Kim, S. T., & Choi, D. (2012). Green supply chain management and organizational performance. *Industrial Management & Data Systems; Wembley*, 112(8), 1148–1180. <http://dx.doi.org.zdroje.vse.cz:2048/10.1108/02635571211264609>
6. Ma, W., Zhang, R., & Cheng, Z. (2020). Analysis of Internal and External Funding Mechanisms Considering Green Consumer Loyalty: A Game-Theoretic Approach. *Ieee Access*, 8, 2931–2947. <https://doi.org/10.1109/ACCESS.2019.2962311>
7. Shekarian, E. (n.d.). *A review of factors affecting closed-loop supply chain models / Kopernio*. Retrieved 30 April 2020, from https://kopernio.com/viewer?doi=10.1016%2Fj.jclepro.2019.119823&token=WzIyNjI0NzAsIjEwLjEwMTYvai5qY2xlcHJvLjIwMTkuMTE5ODIzIl0.4278u_rLgo9RKAYWqyMc4PbZrBw
8. Sheu, C.; HsiuJu, R. Y.; Chae, B. *Determinants of supplier-retailer collaboration: Evidence from an international study - ProQuest*. (n.d.). Retrieved 14 May 2020, from <http://search.proquest.com/docview/232319797?pq-origsite=summon>
9. Song, L., Yan, Y., & Yao, F. (2020). Closed-Loop Supply Chain Models Considering Government Subsidy and Corporate Social Responsibility Investment. *Sustainability*, 12(5), 2045. <https://doi.org/10.3390/su12052045>
10. Xiao, D., Wang, J., & Lu, Q. (2020). Stimulating sustainability investment level of suppliers with strategic commitment to price and cost sharing in supply chain. *Journal of Cleaner Production*, 252, 119732. <https://doi.org/10.1016/j.jclepro.2019.119732>
11. Zhao, N., & Wang, Q. (n.d.). Analysis of two financing modes in green supply chains when considering the role of data collection. *Industrial Management & Data Systems*. <https://doi.org/10.1108/IMDS-10-2019-0557>

Appendix 1

Interview: Motivations of companies for the sake of their client for sustainability

Introduction: This survey is trying to find out what motivates your company/ employer towards sustainability¹ (in a simplified way: behaving responsibly to the environment and society).

YOUR COMPANY/ EMPLOYER

1. How does your employer/ company perceive sustainability topics?
2. How do you perceive your employer/ company behavior in sustainability topics?
3. Who motivates/ influences your employer/ company to behave more sustainably?
4. What exactly motivates your employer/ company to behave more sustainably?
5. How could the following actors help your employer/ company to behave more sustainably?
 - CEO/ top management/ owner: _____
 - Your company's client: _____
 - The state: _____
 - Other: _____
6. What aspects do you consider most relevant in relation to behaving sustainably for the sake of your client?
7. How enough are the incentives from the state for more sustainable behavior for companies in your opinion?
8. Is there a way in your company how bottom up ideas or proposals can reach your CEO/ top management/ owner?
9. If yes, how often are such ideas implemented and why?

Some information about you and your company/ employer:

1. Position
 - Owner
 - Top management
 - Middle management
 - Other: _____
2. Number of employees your company/ employer has:
3. How known is your company/ employer in your country?

¹ Sustainable development "meets the needs of the present without compromising the ability of future generations to meet their own needs.", according to the Report of the World Commission on Environment and Development: Our Common Future, Sustainable development from UN General Assembly (1987). Retrieved from <http://www.un-documents.net/our-common-future.pdf> on: 15 April 2020

- very much known
- medium known
- nearly not known

4. How many % of your turnover is with the client?

Appendix 2

Coding Example

Questions	1. How does your employer/ company perceive sustainability topics?				2. How do you perceive your employer/ company behaviour in sustainability topics?			
	Not important at all - 1	Not quite important - 2	Quite important - 3	Crucial (very important) - 4	My employer is very passive - 1	Quite passive - 2	Quite active - 3	My employer is very active - 4
CZ - Respondent 1				4			3	
CZ - Respondent 2			3					4
CZ - Respondent 3				4				4
CZ - Respondent 4				4		2		
CZ - Respondent 5			3				3	
SK - Respondent 6				4			3	
SK - Respondent 7				4			3	

SK - Respondent 8				4			3	
SK - Respondent 9				4		2		
SK - Respondent 10			3			2		
CR - Respondent 11			3				3	
CR - Respondent 12			3				3	
CR - Respondent 13				4				4
CR - Respondent 14				4				4

Appendix 3

Deductive Coding – Example

YOUR COMPANY/ EMPLOYER

1. How does your employer/ company perceive sustainability topics
 - 1.1 - As not important at all
 - 1.2 - Not quite important
 - 1.3 - Quite important
 - 1.4 - As crucial (very important)

2. How do you perceive your employer/ company behaviour in sustainability topics
 - 2.1 - My employer is very passive
 - 2.2 – My employer is quite passive
 - 2.3 – My employer is quite active
 - 2.4 – My employer is very active

3. Which of the following subjects motivate/ influence your employer/ company to behave more sustainably? Rank the selected subjects (1-the highest influence)
 - 3.1 - Clients
 - 3.2 - End customers
 - 3.3 - State/ government
 - 3.4 - CEO/ top management
 - 3.5 - Owner of the company
 - 3.6 - Employees
 - 3.7 - Other_____

4. What exactly motivates your employer/ company to behave more sustainably? Choose from the scale 1 (not at all) – 4 (a lot)
 - 4.1 - Being perceived positively by its clients (1-4)
 - 4.2 - Being perceived positively by its end customers (1-4)
 - 4.3 - Getting financial incentives from the state (1-4)
 - 4.4 - CEO/ top management's attitude (1-4)
 - 4.5 - Company owner attitude (1-4)
 - 4.6 - Employees' ideas and opinions (1-4)
 - 4.7 - Other_____ (1-4)

6. What aspects do you consider most relevant in relation to behaving sustainably for the sake of your client? Rank the selected aspects (1-the most relevant)
 - 6.1 - Turnover
 - 6.2 - Potential of future business
 - 6.3 - Client's brand
 - 6.4 - Other:_____

7. Incentives from the state for more sustainable behavior for companies are
 - 7.1 - Not sufficient at all
 - 7.2 – Not quite sufficient
 - 7.3 - Quite sufficient
 - 7.4 - Fully sufficient

8. Is there a way in your company how bottom up ideas or proposals can reach your CEO/ top management/ owner?
 - 8.1 - No
 - 8.2 - Yes

9. If yes, how often are such ideas implemented?

9.1 - Never

9.2 - Sometimes

9.3 - Often

9.4 - Nearly always

Contact

Markéta Svobodová

University of Economics, Prague (the Czech Republic)

Winstona Churchilla 1938/4, 130 67 Praha 3-Žižkov, Czech Republic

markjel@seznam.cz

xjelm27@vse.cz