



**IMPLEMENTATION OF SOCIAL SUSTAINABILITY IN SUPPLY CHAIN  
MANAGEMENT**

Lappeenranta–Lahti University of Technology LUT

Bachelor's Programme in Supply Management, Bachelor's thesis

2024

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Examiner: Mika Immonen

## ABSTRACT

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### **Implementation of social sustainability in supply chain management**

Bachelor's thesis

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31 pages, 4 figures, and 1 appendix

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Keywords: social sustainability, sustainable supply chain management, supply chain, implementation of sustainability

The purpose of this thesis is to find out how social sustainability is implemented in companies' supply chain management. In this thesis, the subject is examined through different areas, which are management, supplier selection, measurement & reporting and operation in problem situations. The subject of the thesis is limited to the implementation of social sustainability in forest industry companies operating in Finland.

The thesis examines three different forest industry companies operating in Finland. The data used in the thesis has been collected by interviewing representatives of the target companies, who in their work are responsible for their company's procurement. The interviews have been conducted as semi-structured interviews and content analysis has been used as the analysis method. For the content analysis, the interviews were listened to again and transcribed so that the most important findings could be identified and organized.

The most important results were that the most significant ways companies implement social sustainability in their supply chain management were very similar. These included cooperation and communication with suppliers, audits, and reliance on and compliance with current laws. In addition, companies strive to promote the implementation of social sustainability in their supply chain management by training their personnel and suppliers, and by developing different tools depending on the company for the implementation of social sustainability in supply chain management.

## TIIVISTELMÄ

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### **Sosiaalisen vastuullisuuden toteutuminen toimitusketjun hallinnassa**

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Tämän tutkielman tarkoituksena on selvittää, miten sosiaalinen vastuullisuus toteutuu yritysten hankinnoissa. Tutkielmassa aihetta tarkastellaan eri osa-alueiden kautta, jotka ovat johtaminen, toimittajavalinta, mittaaminen & raportointi ja toiminta ongelmatilanteissa. Tutkielman aihe on rajattu koskemaan sosiaalisen vastuullisuuden toteutumista Suomessa toimivissa metsäteollisuuden yrityksissä.

Työssä tarkastellaan kolmea eri Suomessa toimivaa metsäteollisuuden yritystä. Tutkielmassa käytetty data on kerätty haastattelemalla kohdeyrityksen edustajia, jotka työssään vastaavat yrityksensä hankinnoista. Haastattelut on toteutettu puolistrukturoituina haastatteluina ja analyysimenetelmänä on käytetty sisällönanalyysia. Sisällönanalyysia varten haastattelut kuunneltiin uudelleen ja litteroitiin, jotta keskeisimmät havainnot voitiin tunnistaa ja järjestää aineiston pohjalta.

Keskeisimpinä tuloksina havaittiin, että yritysten merkittävimmät tavat toteuttaa sosiaalista vastuullisuutta hankinnoissaan olivat hyvin saman kaltaisia. Näitä olivat yhteistyö ja kommunikointi toimittajien kanssa, auditoinnit, sekä tukeutuminen voimassa oleviin lakeihin ja niiden noudattamiseen. Lisäksi yritykset pyrkivät edistämään sosiaalisen vastuullisuuden toteutumista hankinnoissaan kouluttamalla henkilöstöään ja toimittajiaan, sekä kehittämällä yrityksestä riippuen erilaisia työkaluja sosiaalisen vastuullisuuden toteutumiseksi hankinnoissa.

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# 1 Introduction

Nowadays, sustainability is increasingly demanded from companies by various stakeholders, and many companies have included sustainability as part of their strategy. Pressure from stakeholders has also made companies prove their sustainability and transparency, and responsibility reporting has developed a lot in recent years (Amran & Keat Ooi, 2014). Therefore the procurement of companies must also be researched from the perspective of sustainability, as sustainable supply management represents a significant part of the overall performance of a company's sustainable development (Kähkönen et al., 2018).

Therefore, this bachelor's thesis focuses on the implementation of social sustainability in supply chain management. The goal is to find out how social sustainability has been implemented in supply chain management by different phases of sourcing. The study is carried out as a qualitative case-study. The bachelor's thesis is limited to the forest industry and the target companies are three large forest industry companies operating in Finland.

Whether companies operate nationally or internationally, they hold great power in our society. Consequently, the actions of companies have a great impact on both environmental and social sustainability themes, such as environmental pollution or the human rights. Although the topic is important, the implementation of sustainability actions and reporting on them has largely been based on the companies' voluntariness. However, companies' supply chains have become more complicated due to their internationalization, making it even more difficult to verify sustainability.

Attention to sustainability has increased both on a general level and when focusing on supply chains. Supply chains also involve risks that have an impact for the company itself as well as for the society. However, sustainability-related risks in the supply chain are of a different type compared to typical risks in the supply chain. When typical supply chain risks are e.g. delays or quality issues, sustainability-related risks take into account the reputation of the company, the consequences on the environment and include also the social aspects such as suppliers' working conditions. (Giannakis & Papadopoulos, 2016). In addition, it is possible that the focal company in the supply chain can be held responsible for its suppliers

environmental and social actions (Seuring & Müller, 2008). Technological development, on the other hand, has caused information to move faster than ever, and possible neglect in the supply chain comes to the attention of various stakeholders, potentially causing harm to the company's business operations.

Although research on sustainable supply chain management has increased in recent years, Reefke & Sundaram (2018) state that research has by now offered only limited theoretical guidance while a systematic approach is lacking often in practical applications. Also while sustainable supply chain brings benefits to companies, it is difficult for multinational companies to maintain sustainability though the whole supply network (Villena, 2019), which makes the topic important to study. In addition, when researching sustainability, social sustainability has received less attention. For this reason, the purpose of this bachelor's thesis is to focus on social sustainability in the supply chain.

## 1.1 Topic and research questions

The purpose of this research is to study the implementation of social sustainability actions in different stages of the procurement process in forest industry. For this purpose, different stages in the procurement process have been presented, through which the implementation of social sustainability actions is evaluated both as a whole and by sub-area. The sub-areas look at management, supplier selection, measuring and reporting sustainability in procurement, and situations where problems occur. The topic is limited to study social sustainability.

Research question:

*How is social sustainability implemented in supply chain management?*

The implementation of social sustainability is important for companies, because it has been suggested that sustainability correlates with the company's reputation. Sustainability can also be seen as a tool that can be used to influence the stakeholder's acceptance and perception of the company's operations. (Gomez-Trujillo et al., 2020) The perspective of social

sustainability is also important, as it has received less attention in research than economic or environmental sustainability (Morais & Silvestre, 2018). Nath et al (2023) state that research on the implementation of social sustainability is needed in order to find out ways to effectively implement social sustainability practices in upstream multi-level supply networks.

By answering the main research question, the aim is to form a comprehensive picture of how social sustainability has been taken into account in the procurement of the companies interviewed for this research. In addition, there are sub-questions for the research. Sub-research questions are used to answer the main research question.

*1. How does social sustainability guide practical activities in supply chain management?*

*2. How do strategic goals turn into operative activities?*

It is important to take the different stages of the supply chain into account in the research, because Rajeev et al (2017) have stated that there is a need for measuring the social impacts along the whole supply chain. It has also been found that when implementing sustainability goals, comprehensive data collection is needed (Saner et al., 2020). Alghababsheh & Gallear (2021) also state that there is an urgent need for research to look more deeply at different approaches to solving social problems.

## 1.2 Theoretical background and key concepts

The theory is based on Elkington's (1997) The triple bottom line model. According to the model, sustainability should take into account three perspectives: environmental sustainability, social sustainability, and economic sustainability. In this thesis sustainability is examined from the social perspective, because the social perspective in supply chain management has been understudied, when the main focus has been on the environmental sustainability. (Arslan, 2020; Morais & Silvestre, 2018)



Later in the thesis, the theory is compared with the results of the empirical part, in which case the theory is applied to sustainable supply chain management. The theoretical framework is presented in Figure 1.



Figure 1. Theoretical framework

ESG stands for environmental, social and government factors.

Sustainability has several definitions. However, many of those definitions have elements in common. One of the elements is that they view at environmental problems in relation to the economy and society (Vos, 2007). Sustainability has been defined as the integration of environmental, social and economic criteria with which the organization is able to achieve long-term economic viability (Carter & Rogers, 2008).

Supplier selection includes several actions that can be used to select the best supplier. It includes activities such as defining the subcontracting method, preparing the request for quotation, drawing up the list of bidders and analysing the quotations. (Weele, 2014)

Supply chain management means that it covers both planning and management of every activity included in sourcing and procurement, conversion, demand creation and fulfilment, and all logistic management activities (Gibson et al., 2005).

Sustainable supply chain management is defined as the management of material, information and capital flows but also as cooperation with all the companies in the supply chain to take into account all three areas in sustainable development which are environmental, social and economic sustainability (Seuring & Müller, 2008).

### 1.3 Research methods

The research will be carried out as a qualitative case-study, which examines forest industry companies' consideration of social sustainability in their business from the point of view of supply chain management. Interviews will be used as data in the research, in which a representative of each target company will be interviewed. The interviews are semi-structured interviews and content analysis will be used as the analysis method. Qualitative research aims to understand the phenomenon under research from the perspective of the persons who are the subject of the research, and to produce detailed information about the phenomenon (Puusa et al., 2020). The research is limited to include forest industry companies, and the social sustainability actions of forest companies at different stages of their procurement process.

The interviews are conducted remotely and are recorded for later analysis. The interviewees are sourcing specialists and have been chosen to be interviewed for the reason that they are able to answer all the interview questions for their position, where the themes are management, supplier selection, measuring & reporting and problem situations. The identity of the interviewees will remain anonymous in the study.

### 1.4 Structure of the thesis

This bachelor's thesis examines the implementation of sustainability in three forest industry companies operating in the international market through the various sub-areas selected in sourcing. This thesis consists of five main sections: Introduction, theoretical section, methodology, data analysis, findings and conclusions. Theoretical section covers the following topics: sustainability, social sustainability, sustainable supply chain management and implementation of sustainability in supply chain management. In the analysis phase, the data collected from the interviews is analyzed using the content analysis method. The

Findings chapter presents the most significant findings based on the analysis and finally the conclusions are presented in the last chapter.

## 2 Theoretical framework

In this chapter, the theoretical framework of this bachelor's thesis will be presented, as well as a literature review of previous academic literature on the subject.

### 2.1 Literature review

Tough sustainable supply chain management is yet limited in literature, sustainable supply chain management is a growing area in research (Detwal et al., 2023; Gold et al., 2010). Sustainable supply chain management is also a relatively recent phenomenon, as significant growth in research on the topic has only been observed in the late 2000s (Touboulic & Walker, 2015). According to Reefke & Sundram (2017) common themes in sustainable supply chain management research have been planning, execution, coordination and collaboration. Other identified themes in literature have been stakeholder pressure, sustainability practices, partnerships, drivers and barriers, sustainability performance and optimization (Arslan, 2020). In addition, the research in sustainable supply chain management has been focusing more on buyer's perspective than on supplier's perspective. (Nakamba et al., 2017).

The three bottom lines of sustainability are environmental, social and economic and they are connected to each other. To achieve sustainability in a business, all three bottom lines must be taken into account in company's actions. (Elkington, 1997) Although economic and environmental aspects of have been taken into account in companies for a long time, the lack of consideration of social aspects has been distinct. (Arslan, 2020; Rajeev et al., 2017) As mentioned before, studies that are focusing on social sustainability issues are scant. There is a need for measuring the social impacts along the whole supply chain. (Rajeev et al., 2017) For these reasons, this research focuses specifically on social sustainability.

In early 2000s Carter and Jennings (2002) defined different dimensions for responsible purchasing. The dimensions included human rights, philanthropy, safety, diversity and environment. Later in 2010s when social issues in supply chains have been defined, they

have included the same dimensions as before, but new ones have been found as well. Social issues defined by Yawar and Seuring (2017) include labor conditions, health and safety, human rights, child labor, disabled and marginalized people inclusion, minority development and gender. It has been found that research that specifies in social sustainability tend to focus on one practice rather than taking an overall view (Ashby et al., 2012).

According to Brockhaus et al. (2013) it can be stated that implementation of sustainability is not far along in development from the standpoint of sustainable supply chain management. From the point of view of the implementation of sustainability, several studies have been conducted examining the related barriers. Discovered barriers include for example inefficient technology, management barriers and the lack of guidance and regulation from authorities. (Zayed & Yaseen., 2021; Sembiring et al., 2020; Jianguo & Solangi, 2023; Menon & Ravi, 2022) Sahora et al. (2020) on the other hand have identified pressures that focus on circular supply chain management implementation for sustainability. Several studies related to implementation of sustainability in supply management focus on green supply chain management which takes into account the environmental aspect of sustainability.

## 2.2 Sustainability

Although sustainability is a common topic in business nowadays, sustainability is defined in many different ways. Publications related to sustainability tend to be dispersed in many ways in terms of terminology or approach (Büyüközkan & Karabulut, 2018). Terms as sustainability and sustainable development or corporate social responsibility (CSR) may be difficult to distinguish from each other, as they are often used interchangeably (Purvis et al., 2019; Urdan & Luoma, 2020). Naciti et al. (2022) suggest that in literature sustainability is developing towards more practical and strategic studies, as the approach has been more conceptual before.

Sustainability has been approached through different perspectives. Elkington (1997) defined three perspectives of sustainability in the triple bottom line: environmental, economic and social. Environmental sustainability covers topics such as reducing emissions and waste, managing the quality of water and increasing the amount of recyclable and reusable

materials. Aspects of social sustainability are for example promoting human rights, diversity and ensuring the labor conditions of suppliers and their suppliers. (Hedstrom, 2018) Economic sustainability, on the other hand, refers to practices that do not have a negative impact on environmental, cultural or social aspects, but which support long-term economic growth. Of these, the environmental aspect has received the most attention. However, technology advancement and performance management have also defined as important dimensions of sustainability (Bhanot et al., 2019).

Another way of defining sustainability and the actions necessary are the Sustainable Development Goals. United Nations have defined their 17 different Sustainable Development Goals (SDG) in 2015, to which many businesses and governments are currently committed. The SDGs are purposed to balance the environmental, economic and social dimensions in sustainability (United Nations, 2023). In research it has been noticed that the SDGs offer a framework to respond challenges in sustainability to ensure more equal future for new generations (Udeagha & Muchapondwa, 2023).

It has been noticed that since forest industry companies operate internationally around the world, they have to take into account the three dimensions of sustainability: social, environmental and economic. In addition to this, sustainability management should be taken into account, which is why, as part of corporate responsibility, it should be emphasized the development of Sustainability Management in this field. It has also been observed that the competitive advantage can be improved with proactive sustainability management. (Husgafvel et al., 2013) Recently, attention has increased regarding the environmental and social dimension of sustainability in the forest industry. It requires companies to change the business settings and innovate more proactively. (Li & Toppinen., 2011) Environmental organizations have also influenced forest companies in terms of sustainability, as well as regulators and local communities (Pätäri et al., 2016). Companies in the forest industry have been criticized for focusing on emphasizing positive achievements instead of negative consequences, and mainly communicating their positive aspirations. Forest industry companies have also focused on upstream operations instead of downstream operations. (Lähtinen et al., 2016)

## 2.3 Social sustainability

Social sustainability has been seen as “important driver for achieving environmental sustainability and economic performance and can be managed by paying attention to issues such as safety, health, human resource development” (Bahnot et al., 2019). However, the consensus is still missing when defining social sustainability (Ahman, 2013; Dempsey et al., 2011). The set of themes under social sustainability is broad (Chiesa & Przychodzen., 2020). In social sustainability there has been identified main issues, which include themes such as human rights, labor conditions, health and safety, child labor, gender and disabled or marginalized people inclusion (Yawar & Seuring, 2015). All in all, managers have found handling the social issues complex. The reasons for that are the evolving of public expectations, defining and untangling of the relationships between costs, innovation and practices is hard and the possible competitive benefits seem unclear. (Klassen & Vereecke, 2012)

Social sustainability is also linked to other dimensions of sustainability. Iacovides and Vrettos (2022) state that society and the economy are undeniably connected to the environment, and thus the social dimension is also linked to, for example, the climate crisis. Environmental sustainability practices have a positive effect on the company's social performance, for example, so that companies are able to create better relations with society. Environmental sustainability practices can also promote the health of one's own employees and thus social sustainability, such as through green production operations, in which case employees are not for example exposed to pollution. (Yildiz & Sezen, 2019) A sustainable economy has been described as the basis of social sustainability. It can be used to secure, for example, social security and health expenses. The changing difficulties caused by the global economy, on the other hand, are alleviated by mechanisms that maintain social sustainability. The basic well-being of people, on the other hand, is one important condition for promoting environmental sustainability, and for it to be socially accepted. (Ministry of the Environment, 2023)

There have been challenges in implementing social sustainability in the manufacturing industry (Sutherland et al., 2016). In manufacturing industry, the environmental perspective and its evaluation is relatively developed. Regarding social sustainability, attention in

research has focused a lot on the safety of workers in industry. (Ahmad & Wong, 2018) Manufacturing organizations have also focused more on the broader spectrum of sustainability, than, for example, social sustainability in the supply chain (Badri et al., 2018).

## 2.4 Sustainable supply chain management

Supply chain management is described in multiple ways because of the growing interest in it (Ahi & Searcy, 2013). More traditionally, the viewpoint to supply chain management has been that it could be used to guarantee supplies and to reach the lowest prices (Ashby et al., 2012). Lambert et al (1998) described supply chain management as “The integration of key business processes from end-user through original suppliers that provide products, services, and information that add value for customers and other stakeholders”.

In sustainable supply chain management, the necessity to take into account the three dimensions of sustainability is clear (Ahi & Searcy, 2013). In order to develop sustainable supply chain management, organizations must recognize both positive and negative dependencies between socio-ecological externalities (Shourkaei et al. (2023). The capability to create a more sustainable supply chain is associated with a deeper comprehension of the diverse expectations held by various external stakeholders, rather than only focusing on understanding the expectations of customers alone. Organizational structure and strategy have been noticed to be key factors in relation to the internal integration of sustainability. To succeed in sustainability strategies, it is important for the organization to have leadership support. (Wolf, 2011)

General theories for sustainable supply chain management have hardly been defined. It has been noticed that when researching sustainable supply chain management, it is common to import theories rather than developing one's own theory. Often theories have been imported from other disciplines, common examples of which are stakeholder theory and institutional theory. Several theories that have been used in sustainable supply chain



research can be classified as macro theories. One reason for this is that most often such theories take a strategic or organizational perspective instead of an individual or behavioral perspective. (Touboulic & Walker, 2015)

## 2.5 Social sustainability in sustainable supply chain management

Mani et al. (2016) suggest that supply chain social sustainability comprises six fundamental aspects: safety, well-being, equity, charitable activities, ethical practices, and human rights. Klassen and Vereecke (2012) have proposed practice levels to focus on social issues in supply chains. The three levels are internal social practices, supply chain social practices and society and external practices. These levels take into account various issues of social sustainability. Equality between employees, supplier selection through specific standards and putting charitable initiatives into practice are all considered in these three levels. (Klassen & Vereecke, 2012) Although social issues should play a key role in supply chain management, there has not been equivalent use of social terms, for instance “social supply chains”. There are contrast to the environmental dimension, where there have been multiple supply chain related terms. (Ashby et al., 2012)

It is also important to consider the supplier's side when social sustainability is discussed as part of the supply chain. Assessing suppliers helps enhance the social performance of the purchasing company and may improve the purchasing company's reputation, whereas partnering and working closely with suppliers has a positive impact on improving the social performance of the suppliers themselves. It has been observed that if the buying firm intends to improve the social performance of its suppliers in order to achieve a socially responsible supply chain, they must cooperate with each other. To achieve better social performance for both the purchasing company and its suppliers, it requires the combined implementation of assessment and collaboration efforts. (Sancha et al., 2016)

For focal companies it is very difficult to ensure the commitment of their suppliers in terms of social sustainability work or ensure that the actions of their suppliers are based on the sustainability standards of the focal company. However, when a supplier relationship tends

to be productive through its maintenance, it could be a key collaborative strategy that pursues to improve the performance in sustainability. In addition, if the company does not involve its suppliers in the implementation of sustainability practices, this can have negative consequences in the supply chain. (Chen et al., 2019) Naffin et al. (2023) suggest that suppliers' sustainability performance has a positive relation to the volume of transactions and to the length of relationships.

## 2.6 Implementation of sustainability

Implementation of sustainability in supply chains have been discussed in theoretical terms. The research is lacking to provide a model of a framework to implement sustainability in supply chains. (Ashby et al., 2012) It has been discovered that when implementing sustainability goals, comprehensive data collection is needed to indicate the realities in operation (Saner et al., 2020). García and Lev (2023) also point out that most of the times the collection of relevant information is often crucial to when implementing sustainable supply chain management in the practice. When making decisions, the use of multiple technologies and methods are important. However, it has been observed that a perceived lack of knowledge and experience in sustainability acted as a barrier to its successful implementation (Wolf, 2011).

Other problems have also been observed in the implementation of sustainability. It has been observed that when the sustainability implementer sets new sustainability criteria, it can cause tensions with suppliers. This is due to the fact that suppliers may be concerned about becoming a lower tier supplier if they are unable to achieve the new set of sustainability goals. However, the formation of these tensions can be prevented through cooperation, such as by investing in the training of suppliers, in which case it can be easier for suppliers to achieve sustainability goals. (Tura et al., 2018)

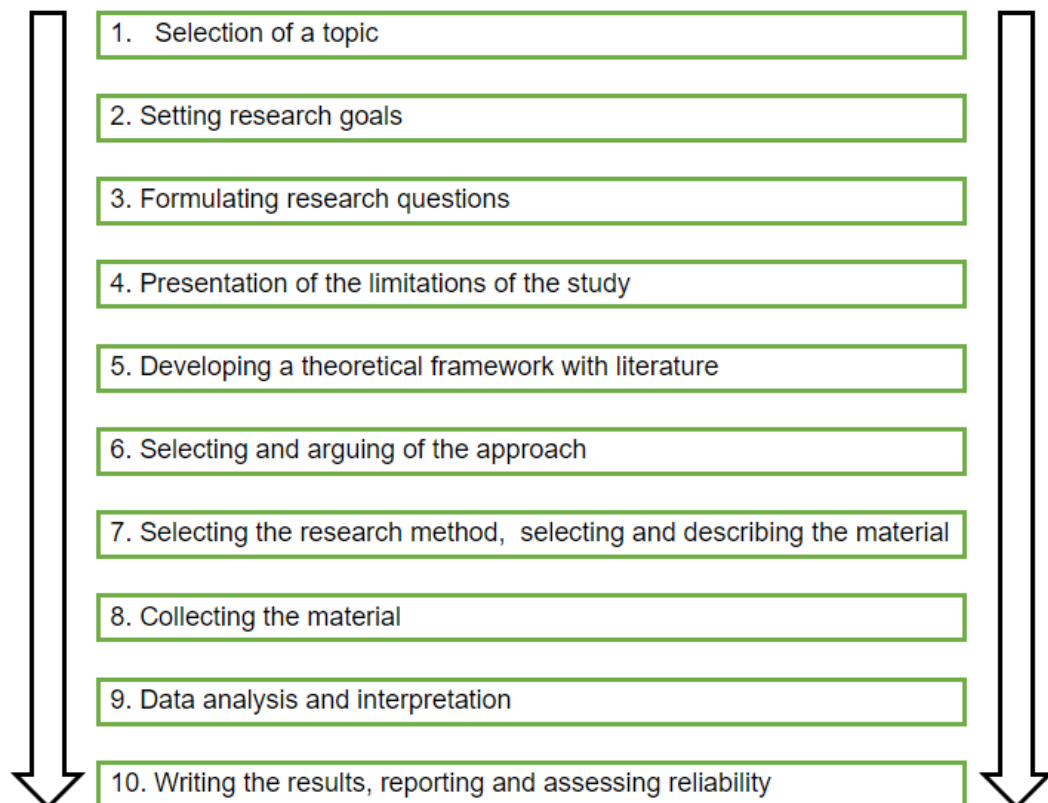
It is indicated that when supply chain sustainability initiatives are driven by internal motivation and a true commitment to social sustainability, they tend to encourage focal companies to establish collaborative structures within their supply chains. Conversely, when these initiatives are primarily motivated by external factors, they are more likely to result in

increased exchange of information within the supply chain, rather than structural changes. It is also suggested that social initiatives driven by internal motivation tend to yield more significant results, particularly when they involve structural collaborations within the supply chain, as compared to externally motivated initiatives. (Morais & Silvestre, 2018)

Common strategies have been discovered for overcoming obstacles to implement social sustainability in different sectors. These strategies revolve around enhancing transparency and trust in communication, raising awareness, utilizing technology to document and promote social sustainability. Companies should also engage in more direct and meaningful interactions with stakeholders, potentially through their corporate social responsibility initiatives. Furthermore, fostering innovation within organizations can enhance their relationships with stakeholders and, in turn, advance their corporate social responsibility efforts. (Leah Filho et al., 2022)

### 3 Methodology

This chapter discusses the empirical research data and how it was collected. In addition, this chapter introduces the research method used, as well as presents the reasons for its choice. This work has been carried out as a qualitative study, as the purpose was to obtain as much comprehensive information on the subject as possible. Typically, qualitative research aims to understand the phenomenon under research from the perspective of the persons who are the subject of the research. It is also typical in qualitative research that the purpose is to produce detailed and rich information about a phenomenon. Qualitative research can be divided into ten stages. (Puusa et al., 2020) The steps are presented in more detail in Figure 2.



*Figure 2. Phases of qualitative research (Puusa et al., 2020)*

### 3.1 Data collection

The suitable way to collect data was interviews, which were carried out as semi-structured interviews. Total amount of four interviews was conducted. The semi-structured interview is suitable for this study, because even though the interview framework is planned in advance according to the topics to be discussed, it allows for deviations depending on the situation, if new relevant matters are revealed during the interview. In a semi-structured interview, the questions are prepared in advance, but do not contain answer options. Consequently, the interviewees answer the questions in their own words. A semi-structured interview was used in the study, because for example a structured interview would not have been suitable in style, as the interviewee would have had to choose his answer from predefined options and would not have been able to answer in his own words. (Eskola & Suonranta, 1998) In this research, it was important that spontaneous follow-up questions could be asked when an interesting observation came up, and the semi-structured interview allowed that.

In this study, the interviews were conducted in such a way that all interviewees were asked the same questions about selected themes in accordance with the interview framework (Appendix 1). The themes were management, supplier selection, measuring & reporting and problem situations. In addition to this, a few spontaneous clarifying questions were also asked during the interview, depending on the situation. The purpose of the interview framework was to ensure that during the interview all aspects are covered thoroughly, while staying on topic. The interview framework has a total of 19 questions. Each of the four interviews lasted 50-60 minutes.

Before agreeing on the interviews and deciding whether to participate, the interviewees were introduced to the subject of the study, the themes contained in the interview and, if desired, also the interview questions, and were informed that the interviews would be recorded for later analysis. The interviewees were also informed before agreeing to the interview that this research will be a public document, but their identity will remain anonymous.

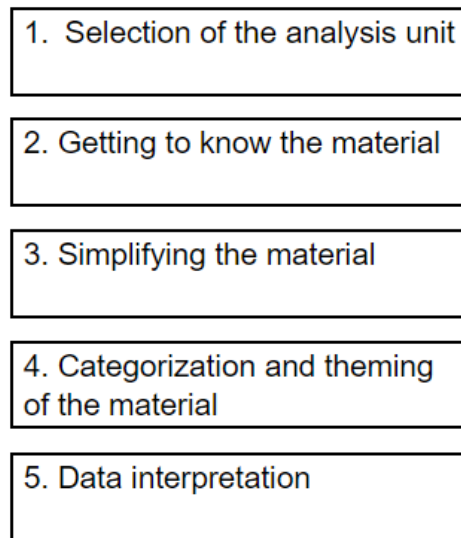
The interview questions were prepared in such a way that it was possible to answer the research questions with them, as well as to delve deeper into the selected stages of the

procurement process which were management, supplier selection, measuring and reporting and problem situations. The interviewed persons work in the target companies in such a position in relation to supply chain management that they were able to comprehensively answer the questions set in the interview. The interviews were conducted remotely. Content analysis was used to analyze the interviews.

### 3.2 Data analysis

The content analysis was performed by listening to the interviews again, and by transcribing the material, so that it can also be analyzed in text form. The aim of content analysis is to organize the material in a concise and clear form without losing the information it contains (Tuomi & Sarajärvi, 2018). Therefore, after transcribing, each interview has been reviewed and information that is irrelevant to the research has been removed. After that, the most important findings were identified and organized by theme based on the data. The data is therefore looking for different ways in which companies have implemented social sustainability in supply chain management.

Then the material was divided according to the research questions. This follows the method presented by Tuomi and Sarajärvi (2018), where in qualitative research the material is first divided into smaller pieces, then processed and finally reassembled in a new way into a logical whole. This also adapts the steps of content analysis presented by Puusa et al. (2020), which are described in more detail in figure 3. Content analysis was the most suitable option for this research, as the aim is to find themes and factors in the material with which companies have implemented social sustainability in supply chain management.



*Figure 3. Phases of content analysis (Puusa et al., 2020)*

Questions of reliability and credibility have been raised in qualitative research because it is based on the research of people's subjective experiences and views. In qualitative research, it is also necessary to take into account how the researcher's own views can affect the findings. For this reason, it is good for the researcher to familiarize herself with both the basics of qualitative research and the research process. Personal knowledge can influence organizational research in such a way that the researcher has preconceived notions about the organization or the organization's operations. On the other hand, prior knowledge or preconceptions can be useful for research if the researcher knows the "language" and context of the organization. This can have a positive effect, for example, on preparing and conducting interviews. In qualitative research, however, the influence of personal experience is accepted, as the qualitative researcher is typically close to the object of the research. (Puusa et al., 2020)

## 4 Findings

This chapter reviews the results of the research and describes the ways in which social sustainability has been implemented in supply chain management that emerged in the interviews.

Based on the answers to the interviews, it became clear that attention has only started to be paid to social sustainability at the company level in recent years. A top-level policy has been created regarding it. However, in terms of social sustainability, occupational safety has been the focus of companies' attention for a long time. It is also one of the very few social sustainability theme for which measurable metrics have been created among the interviewed companies, such as occupational accident indicators. Otherwise, companies monitor for example the number of suppliers who have signed the code of conduct.

Among the sustainability themes, social sustainability is perceived as the most difficult of the topics. The interviewees also state that there is still a lot of work to be done in terms of social sustainability. In addition to occupational safety, the implementation of fair working conditions and equality emerged as the most significant themes of social sustainability based on the interviews.

### 4.1 Cooperation and communication

In every interviewed company, close cooperation and communication was carried out with some of the suppliers, usually at least with the key suppliers. The level of cooperation is also determined based on supplier classification. In companies, cooperation and communication with suppliers was also perceived as one of the most influential factors in terms of the implementation of social sustainability.



Companies clearly used a lot of time resources for this. This was found to effectively affect the implementation of social sustainability, such as the realization of labor rights.

By cooperating and communicating, it was possible to set joint social sustainability goals with the suppliers. In this way, it was also possible to give direct feedback on performance to the suppliers, as well as to organize follow-up meetings. However, the interviews highlighted the fact that the buying companies and suppliers are on the same side regarding this matter, and work is done together to achieve the goals. In addition to close cooperation and supplier-specific meetings, it is also customary to organize joint information sessions for suppliers and send information, for example, electronically.

Cooperation and communication were found to be of great benefit even in a situation where suppliers are on a different level with social sustainability. Cooperation and communication were found to be able to better influence the implementation of the supplier's social sustainability according to the supplier's level. One of the interviewees described the topic followingly:

*"We have regular meetings with certain suppliers about these issues, and the content depends very much on how enlightened the suppliers are in the matter. -- that those suppliers who are not awakened, in a way, they do not automatically take these kinds of things to the table. But then again, there are these suppliers who are really far along in this matter, and we've even had in-depth discussions with them about the topic" (Interviewee 3)*

## 4.2 Audits

Audits and their significant role emerged when interviewing each company. There are also different audits that can be used for different purposes. Among the audits used, Kiwa Inspecta's HSEQ audit, Ecovadis audit, and audits carried out by the companies themselves stood out. Audits were also felt to be able to influence the level of social sustainability before signing the contract. This also makes it possible to react to bad scores in audits. In some companies, audits for certain suppliers were mandatory, while in others the goal was to have

all key suppliers and risk suppliers audited. However, it can be stated that audits play a significant role in evaluating the implementation of social sustainability. One interviewee describes this as follows.

*“The HSEQ audit has undoubtedly promoted this (implementation of social sustainability), because it allows us to discuss their practices and management very deeply with the suppliers for a day.”* (Interviewee 1)

In the interviewed companies, the advantage of auditing was considered to be that it is possible to obtain factual evidence of the implementation of various elements of social sustainability at the suppliers' end. For example, in the case of self-assessment forms sent to suppliers, obtaining this evidence was perceived to be significantly more difficult, and a risk was also found that such self-assessments may not even be answered. Audits were therefore felt to provide a better picture of the truth in evaluating the implementation of social sustainability. One interviewee describes this as follows.

*"For instance you can't evaluate many things with the help of a survey. It would require an audit, and maybe even a surprise audit--"* (Interviewee 2)

The audits also serve as a tool to monitor, for example, the state of social sustainability of the subcontractors of companies' own suppliers, especially how the safety of the personnel has been handled there, for example. This was felt to be an important example in today's world due to the increase in agency work. One interviewee describes the situation as follows.

*"-- Specifically how our contractors monitor these matters of their own subcontractors, because today's world is such that when almost every company comes, you can no longer know whether they are our own people or whether they are subcontractors or temporary employees"* (Interviewee 1)

### 4.3 Current law

The interviewees also felt that legislation plays an important role in the implementation of social sustainability. In Finland, the Act on the Contractor's Obligations and Liability came up in the interviewees' answers when they were asked about issues that have particularly affected the implementation of social sustainability in procurement, and even when the topic was the role of procurement in the company's sustainability strategy. For example, the obligations of The Act on the Contractor's Obligations and Liability have affected the eradication of gray labor and wage equality, and otherwise compliance with Finnish legislation both in labor management and, for example, in the fact that taxes are properly paid. The Act on the Contractor's Obligations and Liability came up in the early stages of procurement, when tenders were held, because at this stage the obligations of the parties under the law are checked. The benefits of the law is described as follows.

*"Then the customer liability law and the obligation have contributed, because a lot of gray labor or wage inequality is being tackled."* (Interviewee 1)

The law requires the customer to check, and the contractual partner to deliver to the customer, information and reports that are no more than three months old. From the point of view of social sustainability, customer liability law key reports include, for example, reports on employees' pension insurance and payment of pension contributions, reports on the collective agreement applicable to work or key working conditions, reports on the organization of occupational health care, and in the construction industry also reports on taking out statutory accident insurance. The documents should also be checked for possible business bans of the company's responsible persons. (Vastuu Group 2023)

One of the interviewees describes that the inclusion of social sustainability in supply chain management emphasizes the importance of The Act on the Contractor's Obligations and Liability even more. The impact of laws and directives on the implementation of social sustainability was felt to be significant, and in addition to The Act on the Contractor's Obligations and Liability, one interviewee hoped for the corporate responsibility directive to come into force. It would promote the implementation of social sustainability, when in

the current situation, the implementation of social sustainability in the company is voluntary to certain extents.

#### 4.4 Training

Personnel training on social sustainability themes is one way to implement social sustainability in the practical operations of companies. The trainings, which according to observations are usually carried out annually, are mandatory. The training at the moment focuses on self-study. The training has been found to promote the implementation of social sustainability, because thanks to the training, the staff's knowledge remains up to date. With the help of training, it has also been possible to prevent unwanted and prohibited practices in sourcing, such as gifts. One interviewee describes the situation as follows.

*"Yes, yes, it can be seen in the fact that, in a way, if you compare the time even 5 years ago, small things like these may seem insignificant in themselves, like gifts or other things. Now at the latest it is clear for everyone, also to those who have not been "caught up in time", that they will not be accepted. -- And there will not be any other abuses like this."*  
(Interviewee 3)

Suppliers were also trained in terms of social sustainability, especially from the point of view of occupational safety, if the supplier was coming to spend time in the premises or area of the purchasing company. The suppliers were perceived to be motivated to improve occupational safety, and they had the same opportunities, for example, to report on safety observations, as the employees of the purchasing company.

#### 4.5 Tools to promote social sustainability

The aim is to implement social sustainability in the operations of companies in the future by developing different tools. The tools would be used to observe, for example, risk levels in

relation to ethical violations. The need for such tools has been identified in order to assess where resources should be directed. It should be noted, for example, in which situations measures are required from companies.

External databases are also used as tools to detect violations of social sustainability. The databases are reviewed, for example, to see if the potential supplier has had lawsuits or sanction cases. Media monitoring is also implemented by using different tools. The purpose of this is to make it known if a supplier has appeared in the media in a negative light regarding sustainability issues.

In order to detect social sustainability problems, an anonymous reporting channel has also been developed, the use of which is encouraged, so that sustainability issues do not remain hidden in the company. However, such a method of operation was not widely used among the companies interviewed so far. Although the use of the anonymous notification channel is encouraged and the number of notifications is monitored, it was estimated that there are also risks in using such a channel. For example, abuse was perceived as a risk, such as unfounded reports, which on the other hand can lead to workplace bullying.

#### 4.6 Expectations for suppliers

Suppliers also have clear reasons to improve their level of social sustainability. The interviewees estimate and consider it likely that when a supplier reaches the required level of social sustainability, it will know more about the company buying orders. Buying companies therefore want to invest in suppliers who have taken social sustainability into account in their own operations. However, the contractual commercial benefit did not appear in the interviews. The interviewees also described that this benefit of suppliers from a good level of social sustainability implementation should be developed to a better level.

A lack of social sustainability can also cause damage to the suppliers' reputation. This, in turn, has a negative effect on the number of orders, whereby the neglect of social sustainability causes financial harm to the supplier. One of the interviewees describes the

benefits of the suppliers in the following way:

*"They benefit from it sheer money. Then, of course, there is the matter of reputation. In other words, these circles are so small that you don't need to mess up many times--"* (Interviewee 1)

Suppliers are also expected to act in a socially sustainable manner. In the interviews, it became clear that money does not solve everything, but suppliers are expected to fulfill social sustainability at the required level, which can be defined, for example, through the scoring of various audits. If the scoring is at too low level, for example the Interviewee 2 describes that then the cooperation with the supplier will not be started.

The next figure presents a summary of the results of all six of the most significant findings of the research. The first three findings, which are cooperation & communication, audits and current law were the most significant ways of implementing social sustainability from the companies' point of view.

Finding	Description
Cooperation & communication	<p>Effectively affects the implementation of social sustainability, such as to realization of labor rights</p> <p>Possibility to set joint social sustainability goals with the suppliers</p> <p>Benefits situations where suppliers are on a different level with social sustainability</p>
Audits	<p>Different audits for different purposes</p> <p>The advantage of auditing was considered to be that it is possible to obtain factual evidence of the implementation of various elements of social sustainability at the suppliers' end</p>
Current law	<p>Have affected the eradication of gray labor and wage equality</p> <p>The inclusion of social sustainability in supply chain management emphasizes the importance of The Act on the Contractor's Obligations and Liability</p>
Training	<p>Carried out annually, employees and suppliers are trained</p> <p>Mandatory &amp; focuses on self-study.</p>
Tools to promote social sustainability	<p>Companies develop various tools that utilize technology to promote social sustainability</p> <p>Tools are used to observe, for example, risk levels in relation to ethical violations</p>
Expectations for suppliers	<p>Buying companies want to invest in suppliers who have taken social sustainability into account in their own operations</p> <p>However, the contractual commercial benefit did not appear</p>

Figure 4. Summary of the findings

## 5 Conclusions and discussion

The purpose of this research was to find out how social sustainability has been implemented in supply chain management. The research was limited to the forest industry and three companies operating in the forest industry in Finland. A main research question and sub-research questions were formed for the research, which will be presented again in this chapter. The empirical material was collected through semi-structured interviews, which were analyzed to answer the research questions. In addition, this chapter examines the reliability of the research, as well as presents possible further research opportunities.

### 5.1 Conclusions

The main research question of this research was formed at the beginning of the research process to determine how social sustainability is implemented in supply chain management. In order to clarify this, the sub-research questions were also formed, which help to answer the main research question.

Main research question:

*How social sustainability is implemented in supply chain management?*

Sub-questions:

- 1. How does social sustainability guide practical activities in supply chain management?*
- 2. How do strategic goals turn into operative activities?*

Trends in terms of sustainability also showed in the interviews, as environmental sustainability had been the focus of companies' attention for longer than social sustainability.

In terms of social sustainability, a top-level policy had mainly been created, while the actions of environmental sustainability were already much more comprehensively covered in the supply chain. Greater attention to environmental sustainability has been seen both in the operations of companies and in research (Arslan 2020; Rajeev et al 2017). However, the interviewees have understood this, and were broadly of the opinion that there is much room for improvement in terms of social sustainability, even if it was perceived as a difficult dimension of sustainability.

Efforts have been made to implement social sustainability in supply chain management in many ways. Cooperation with suppliers, audits, and compliance with legal obligations emerged as the most significant common factors from the material. It has been observed that the purchasing company must cooperate with its suppliers in order to achieve a socially sustainable supply chain. It has also been observed that in order to achieve better social performance for both the buying company and the supplier, it requires a combination of assessment and cooperation. (Sancha et al 2016)

This supports the observations made in this research, as cooperation with suppliers and carrying out audits were significantly important in terms of the implementation of social sustainability in each company. These were also carried out extensively, as cooperation with suppliers was done often, and it was followed up, for example, by giving feedback. Cooperation and communication were felt to have an effect on, for example, the implementation of labor rights. Also audits were carried out in many ways, both by external actors and by the companies themselves. Audits were felt to provide more in-depth and reliable information compared to other ways of finding out the state of suppliers' social sustainability, such as self-assessment surveys. The advantage of the audits was that they could also be used to ensure the implementation of the social sustainability of the suppliers' suppliers.

It was also found that companies are happy to invest in existing suppliers and to develop cooperation with them. Naffin et al (2023) state that suppliers' sustainability performance has a positive relation to the volume of transactions and to the length of relationships. This in turn has a positive effect on the implementation of the purchasing company's social sustainability in supply chain management. On the other hand, negative consequences can



follow if the company does not involve its suppliers in the implementation of sustainability. (Chen et al 2019)

The current law was of great importance in terms of the implementation of the social sustainability of every company in supply chain management. The themes of social sustainability contained in the law in force and fulfilling the responsibility contained in the law also serve as criteria for suppliers. One of the interviewees also hoped that a corporate responsibility law would come into force in the European Union, in which case the importance of the law would be emphasized. However, it has been noticed that internally motivated social initiatives often produce more significant results than externally motivated ones. (Morais & Silvestre 2018)

Based on the data, training and the development of tools to promote social sustainability were also found to be ways to implement social sustainability in supply chain management. The training was mostly similar in all companies, which was carried out in the form of self-study. Suppliers were also trained. Tura et al (2018) mention supplier training as one way to relieve tensions with suppliers that may arise due to setting new sustainability criteria. The tools or the tools under development for implementing social sustainability differed between companies, but all companies had found their necessity. The tools for promoting social sustainability concerned anonymous reporting channels, or various monitoring tools to find for example negative media attention, which could regard matters such as lawsuits. The utilization of technology is one of the strategies named by Leah Filho et al (2022) to overcome challenges in the implementation of social sustainability.

Suppliers were also expected to take social sustainability actions in their own operations, as well as in the operations of their suppliers. It has been noticed that a company can be held responsible for the social actions of its suppliers (Seuring & Müller 2008). The companies wanted to invest in suppliers who have taken social sustainability into account, but so far the companies had not developed a direct contractual benefit regarding the topic. The expectations towards suppliers in terms of social sustainability are relevant, as sustainability-related risks also take into account, for example, the company's reputation (Giannakis & Papadopoulos 2016).

Based on the research, the matter to be developed is the metrics that companies currently have very few, with the exception of metrics related to occupational safety, as well as the follow-up related to signing the Code of Conduct. The metrics could therefore be developed in a more versatile manner so that the areas of social sustainability should be covered more widely.

Supplier selection could also be developed so that it includes the implementation of social sustainability as a clear part of the selection criteria. For example, an audit by an external party, which includes clear social sustainability metrics, could be used here.

## 5.2 Reliability of research

Assessing the reliability of qualitative research is not clear-cut. For example, the object of the study, the collection of data, the analysis of the data and the duration of the study can be analyzed in the assessment of reliability. (Tuomi & Sarajärvi 2018) The limitation of research in a bachelor's thesis is time and the scope of the thesis, because the thesis is done on a relatively fast schedule and the bachelor's thesis is not a very extensive study. In a longer thesis, the number of interviewees could have been higher, because now the material consisted of four interviews, the results can not be generalized.

The research is also focused on only one industry, so it creates a limited picture of the implementation of social sustainability in supply chain management in Finland other than the forest industry. The data has also been collected and analyzed by only one researcher, so the possibility of subjectivity must be taken into account. However, efforts have been made to argue the choices that has been made, and the research process has been reported step by step.

### 5.3 Further research opportunities

Sustainability in supply chain management is still to be researched, so there are many possible additional research topics. Based on this study, one possible topic for further research would be how systematic and standardized the criteria and operating methods of social sustainability are. The effect of these on supplier classification could also be studied in the future. It would also be interesting to study in the future how the implementation of social sustainability in supply chain management has developed and how, for example, the tools to promote social sustainability under development have influenced the implementation of social sustainability in supply chain management.

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## Appendix 1. Interview questions

### 0. General

Could you tell briefly about your job duties and areas of responsibility?

What is the importance of sustainability in your company's business and especially in sourcing/procurement?

What role does social sustainability play in your work?

### 1. Management

What kind of sustainability goals have been defined in sourcing?

In what ways is sustainable sourcing part of the company's sustainability strategy?

How does the company's management follow up the implementation of the sustainability strategy?

In what ways are the goals and strategy put into operation to action?

### 2. Supplier selection

Have the social sustainability risks in sourcing been identified?

How are they taken into account when making purchasing decisions?

In what ways social sustainability taken into account at the beginning of the sourcing process, even before the contract is signed?

What kind of communication or cooperation does your company have with suppliers in order to achieve the goals related to social sustainability?

### 3. Measurement and reporting

How is social sustainability and its implementation measured in sourcing? (Acitons, results, achievements)

What kind of indicators have been created?

What measures are taken if the targets have not been met/achieved?

How is social sustainability reported?

How does your company monitor the implementation of suppliers' responsibility, and to what extent are the suppliers themselves responsible for this?

#### 4. Problem situations

What is the reaction in a situation where it is found out that the supplier acted in violation of the company's principles of social sustainability?

Are problems identified and how are problems reported?

Do the observed problems affect supplier cooperation?

What is the impact in a situation where the supplier corrects its operations?