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Master's Program in Supply Management

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**SUSTAINABILITY PRACTICES AND PROCESSES IN SUPPLY  
CHAINS OF INTERNATIONAL COMPANIES IN RUSSIAN MARKET**

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## ABSTRACT

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The purpose of the current research was to examine the sustainability practices of foreign companies in the Russian market. The concept of sustainability is actively developed in the western countries, however, for Russia there is a huge gap in sustainability practices, thus, this research follows the understanding of current situation with sustainability issues. Furthermore, the study focuses on the supply chain of international companies in order to make a comparative analysis between the sustainability processes in Russia and in Europe, and to get a holistic picture where companies are lacking. The empirical study was conducted through semi-structures interviews with representatives of the four companies. Next, the analysis shows the lack of expertise towards realization of sustainability in supply chains, however, companies seem to have an interest in developing environmental sustainability. The main issue has been examined is that companies are guided by the headquarters of EU and, hence, follow all the rules and regulations.

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## LIST OF ABBREVIATIONS

|      |   |
|------|---|
| CIS  | Commonwealth of Independent States                  |
| CRM  | Customer Relationship Management                    |
| CSR  | Corporate Social Responsibility                     |
| EU   | European Union                                      |
| FMCG | Fast Moving Consumer Goods                          |
| FSC  | Forest Stewardship Council                          |
| ISO  | International Organization for Standardization      |
| IT   | Information Technology                              |
| PEFC | Program for the Endorsement of Forest Certification |
| ROI  | Return On Investment                                |
| SCM  | Supply Chain Management                             |
| SSCM | Sustainable Supply Chain Management                 |
| TBL  | Triple Bottom Line Approach                         |

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# 1 INTRODUCTION

This chapter will introduce with the background discussion. Next, the aim of the current paper and the research question will be formulated. Further, the research is followed by the description of limitations of the study. Later, the main concepts in the study will be explicated and the theoretical framework of the research will be described.

## 1.1 Background of the study

In recent years the issues related with sustainable development have become the subject of discussion at the national level. The steady growth of interest in these issues can be confirmed by various international activities and a huge number of research publications (Belousov, 2015).

During the last 30 years the percentage of people living poorly has decreased from 50 % to 21 in the developed countries despite the fact that the population in the world has increased by 59 percent (Mahajan et al,2018). Considering the fact that the economic growth has increased the living standard for the middle-class, however, such development has been affected by certain costs, such as natural disasters that have been increased two times more since 1980 (Mahajan et al,2018). Comparing the current world with the situation that was about 20-30 years ago, there can be seen a huge progress, however, in some countries there is still the social inequality, the huge unemployment rate among the young generation, the average salaries are stagnant or increasing by a little, huge and unwise impact on the environment, and there is an inequality in gender as in some jobs women get less paid for the same job as men (Mahajan et al, 2018).

This is the sign that despite the fact that there has been the evolution, the progress is not desired and there is a need to discuss and improve the process of sustainable development. Nowadays, the businesses face various claims regarding economic, social and environmental issues in sustainability. These issues can be considered as: natural disasters, hunger, climate change, social insecurity, economic inequity etc. (Mahajan et al, 2018)

On September 25<sup>th</sup> (2015) the United Nations have approved the Four Goals of Sustainable Development (SDGs) that has released the end to poverty, protect the planet from pollution and disasters, and guarantee the prosperity of the world by 2030. The ultimate goal for the businesses is to achieve the balance between the environmental, social and economic issues of sustainable development (Mahajan et al, 2018).

The competition on the global market, businesses have faced the more issues related to the environmental and economic factors that is influenced by supply chain operations. Starting from the beginning of the 21<sup>st</sup> century, the focus on the environment has significantly increased especially in the supply chain management. (Ferdows, 2009). This focus has been contributed especially to SC processes such as transportation, supply chain network, packaging etc. (Liu, 2017). During the recent years, more and more international corporations took the responsibility of working with suppliers who follow the environmental and social standards. The companies expect that the suppliers will adhere sustainable standards and ask for compliance from their partners. Thus, this creates a supply network that aims to utilize sustainable practices on each stage of the Supply Chain process (Villena et al, 2020).

The corporate social responsibility and sustainable development identify the link between the need of the companies to improve technological advances and at the

same time to protect the environment in which we live. Sustainability is a broad concept and many refer it to environmental sector. However, there are also:

- *Social* is identified as the ability to guarantee welfare (security, education) that is equally distributed among different social classes, gender, age etc. Moreover, the idea of the social sustainability is to manage and identify the company's impact on its employees, customers and local communities. (Purvis, 2018).
  
- *Environmental* is aiming to improve the human welfare through the protection of natural resources (air, water etc.). The business activities are regulated in order to prevent air pollution and to support the own carbon emissions low. (Purvis, 2018).
  
- *Financial or economic* leads to maintain the capital. While the social sustainability focuses on the improvement of social equality, the financial refers to the improvement of standard of living and to practices that support long-term economic growth. (Purvis, 2018).

Sustainable development concerns are not limited only to boundaries of certain corporations, they also take the responsibility of the employees and workers of supply chains – with whom they deal with. The brand image and the reputation of the company can be damaged as a result of poor environmental performance. The process of maintaining business can be considered as corporate sustainability by environmental, economic and social aspects. Also, it can be called a *triple bottom line approach*. TBL approach has been developed based on the operational sustainability and is a popular framework that is now used for evaluation of sustainability in supply chains (Sapukotanage et al, 2018). One of the most important stages in the sustainable social development is building bilateral relations, meaning, when the business responds quickly to the social needs and needs of the customers. For

companies the social and economic responsibility are necessary and they should meet the public requirements (Stepanova et al, 2020).

The current research is based on the specific country – Russia, it is worth considering that Russia huge regional differences in economy and social sphere, thus, the key indicators of sustainable development has to take this into consideration. According to Stepanova et al (2020), in the existing literature there is a huge research gap towards the sustainability dimension. The governmental policies are directing to the growth of the economy, while there is a lack in terms of the quality of human life and stability in the protection of environment. (Stepanova et al, 2020).

Moreover, the country has is the income inequality that slows down the progress in Russia. According to the statistics report of EU Parliament, the income and wealth in Russia are much less equally shared compared to most developed countries. The income gap is getting worse by such aspects as low taxes for wealth people and corruption (Russell, 2018).

## **1.2 Objectives and Research questions (RQ)**

According to the above-mentioned circumstances, it is essential to make a research on the foreign companies that operate globally and have their operations in Russian market. Correspondingly, the aim of the research will be to analyze the sustainability processes in Russia. Since, the ecological situation in the country is much worse than in European countries, it is necessary to analyze the impact of the business supply chains on the environment.

The research will be based on the foreign companies that have their operations in Russian region and the aim of the research will be to identify the sustainable strategy

they follow and on which aspects of sustainability they focus. It will be examined whether the businesses are engaging in environmentally and socially sustainable practices. In addition to that, the author is planning to investigate what are the drivers and obstacles of sustainability implementation. Accordingly, the research question is stated as:

*How do multinational companies focus on the sustainability in supply chain in on the Russian Market?*

Accordingly, the sub-questions are:

- *What are the successful examples of sustainability implementation?*
- *What are the challenges when implementing sustainability policies in Russia and what are the reasons for it?*
- *What are the differences when implementing environmental sustainability in supply chains in Russian market compared to the western market?*

### **1.3 Limitations**

The scope of this research is focused solely on Russian market as the aim of the thesis is to identify if the sustainable business practices are environmentally friendly and socially responsible in terms of Russia. Moreover, the companies that are chosen for the current research are completely international and the idea is to identify the differences in sustainable supply chains in Russian market compared to western market. The focus on interview is mostly on environmental aspect of sustainability, however, the social aspects have also been covered. The research does not cover the

topic of economic sustainability. In addition, based on the interview results, according to the company's focus on sustainability, the author is going to limit the analysis to different components of environmental sustainability in order to analyze the current situation. Finally, the current research paper is limited to qualitative method of research.

#### 1.4 Theoretical Framework and Structure

In order to review the concept of Sustainable Supply Chain Management in the businesses, the definition of sustainability and SCM should be investigated firstly regarding the existing literature. Next, the definition of sustainability will be described in the context of supply chains of international companies in Russian market.

The research project's conceptual framework is graphically showcased below. Figure 1 illustrates the theoretical basis of the thesis.

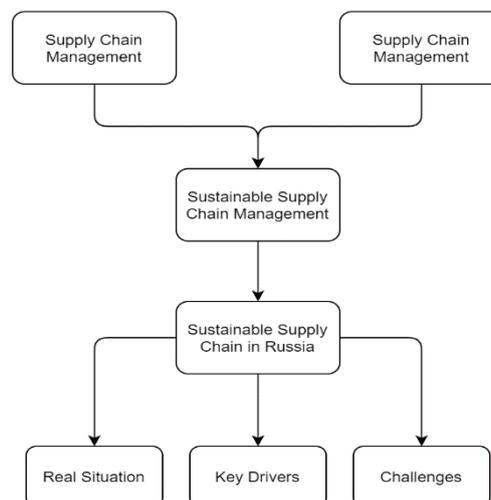


Figure 1. Conceptual framework

## **2 LITERATURE REVIEW**

In this chapter the author is going to introduce first the Supply Chain Management concept and its processes. Then, move on to the meaning and understanding sustainability approach: what aspects of sustainability are defined and how sustainability could be managed in supply chain context.

### **2.1 SCM Concept**

The term Supply Chain Management is relatively new and according to Oliver & Webber (1982), it has appeared as the inventory management approach with the focus on the supply of raw materials. Later, the term has been identified from the theoretical point of view in order to identify the difference from the traditional approaches to flow materials management and the flow of data. Academic literature emphasizes the need for cooperation between the actors from manufacturer to the ultimate customer in order to satisfy the customer demand while reduce the costs (Van der Vost, 2004).

During the recent years it became significant to put the theory of SCM into practice and Supply Chain Management has been used for problem solving and became the implementation of the following issues:

- The product supplier's arrangement
- The philosophy of conducting business
- Build a network for effective management of demand and flow of products and services

- Creating a strategy for gaining competitive advantage through cooperation and simultaneity of actions (Chandra, n d)

Different researches provide different definitions on the terminology of Supply Chain Management. The evolution of the terminology of SCM concept has changed during the recent years, thus, the author decided to introduce several definitions of various researchers to clarify the SCM meaning in the order from the oldest to the newest.

| <b>Authors</b>      | <b>SCM definition</b>  |
|---------------------|--|
| Oliver et al, 1982  | "the process of planning, implementing and controlling the operations of the supply chain with the purpose to satisfy customer requirements as efficiently as possible"  |
| Croxton et al, 2001 | <i>"Supply Chain Management is the integration of key business processes from end user through original suppliers that provides products, services, and information that add value for customers and other stakeholders"</i> |
| Mentzer et al, 2001 | <i>"A set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products, services,</i>   |

|                      |   |
|----------------------|---|
|                      | <i>finances, and/or information from a source to a customer “</i>   |
| Bozarth et al, 2008  | <i>“Supply Chain Management is the active management of supply chain activities and relationships in order to maximize customer value and achieve a sustainable competitive advantage “</i>   |
| Wisner et al, 2012   | <i>“The integration of trading partners’ key business processes from initial raw material extraction to the final or end customer, including all intermediate processing, transportation and storage activities and final sale to the end product customer”</i>   |
| Farahani et al, 2015 | <i>“SCM involves various approaches to effectively integrate suppliers, manufacturers, and distributors in performing the functions of the procurement of materials, the transformation of these materials into intermediate and finished products, and the distribution of these products to customers in the right quantities, to the right locations, and at the right time in</i> |

|  |  |
|--|--|
|  | <i>order to meet the required service level with minimal cost”</i> |
|--|--|

Table 1. SCM concept

For any operations that have strategic focus such as supply chain management, there is a need to do the performance review of the company. This evaluation allows to see the information regarding the strategic goals of the organization and reflects the necessity for improvement in the field of poor performance. The benchmarking or other comparative analysis on the sustainability policies aims to have inter-organizational practices with a list of environmental and business performance results (Silva & Ferreira, 2014).

## 2.2 SCM Processes

The previously named authors: Mentzer et al (2001) have identified three supply chain aspects complexity: direct supply chain, extended supply chain and the ultimate supply chain. Figure 2 represents the concept of complex supply chain.

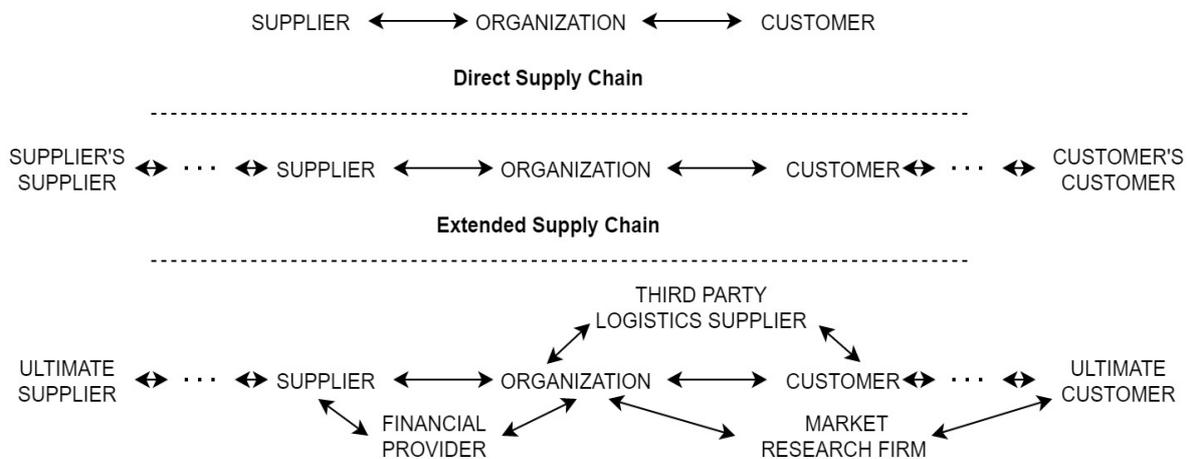


Figure 2. The Ultimate Supply chain (Mentzer, 2001)

According to the figure, the “direct supply chain” includes the organization, suppliers and customers that are involved in the product and service flow, or in information exchange. The so called “extended supply chain” consists of the suppliers of the urgent supplier and customers of the urgent customer. All of them take part in the same flows of products, services, finances and information (Mentzer et al, 2001).

Following the framework, it can be observed that the ultimate supply chain consists of all organization engaged in the flow of products & services and also the involvement of the other parties such as third-party logistics supplier, marketing research company and so financial providers. Thus, the network began with the ultimate supplier finishing the ultimate customer (Mentzer et al, 2001).

The typical supply chain network consists of materials, services and information. In addition, such network indicates the components of supply and demand as well as the transformation of the supply chain processes (Felea, 2013).

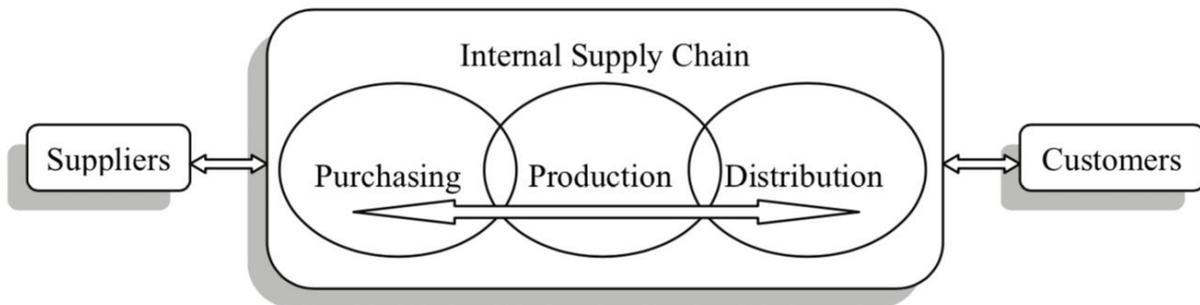


Figure 3. An illustration of a company's supply chain (Felea, 2013)

As it can be seen from the figure below, the traditional internal supply chain consists of three stages: purchasing, production and distribution. These stages can include different facilities in different locations around the world. Felea (2013) gives an example of automotive industry where factories are located in different countries when suppliers and distributors are based in globally (Felea, 2013).

According to the Global Supply Chain Forum, there are eight key SCM processes that are essential in SC network and that create the co-value. The first two are the *Customer Relationship Management (CRM)* and *Customer Service Management*. The main goal of CRM is to attract new customers and retain the old ones, and reduce the costs of marketing and customer services. Customer Relationship Management can be used for the ongoing interaction with clients, thus, when companies use the better customer understanding, the clients get benefits from customized goods and services. According to Ahmad Zamil (2011), the long-term CRM brings more benefits to the organization than short-term transactions. (Ahmad Zamil, 2011). Customer Relationship management also provides the framework on how the CRM should be developed. Once the key clients are identified, the customer teams work with them in order to eliminate demand variability. Also, the key accounts implement performance reports to measure profitability of individual clients and company's financial impact on

them. In charge of processing the company's image to the potential client. Customer Service provides the information regarding the product availability, shipping dates and status order, and, in addition, is in charge of administrating the CRM-systems (Croxtton et al, 2001).

The third *process is the Demand Management* that Needs to take a balance between the requirements of the clients and company's supply capabilities. The Demand Management helps to coordinate all the business activities, forecast and manage the demand for goods and services (Croxtton et al, 2001). One of the most important aspects of Demand Management is the search for the reduction of demand variability and flexibility operations improvement. The demand variability reduction helps to reduce costs and enables to effective planning; and assists the companies to respond quickly to internal and external issues. The main goal is to satisfy the customer needs and meet the customer demand in the efficient way. (Croxtton et al, 2001).

The next is the *Order Fulfilment* that is the process of receiving the products and actually a key to create the efficient supply chain as this process helps to meet the client's requirements. The sufficient Order Fulfilment process usually includes the integration of the marketing, production and logistics (Croxtton et al, 2001).

The fifth and sixth steps are the *Manufacturing Flow Management*, and *Procurement or Supplier Collaboration*. Manufacturing process is related to the production of goods and it involves all the business activities that are needed for managing the flow of the product through the production. Development of the relationships with suppliers and obtaining the goods or services from them. The SRM can be explained as the "mirror" image of the CRM as building the successful supplier relations is critical to the overall business success (Croxtton et al, 2001).

The last two steps are the *Product Development & Commercialization*; and *Returns Management*. The fast-new product development and its effective launch on the market is a major issue in the organization's success. The SCM involves the clients and suppliers' integration in the process development to reduce time to market launch. In order to stay competitive on the market, the products should be developed in a shorter time period as the product life cycle is shorten. (Croxtton et al, 2001).

Nowadays the companies are trying to extent their supply chain network globally and emphasize the core processes, especially the returns management that is oriented on the supply chain reverse. Organizations that consider the returns management as a cost issue, loose the potential value that is done for the company and for the customers as well. This issue might be achieved through the deep understanding of functional components of all of the departments inside and outside the organization that are actively involved in the product returns management. (Mollenkopf et al, 2007). The returns management process also helps the companies to achieve a sustainable advantage as the efficient returns' management allows the organization to understand the opportunities for further improvement and breakthrough projects. (Croxtton et al, 2001).

It can be concluded that the final goal of the supply chain management is the value creation for the whole supply chain network, starting from the manufacturer to the ultimate customer. In order to succeed in the successful SCM, there is a need for coordinating the activities inside and outside the organization and, thus, the process integration has to be aimed to increase the entire process efficiency towards the whole supply chain. (Croxtton, 2001).

### **2.3 Understanding Sustainability in Supply Chains**

Sustainability can be identified as the management process of the business by considering three aspects: environmental, social and economic (Mahajan et al, 2018).

During the last decade the concept of sustainable development has highly increased and businesses face many disputes about how to achieve performance success. According to Mahajan et al (2018), the sustainable value creation framework regarding the fact the companies can achieve sustainability practices by creating a shareholder value. The authors discussed that there are four aspects of the sustainable business strategy such as the prevention of the air pollution, control of the product usage, clean technology and the base of the pyramid. Researches suppose that most businesses consider these opportunities as “under-appreciated” in the area of profitable growth (Mahajan et al, 2018).

One of the tools for effective management of activities is the supply of requirements for products that ensure the sustainable development. Thus, the goal of building the sustainable supply chain is to create, maintain and grow in the long-term perspective with the environmental, social and economic value for all stakeholders that have been involved in creating the products and bringing them to the market (Efimova, 2016).

In supply chains there is a huge network and, hence, a big number of players such as manufacturers, suppliers, logistic providers and consumers who has an influence not only on the costs, but also to the connected environmental impacts. These people usually perform business activities that affect the environment. Consequently, there is a need to monitor the indicators that support the decision-making in order to evaluate the environmental performance (Silva & Ferreira, 2014).

There are no companies with completely identical supply chain network, corporate cultures and management systems. This means that the process of the sustainable supply chain development will be unique. However, there are guidelines and datasets with the most successful practices and processes in this field that enable to help organizations and introduce the basic ways of improvement. According to *Supply Chain Sustainability: A Practical Guide for Continuous Improvement (2015)*, there are four major elements that enable companies to follow the best sustainability practices to create their own:

*Understanding of the external context:* When starting to develop a sustainable supply chain, it is necessary to identify not only the motives that prompted the organization to motivate on this path, but also to evaluate the external aspect of activities, such as the approaches of competitors, expectations of stakeholders and the possibilities of interaction with them. Comparative analysis of competing companies will enable the company to have a better understanding of the business benefits of a sustainable supply chain, aspects of relevance to the industry or region, and examples of successful establishment of sustainability practices in the supply chain. Many organizations have joint supplier engagement initiatives such as common codes of conduct, assessment standards and training. By the deep analysis of the other organizations will provide similar opportunities for collaboration and will simplify the process of implementing a sustainable supply chain. (*Supply Chain Sustainability: A Practical Guide for Continuous Improvement, 2015*).

*Indicate expectations to suppliers.* There is a need for interaction and communication about expectations from company's point of view and clear standards for suppliers and other external parties. At least, it is essential to require compliance with legislation and the adoption of measures to prevent negative environmental and social impacts. Another method could be the adoption of a Code of Conduct for the Supply Chain. It

will provide a consistent structure for conduct for procurement specialists, suppliers and external parties. When implementing the Code of Conduct, it is essential to consider the international standards that are relevant to supply chain. The next step is to *Define a Framework* that basically means to identify the suppliers that are intended to be involved in the business activities. Thus, many organizations focus only on key suppliers as they have direct purchasing or whose goods are critical to the company. By identification of the range of suppliers it may help the business to decide regarding the number of suppliers the company will continue to interact. From this, the next step runs out is the supply chain segmentation. It is needed to divide the suppliers in various groups so that it will enable to focus of the most important aspects. (Supply Chain Sustainability: A Practical Guide for Continuous Improvement, 2015).

*Public and annual sustainability reporting* is an effective a tool to introduce the sustainable development and increase transparency in the supply chain as it is a common method to report the progress of the organization. It shows the efficiency to internal and external parties as the process of managing the impact of the supply chain. (Supply Chain Sustainability: A Practical Guide for Continuous Improvement, 2015).

It must be affirmed that sustainability is a concept with a long-term process and, consequently, the data set that is used to find if there is any correlation between sustainability and financial indicators, may not give the sufficient results. Mahajan et al (2018) suggests three main aspects that allows to evaluate the potential of sustainability in any business:

- Resource optimization: Recycle  Re-use  Reduce (In supply chains)

- Protection of the brand value through the commitment between the stakeholders and other parties with meeting the regulatory requirements
- The selling of green ready to buy products to the niche market (Mahajan et al, 2018)

### **Environmental sustainability issues**

Al-Odeh (2012) has introduced the Sustainable Supply Chain Management (SSCM) activities that are related to the concept of sustainability.

- **Sustainable Design and Packaging**

One of the main steps in sustainable supply chain is the design strategy for the product and for the package. This also includes the product development that might be recycled or remanufactured. Several researchers claim that the sustainable design creates a huge impact on the environment and on natural resources (Al-Odeh, 2012).

According to (SPC) Sustainable Packaging Coalition, the sustainable packaging should meet the specific criteria:

1. During the product life-cycle the product should be healthy and safe for the customer
2. The sustainable energy should be used in manufacturing, distribution and in recycled material
3. It is necessary to make an analysis of the product life-cycle and during the whole process the materials that are used should

4. Businesses should choose the tools and applications that are sustainably respectful to the environment
5. The product must ensure the market needs in terms of price and performance
6. Businesses are assumed to use the maximum amount of recycled materials
7. The product should be designed in terms of balanced used of materials and sustainable energy use

It should include the possibility of the reuse and renewable qualities, and have an industrial life cycle (Al-Odeh, 2012)

- Sustainable Production

By considering clean environmental production methods, reduction of the amount of materials and sources for achieving low costs, low level of pollution, the environmental production can be achieved (Al-Odeh, 2012).

According to several researchers, Lean manufacturing is the strategy that is used by the businesses and has achieved environmental targets and can be called as environmental production. Moreover, authors consider lean manufacturing as the most important factor in reducing the environmental impact during the production phase. Liang & Chang affirm that by such activities as waste reduction and minimization of hazard wastes, lean production helps to improve the environmental performance. In addition, King & Lenox state that lean manufacturing helps organizations to reduce the pollution and leads to improvement in implementation of the environmental strategy (Al-Odeh, 2012).

One more production activity that helps to develop sustainable supply chain is recycling. The main source of the recycled material is post-consumer waste that usually contains paper, plastics, glass and metals. Nowadays, the demand for eco-friendly products has highly increased, therefore, the technology that is used for turning the post-consumer waste into the new product, has been developed (Field, 2007).

- **Sustainable Marketing**

According to Rao, the waste management can lead to cost reduction and increase in competitiveness in sustainable marketing, which therefore can develop good customer relationship, supplier relationship and with other parties (Al-Odeh, 2012).

Today's marketing pays huge attention to building good customer relationship based on values that are related to society's interests and trust between the parties. The current academic literature explains social responsibility as the essential part in the process of marketing. Despite some disputes, the increase in understanding the effectiveness of social responsibility in business management is growing. One of the leading economists has stated that the social responsibility of any organization refers to the profit increase, however, some authors claim claims that the issue of corporate social responsibility should be taken by the state, but not by the corporate managers (Seretny, 2012).

- **Sustainable Transportation**

Transportation sustainability must be considered as one of the essentials in sustainable supply chain management as during the implementation of eco-friendly

transportation systems it is necessary to consider such factors as type of transport, fuel, infrastructure, and also operational practices. According to Kam, Walker & Christopherson, all of these factors identify the environmental impact in the transportation logistics phase of the whole supply chain (Al-Odeh, 2012). It is a well-known fact that the current transportation systems are not sustainable at all since there is a growing number of the car usage and. Accordingly, this threatens the ecological systems and the human health as the harmful emissions contribute to local air pollution and lead to global warming. (Steg, 2007).

- **Sustainable Purchasing**

Sustainable purchasing plays a critical role in any organization as it helps businesses to reduce the sources of pollution by utilizing particular strategies such as recycling, sorting, or use of biodegradable packaging. According to Liang & Chang, the sustainable purchasing can lead to waste reduction and hazard materials by utilizing the environmentally-friendly raw materials (Al-Odeh, 2012).

### **Social sustainability issues**

According to Woodcraft (2011), social sustainability can be explained as the process of utilizing sustainable places that are aimed to promote the wellbeing of employees, understanding worker's needs and create the work-life balance inside organization. Usually social sustainability includes the base for social and cultural life of the workforce, social facilities and social capital (Woodcraft, 2015).

Morelli (2011) has identified the general term of social sustainability as the following:

*“a positive condition within communities, and a process within communities that can achieve that condition”*

The social sustainability can consist of the main principals, including:

- Equality of gender and generations
- A relations system that values disparate cultures
- A system for transition of awareness of social sustainability
- Political participation of citizens (Morelli, 2011).

The major problem for the businesses that are engaged into social sustainability is to bridge the gap between the business approach to address their long-term financial goals (Ajmal, 2017, p 2028 )

The term social sustainability has been a subject of concern to both professionals and people in industrial context, for example, production (Ajmal, 2017, p 2032). Social responsibility issues should be connected with the strategic responsiveness for completing the social requirements through the development of dynamic capabilities in the company. In order to create the sustainable work organizations, it is necessary to consider the structural and cultural capabilities. The sustainably functional system is more effective and less sensitive to external pressure (Sundstrom, 2019).

### **Economic sustainability issues**

A successful sustainability strategy is reflected not only in cooperation and willingness of the institutions to protect the environment and utilize the sustainable places for employee wellbeing, but also to meet the financial needs and develop the economic

opportunities. The business cannot be considered as sustainable, if the company is not gaining any profit (Bormane et al, 2017).

However, the authors do not consider the profit as the main motive of the company's activity. One of the main challenges that is faced by the modern world is the income inequality. This issue was recognized in the report of the World Economic Forum as the most important trend in 2015. It was assumed that this problem influences the all countries around the world (Bormane et al, 2017).

The term Economic sustainability can be interpreted differently according to different researchers. In the research of Doane et al (2001) the definition of economic sustainability is presented as follows:

"The criteria by how a pound of profit is made is a building block in the creation of a just capitalism; progressive profitability must replace simple financial profitability as the sole yardstick of business success". (Doane et al, 2001).

Economic sustainability refers to internal and external implications of sustainable management and, thus, means that when maintaining economic sustainability, to consider:

- The financial performance of the organization
- The influence of the wider economy
- The management of intangible assets of the company
- How it manages the social and environmental impacts (Doane et al, 2001).

## 2.4 Managing Sustainability in SC

The transition to the Sustainable Supply Chain Management (SSCM) brings a massive pressure on organizations in order to meet the needs in sustainable development. The companies are developing a commitment towards implementing the sustainable policies by introducing eco-friendly products, environmentally sustainable manufacturing practices etc. The theory of sustainability implicates the implementation of practices such as product return to the producer at the end of the product life cycle. At the same time, the adoption of the green policies at each level of Supply Chains, equal human rights, sustaining healthy working conditions and working-life balance, fair compensation issues and diversification in cultural issues. (Paningrahi, 2018).



Figure 4. SSCM core functions (Paningrahi, 2018)

The figure above illustrates the core processes in the sustainable supply chain management (SSCM) as it was previously discussed. It implicates the life cycle of the product that is manufacturing through the whole stage processes and to the ultimate

customer. The figure suggests the sustainable way of product use to turn in into the secondary raw material, recycle and reuse (Paningrahi, 2018).

#### **2.4.1 Triple Bottom line approach**

The term Triple Bottom Line approach has first been introduced in 1994 by John Elkington. This conceptual approach requires the companies to social, environmental and financial opportunities. Triple Bottom line does not require the businesses to consider only economic profit, but require to focus on social and environmental sustainability as well (Lee, 2007).

In 2001 The World Business Council of Sustainable Development has proposed the account of environmental and social costs as a type of measurement of Earths Worth. After that, various large organizations started to ask to report on the social, environmental and economic accountability (Lee, 2007)

The UK government was the first who developed the integrated frameworks for combining together these three sustainability aspects (Lee, 2007).

The businesses should be governed not only by shareholders, but by a wider range of stakeholders. Triple Bottom Line approach expects that the ultimate success of the product design and its manufacture depends on the interests of the whole range of stakeholders. There is a huge need for the businesses to interact and build a network with the stakeholders and for the creation of a good or service that will address as many needs of the stakeholders as possible (Lee, 2007).

Triple Bottom Line Approach (TBL) is closely related to sustainability and the main reason why the TBL is used instead of sustainability is that it provides additional consistency and a balance. First of all, Triple Bottom Line approach appears as consistent construct in terms of the reference of social, economic and environmental issues. It is necessary to mention that the consistency is built up in the structure of TBL because the construct is based on the integration of all three aspects. Next, Triple Bottom line approach highlights equally on each of three sustainability aspects, thus, it brings much more balance and consistency into the construct (Alhaddi, 2015).

However, the academic literature has showed the number of studies regarding sustainability where the ultimate focus was on topics of society and environment. According to Alhaddi (2015), some researches do not provide the economic line while some papers do.

| Sustainability Study Topic                     | Line                                | Author(s)/Year                      |
|--|-------------------------------------|-------------------------------------|
| Innovation in sustainability marketing         | Environmental/green                 | Iles, 2008                          |
| Towards sustainability                         | Environmental                       | Peattie, 2001                       |
| Sustainable corporate performance              | Environmental<br>Social<br>Economic | Collins, Steg, & Koning, 2007       |
| Sustainability reporting                       | Environmental                       | Blengini & Shields, 2010            |
| Promoting sustainability                       | Social<br>Environmental             | Frame & Newton, 2007                |
| Sustainability and consumer perceptions        | Environmental                       | McDonald & Oates, 2006              |
| Sustainability and product constructualization | Environmental                       | Yan, Chen, & Chang, 2008            |
| Sustainability and marketing                   | Economic<br>Social                  | Kirchgeorg & Winn, 2006             |
| Corporate sustainability and marketing         | Social/CSR                          | Bibri, 2008                         |
| Sustainable society                            | Social<br>Environmental             | Dewangga, Goldsmith, & Pegram, 2008 |

Figure 5. Summary of Sustainability Studies (Alhaddi, 2015)

As it is illustrated in the Figure 2, the appearance of the three sustainable aspects are not consistent. In some papers regarding sustainability, only line is discussed while in the others there is a combination of two or more lines (Alhaddi, 2015).

The Triple Bottom Line approach and its core value have also become attractive in the business world due to the great long-term profitability. As an example, it can be seen the waste reduction that can also reduce the costs. Large companies such as Proctor & Gamble, Unilever and Cascade Engineering have utilized this approach and successfully utilized the concept of TBL (Slaper, n d). However, the social responsibility in Triple Bottom Line approach has been shadowed by the economic and environmental issues. (Paningrahi, 2018).

### 2.4.2 Corporate Social Responsibility (CSR)

The nature of the corporate relations is changing from company's manufacturing goods within the whole supply chain to organizations that are involved in SC processes, the concept of CSR is essential to be discussed. International companies are in charge of environmental and labor protections of their global partners including suppliers, third-party logistics, and intermediaries that are involved in SC process but over which the company does not have ownership. Since, the large part of the global trade is managed through integrated governance systems, there is a significance for implementation of Corporate Social Responsibility (CSR) in global supply chains context (Aravossis et al, 2011).

The concept implicates that the key actors in the supply chains are the huge international companies that take the responsibility of the internal firm division of labor force and capabilities of the other participants to improve their activities. Thus, this enables the companies to control the production process on the large distances (Aravossis et al, 2011). Corporate Social Responsibility is about responsibly treating stakeholders and it encompasses the financial, legal and ethical expectations towards a society that is involved in the supply chain process of the organization (Hopkins, 2006).

Wan Jan (2006) has divided CSR into three aspects:

- Ethical CSR: is the requirement for businesses to be morally responsible in order to prevent harm that could be a result from the firm's activities
- Altruistic CSR: can be identified as "*genuine optional caring, even at possible personal or organizational sacrifice* ", which basically means that it can be used only when needed and does not have to follow the strict rules

- Strategic CSR: is done when a company takes certain responsibilities in terms of community caring activities that achieve strategic business goals (Wan Jan, 2006).

According to Wan Jan (2006), the Corporate Social Responsibility should focus on two main aspects:

- Prevention the harm and injuries that would be a result of organization's activities
- Achievement of strategic business goals

The British Department for Trade and Industry (DTI) admits the Corporate Social Responsibility as a tool for understanding the organizational behavior. In order to be socially responsible, it is essential for the businesses to follow the laws of the land as these laws establish the minimum standard of practice. Moreover, the businesses should also consider how they affect the society as a whole, particularly the social, environmental and economic issues. Eventually, this will bring tangible and intangible benefits to the business. An example of those could be the increased sales, enhanced profitability or strong brand value and employee loyalty and so on) (Wan Jan, 2006).

All in all, the concept of Corporate Social Responsibility can be utilized in the exchangeable way with various aspects including business ethics, corporate accountability, sustainability and so on. For successful CSR implementation all of these terms mean the commercial achievement in a way when there is a respect to ethic values and people, society and natural environment (Wan Jan, 2006).

### **2.4.3 Measurement on environmental SCM**

The businesses are becoming more and more aware of the environmental impact from the business operations and especially in developed countries the environmental legislations and regulations have been already established. In order to achieve the environmental solution, the producers have implemented various strategies focusing on the internal operations of the company. During the recent years, the companies are establishing environmental and social policies into Supply Chains by auditing and assessing potential suppliers on environmental performance measures. Following these principles, they are trying not only to measure the environmental performance of suppliers, but also it assists in selecting them for acting plans in order to increase the company's performance (Silva & Ferreira, 2014).

Traditionally, the focus of the measurement the performance of supply chains was focused on the cost criteria, time and accuracy. Many researchers consider the challenges when measuring the productivity inside the organization especially during the environmental performance. Such challenges are caused by poor technological integration, cultural differences, non-standardized data, and lack of understanding of the necessity of organizational performance, or differences in the organizational policy. Overcoming these obstacles will lead to long-term and sustainable supply chain inside the company (both environmental and social) and will create the competitive advantage as it relies on successful introduction of performance measurement (Silva & Ferreira, 2014).

### **2.4.4 Perspectives on environmental and social SSCM**

The SSCM has grown from the strategic need of purchasing functions and supplier decisions in order to obtain the long-term performance and to decide on sustainability

problems. The framework below represents the numerous perspectives of SSCM in the context of various aspects. (Paningrahi, 2018). However, since the current research paper is limited to environmental and social sustainability, we focus on that and do not cover the economic and governance perspectives.

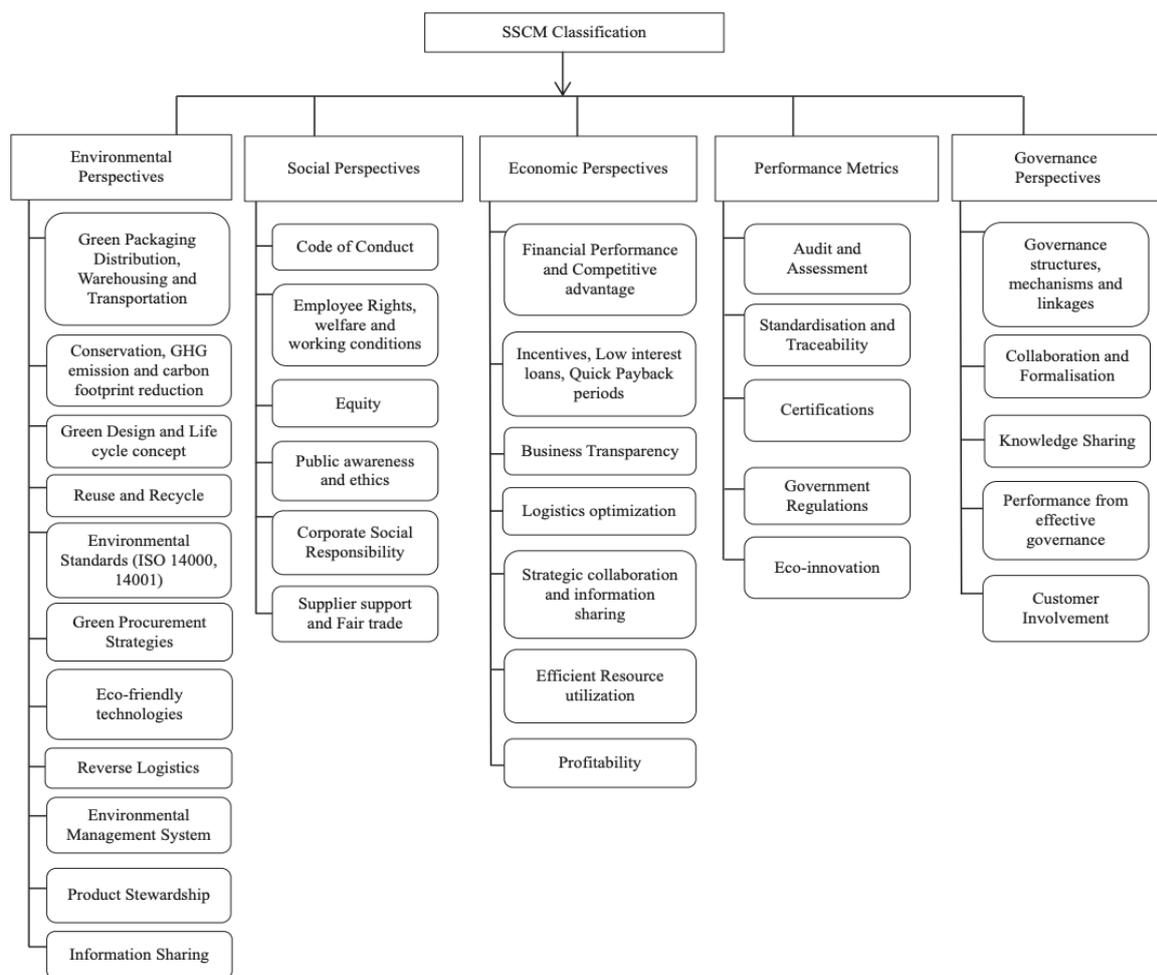


Figure 6. Classification of SSCM literature (Paningrahi, 2018)

As it was implicated before, the ecological perspective is related to the maintenance of the environment that the supply chain is working in. There is a huge need to

implement the SC processes in such manner that the environment stays undisturbed and harmless. Since, most of the sources of ecological damage is the pressure from the stakeholders about the environmental issues, the companies should direct the suppliers to adopt the sustainable methods such as judicious utilization of natural resources, lower greenhouse gas emissions, ethical labor policies etc. (Paningrahi, 2018).

The wastes and the emissions that occur from supply chains are the major sources of the ecological pollution, therefore, the huge focus should be switched to various waste control methods. The environmental sustainability has brought more quantifiable advantages than the social sustainability. The researcher has studied that the methods for optimal use of energy in production has led in the decrease of the carbon emission. This occurs from minimization of energy consumption. Furthermore, it was suggested to use the high productivity freight vehicle to transport the goods in order to minimize the cost of transportation, and the decrease the environmental impact. (Paningrahi, 2018).

Furthermore, the activities such as the recycling, minimization of packaging cost by efficient design of the product, the warehousing and transportation facilities, comfortable working conditions are suggested to be included in sustainable supply chains. According to Paningrahi (2018), this will result in low labor cost, product quality improvement and the implementation of ISO standards. Moreover, one of the main points in SSCM is the introduction of green procurement strategies and the reverse logistics in one of the major processes in green SC framework. Such process implicates that the producer is ready to take to the good that have been shipped for the recycling earlier, for refurbishing or disposal. The efficient use of the resources will be possible only through the recycling and waste reduction that is basically the main

motive of reverse logistics that creates the competitive advantage of the organization. (Paningrahi, 2018).

Next, a socially responsible organization should extend its standards and values to suppliers. Moreover, it is necessary to maintain long-term relationships with partners and right communication with suppliers and other parties. By adding the concerns of the other parties in the decision-making process will lead to identification of necessary steps to plan, design and operate in socially responsible supply chains. (Paningrahi, 2018).

The social responsibility policy is the management of social resources including the skills and abilities of people. Some of the social sustainability issues are based on the co-values, and the cooperation between the actors of supply chain and ethical purchasing, that can be described as the combination of the social and environmental sustainability. (Paningrahi, 2018).

### **3 SUSTAINABLE SUPPLY CHAIN MANAGEMENT IN RUSSIA**

Countries with the developed economy and high level of industrialization are at the top level in terms of sustainable development in the comparison with the countries that are least developed. Hence, the corporate sustainable strategies have to be adopted considering the manufacturing policies of the particular country and in more developed countries there are more significant opportunities towards corporate policies in the field of sustainability. This is characterized by high environmental and social standards, and better laws and regulations (Bobylev, 2013).

After the collapse of the Soviet Union (1991), the economy of Russia has experienced the sufficient reforms and changes in structure, and switched from central to the free market economy. Thus, the increase in need for implementation of the best practices regarding sustainability have been developed and in 1994, the Russian government has issued the edict: "On the State strategy of the Russian Federation for Conservation and Ensuring Sustainable Development". This principle presented the important priorities of the sustainable development, by considering several factors: ensuring the environmental safety in manufacturing processes, increase effectiveness of using natural resources sustainably. In addition, the framework provided the ensure the healthy environment for both rural and urban areas, the waste management improvement and, finally, the recovery of the ecosystem in damaged Russian regions (Orazalin & Mahmood, 2018).

The current ecological situation in Russia is negative and can be characterized by the inadvisable use of the natural resources as well as the increase in external pressure on the environment (Arefyeva, 2018). Nonetheless, compared with other emerging markets such as BRICS countries (Brazil, Russia, India, China, South Africa) Russia

is among the top towards implementation of sustainability goals (Aray & Veselova, 2020).

Aray & Veselova (2020) also claim that in Russia the sustainable issues that are followed by Russian organizations are not equally effective in all regions. Moreover, in contrast with other western countries, Russian businesses are not performing well at all (Aray & Veselova, 2020).

However, nowadays Russian companies perceive the principles of sustainable development as an integral part of Corporate Social Responsibility (CSR). Most of the companies are aiming to strive towards the attribute of successful corporation that can be called “Western type company”. This tendency came to idea during the communication with stakeholders of the company and now this can be viewed in the relevant sections of the structure in companies’ publications and corporate websites (Korchagina, 2008).

The term “green economy” is quite new for Russia and for now is not published in the documents officially. However, the goals that have been outlined by the government are that in 10-20 years there is a tendency of the transition to green economy. This have been composed in the general policy of the resource use and environmental protection for the future (Bobylev, 2013).

At the same time the Russian consumers also pay serious attention to the issues related to environmental sustainability in companies. According to the research (Nielson online survey) about 37 % of respondents consider the importance of products they purchase in terms of environmental sustainability. Another 33 % said that it is important that the manufacturer of the product did not use the raw materials that could be harmful for the environment (Kozlova, 2011).

As it can be seen, the consumer's interest in eco-friendly goods is high in Russia and almost the same as in the countries with a more developed economy and longer history of environmental activities of the company (Kozlova, 2011).

“The raw materials that are sourced from the certified suppliers” and “the suppliers who have signed the Code of the responsible suppliers” is very important in the supply chain process as it is critical how many suppliers follow the sustainability principles and equally important what is the amount of raw materials comes to the business from such partners. The implementation of the sustainable development principles into the supply chain process allows to build high quality relationship with the suppliers on the new level, by much more carefully choosing the contractors and directing their work on the sustainable path at the same time minimizing the risks in supply chain process (Kozlova, 2011).

The sustainable business management also means the risk reduction of supply disruption. By choosing the certified suppliers can ensure the company receives products or raw materials with high quality. In addition, working with the local contractors reduces the transportation time, contributes the regional economic development and also develops the employment in the region. All of these methods can increase revenues and reduce the supply chain costs. Consequently, the sustainable development optimizes the supply chains, which means that the effective supply chain is the sustainable supply chain (Kozlova, 2011).

### 3.1 Key drivers

The Russian economic system has a large potential towards the reduction of the energy consumption through various measures of energy efficiency since, the Russian's energy intensity is 3 times higher than in European countries, despite the huge territories and cold winters in the country. (Kiryushin, 2013).

Secondly, the country has not only a great energy resources such as oil, gas and coal, but also has a great potential for wind energy, solar energy. As stated by Efimova & Kozlova (2016), there are many factors that motivate businesses to create sustainable supply chains and one of the most common motives is the need to satisfy customer needs, the need to manage risks and follow the law. More and more attention is gaining among the motives associated with the optimization of activities. Also, the ones that are capable of providing the company with a competitive advantage (Efimova, 2016).

Nowadays more organizations in Russia are optimizing the sustainability as a competitive advantage as it leads to the increase of the market share in the field of organization. The environmental sustainability can assist companies in product quality improvement, process improvement and increase the performance of the organization. Next, more and more competitors appear under the same market influences, thus, they try to change their direction in more sustainable way. Consequently, most of the businesses consider environmental sustainability as a tool for innovative decisions and improvement of the brand division. According to Makeeva (n.d), today most of the businesses are using the eco-friendly products and import them to their own countries with the tax exemptions, which enables companies to operate globally. At the same time, the new product development is the responsibility of all the business departments including marketing, procurement, logistics and

engineering, hence, which leads to the better decisions regarding the effective product delivery. Also, this cooperation drives processes such as the reduction of the waste and carbon emissions in the environment which, consequently, will bring organization a competitive advantage in the field. (Makeeva, n.d).

### **3.2 Challenges and main features of transition to sustainable development**

It is assumed that the initiative to create sustainable supply chain has a significant number of obstacles that most of the businesses face. Nearly 60 per cent of companies that are willing to invest in sustainable development, ask for a return within 18 months and only 17 per cent are ready to wait longer. Thus, the slow return on investment (ROI) is a key obstacle to achieve the sustainability in supply chain. In addition to that, another equally important factor is the high level of costs that is associated with the implementation of sustainability practices (Efimova, 2016).

As stated in the article (Bobylev, 2013), nowadays there are only “anti-sustainable” development trends: the exhaustion of natural resources as a factor of economic growth, a serious impact of environmental pollution on human health, the changes in the economic situation that increase the amount of resources to be exploited. Moreover, the problem with the high physical wear and tear of the equipment has increased in environmental risks. In addition to that, the country has quite an unbalanced investment policy that leads to disparities between resource exploiting and processing, and infrastructure sectors of the economy (Bobylev, 2013).

Over the past decade, there has been a crisis towards the evolution of marketing theories as businesses discuss about the significance of their use from the socio-economic point of view. Companies in Russia focus mostly on increasing the profits and consumers make decisions based on their own benefits (Kozlova, 2011).

One of the main challenges in sustainable development of supply chain is the search for contractors this this concept in Russia is developed mainly at the level of the large companies. In addition, most of the companies are lack of indicators for monitoring and maintaining the supply chains and (Efimova, 2016). Efimova & Kozlova (2016) proposed the solution for that obstacle:

- The longer duration of the partnership with contractor
- Have the number of suppliers committed to sustainable development
- Identify the percentage of suppliers for which the violations were detected
- Analyze the average duration of the supply period by groups of suppliers
- Determine the risks of dependence on individual suppliers.

One more important issue to consider is the fact that Russian territories during the recent years have faced the lack of the natural resources, and this occurred much more later than in the well-developed European countries and the United States (Khaiter, n.d). Moreover, the government has not been taken any steps regarding the environmental responsibility, however, this can be developed if the government procurements and agreements will be based on sustainability standards as it works in the EU countries. Nowadays there are significant barriers towards green sustainability in the government procurement such as wrong understanding of the cost of eco-friendly products, lack of political support, and lack of legal precedents in the observation of environmental standards. (Kiryushin, 2014).

Although the topic of the sustainable development has been mentioned in scientific articles and has been developed and clarifies by many academic researchers, in real practice in Russia the topic has been used narrowly at regional level. However, in 2014 the new system of strategic planning in Russia was implemented. It has come as a

starting point for systematic strategic documents that are consider in detail on all state government levels – federal, regional and local (Khaite, n.d).

Even though there is a great waste fraction that is suitable for processing and can be later recycled, the processing level of solid waste is excessively low. The figure is illustrated below:

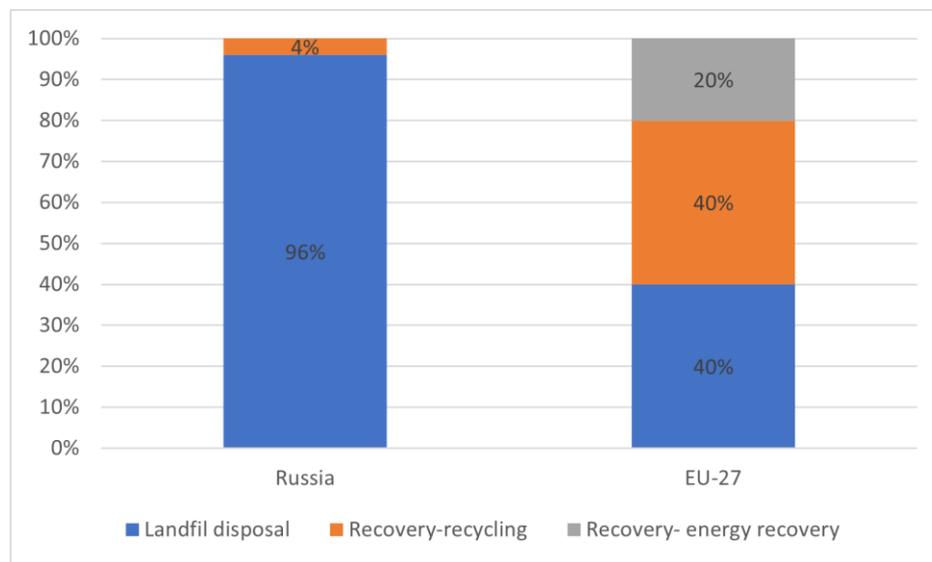


Figure 7. Comparative analysis of waste treatment in Russia and EU

Despite the existence of various methods of recycling, the most amount of waste is discarded without the preliminary sorting, while in European Union about 20 % of the energy is recovered, 40 % of the waste is the reusable materials. Thus, there is only 4 % of total solid waste that is not disposed (Fedotkina et al, 2019).

## **4 EMPIRICAL STUDY**

The main aim of the research study is to analyze the current supply chain processes of international companies in Russian market, identify the tools for evaluation of Sustainable Supply Chain Management in Russia and propose the ideas for further development. The first chapter of the study was to make a clear idea on the methodology of Supply Chain Management and SC processes using the existing academic literature. In this chapter the author is going to explain the research method that was used in order to gain relevant data. Next, the four case companies are presented in order to get the strong understanding of the operations they are running and since this part focuses on the empirical findings, the results will be shown with the analysis and possibilities for future development.

### **4.1 Research methods and data collection**

The current study is a qualitative method and the author decided to provide first the overview of the research by introducing the precise framework of the whole research process. According to Cropley (2015), the qualitative data is a type of research method where the information is gained is subjective (Cropley, 2015) and generally adheres to a constructivist view (Kielmann, 2012). Kielmann, Cataldo & Seeley (2012) also assume that there is no single reality for one phenomenon, however, there are several relative dimensions of reality that can be caught partly by the use of subjective and naturalistic methods (Kielmann, 2012).

In order to answer the main research question and the sub-questions, the author has collected the data by conducting several interviews with representative of the corporations in order to identify and figure out the current situation with sustainability issues. The chosen method was the semi-structured interviews and were made via Skype and one was done via voice call. In semi-structured interviews the questions do not have to follow the strict order and the interviewer allows to ask more than a few open-ended questions. Furthermore, the interview process allows straightforward questions and the questions usually prepared in advance (William C. Adams, n d). The author has prepared several questions for representatives regarding the topic, however, during the interview few more questions appeared.

All the interviews were conducted on the week 44 in October 2020. Due to COVID-19, most of the companies work remotely, so the online interview was preferred. The purpose of the interview was to obtain the primary data from the case companies. It was necessary to reach the appropriate representative of the companies since not every employee is familiar with sustainable strategy of the organization and frequently most of them do not even have the basic understanding of sustainable issues.

Straight after the companies were chosen, the author has contacted its representatives via e-mail and agreed on a suitable date and time for interview. Below the author illustrated the table with the key information about the interview: date, duration and the positions of the representative of organization.

| <b>Company</b> | <b>Duration of the call</b> | <b>Date</b> | <b>Position of representative</b>          |
|----------------|-----------------------------|-------------|--|
| Company A      | 13 minutes                  | 27.10.2020  | Logistics Manager<br><br>Export specialist |
| Company B      | 28 minutes                  | 29.10.2020  | Sales Area Manager                         |
| Company C      | 37 minutes                  | 30.10.2020  | Product Innovation Manager                 |
| Company D      | 17 minutes                  | 27.10.2020  | Senior Development<br>Manager              |

Table 2. Interview information

As it can be seen from the table, the average time that was taken for the interviews is 23 minutes and the minimum time spent was with Company A (13 minutes). During the call the questions that were asked in the same order as it is illustrated in the structure of the interview (Appendix 1).

The interviews were focused on the main topics: the background of the company and its supply chain, how their sustainability is managed and are there any differences in maintaining sustainable policy in Russia compared to foreign market, what are the main obstacles when international companies have entered the Russian market and,

finally, how the sustainable strategy can be improved. Since, the company D has completely different operations and is new in the market compared to the other three companies, the interview structure was a bit different.

All the interviews were recorded and approved by the representatives. The respondents have been warned that the information and data that they gave will be further utilized in the research. Since the respondent from company D gave a sensitive information concerning the social issues inside the organization, the author decided to keep the name of the company confidentially. Consequently, all the collection of data and information has been described and analyzed.

## **4.2 Research methodology**

First, the theoretical framework is provided in the literature review in order to analyze the main theoretical aspects and the sustainable supply chain as a whole since it is the base for the research. Next, the author moved on with the focus to the Russian market and how sustainability in supply chains is evaluated in the international companies in Russia.

Thus, by understanding the literature review and using it as a background, the research methodology has been interpreted and developed. In the next sub-chapters, the case companies that are used for this empirical study will be introduced. Next, the empirical findings and the analysis will be interpreted following with the conclusion and suggestions for further research.

### **4.3 Description of the case companies**

#### ***Company A***

The first company A is an Austrian Corporation that was founded in 1850 in Leoben. The company has been divided into saw timber and processing divisions. Also, the company has three sawmill plants that are located in three different countries: Leoben (Austria), Paskov (Czech Republic) and Leningradskaya oblast' (Saint-Petersburg, Russia).

The company is nowadays the market leader in glued-laminated timber segment (timber processing) and plays an important role in successful development of the integrated timber processing industry. Currently, the company is investing a lot in the research and innovations development, likewise is planning to make huge financial investments in the future.

The company itself is strong position in the market as it is the largest manufacturer of the carton board and the largest producer in Europe of folding cartons. According to the annual report (2018), the organization positions itself as a sustainable manufacturer and pays the attention to sustainable processing of carton board to packaging for consumer goods. The company targets to the excellent industrial manufacturing with the use of economies of scale.

#### ***Company B***

The second company B is a leading express parcel and logistics provider. In Russia this company is a recognized leader for express delivery of parcels and goods. The

company offers services at the level of the world modern standards. In addition, it provides thousands of customers with a full range of transport and logistics services and delivers throughout Russia and CIS, as well as throughout the world.

The company B follows a long-term quality policy to meet the high level of international standards. The staff personnel of the company is more than 5000 people all over Russia. Based on the corporate website, the organization presents themselves as not only the delivery provider of parcels but also the provider of comprehensive service that consists of a wide range of services, options and interactive services. In addition, the company is focusing on adherence of stated obligations and quality of customer service at each step of interaction. The main goal of the business is the high-quality customer satisfaction and for now they are striving to be perceived as the experts in parcel delivery.

### ***Company C***

The company C is the Fast-Moving Consumer Goods (FMCG) business that has a lot of plants in Russia, the focus will be on the plant of home care products. It is a Dutch company that is one of the world leaders in the market of food products and household chemicals. The company has its headquarters in Rotterdam (Netherlands) and in London. In Russian Market the company operates already for 25 years. The manufacturing is carried out in four large production plants: In Tula region (182 km from Moscow) – food products and ice cream; in Saint-Petersburg – tea, cosmetic products and household chemicals; in Ekaterinburg (Siberia) – cosmetic products, and in Omsk (Siberia) – an ice cream.

The author decided to take this company as it is very responsible in terms of sustainability and it is a key leader in environmental sustainability all over the world.

According to the company's plan for sustainable development and improvement of the corporate culture, Company C has three main goals that have to be achieved:

- Improve health and well-being for more than 1 billion people
- Reduce environmental impact by half
- Enhance livelihoods for millions (Annual Report)

### ***Company D***

The Company D is a cloud communications platform for creating communication services of any complexity. Company's D tools are used to build cloud call systems, set up automated calls, call tracking, phone bots and video conferencing. The headquarter is located in USA and the company operates on the US market for more than 12 years. The company was founded in Russia in 2013, thus, compared with previous companies is quite new.

The company is a service for automating voice communication with customers, allowing users in 30 minutes to configure and launch a smart IVR for automated outbound calls without the need for programming skills.

Although the company D has totally different operations from the A, B and C, and does not have production line, it is interesting to see what strategy such a new company follows and how it concerns about sustainability.

## 5 EMPIRICAL RESULTS AND FINDINGS

The chapter provides the empirical results gained from the interview with case companies. As it was mentioned before, the companies that were chosen for empirical study are international and have their business operations in Russia.

It was important to get the relevant information concerning the supply chains and how they differ from the supply chains of foreign market. Next, it was necessary to identify the sustainability issues in the supply chains of the companies, analyze the differences and obstacles in the western market. Next, to analyze what measures the companies are using to maintain the environmental sustainability and is there is a need for improvement.

### **Company A**

As it was previously mentioned the company A is the market leader in timber segment and the wood-processing plant in Russia was established in 2009. The forestry business is a subsidiary of the big holding group in sawmill industry. The company is located about 300 km to the eastern part of Saint-Petersburg, in the center of the extensive local forests. The representatives of the company were the Logistics Manager and she has a working experience in the company for already 7 years; and the Export Specialist with the working experience of 3 years.

As it was reported by the logistics manager, the corporate management is currently engaged in the process of recognition of modernization and processing the projects such as pellet production. The company is cultivating its own leased forest areas in order to follow the most modern principles of sustainability.

The forests are extended up to 200 kilometers from the North to the South, and about 100 kilometers from east to west. By order of the Ministry of Commerce, the plant is included in the list of the priority investment project in the field of forest exploration.

The main consumers of the company are the construction companies that manufacture prefabricated frame buildings. Furthermore, the furniture industry companies sometimes purchase the materials from the organization. Considering the fact that it is a wood-processing enterprise, they cut down the forest, however, they plant it in the opposite direction. All in total, the business cultivates an area of about 300 000 hectares (ha) and has a maximum permitted harvesting right of 600 000 solid cubic meters annually. This is all done under the supervision of the international certifications PEFC and FSC. These certifications are part of the forest management certifications – GFA that carries out the independent assessment of the company's forest manager for compliance with the PEFC and FSC standards. Once the forests are certified, the products from these forests can be market with FSC/PEFC labels and sold as certified. Furthermore, the interviewee did not mention the specific ISO standards that the company is using, however, later on the author has looked through the annual reports of the company and found out the ISO 31000 for risk management that provides reassurance for economic resilience, environmental and safety outcomes. However, this standard is used only in EU office, not in Russia. The company has the wood-processing plants in Czech Republic and in Austria where the operations are the same. The material production is exported to Europe: Austria, Germany, Estonia; to some regions of Russia and CIS countries; Asian countries: China, South Korea and Japan.

According to the interviewee response, the main difference in supply chains in Russia is that when the production is exported to Europe or Asia, there is a need of

customs fees and customs registration. Considering the supply chains in Europe when they are transported inside the EU region, there is no need of customs process and the requirements are much easier than in Russia. Taking into the consideration that the companies headquarter is in Leoben (Austria), the business in Russia follows the guidelines regarding the supply chain process that is obligated by the head office. From the point of view of the respondent, as it is the European company: “*there was no need for us to establish our own sustainability policies, since all of them are written and followed from the EU office*”. There are five main sustainability principles that they follow and the respondent has sent it to the author as a photo of the poster as she did not remember all of them by heart. The principles are the following:

- ***The responsible use of resources.*** The business processes the renewable raw materials and utilize the most modern high-quality technologies for manufacturing.
- ***Best standards.*** The company has set a goal of sustainable establishment of possible standards in all business areas where the company has an organization.
- ***Corporate values.*** The responsibility and performance are the basic core values that guide business actions in the corporate culture. The business development is a long-term process and there is always a need to focus on profitability and solidity. Besides the adherence of the principles concerning the environmental protection and corporate integrity, the firm considers the long-term responsibility towards community as a significant aspect.

- **Code of Conduct.** The principles of Code of Conduct consist of universal principles of the United Nations Global Compact. These principles act for responsible actions of the workforce regarding corporate ethical rules.
- **Responsible persons.** The reliable information regarding the non-financial issues is controlled by the Management Board and the Supervisory Board. In the corporate organization the central function was established: «The Sustainable Management» that is reported directly to the Board of Directors.

However, the representative says that the company is not successfully following all if these principles and considered some weak points in wood-processing plant in Russia that appeared few years ago: the machinery equipment is exploited 24/7 and soon is subjected to be worn out. The head office in Leoben has made a huge investment in the company with a particular focus in equipment production. One more issue to consider is the ecological situation in the region where wood-plant is based. According to the Logistic Manager and Export Manager, the amount of harmful emissions does not exceed the maximum standards that are permitted. The State Environmental committee controls regularly the activities of the business; however, the representatives mention that approximately 2 years ago during the inspection the number of violations of environmental legislation has been revealed. About 10 of the violations were related to the execution of documentation, some were the places of unauthorized waste disposal. Before, the residents of the region were dissatisfied with the air quality claims and unauthorized dumps, however, the company is on its way of development: they have eliminated the dumps and together with Rospotrebnadzor (A Federal Service on Consumer Rights Protection and Human Wellbeing) monitor the air quality: they analyze the air samples for the NO (Nitrogen Dioxide), CO<sub>2</sub> (Carbon Dioxide and suspended solids). The company is currently using the TICOM software

system for timber processes and covers the entire supply chain from procurement to the ultimate product.

## **Company B**

Company B is a big logistics and parcel provider that has its operations all over the world. The interview with the representative of the company gave a big insight towards sustainability issues and how the company manages them. First of all, the first interviewee supposed to be the Marketing Manager of the company, however, due to the huge workload of the Manager and the limited time that was designed for the interview, the author conducted an interview with a Sales Area Manager who is also familiar with environmental sustainability policies of the company. The Sales Manager has an experience as working in this position less than one year.

It is necessary to mention that the company has its headquarters in France region, however, the office in Russian Federation behaves independently, has its own regulations and rules, focused only on the Russian market and do the parcel delivery inside the country. Therefore, it was an interesting case to see how the sustainability in Russian supply chains differs from the EU. According to the respondent's answer, each region separately conducts initiatives and policies.

The Sales Area Manager said that, all the raw materials that the company is using is utilized and recycled: wood planks, equipment and so on. The current goal of the organization for the next year is to reduce the amount of paper by twice. The company is currently using the *ISO 9001 Standard* (a quality management system that helps to guarantee that the client consistently receives the quality products and services which turns into profitability of the business). That means that the customers continue working with the operator that follows the legal requirements. The company consider

themselves as a social and environmentally-friendly business. According the Sales Area Manager, Company B takes the responsibility of sustainable business program very serious. As the company works in the transport logistics field, they are trying to strive to produce less harm to the environment and to develop corporate social programs.

Company B has joined the Anti-Corruption Charter of Russian Business. They took the responsibility to meet the requirements of anti-corruption legislation, ethical principles of doing business, develop honest and mutually beneficial relationships with partners and maintain a transparent corporate governance system

Regarding the environmental protection, the achievement number one that the Company B has reached is the implementation of a test drive vehicles using the alternative fuels in Moscow and Saint-Petersburg. The transportation is done on the car vehicles with the high eco-friendly level. Instead of petrol, the natural gas is used as a fuel that contains 3 times less CO<sub>2</sub> (Carbon Dioxide), NO (Nitric Oxide), and the smoke effect is 7-8 times lower. These vehicles do not pollute the environment and use the special solution that contains the demineralized water. This fluid is poured into a separate tank and gradually added to the system, thus, there is practically no smoke and exhaust fumes when exhausting. In comparison with France region, Russia is one step back regarding environmental sustainability. First of all, in France the electric vehicles such as electric cars, electro scooters, electric vans exist for a long time. In Russia this project has been launched in two major cities, however, since the company operates in 26 cities of Russia, this should be extended to other locations accordingly.

The Company B is planning to expand the initiative and cover the other Russian regions. Secondly, France region has well-developed innovative warehouses when the car can enter inside and automatically pick up the parcels, where Russia is falling

behind. The Board Management consider the possibility of launching this type of warehouse, however, this requires a huge investment and deep analysis of understanding how and where. Next, even though it was mentioned that the company is utilizing the products and recycle, there is still a lack of secondary raw materials compared to France. This is because the company is lacking of the appropriate infrastructure for waste processing. The company has to invest more than billion rubles; however, it is still on the way to development to follow the western office. One more important issue to consider is that in Russia there is a document flow that is done in traditional way using paper, while in France the employees have already moved to the electronic type of documents and this occurs according to the government laws of the country, as it is not allowed to move away from the paper media, otherwise the wood-plants and other pulp and timber industry will suffer.

The company is working on the problem of reducing carbon dioxide emissions as the parcel delivery is a carbon intensive process and one more environmentally sustainable issue to consider is the use of the electric vehicles that was mentioned before. The firm believes that this will reduce the impact of CO<sub>2</sub> on the environment. In France region the couriers of Company B are already using the electric bikes, electro scooters and so on, and it's been two years in a row when the company uses the original solution in terms of ecological sustainability: it has delivered the parcels in a horse-drawn carriage. However, in Russia such environmental could not be implemented during the whole year due to the climate differences, this will work only from April to November. For already several years in a row the Company B has its cooperation with the Regional Public Organization for people with disabilities. The main goal of the cooperation is to find a way of involvement of the workers in the adaptation and socialization of people with disabilities and creating equal opportunities. In addition, the company is aiming of the changing society's attitude towards people with disabilities. The last but not the least issue to consider is that

France office procurement focuses on the raw materials, motor fleet management and supplier selection. In addition, the company pays attention to ecological labels (what Russia is lacking) and CSR policies.

## **Company C**

As it was stated before, the Company C is a huge FMCG Business in Russia that has several large production plants throughout Russian regions and is successfully on the market for 25 years. The author conducted an interview with the Product Innovation Manager, who used to be to author's mentor during summer internship. She works in a company for already 20 years and has a huge expertise towards company's supply chains and the successful sustainability issues related to it.

First of all, the representative considers that production plant in St.Petersburg use the principle of zero waste of disposal. The company C in Russia follows the guidelines of the headquarter (the same as Company A) and the firm proposes themselves as the key leader in sustainable supply chains.

The respondent suggests that older people in Russia are not worried about environmental issues, however, the young people are more involved in the sustainable process and already choosing the goods that are eco-friendly. She considers that the main key to have a brand image of sustainable company with excellent financial indicators, there is a need to respond to changing consumer views. About 10 years ago the Company C has adopted the Sustainability and quality Plan, where it was assumed that the business will reduce the environmental impact extends to the variety of natural resources covers such important issues as greenhouse gases, water, waste and sustainable sourcing. As it was stated before, the Company C has its headquarters in Rotterdam and London, and this is from where the regulations

regarding sustainability policies and other guidelines come from. However, the head office gave its divisions in various countries a kind of “freedom” when choosing specific items from the global agenda, which they would like to focus on at the national level. First of all, the company’s initial plan was to reduce the footprint by this year, however, they have revised the decision and completed it few years earlier. The head office has commanded this requirement to all the offices in different countries without considering the national and local conditions and culture, so the Russian Management board had to react quickly and be creative to find a suitable solution for this global issue. The company has assigned the certain Key Performance Indicators (KPI) that have been connected to the achievement of the goal in the supply chains. The product innovation manager of the company C considers Russian market as emerging, thus, the priorities regarding the waste reduction are quite relevant. Consequently, the company assumes that it is necessary to follow the principle of Reduce – Reuse – Recycle. The first production factory who has implemented this approach in Russia was a tea packing factory in St. Petersburg (where the representative of the company is currently working). After the implementation of the new waste management procedures, the tea dust and tea waste were sent for recycling in paving slabs, and the waste from the production of tea bags was recycled into the alternative solid fuel which is then used in the production segment. Furthermore, the other production waste such as cardboard, scrap metal and wooden pallets were also recycled for reuse.

Regarding the current sustainability situation, the representative assumes that due to the high level of the pollutant emissions, the Russian segment of waste has always been a source of environmental problems. Even though the company is the world leader regarding environmental sustainability, today most of the Russian infrastructure that is related to domestic waste processing is not developed at all. The main achievement that was done by the company (Reduce – Reuse – Recycle) was meant the need to recycle all the industrial solid waste, instead of sending it to dumps as it

was done in the past. Even before this sustainable principle was established, the company was strictly following the requirements of Russian Legislation, and in prescribed manner has utilized all of its waste. About 7 years ago, the company has implemented the basic waste sorting procedures (plastic and cardboard) and began with the waste recycling, despite the fact that it was still sent to the dumps. Global cost savings exceeded three times more because of the waste sorting procedures. Moreover, the company is now on its way to realize the program regarding the rational use of the water resources, reducing the greenhouse gas emissions and managing the industrial waste. The production plant in St. Petersburg is using 100 per cent of renewable wind energy, so that it covers the demand of manufacturing of the company. In addition, the company is using the electricity that is created by Finnish wind power plant and generates energy. This approach has helped the operations to reduce the CO<sub>2</sub> emissions from the factories by about 50%.

According to representative's answers, the company is strongly focusing on sustainability in order not to spoil the brand image of the organization. It strictly follows the guidelines that are prescribed by the western office and successfully implements national sustainability policies. Despite the fact that Russian ecological situation in the country is twice worse, than, for example, in the Dutch market, the company still tries to support its brand image as a leader in environmental sustainability. They always work on the development of sustainable policy and for now they are aiming to commit achieving zero emissions at all stages of supply chain production by 2039: starting from the raw material purchasing to delivering the product to the ultimate customer. Next, the company is aiming to achieve even higher standards regarding the environmental protection for high-carbon ecosystems such as forests, peatlands and rainforests. Moreover, the business is planning to eliminate the deforestation stages from the supply chain. Next, the company plans to design a program regarding the rational use of water resources in different areas with water scarcity and join the

members of the Water Resources Group in 2030. The organization also wants farmers to protect and restore the environment, and they are aiming to develop a solution to that.

Concerning the sustainable packaging, the company has developed a packaging management strategy that states that 100 % plastic packaging of products will be recyclable and packaging will contain minimum of 25 % recycled plastic. The company has taken into the consideration the problem with the infrastructure in the Russian Market and developed a plastic packaging that is recyclable appropriate to this infrastructure. Thus, they can be used to re-produce such packaging.

The representative has stated that the company focuses both on the environmental and social sustainable strategies, however, since the company's main operations are production and packaging that affects the environment, the ecological issues are considered as an advantage.

Respecting the social sustainability issues, it can be assumed that one of the main tasks of the company is to formulate a fair and inclusive corporate environment that will be comfortable for the employees, regardless of their background. Furthermore, the company is now actively promoting a culture of a kind of "Uniqueness" and work more with people with disabilities, which is not common in Russia at all. There are already the volunteers willing to be mentors with people with disabilities and help them to become professional and start a career.

## **Company D**

The last company that the author was conducting an interview with, was the IT company that has totally different operations as it provides the IT services around the

world. However, as it was previously mentioned the company is quite new and it was interesting to see how it differs regarding sustainability issues compared to the so called “old-fashioned” corporations and are in the market for more that 50 years and that have a strong policies and regulations.

The interviewee was the Senior Development Manager who has an experience in the company for more than two years. Since the company does not have any production lines, the firm’s operations do not affect the environment at all, however, despite that, the company still takes care of environmental sustainability and follows the modern trends regarding sustainable issues.

As it was explained by the representative, previously the company has used the plastic cups for drinks: water, coffee and so on. For now, they have switched to paper cups. Secondly, the workers are responsible for collection the plastic: for example, when they are using a carton of milk, there is a plastic lid on the top. Usually they fold and accumulate these lids in a special bag and later on, take it for the recycling – to the special organization that is in charge of disposes of these things.

When asking the company representative, on which strategy the company focuses more, she supposes that they put more attention to social sustainability. Since, this is a start-up company, the corporate strategy is changing constantly, sometimes the changes could appear every two months, which basically means that you always have to be on the move. According to representative’s point of view, the company needs to choose a clear strategy for understanding the way they are about to reach. The company has risen by 10 000 000 this year as they have been invested, which helps to develop new offices in the international market. The team is constantly growing, even during the COVID-19, the company was able to increase the number of employees and no one was laid off both in Russia and in foreign market.

The company takes a huge responsibility towards the corporate security issues. They have hired a person responsible for the security of the company: Chief Security Officer (CSO). He is responsible for data security for the leak. The representative explained the situation when they hired a person, and later on it turned out that he wanted steal and leak the data. However, it was figured out very quickly and he was fired. The firm is working with the European market and all the data and agreements are protected confidentially. In the US market they have the privacy shields, that allows to cooperate with other organizations so that their data will not be leaked anywhere and all the information will be served on the servers.

According to the respondent view, the company is much more stable in Russia, since they have loyal clients and most of the sales department is located in Russia, rather than in Europe and USA. The specifics of working with clients in Russia and Europe is completely different, since the company provides the IT services (B2B) they should find the right way to reach the customer according to business ethics and culture.

## **6 DISCUSSION AND CONCLUSION**

As it was previously indicated in the research, this chapter is focused on the presentation of the empirical findings that answer the research questions. First, the author is going to give the outcomes from the analysis on the data gathered by understanding the main aspects of the environmental sustainability policy and figure out if the companies are following this. Next, based on the results, the detailed analysis will be given on each aspect with the possibilities for further improvement combining together with the theoretical issues of the study. Later, the author will give the answers to research questions. Finally, the limitations and suggestions for the further development will be examined.

### **6.1 Analysis of the results**

The analysis has shown that the concept of sustainable development is not just a theory for improving life on the planet. These principles have quite practical application - both for states and for business. Since the aim of this research is to identify the research gap in sustainability practices in supply chains of international companies in Russian market, how they are evaluated and if there are differences when applying sustainability strategies.

By studying the main features of environmental responsibility in this research, it can be seen that most companies understand the term of environmental sustainability as voluntary and conscious adoption of environmental protection in order to improve the safety and sustainability of business development externally as well as internally. However, the research has shown that the companies are in charge of developing their own sustainable strategies considering the countries specific conditions. Since

Russia is related to emerging markets, there is a lack of sustainability related knowledge and also the country is lacking comparing to the EU countries.

The author decided to create a table analysis in order to visualize the sustainability impact based on the company's results. From the interviews with the representatives it was clearly identified the main aspects of the environmental sustainability in the multinational corporations in Russia, thus, the author has put the main features in the table. It was investigated that two of the case companies (Company A and C) have the production lines, while the Company B and Company D, are service providers, however, Company B delivers its services by transporting parcels, hence, is necessary to be investigated from the environmentally sustainable point of view. Since Company D is an IT provider and its operations are based in a remote way, there are no environmental issues in the supply chain organization, however, as it was previously discussed the company follows the modern sustainability standards and does the external activities concerning the environmental protection.

| <b>Environmental sustainability practices</b> | <b>Company A</b> | <b>Company B</b> | <b>Company C</b> | <b>Company D</b> |
|---|------------------|------------------|------------------|------------------|
| ISO standards and environmental systems       | Yes              | Yes              | Yes              | -                |
| Annual planning and sustainability reporting  | No               | Yes              | Yes              | No               |
| Reduce CO2 emissions                          | Var              | Yes              | Yes              | No               |
| Resource, Recycling and Waste Disposal        | No               | Yes              | Yes              | Yes              |
| Green Packaging                               | No               | No               | Yes              | No               |
| Information sharing                           | No               | No               | Yes              | No               |

Table 3. Comparison sustainability practices of International companies in Russia

### ***ISO standards and environmental systems***

According to the table, it can be assumed that mostly all the companies follow the ISO standards and EU certifications. Since, these companies are international and especially Company A and C are guided by the EU office, the prior motive of implementing ISO standards is to ensure the quality of the products and services in the foreign trade. It is not a secret that in the modern world, the price for the provided product or services is significant, however, it is not a decisive factor when choosing a supplier. In Company C they try to build long-lasting supplier relationships and also the representative has mentioned that during the purchasing process they have to be sure that they do a partnership with the environmentally certified supplier. This is possible only when suppliers are able to provide a product at the high level. As it was previously indicated, the suppliers' environmental management is analyzed in terms of their environmental management systems, eco-certificates and their compliance with environmental legislation. (European Commission, n d).

In addition, the need for ISO creates the cost reduction by systems improvement and improve the competitiveness of the organization so that the consumers will be able to see the certified product or service and, thus, will lead to better CRM. (ISO Standards n d). From the results it can be seen that all the companies are on their way to follow environmental standards. As in was indicated in the previous chapter, Company B is also following ISO standard despite the fact that it has independent rules and regulations towards sustainability and not guided by the EU office. Moving to company D, it was mentioned that the company is not following any environmental standards.

### ***Annual planning and sustainability reporting***

Since, one of the mentioned measures for sustainability policy is the annual reporting and forecasting, from the empirical results it can be viewed that Company B and Company C are winning at this position, while Company A is lacking. The reason for that from the author's point of view is the following: as it was previously described in the theoretical part, in Russia the sustainable policies in the businesses are not equally efficient in all regions. Since, the operations of Case companies B and C are based in St. Petersburg and Company – in the suburb. This happens because bigger cities in Russia are more developed, thus, more technologically advanced, plus, more attention and control are focused on manufacturing in big cities. Historically, there is a desire to create industrial enterprises outside of big cities, that is done from an economic point of view and from an environmental point of view. Furthermore, in small towns the standard of living is lower and people are mostly focused on the problem of survival in financial terms, rather than on the environmental aspects, which is one of the major problems that is caused by the low economic situation of the majority of Russians. This is also due to the high level of corruption in the country, that many regulatory authorities turn a blind eye to various violations of companies.

Regarding the sustainability reporting, companies B and C are doing good in this aspect since Annual Sustainability reporting will help the companies to identify its supply chains activities, analyze strengths and weaknesses of the sustainability performance and find the areas for improvement. For company A it would be also essential to publish the sustainability reports and CSR in order for the company to take leading position and be transparent in its activities.

### ***Reduction of CO2 emissions***

Based on the results, it can be seen that most companies are aiming to reach reduction carbon dioxide emissions, however, company A is lacking behind the others in these regards, as it was already mentioned there were violations connected with air quality conditions in the region. As discussed earlier, in other regions of Russia outside the big cities there is a lack of concern towards ecology, however, in this case it caused the discontent among people in the region and forced the company to take measures regarding harmful emissions. Company B is taking the reduction of CO2 emissions in a more serious manner: the organization strives to use more environmentally-friendly methods of transportation and, subsequently, use the cars that consume the natural gas. In France the project on the use of electric vehicles has already been undertaken for a long time, while in Russia this project is only being undertaken in Moscow and St. Petersburg. Here again, the problem arises with regards to regions in Russia, where it is also required to take this project into account. The main challenge is so that the electric cars needs special station for charging, and Russian regions are lacking behind two big cities. Moving on to company C, it can be assumed that the company is the winner towards the reduction of CO2 emissions. First of all, the company uses a wind power plant that helps to reduce the carbon dioxide emissions from manufacturing, which compared to other companies, is still the best and most effective solution.

### ***Resource, recycling and waste disposal***

Regarding the waste disposal, following the principles established in the head office in Austria, the company A says that it successfully disposes the waste, however, as it was said earlier a couple of years ago, the company was accused of violating unauthorized waste disposal. Next, concerning the Company B it can be said that

there is a lack of secondary raw materials and very little recycle processing since there is no appropriate equipment. Company C is again a leader in this action regards to waste disposal, they follow the strategy of reuse and recycle for many years. As an example, it was given a tea bag, the tea dust and tea waste have been sent for recycling to paving slabs. Moreover, it is important to note the company D in this aspect since the employees of this company are voluntarily involved in the recycling process. They are engaged in the distribution of waste within the company and take it to the special organization that deals with waste utilization.

### ***Green packaging***

Considering the eco-friendly packaging, is the weakest aspect in the supply chain in Russia. Since Green packaging includes the use of raw materials and production methods that have a minimum impact on the environment, it has already been discussed that in Russia they do not care at all about natural resources and, hence, use them unwisely. Company C is the only one who cares about the sustainable use of resources, as they have a strategy that emphasizes that all plastic packaging will be recyclable and sustainable packaging will contain the minimum of 25 % of recycled plastic. Company B is lacking behind its head office in France with regard to sustainable packaging as the EU is using the resources sustainably following the environmental standards and, thus, have the ecological labels on their parcels. Russian office is again lacking at this position.

### ***Information sharing and supplier collaboration***

Company C is the only organization that coordinated personnel through which it shares information towards sustainability solutions and discusses further improvements in sustainable development.

As it was discussed earlier, when evaluating supplier control systems for environmental pollution, organizations identify such indicators of potential partners as the amount of emissions and waste, the efficiency of resource and energy use in production, as well as the level of waste recycling.

## **6.2 Summary of theoretical and empirical findings**

The purpose of the current research paper was to examine the multinational company's sustainability situation in the Russian market with the identification of the possible challenges that prevent companies from building the successful environmental policies. The empirical results were indicated, evaluated and declared by the provision of the main environmental aspects. The answer on research question and sub-questions will be identified based on the research findings.

Research question:

*How do international companies focus on the sustainability in supply chain on the Russian Market?*

Sub-questions:

- *What are the successful examples of sustainability implementation?*
- *What are the challenges when implementing sustainability policies in Russia and what are the reasons for it?*
- *What are the differences when implementing environmental sustainability in supply chains in Russian market compared to the western market?*

Based on the findings, it can be viewed that one of the main factors in the sustainability of international companies in Russia is the subordination to the European headquarters. Thus, it can be concluded that the degree of compliance with sustainability in the supply chain also depends on the region: since in big cities the air is already polluted, therefore, one of the reasons is that they try to keep production plants that emits a huge amount of emissions outside the city. In the study, the four companies were presented, and, for comparison, two of which have the production plant: one in a large city, the other in a small region, the result has shown that although both companies are managed by a European headquarters, the difference between the way companies drive sustainable development is enormous. It is also worth noting that a company with production in other regions of Russia also experiences non-compliance with the principles of corporate sustainability. However, in this study we focus only on a factory located in St. Petersburg.

Secondly, the problem lies in the minds of people. As it was already mentioned, Russia is a country with a bad ecology and in this regard, it lags very behind in comparison with European countries: waste is not sorted, no measures are provided to reduce air pollution, people are not taught to take care of nature, respectively, no one does not take responsibility for running a green business.

Next, from the study, it can be concluded that environmental and social issues must be met by all actors in the supply chains: starting from suppliers ending with ultimate customers. As it was stated before, the older generation in Russia does not care about ecology and eco-friendly products, but in this case, the focus should be on the younger generation, as they are more and more involved in the sustainability process and choose products that are eco-friendly. It is an essential step to do due to the fact that, without giving the special attention to these criteria selection, organization can damage their own brand image and reputation by omitting unethical labor practices,

unacceptable methods of processing, packaging and transportation of products and so on.

Thus, combining the theoretical framework with empirical results it can be confirmed that in order to compete successfully in today's complex and constantly changing environment, especially in the Russian emerging market, businesses need to measure, track and manage organizational effectiveness in relation to all components of the triple bottom line (TBL) concept. One of the most important tasks for sustainable development in Russia is the compensation of the environmental impact as a result of the industrialization that resulted in the intensive consumption of natural resources.

Comparing the Russian supply chain and the European supply chain, it can be said that in this study this issue has not been fully identified, since not all representative case companies are well familiar with information about sustainability in the European market. However, it can be concluded from the example of company B that despite the fact that the company tries to comply with European sustainability standards, the company lags significantly behind in the Russian market. Based on the example of company C, we can conclude that both in Russia and in Europe the company is equally concerned about both the environment and the social aspect of sustainability. The company has a leading reputation for sustainability and cannot afford to spoil the brand image of organization, hence, the Russian market is also concerned about the concept of sustainable development.

Also, Company C is running business in a more sustainable manner compared with the other companies and operates as a strong business leader in sustainable policy and also the reasons can be the so that the company is a leader in FMCG business and has a strong network with public authorities for years (which was indicated in the annual report) The organization takes serious consideration towards the careful

selection of partnership with environmentally sustainable suppliers and other actors in supply chains. Finally, company is responsible for annual reporting strategy that enables to analyze challenges and possibilities for further improvement of sustainability issues.

### **6.3 Limitations and suggestions for further research**

The current research is based on the results of a qualitative research method, consequently, the data that were obtained was based on the subjective opinion of one representative from each company. Only company A had two representatives, but in general this was not enough to fully assess the situation with sustainability in the organizations

This research paper studied international companies from different industries that operate on the Russian market. In further studies, it is advised to focus on only one industry in order to understand a clear picture of a specific industry in the Russian market. Speaking about this study, it is worth noting that it is difficult to give a clear picture of how the sustainability of international firms in Russia is regulated, since there are a lot of various organizations in the country and in each of them the sustainability can be regulated differently; and in this study we focus only on four organizations. It is also recommended to choose between large organizations and SME's for the next studies, as supply chains are different and complex, and it is difficult to conduct a thorough comparative analysis between huge and small companies.

Next, since the environmental sustainability of a company is a rather broad topic, it is recommended to study all aspects of the reasons why companies do not care about the environment, from political factors to economic motives.

As it was mentioned in the empirical part of the study, companies operating in Russia are leading in terms of environmental sustainability in comparison with other BRICS countries, therefore, this study may be applicable to the markets of these countries to identify possible factors of non-compliance with the environmental sustainability of the supply chain in the companies.

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## **Appendices**

### ***Interview Structure for Company A and Company C***

Q1: What is your position in the company?

Q2: How do you evaluate the current situation with the environmental sustainability in the organization?

Q3: Since your company has a production plant, your supply chain operations affect the environment. Which tools do you use for measurement of environmental sustainability?

Q4: Please, give an example of how do you manage the supply chain in the organization and how do you evaluate it?

Q5: Are there any differences in the supply chain activities in Russia compared to the foreign market, for example, in the head office?

Q6: During the implementation of the sustainability strategy where did you get the most success and where were the difficulties?

Q7: In your opinion, what can be improved and what are the main aspects of the successful sustainability strategy?

### ***Interview Structure for Company B***

Q1: What is your position in the company?

Q2: How do you evaluate the current situation with the environmental sustainability in the organization?

Q3: Please, give an example of how do you regulate the supply chain operations and especially the transportation issues.

Q4: How is the environmental sustainability is implemented in the company? How it differs from the EU market? What could be the obstacles?

Q5: If yes, how do you think these obstacles could be managed?

Q6: On which sustainability issues the company is more focused: environmental or social?

Q7: In your opinion, what can be improved and what are the main aspects of the successful sustainability strategy?

### ***Interview structure for Company C***

Q1: What is your position in the company?

Q2: On which sustainability issues the company is more focused: environmental or social?

Q3: The company does not do the supply chain operations that affect the environment. Do you take care of the environmental sustainability in the organization?