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**SUSTAINABLE SUPPLY MANAGEMENT AS A SOURCE OF
COMPETITIVE ADVANTAGE IN FINNISH SMES – A RESOURCE
BASED VIEW**

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ABSTRACT

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Sustainable supply management as a source of competitive advantage in Finnish SMEs – a resource-based view

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With globalization, outsourcing across both organizational and geographical borders has increased. This emphasizes the significance of procurement and supply management (SM) in ensuring that sustainability and responsibility are respected throughout the supply chain. The objective of this thesis is to examine the phenomenon of sustainable supply management (SSM) as a source of competitive advantage in small and medium-sized enterprises (SMEs) operating in Finnish manufacturing industries. According to the theory of resource-based view (RBV), competitive advantage emerges through firm's internal resources and capabilities. Through the theory, this study aims to research what are the drivers, motives and challenges of sustainability that formulate the SSM strategies and practices of the case companies, and what are the SSM resources and capabilities of these firms that lead to the creation of competitive advantages.

The main findings of this thesis indicate that sustainability is an increasing trend in several manufacturing industries. Increased customer pressures and requirements have further driven firms to integrate sustainability in their operations and upstream of the supply chain and to produce more sustainable and responsible products and services. However, there are firms that aim to be at the forefront of sustainable development and utilize the benefit of first-mover advantage in their industries. The level to which SSM is considered a source of competitive advantage differs between industries and companies, but it is still perceived to enhance competitiveness and to come with various benefits.

TIIVISTELMÄ

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Vastuulliset hankinnat kilpailuedun lähteenä suomalaisissa pk-yrityksissä – resurssiperusteinen näkemys

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Globalisaation myötä ulkoistaminen sekä organisaatio- että maantieteellisten rajojen yli on lisääntynyt. Sen johdosta hankintojen merkitys on korostunut varmistamaan, että kestävä kehitys ja vastuullisuutta kunnioitetaan koko toimitusketjussa. Tämän pro gradu -tutkielman tavoitteena on tutkia vastuullisia hankintoja kilpailuedun lähteenä suomalaisessa valmistusteollisuudessa toimivissa pienissä ja keskisuurissa yrityksissä. Resurssi-perusteisen näkemyksen (RBV) teorian mukaan, kilpailuetu syntyy yrityksen sisäisten resurssien ja kyvykkyyksien kautta. RBV-teorian avulla tämä tutkielma pyrkii selvittämään, mitkä ovat vastuullisen liiketoiminnan ajureita, motiiveja ja haasteita, jotka johtavat tapausyritysten käyttämiin vastuullisen hankinnan strategioihin ja käytäntöihin, ja mitkä ovat yritysten vastuullisen hankinnan resursseja ja kyvykkyyksiä, jotka puolestaan johtavat kilpailuetujen syntyymiseen.

Tämän tutkielman päähavainnot osoittavat, että kestävä kehitys nähdään kasvavana trendinä useilla valmistusteollisuudenaloilla. Lisääntyneet asiakaspaineet ja -vaatimukset ovat edelleen johtaneet kestävämpään ja vastuullisempaan liiketoimintaan toimitusketjussa, ja saaneet yritykset tuottamaan kestävämpiä ja vastuullisempia tuotteita ja palveluja. Yritykset pyrkivät kuitenkin myös toimimaan kestävä kehityksen edelläkävijöinä ja hyödyntämään tätä etua omilla teollisuudenaloillaan. Se, missä määrin vastuullista hankintojen johtamista pidetään kilpailuetuna, vaihtelee toimialojen ja yritysten välillä, mutta sen katsotaan silti parantavan kilpailukykyä ja tuovan mukanaan useita etuja.

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With these final words of this thesis and my master's studies, I want to say that I am extremely glad that I decided to apply to study at LUT a little over 3 years ago. Studying has been both tough and rewarding. Especially writing this thesis has taught me a lot, and at the same time it has been the most challenging project of my life so far. Writing a thesis alongside with a full-time job is not easy, but overcoming challenges is that much more rewarding.

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In Turku, 7.7.2021

Ilona Rantanen

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Acronyms

CSR	Corporate Social Responsibility
EMS	Environmental Management System
ISO	International Organization for Standardization
NRBV	Natural-resource-based view
RBV	Resource-based view
SCM	Supply Chain Management
SM	Supply Management
SME	Small and medium-sized enterprise
SRBV	Social resource-based view
SSCM	Sustainable Supply Chain Management
SSM	Sustainable Supply Management
TBL	Triple Bottom Line

1 INTRODUCTION

Over the past two decades, the mindset of organizations has shifted toward greener and more sustainable ways of thinking, increasingly considering the strategic importance of environmental and social responsibility (Moore and Manring 2009, 276; Carter and Jennings 2002a, 145). This can be noticed from the increased coverage of sustainability topics in businesses' annual reports (Tate and Bals 2018, 804) as well as the growing number of literature papers on topics of environmental and social responsibility (see e.g., Seuring and Müller 2008, 1701; Hoejmose and Adrien-Kirby 2012, 235; Winter and Knemeyer 2013, 29; Quarshie et al. 2016, 84). Corporate managers and numerous stakeholders, such as governments, NGOs, public authorities, trade unions, and customers, have increasingly understood the impact of corporate activities on the environment and the society (Porter and Kramer 2006, 77; Jorgensen and Knudsen 2006, 449; Andersen and Skjoett-Larsen 2009, 75). Therefore, corporate sustainability and responsibility have become major competitive pressures that companies face in today's business environment (Foerstl et al. 2010, 119).

However, sustainability does not only consider the company itself, but extends beyond the borders of a single firm (Seuring and Gold, 2013, 1), creating a concept that integrates sustainability with supply chain management (SCM) (Ahi and Searcy 2015, 360). With globalization, outsourcing across both organizational and geographical borders has increased. This poses challenges for focal companies especially from a procurement perspective, as they are still considered responsible for outsourced activities even when they occur beyond organizational borders. Thus, it emphasizes the significance of procurement and supply management (SM) in ensuring that sustainability and responsibility are respected throughout the supply chain. (Jorgensen and Knudsen 2006, 449; Zimmer et al. 2016, 1412.) According to Carter and Rogers (2008, 361), supply chain professionals have a key role in influencing sustainability practices.

Sustainability and responsible business have been studied in the academic research literature for decades. During that time differing opinions have evoked about the benefits of responsible business (Tang et al. 2012, 1274; Paulraj et al. 2017, 241) and how such practices impact the financial performance of a company (Brammer and Millington 2008, 1327). Some researchers have found a negative relationship between sustainability and firm's financial performance (see e.g., Wagner et al. 2002, 142) and argue that engaging in

responsible practices can result in unnecessarily high costs, while financial returns in the stock and product markets are relatively low, placing firms in a competitive disadvantage (Brammer and Millington 2008, 1327-1328; Paulraj et al. 2017, 241). However, there seems to be a consensus among most of resource-based view (RBV) scholars that sustainable business can have several benefits and a positive impact on the financial performance of a firm through improved stakeholder relationships and better reputation among customers, employees, suppliers, and regulatory authorities (Tang et al. 2012, 1274). The RBV studies how responsible strategies can contribute to creating competitive advantage and superior performance and how firms create sustained competitive advantage by exploiting the firm's internal resources and capabilities. (Newbert 2007, 121; Kraaijenbrink et al. 2010, 350; Glavas and Mish 2015, 626; Knott 2015, 1806.) The theory suggests that internal resources and capabilities are what differentiate firms from competitors, leading to different levels of profitability among firms within the same industry (Grant 1991, 115; Claver et al. 2002, 321).

Corporate sustainability within smaller businesses has a potentially high impact on the global economy and society (Morsing and Perrini 2009, 2), as approximately 90% of all global businesses are considered small and medium-sized enterprises (SMEs) (UNIDO 2002, 2). The significance grows even higher across the OECD area where approximately 99% of all enterprises are SMEs, accounting for at least 60-70% of the world's production, as well as all industrial pollution (OECD 2015, 16; Miller et al. 2011, 80). Although investigation and communication of sustainability actions is more complex in these companies, the topic of sustainability in small businesses is nevertheless often overlooked (Morsing and Perrini 2009, 1).

1.1 Research gap

The SCM research has begun to address the importance of sustainable supply chain management (SSCM) since the 1990s (Pagell and Shevchenko 2014, 44). Especially in the past decade, SSCM has seen a significant increase in literature, and it has attracted considerable interest from scholars in supply and operations management, as well as in ethics and sustainability (Touboulic and Walker 2015, 24).

However, according to Ageron et al. (2012), research on sustainability that focuses on SM, in particular, is still fairly limited even though SM is a critical factor for an organization's competitiveness. Furthermore, Kumar and Rahman (2016, 837) argue that there are limited

studies that consider all dimensions of sustainability; environmental, social, and economic. Moreover, according to several scholars (see e.g., Spence 1999, 163; Tilley 2000, 32; Spence and Rutherford 2003, 1; Aragón-Correa et al. 2008, 89), the literature on sustainability has mainly focused on large, multinational corporations (MNCs), while responsible measures in SMEs have received less attention. Hence, the need to study sustainable supply management (SSM) especially from the SMEs' point of view can be recognized. Adopting the same SSM practices as larger organizations might not be directly transferrable to SMEs due to their unique characteristics (Welford and Frost 2006, 170; Ciliberti et al. 2008, 1579; Vo 2011, 89).

Therefore, as a reflection on these findings, the aim of this thesis is to fill these research gaps by considering all the three dimensions of sustainability and studying the concept of sustainable supply management. As an attempt to add to the research of sustainability in small businesses, this thesis focuses particularly on the sustainability and SSM of small and medium-sized enterprises.

1.2 Research objectives, questions and delimitation

The objective of the thesis is to study how sustainability and responsibility in supply management may contribute to competitiveness of SMEs operating in Finland. The competitiveness is examined through the background theory, RBV, which considers a firm's internal resources and capabilities as a source of competitive advantage.

The main research question is:

- 1) *What is the role of sustainable supply management in creating competitive advantage for a company?*

The main research question will be examined using the following sub questions:

- 2) *What are the drivers, motives, and challenges of sustainable supply management?*
- 3) *What strategies and practices are used in executing sustainable supply management?*
- 4) *How can sustainable supply management resources and capabilities contribute to competitive advantage of a company?*

The study is limited to consider Finnish SMEs from different manufacturing industries, and hence, the characteristics of SMEs must be taken in account. Due to the contemporary global nature of the manufacturing industry (Laosirihongthong et al. 2014, 1231), it can be assumed that supply chains have a significant role in SSM and competitive advantage in manufacturing SMEs. The selected case companies and interviewees of this study will be introduced in more detail in chapter 3.2. In addition, as the thesis adopts the perspective of a resource-based view (RBV), it focuses on the internal resources and capabilities of the case companies.

1.3 Conceptual framework

In order to support the research questions and data analysis of the empirical research, as well as to provide a clearer structure for the thesis, a conceptual framework is proposed for this study. Figure 1 visualizes the theoretical model on which the research, interviews and data analysis are based. It also further explains how the sub research questions support the main research question, i.e. how these sub-topics can contribute to SSM that can ultimately lead to competitive advantages.

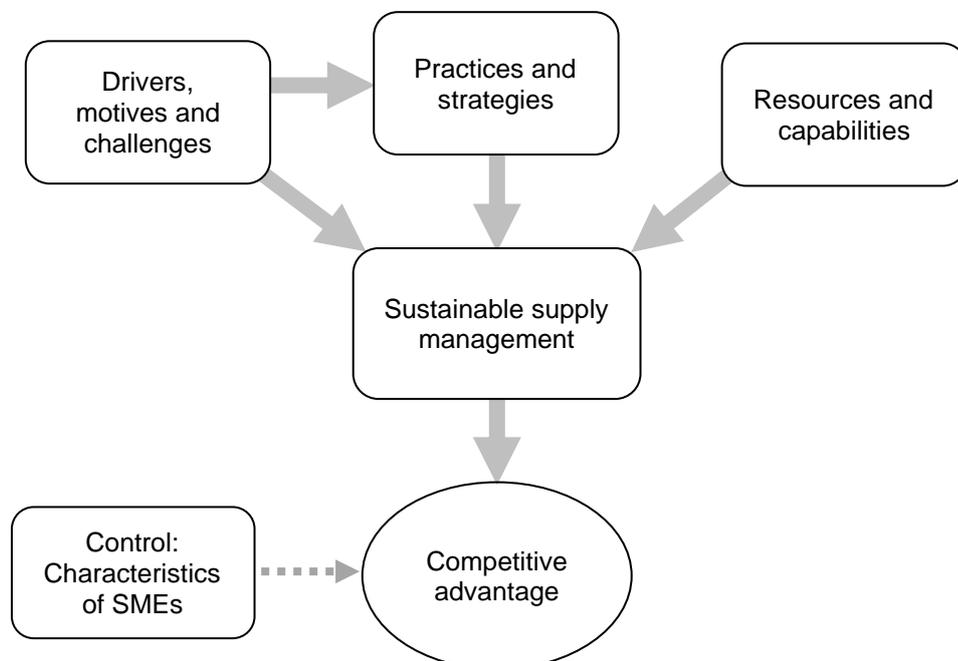


Figure 1. Conceptual framework of sustainable supply management as a source of competitive advantage in SMEs - a resource-based view

The model suggests that the drivers, motives and challenges, practices and strategies, as well as resources and capabilities of a firm influence SSM and its ability to work as a source of competitive advantage. Understanding the drivers, motives and challenges is an initial stage of implementing successful SSM as they have an impact on the use of SSM practices and strategies (Narimissa et al. 2020, 249). Firms may engage in SSM practices due to different internal and external motives and drivers (Paulraj et al. 2017, 242). Hence, these factors can be considered as building blocks that influence SSM (Ageron et al. 2012, 170). Further, suppliers play a critical role in sustainable supply chains. Therefore, SSM strategies and practices are integral activities in ensuring sustainable and responsible upstream supply chain performance. (Ageron et al. 2012, 171.) However, only employing SSM practices and strategies does not necessarily create a sustained competitive advantage for a firm, but it requires unique and inimitable resources and capabilities (Barney 1991, 107; Grant 1991, 117). Accordingly, Bowen et al. (2001, 175) argue that in order to implement SSM practices, adequate supply management capabilities must be developed through proactive, environmental and strategic supply management approach. As the research is based on SMEs, the characteristics of smaller enterprises must be taken in account. In this conceptual framework model, they work as controlling factors in the creation of competitive advantages.

1.4 Research methodology

The research will be conducted using qualitative research methodology. Qualitative research studies phenomena and processes through the experiences of individuals, aiming to understand their perspectives and point of view (Hallberg 2006, 141). Qualitative research method was selected for this study, because the aim is to achieve in-depth, empirical evidence of SSM in Finnish SMEs. This will provide a more detailed understanding of the research topic and a better picture of what the contribution of SSM on competitive advantage is.

Additionally, as a qualitative research method, multiple case study was chosen to analyse verbal material gathered through interviews. Multiple case study can be used to obtain a better understanding of complex individual, group, organizational, social, or political phenomena (Yin 2009, 4). Multiple case study was chosen for this thesis, because it enables a comparison of similarities and differences between cases (Eisenhardt 1989, 540) as well as the forming of patterns of theoretical replications and supporting the theoretical

proposition (Yin 2009, 54-55). Due to the diverse characteristics of the selected case companies, it can be assumed that both similarities as well as different points of view and experiences of the interviewees can be expected, creating comparisons between the interview responses. This supports the aim of this thesis to create as a comprehensive understanding as possible of how the different participating companies have employed sustainability and SSM in their businesses. Furthermore, as Glavas and Mish (2015, 624) discovered, scholars desire more qualitative research and a case-comparative approach regarding the interrelation of environmental, social and economic responsibility, the used strategies, and how they create value. The methodological choices of this thesis are described more in detail in chapter 3.

1.5 Definitions of the key concepts

This chapter will introduce the definitions of the key concepts relevant to this thesis before they are discussed more deeply in the following chapters. Based on the conceptual framework, the main themes are: (1) sustainability, including concepts of sustainable development, triple bottom line and corporate social responsibility, (2) sustainable supply management, and (3) the interconnection of resources and capabilities and competitive advantage, including the concept of resource-based view.

Sustainable development

Sustainable development can be defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987).

Triple Bottom Line

The Triple-Bottom-Line (TBL) framework, first introduced by Elkington (1998), suggests that sustainability is created in the intersection of environmental, social, and economic performance. It includes activities that both have a positive effect on the natural environment as well as society, and lead to long-term economic benefits and competitive advantage. (Carter and Rogers 2008, 365)

Corporate Social Responsibility

CSR is a broad concept that guides companies to integrate environmental and social matters in their business operations and relationships with their stakeholders (Andersen

and Skjoett-Larsen 2009, 77; European Commission 2001, 7). It depicts the companies' response to the demands and expectations of their stakeholders, including society, individuals, and the environment (Carter and Jennings 2002a, 145).

Sustainable supply management

Purchasing management or supply management (SM) handles the purchasing of goods and services to ensure supply at the right time, quality and cost, while at the same time supporting innovations and service criteria (Schiele 2019, 48; Chick and Handfield 2015, 14). Sustainable supply management (SSM) can be defined as “managing all aspects of the upstream component of the supply chain to maximize triple bottom line performance” (Pagell et al. 2010, 58).

Resource-based view

The resource-based view (RBV) is a theoretical framework that is used to explain how firms create sustained competitive advantage by exploiting the firm's internal resources and capabilities (Newbert 2007, 121; Kraaijenbrink et al. 2010, 350; Glavas and Mish 2015, 626; Knott 2015, 1806). In the RBV, firms are viewed as bundles or collections of resources (Penrose 2009, 21; Wernfelt 1984, 172). The theory suggests that internal resources and capabilities are what differentiate firms from competitors, and which are the source of creating competitive advantages (Grant 1991, 115; Claver et al. 2002, 321).

Competitive advantage

Barney (1991, 102) defines competitive advantage as “when a firm is able to implement a value creating strategy not simultaneously being implemented by any current or potential competitors”. Sustained competitive advantage emerges when the competitors are also unable to reproduce the benefits of such strategies.

1.6 Structure

The structure of this thesis constructs of a theoretical part, an empirical part and the results of the study. The theoretical part and literature review of this thesis will be introduced in chapters 2 and 3. Chapter 2 includes the literature review of sustainability and SSM, starting by defining sustainability and the aspects of environmental, social and economic responsibility. It will be followed by the concept of sustainable supply management, moving on to the definition and introduction of small and medium-sized enterprises (SMEs) and

their characteristics, which create the limitations and direction for this study. Finally, the drivers, motives, and challenges as well as strategies and practices of SSM in SMEs will be outlined. Chapter 3 will present the RBV of competitive advantage, the connection of RBV and sustainability, and how RBV provides an explanation for SSM.

The literature review will be followed by chapter 4, introducing and justifying the chosen methodology of the study. This chapter will propose the implementation of the empirical research by presenting the research approach, research method, data collection, and data analysis, as well as discussing the reliability and validity of the study.

Following, chapter 5 consists of the empirical part of the study, presenting the findings and analysis of the data of the different research themes. After, the findings will be discussed in chapter 6 and reflections and contributions to existent literature will be conducted. The final chapter 7 will conclude the study by answering the research questions. This chapter will finally present the managerial implications and limitations of the study, as well as suggest future research themes and opportunities.

2 SUSTAINABLE SUPPLY MANAGEMENT

This chapter presents the literature review of sustainability, responsibility and sustainable supply management. The chapter will firstly define sustainability in order to understand the different concepts and meanings at corporate and broader level. Next, the concept of sustainable supply management and its significance for companies will be explained, followed by the introduction of small and medium-sized enterprises and their characteristics. Finally, the drivers, motives, and challenges as well as strategies and practices of sustainable supply management found in the literature will be compiled.

2.1 Defining sustainability

From the 1990s onwards, the aspects of environment and society have increased their strategic importance in organizations (Moore and Manring 2009, 276) and business leaders have begun to place more and more emphasis on sustainability (Carter and Jennings 2002a, 145). The growing trend can be noticed from the increased coverage of sustainability topics in businesses' annual reports (Tate and Bals 2018, 804) as well as the growing amount of research papers published in the past couple of decades (see e.g., Seuring and Müller 2008, 1701; Hoejmose and Adrien-Kirby 2012, 235; Winter and Knemeyer 2013, 29; Quarshie et al. 2016, 84). Stigson (2002, 24) remarks the growing accountability of companies to explain how their actions support their values and principles, which means that society expects more than just well-priced quality products or services from companies. Especially the younger generation is increasingly demanding offerings that are sustainable, and having a proven sustainability track record in a company is also preferred within younger employees (Scherrer and Astrachan 2018, 295).

The most well-known definition of sustainable development was introduced by the WCED in their report *Our Common Future*, also known as the Brundtland Report, published in 1987. In the report, sustainable development is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. With various definitions of sustainability introduced throughout the years, most of them share three core elements; economy, environment, and society (Vos 2007, 335; Ahi and Searcy 2013, 334).

Environmental responsibility addresses issues such as climate change (Williams and Schaefer 2013, 174) and global warming (Ageron et al. 2012, 171). It includes activities that protect natural resources and reduce carbon footprint, such as reduction of waste, emissions and pollution, and energy efficiency (Krause et al. 2009, 20; Ageron et al. 2012, 171; Gimenez and Tachizawa 2012, 533). Social sustainability concerns the well-being of both internal communities of the firm such as employees, as well as external parties such as local communities (Sancha et al. 2016, 1935). It includes issues with poverty, injustice and human rights, employee's health and safety issues, diversity, failing to meet minimum labour standards, using child labour, and participating in repressive regimes, not allowing workers to join unions (Krause et al. 2009, 19; Gimenez and Tachizawa 2012, 533; Sancha et al. 2016, 1936; Maitland 1997, 593). The economic dimension is based on the long-term success and competitiveness of a company. Contrary to the environmental and social dimensions of sustainability, the economic aspect is quantitative and emphasizes the efficient use of resources and the return on investments (Winter and Knemeyer 2013, 23-24) in order to meet the needs of the company's stakeholders and shareholders (Krause et al. 2009, 20).

The interconnection of these three dimensions has created the concept of the Triple Bottom Line (TBL), first introduced by Elkington (1998), which can be considered as the foundation of sustainable development (Adams 2006, 2). Figure 2 visualizes the TBL of sustainability that combines the three core elements. The TBL model suggests that sustainability is created in the intersection of environmental, social, and economic performance. It includes activities that both have a positive effect on the natural environment as well as society, and lead to long-term economic benefits and competitive advantage. (Carter and Rogers 2008, 365)

Winter and Knemeyer (2013, 24) suggest that there are dynamic interactions between the three dimensions creating synergies and trade-offs that must be considered. Carter and Rogers (2008, 369) argue that environmental and social goals should only be implemented after a full recognition of the economic objectives of the company. Moreover, Porter and Kramer (2002, 59), note that without taking in account the company's other strategic and financial objectives, undertaking these goals would be socially irresponsible. Pagell and Gobeli (2009, 280) suggest that environmental irresponsibility, such as toxic emissions, impacts employee well-being regarding their health and safety. Thus, it is an indirect

indicator of social as well as environmental impact of sustainability (Halati and He 2018, 815).

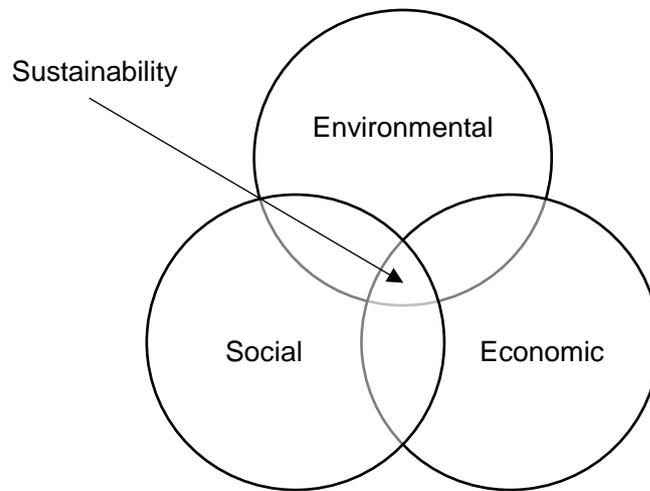


Figure 2. The triple bottom line of sustainability (Carter and Rogers 2008, 365)

There are several definitions introduced by academics, consultants and business executives for sustainability, some of which include 'sustainable development', 'triple bottom line', 'corporate citizenship', 'sustainable entrepreneurship', 'business ethics', and 'corporate social responsibility' (van Marrewijk, 2003, 95-96), all of which are used to describe the same phenomenon (Andersen and Skjoett-Larsen 2009, 77). By summarizing various definitions of business sustainability, Ahi and Searcy (2013, 331) found that sustainable development is often linked closely especially to corporate social responsibility (CSR). CSR is a broad concept that guides companies to integrate environmental and social matters in their business operations and relationships with their stakeholders (Andersen and Skjoett-Larsen 2009, 77; European Commission 2001, 7). Carroll (1979, 499), as one of the pioneers of the concept, has included four categories in the definition of CSR; economic, legal, ethical, and discretionary responsibilities. The definition suggests that corporate responsibility should go beyond economic and legal concerns, taking the environment, product safety, discrimination, as well as other voluntary responsibilities into account (Carroll 1979, 500). In other words, CSR depicts the companies' response to the demands and expectations of their stakeholders, including society, individuals, and the environment (Carter and Jennings 2002a, 145).

However, even though the two concepts are closely linked, according to European Commission (2021a) and the international standard ISO 26000:2010, that provides organizational guidance on social responsibility (ISO, 2021), 'sustainable development' is

used in a more global and intergovernmental context, while 'social responsibility' is considered at organizational level. Hence, CSR as an organization's responsibility contributes to the broader concept of sustainable development. Even though the EU's interpretation of CSR is broadly in line with most of the scientific literature, there is no one, clear definition or a comprehensive theoretical framework for CSR (Perrini 2006, 306). In addition to having several concepts and definitions, the lack of a generally accepted definition might be influenced by the fact that companies differ majorly for example in size, type of offerings, profitability, resources, and societal impacts (Andersen and Skjoett-Larsen 2009, 77).

2.2 Sustainable supply management in SMEs

A supply chain comprises different activities related to the flow and transformation of goods beginning from raw materials through to the end user, including the related information flows. It also includes reverse logistics, such as returning of goods and re-use of materials, optimally creating a closed-loop supply chain. (Zijm et al. 2019, 33.) Supply chain management (SCM) is the integration of these activities through the planning and management of supply chain operations. Coordination and collaboration with supply chain partners, such as suppliers, third party service providers, and customers, is an integral part of SCM in order to maximize value creation and customer satisfaction. (Zijm et al. 2019, 33; Walters and Lancaster 2000, 160.)

Purchasing management or supply management (SM) handles the purchasing of goods and services to ensure supply at the right time, quality and cost, while at the same time supporting innovations and service criteria (Schiele 2019, 48; Chick and Handfield 2015, 14). The significance of SCM and SM have increased in recent years to ensure competitiveness of supply chains, as the business environment has distributed around the globe and outsourcing has become an integral part of globalization, and therefore of SCM (Ageron et al. 2012, 168). Outsourcing has changed the way of doing business towards companies focusing on their core competencies, while other activities are sourced through supplier and partner networks (Chick and Handfield 2015, 15). Therefore, organizational competitiveness is nowadays more determined by the competitiveness of whole supply chains rather than by single firms (Shibin et al. 2017, 302; Sajjad et al. 2015, 643; Seuring and Gold 2013, 1). One of the key roles of SM is to form and maintain long-term partnerships with selected suppliers (Ho et al. 2010, 16) and other strategic partners, which

has become vital in creating competitive advantage (Andersen and Skjoett-Larsen 2009, 75).

As production processes are being relocated around the globe, with it the environmental and social risks increase (Seuring and Müller 2008, 1699). Issues such as reverse logistics, environmental management, green supply chains (Andersen and Skjoett-Larsen 2009, 76) as well as equity, safety, product responsibility, and human rights (Mani and Gunasekaran 2018, 151) have increased interest. Outsourcing presents challenges to supply chain management, as the focal firm, often being also the brand owner, is still responsible for the performance of its suppliers, as well as the economic, social, and environmental impact of its outsourced products and services (Dabhilkar et al. 2016, 2; Seuring and Müller 2008, 1699; Jorgensen and Knudsen 2006, 449). Suppliers do not only have an increasingly important role in firm success (Wagner and Johnson 2004, 718), but the environmental impacts of a company are also influenced by its supply base (Darnall et al. 2008, 33). It has been argued that business is only responsible to the extent that the whole supply chain is responsible (see e.g., Krause et al. 2009, 18; Gimenez and Tachizawa 2012, 531). Hence, it has become important to integrate the concept of sustainability with purchasing and supply chain management (Shibin et al. 2017, 302). According to Carter and Rogers (2008, 361), supply chain professionals have a key role in influencing sustainability practices.

Sustainability has been linked to SCM and SM by many scholars (see e.g., Carter and Rogers, 2008; Seuring and Müller, 2008; Andersen and Skjoett-Larsen 2009; Gold et al. 2010; Pagell et al. 2010; Ageron et al. 2012; Gimenez and Tachizawa 2012; Zimmer et al. 2016; Akhavan and Beckman 2017; Kähkönen et al. 2018). Seuring and Müller (2008, 1700) define sustainable supply chain management (SSCM) as “cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development, i.e., economic, environmental and social, into account which are derived from customer and stakeholder requirements”. Further, Pagell et al. (2010, 58) refer to sustainable supply management (SSM) as ‘sustainable sourcing’ and define it as “managing all aspects of the upstream component of the supply chain to maximize triple bottom line performance”.

Small and medium-sized enterprises (SMEs) play a significant role in most economies (Aragón-Correa et al. 2008, 89; Campbell and Park 2017, 302; Davies and Crane 2010, 127). Nowadays, small businesses and entrepreneurship are widely seen as the primary

drivers for economic development and major promoters of employment, innovation, and productivity (Spence and Rutherford 2003, 1). SMEs also play an important role in the sustainable development of today's businesses, as approximately 90% of all global enterprises are SMEs, accounting for at least 60-70% of the world's production, as well as all industrial pollution (UNIDO 2002, 2; Miller et al. 2011, 80). The importance grows even higher for example in the European Union, where 99% of all businesses are SMEs (Moore and Manring 2009, 277, 279). Therefore, it can be assumed that SMEs significantly influence the environment and social well-being (Westman et al. 2019, 388).

Several scholars have noticed a lack of research on sustainable supply chains among SMEs, and that often emphasis is placed on large MNCs despite the importance of SMEs to sustainable development (see e.g., Spence 1999, 163; Tilley 2000, 32; Spence and Rutherford 2003, 1; Aragón-Correa et al. 2008, 89). The research is noticeably limited especially in the developing countries (Ciliberti et al. 2008, 1580). This could be a result from a flawed belief in the past that large organizations are at the centre of the economy, and that SMEs are only small versions of the big companies who can adopt a 'scaled-down' CSR strategy and practices (Jenkins 2004, 38; Tilley 2000, 32). Much of literature also views SMEs' role mainly as suppliers of larger companies (Moore and Manring 2009, 279). However, the unique characteristics of SMEs make the large corporation CSR practices inappropriate for smaller companies, which increases the need to study CSR in SMEs further (Davies and Crane 2010, 127).

2.2.1 Characteristics of SMEs

There is no universal definition for SMEs (Jenkins 2004, 38), but the European Commission (2021b) defines that the main factors determining whether a company is an SME are staff headcount (under 250) and turnover (equal or under 50 million euros) or balance sheet total (equal or under 43 million euros). Further, the Commission defines medium-sized enterprises as companies with less than 250 but at least 50 employees, small enterprises as companies with at least 10 employees, and micro-enterprises as those with less than 10 employees. Many scholars agree that there are also certain unique characteristics, besides size, that define SMEs and differentiate them from larger corporations (see e.g., Spence and Rutherford 2003; Jenkins 2004; Spence 2007).

SMEs are often owner-managed (Jenkins 2004, 39), which means that ownership and management are not separated in the same way as in large MNCs (Spence and Rutherford 2003, 1). It also means that the beliefs and personality of the owner-manager have a greater effect on the practices and strategies of the business (Hadjimanolis 2000, 266; Spence and Rutherford 2003, 1-2). Especially the founder-managers are driven by an entrepreneurial orientation, which can contribute in creating competitive advantage (Aragón-Correa et al. 2008, 89-90). While larger firms tend to focus on financial profits and firm growth, the motives of SMEs are usually more heterogeneous and follow the values of the owner (Kull et al. 2018, 25),

Many times, SMEs are also characterized by a flatter organizational hierarchy compared to MNCs. This allows more flexibility in job functions, but can also mean that there is an unclear division of responsibilities, and lead to a lower degree of job specialization. (Supyuenyong et al. 2009, 66.) Due to the smaller size and lower hierarchy, SMEs have shorter lines of communication and closer interaction, creating more efficient and direct flows of information, which in turn increases coordination and cooperation within the company (Supyuenyong et al. 2009, 66; Aragón-Correa et al. 2008, 98; Jenkins 2004, 52). In addition, SMEs tend to have an informal and unified culture, as well as a strong identity. The organizational structure promotes the identification of the company as a whole, rather than focusing on individual departments or functions. An open and unified culture further enhances knowledge creation as knowledge can be shared easily among company employees. (Supyuenyong et al. 2009, 67; Aragón-Correa 2008, 90)

Human capital emerges as an important resource especially in SMEs. Due to the limited number of expert personnel, high labour turnover can have serious effects on the company's operations. (Huin, 2004, 513.) Since SMEs have more unclear employee responsibilities, also job specialization is lower, which in turn leads to increased employee versatility. In addition, the development of human capital often takes place on a case-by-case basis according to specific needs. (Supyuenyong et al. 2009, 67)

In smaller companies, the planning and control systems as well as processes and practices are often informal and less standardized. Processes are complex and more adaptable to necessary situations. SMEs also tend to focus on operational processes, rather than strategic, and rely on tacit knowledge, rather than explicit. (Supyuenyong et al. 2009, 66.)

Small businesses tend to work on intuition and emphasize more ad hoc processes instead of following clear standards (Jenkins 2004, 51).

Furthermore, SMEs differ from MNCs by their customers and markets. SMEs often have a limited customer base and prefer locality or regionality in market selection, with few international market areas. With a narrower set of product and service offerings, SMEs sometimes focus on niche markets and with a small customer base, SMEs often have close relationships with their customers. One of the most important criteria in measuring performance is customer satisfaction, as the primary growth mechanism of SMEs is using word-of-mouth. The closeness of relationships can make it easier to understand and predict current and future customer requirements. (Supyuenyong et al. 2009, 66). However, the single-market position also creates risks and makes SMEs more susceptible to loss of customers (Burns, 2001, as cited in Jenkins 2004, 39).

2.2.2 Drivers, motives and challenges of SSM

The identification of drivers, motives and challenges is the first step of implementing successful SSM strategies and practices (Narimissa et al. 2020, 249; Sajjad et al. 2015, 644), and they can also be considered influencing factors for SSM (Ageron et al. 2012, 170). In this chapter, the drivers are considered as internal and external pressures for SSM, the motives as assumed benefits of SSM, and the challenges as barriers and limitations firms face when implementing sustainability in their SM strategies and practices.

There are several external and internal drivers for SSM, which are summarized in table 1. Ageron et al. (2012, 171) argue that external pressures are predominant when implementing SSM. According to Seuring and Müller 2008 (1703, 1704), these pressures are often passed on to suppliers. Focal companies increasingly require their suppliers to perform according to different environmental and social standards, and to implement such management systems. The primary drivers for SSM are often external pressures and regulations of different stakeholder groups (Seuring and Müller 2008, 1703). Government regulatory requirements are major drivers in sustainable development and CSR adoption in SMEs as well as in large corporations (Ageron et al. 2012, 173; Williams and Schaefer 2013, 178). Non-Governmental Organizations (NGOs) (Jorgensen and Knudsen 2006, 449; Andersen and Skjoett-Larsen 2009, 75; Ageron et al. 2012, 173) as well as the media (Jorgensen and Knudsen 2006, 449; Porter and Kramer 2006, 77; Sajjad et al. 2015, 644)

also place pressure on companies by raising environmental awareness and influencing community perceptions about a given company and its sustainable performance (Ageron et al. 2012, 173). Media, for one, often holds the focal company responsible for the activities of their supply chain partners (Paulraj et al. 2017, 241).

Table 1. Drivers and pressures for SSM

Drivers:	Reference:
Government regulatory requirements	Porter & Kramer (2006, 77); Ageron et al. (2012, 173); Williams & Schaefer (2013, 178)
Non-governmental organizations' (NGO) and media	Jorgensen & Knudsen (2006, 449); Porter & Kramer (2006, 77); Andersen & Skjoett-Larsen (2009, 75); Ageron et al. (2012, 173); Sajjad et al. (2015, 644); Paulraj et al. (2017, 241)
Customer expectations and pressures	Jenkins (2004, 43); Ciliberti et al. (2008, 1580); Seuring & Müller (2008, 1704); Andersen & Skjoett-Larsen (2009, 75); Ageron et al. (2012, 174); Mani & Gunasekaran (2018, 152)
Competitive pressure	Ageron et al. (2012, 173); Sajjad et al. (2015, 644)
Nature of business	Ageron et al. (2012, 173)
Top management's vision and engagement	Carter & Jennings (2002b, 37); Cambra-Fierro et al. (2008, 645); Ageron et al. (2012, 173); Williams & Schaefer (2013, 181)

In addition, many scholars emphasize customer expectations and pressures for environmentally friendly and socially responsible products and services as major drivers for companies to adopt SSM practices (e.g., Jenkins 2004, 43; Ciliberti et al. 2008, 1580; Seuring and Müller 2008, 1704; Andersen and Skjoett-Larsen 2009, 75; Ageron et al. 2012, 174; Mani and Gunasekaran 2018, 152). Lack of such activities might cause customer dissatisfaction, customer boycotts, and reputation loss in a case of reported environmental or social problems (Seuring and Müller 2008, 1704; Ageron et al. 2012, 174). Especially in developing countries, the pressure for SMEs to adopt CSR practices often comes from customers of supply chain partners in developed countries (Ciliberti et al. 2008, 1580). However, Holt and Ghobadian (2009, 942, 943) found that the pressure from individual consumers as one of the lowest factors to influence manufacturing companies due to the distance from end-users via distributors and retailers.

Competitive pressures also influence the sustainable and responsible activities of companies (Ageron et al. 2012, 173; Sajjad et al. 2015, 644). Competitors who have benefitted from proactive sustainability actions and going beyond minimum regulatory requirements may increasingly meet customer expectations and improve their competitiveness (Ageron et al. 2012, 173). Ageron et al. (2012, 173) also raise the nature of business as another significant external motivation for SSM. Certain industries such as transportation or chemical industries generally gain worse corporate images as they participate in creating environmental damage and potentially cause serious environmental, health and safety related accidents. Therefore, these types of companies are more pressured to engage in sustainable practices. (Ageron et al. 2012, 173)

A major internal driver for SSM is top management's vision and engagement (e.g., Carter and Jennings 2002b, 37; Cambra-Fierro et al. 2008, 645; Ageron et al., 2012). Personal values and engagement of company managers is a significant motivation for SMEs to engage in proactive environmental issues (Williams and Schaefer 2013, 181). Accordingly, SSM requires internal support and encouragement at the corporate level (Ageron et al. 2012, 173). Savitz and Weber (2007, 17) argue that only business leaders who do not have a comprehensive understanding of sustainability, receive it as a burden that consume time and resources from the company's main activities.

In the past, there has been a perception that business and sustainability goals have been irreconcilable and mutually exclusive (Walley and Whitehead 1994, 46). However, sustainability and responsible business have been studied in the academic research literature for decades, and it appears that there is a consensus among researchers that responsible business has more benefits for a company's operations and image than ignoring responsibility (Tang et al. 2012, 1274). Table 2 summarizes the motives and potential benefits for SSM.

In the contrary to a popular belief, sustainability and SSM have a potential to cost savings in several areas (Handfield et al. 2002, 71; Carter and Rogers 2008, 361; Cambra-Fierro et al. 2008, 646). Firstly, implementing environmental standards can eliminate or reduce needless waste and improve productivity (Porter and van der Linde 1995, 120). Handfield et al. (2002, 71) argue that eliminating pollution in purchased products and services can reduce costs and help to avoid legal issues related to environmental responsibility. Secondly, social responsibility and creating better working conditions throughout the supply

Table 2. Motives and benefits for SSM

Motives:	Reference:
Cost savings	Porter & van der Linde (1995, 120); Handfield et al. (2002, 71); Cambra-Fierro et al. (2008, 646); Carter & Rogers (2008, 361)
Supply risk management	Ageron et al. (2012, 177); Narimissa et al. (2020, 254)
Improved reputation and image	Savitz & Weber (2007, 25); Ageron et al. (2012, 171); Paulraj et al. (2017, 241)
Customer satisfaction and goodwill	Ageron et al. (2012, 171); Paulraj et al. (2017, 241)
Quality	Porter & van der Linde (1995, 121); Ageron et al. (2012, 172)
Innovation and new market opportunities	Jenkins (2004, 50,41); Savitz & Weber (2007, 24); Bos-Brouwers (2010, 421,431); Laosirihongthong et al. (2014, 1238); Paulraj et al. (2017, 253); Kull et al. (2018, 278)

chain can also result in lower labour costs, as employee well-being increases motivation and productivity, as well as reduces absences of supply chain staff (Carter and Rogers 2008, 370-371). Ethical behaviour can also prevent opportunistic activities of suppliers through close cooperation and thus help reducing transaction costs (Cambra-Fierro et al. 2008, 646). Furthermore, managing supply risks can benefit companies by reducing costs and ensuring sustainable business continuity (Ageron et al. 2012, 177; Narimissa et al. 2020, 257). Carter and Rogers (2008, 361) argue that such practices can both reduce costs and improve company reputation. However, according to Ageron et al. (2012, 176), cost savings is not a major motive for SSM due to the difficulty of evaluating financial gains from CSR.

Hence, a company's sustainable behaviour is often linked to enhanced reputation and brand value (Ageron et al. 2012, 171; Paulraj et al. 2017, 241). Being sustainable makes the organization more attractive to stakeholders, such as customers and suppliers, who value sustainability, and it also may increase employee satisfaction (Savitz and Weber 2007, 25). Sustainable behaviour creates customer goodwill (Paulraj et al. 2017, 241), and according to Ageron et al. (2012, 176), it is customer satisfaction that can be considered the prime benefit expected of SSM. Quality is also one benefit of SSM, and while quality is one of the most important criteria in supplier selection, quality improvement can enhance the

competitiveness of a company (Ageron et al. 2012, 172; Porter and van der Linde (1995, 121).

Being innovative can create a first-mover advantage for firms in their industry and a position that might be difficult for competitors to imitate (Laosirihongthong et al. 2014, 1238; Paulraj et al. 2017, 253). Although lack of resources in terms of capital, knowledge and skilled personnel is often linked to SMEs' sustainable innovation abilities, because of the small and flexible structure as well as informal and entrepreneurial leadership approach, SMEs can actually be successful in creating sustainable innovations (Bos-Brouwers 2010, 421, 431). Moreover, being sustainable also helps growing the business, as it may open new markets. Creating new innovative products and services opens new market possibilities and attracts new customers who value sustainable offerings (Savitz and Weber 2007, 24). Due to their flexible structure, SMEs can quickly respond to change, and therefore can rapidly take advantage of new niche markets for sustainable products and services that incorporate environmental and social benefits (Jenkins 2004, 50, 41; Kull et al. 2018, 278).

Studies show that there is a debate whether sustainability is considered altruistic and philanthropic or a strategy for profit maximization (Kotek et al. 2018, 160). Managers frequently face the ethical expectations of consumers and the expectations for maximizing profits of investors, which is why CSR is often used to promote the image of the company and their brand (Kotek et al. 2018, 159; Porter and Kramer 2002, 57). Savitz and Weber (2007, 17), however, assure that sustainability is not about philanthropy, but should be about finding the intersection where a company can 'do good' for the society while maximizing profits, without creating a conflict between stakeholders and society, and between shareholders and profit maximization. Similarly, according to Yuan et al. (2020, 373), CSR is not only about 'doing good', but it has a clear strategic aspect. Companies that feel they will benefit from committing to CSR are more willing to implement it. Tate et al. (2012, 173) also argue that firms increasingly engage in environmental practices because of the cost minimization opportunities and increased revenues, rather than because it is the 'right thing to do'. Thus, it has been noticed that CSR initiatives are no longer just a cost of doing business, but can create innovation, new market opportunities and profits; win-win situations (Walley and Whitehead 1994, 46). Hence, SSM potentially enables the creation of competitive advantage, ensures long-term success and enhances profitability.

In contrast to the various motives and benefits, companies also face challenges in the implementation of SSM strategies and practices. These barriers and challenges for SSM are summarized in table 3. Although many scholars have supported the notion that SSM is a way to reduce costs, still one of the most significant barriers for SSM is often related to financial preoccupations and costs (Min and Galle 1997, 15; Seuring and Müller 2008, 1704; Ageron et al. 2012, 175). Financial and other resource limitations are common especially within SMEs, which complicates the adoption of CSR practices (Langwell and Heaton 2016, 653). CSR practices are often considered costly among smaller companies, which increases the threshold for beginning the process. Lack of resources also makes it more difficult to monitor the adoption of these practices throughout the supply chain (Langwell and Heaton 2016, 653). A lack of competences is also more common in SMEs compared to larger corporations, as acquiring and developing adequate capabilities to respond to demands of sustainability and responsibility is more challenging (Ageron et al. 2012, 175-176).

Table 3. Barriers and challenges of SSM

Challenge:	Reference:
Higher costs	Min & Galle (1997, 15); Seuring & Müller (2008, 1704)
Limited resources	Min & Galle (1997, 15); Seuring & Müller (2008, 1704); Ageron et al. (2012, 175); Langwell & Heaton (2016, 653); Narimissa et al. (2020, 254)
Lack of competences	Ageron et al. (2012, 175-176); Narimissa et al. (2020, 254)
Insufficient coordination and communication	Seuring & Müller (2008, 1704); Moore & Manring (2009, 279); Ciliberti et al. (2008, 1580)
Lack of knowledge	Min & Galle (1997, 15); Ageron et al. (2012, 172)
Focusing on short-term instead of long-term benefits	Carter & Dresner (2001, 19); Savitz & Weber (2007, 26)

Coordination complexity as well as insufficient or missing communication in the supply chain are considered barriers for SSM (Seuring and Müller 2008, 1704). Although SMEs may realize their often-prominent environmental impacts, literature suggests that SMEs' CSR activities are often focused on internal stakeholders, and they lack communication about their responsible behaviours to their external stakeholders (Moore and Manring 2009, 279; Ciliberti et al. 2008, 1580).

According to Ageron et al. (2012, 172), not knowing the various benefits of SSM can result in many companies to ignore sustainable corporate, social and environmental efforts. Only few companies recognize sustainability as a mean of creating customer value and increasing performance (Ageron et al. 2012, 175). These company managers believe that CSR management only means complying with current regulations, and that there is a trade-off between CSR management and profitability. It is considered that increasing CSR actions also increases costs. (Walley and Whitehead 1994, 46.) Min and Galle (1997, 15) propose that these perceptions may imply that the true potential for economic benefits is not fully recognized by many purchasing professionals and that they have a misconception that environmental programs to be expensive to implement.

These ideas may result from situations, especially in the short term, where sustainability actions incur additional costs or temporarily redirect financial assets from shareholders toward other stakeholders (Savitz and Weber 2007, 26). Based on the study of Carter and Dresner (2001, 19), many managers determine environmental project success only based on decreased costs with increased environmental performance, which implies that many companies are looking for short-term cost benefits without considering a broader perspective and life-cycle analysis. However, Walley and Whitehead (1994, 46-47) argue that concerns about rising costs are also justified. Environmental goals often have high costs and the economic benefits are not equivalent creating possible trade-offs. Balancing those trade-offs requires a deep understanding of the benefits and risks of responsible strategies, collaborating with environmental groups and regulators, affecting in legislation, and committing to pollution and wastage prevention. (Walley and Whitehead 1994, 46-47)

2.2.3 Practices and strategies of SSM

Several scholars have identified and analysed different practices and strategies that companies use to integrate sustainability into their supply management activities (see e.g., Seuring and Müller, 2008; Pagell and Wu, 2009; Beske et al., 2014; Akhavan and Beckmann, 2017). The combination of different practices forms a procurement strategy, which can vary considerably from company to company. The operating environment and the supply chain of the focal firm influence how these individual practices are combined to form an overall SSM strategy. (Akhavan and Beckman 2017, 137, 138.) The decision which practices are used is not made at random, and there is also no 'one best way' how these practices can be used (Miller 1986, 241-242; Akhavan and Beckman 2017, 138). Further,

Akhavan and Beckmann (2017, 144) argue that there are more than two logics – minimal level or broad level – of how companies combine their SSM practices to form a strategy. Beske et al. (2014, 132-133) have categorized different SSM practices into five groups, including strategic orientation, continuity (supplier management), collaboration, proactivity, and risk management. Following their categorization logic, the different SSM practices found in literature are presented in figure 3.

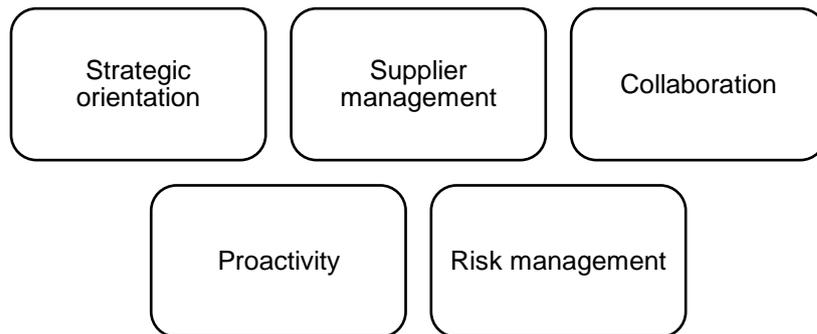


Figure 3. SSM practices (based on Beske et al. 2014, 133)

Strategic orientation

Firstly, what must be considered when forming a sustainable SCM strategy is that a firm's sustainability approach and the overall business plan must be integrated, rather than managed independently as separate programs. In order to become sustainable, firms cannot only overlay sustainability initiatives on top of corporate strategies, but it requires creating new mindsets and company cultures to support it. The responsibility to be sustainable should be given to everyone in the organization, starting with top management. (Savitz and Weber 2006, 146, 227; Pagell and Wu 2009, 39)

Supplier management

The structure of the supply network and interaction between partners form ways to build long-term relationships and long-term competitiveness in the supply chain (Beske et al. 2014, 132). A supplier management system is an integral part of supply management, and it includes the practices of supplier assessment, supplier selection, supplier monitoring and supplier development (Rashidi and Saen 2018, 226; Zimmer et al. 2016, 1413). Supplier assessment contributes to the mitigation of upstream supply risks as well as to the

identification sustainably compliant suppliers and possible development requirements, while supplier selection prevents non-compliant suppliers to enter the supply base (Foerstl et al. 2010, 119, 120, 127). Supplier monitoring and evaluation can raise the need for supplier development activities (Zimmer et al. 2016, 1414) in order to assist suppliers in implementing environmental and social requirements and capabilities, especially when pursuing long-term partnerships. The activities of supplier development with focus on environmental and social issues include training, introducing guidelines, cooperation on processes or product development, and follow-up activities. (Akhavan and Beckmann 2017, 141.) Sustainable supplier management should include all upstream supply chain partners to obtain the best benefits (Zimmer et al. 2016, 1412). According to Bachner (2018, 340), suppliers are the most important external stakeholders with whom SMEs cooperate with to create sustainable innovations.

Collaboration

Beske et al. (2014, 132) include technical and logistical integration of supply chain partners as well as joint development as collaboration activities. Through joint development, partners can develop new technologies, products, and processes. Akhavan and Beckmann (2017, 140) emphasize external governance and inter-organizational collaboration as practices of SSM. Firms can also collaborate with NGOs and other non-profit organizations to develop and share knowledge on sustainability issues (Foerstl et al. 2010, 126). Furthermore, companies can collaborate with NGOs to develop SSM and promote triple bottom line sustainability in the whole supply chain (Stekelorum et al. 2020, 51). Moreover, Beske et al. (2014, 133) consider managing pressure groups as a form of risk management. The findings of Campbell and Park (2017, 306) further indicate that networking within the community is positively linked to SMEs' performance as it fosters the external relations of the business.

Proactivity

Proactiveness is emphasized by scholars as a practice that enhances the performance of SSM (e.g., Porter and van der Linde, 1995; Beske et al., 2014). Interorganizational communication and training of both own purchasing staff as well as supplier staff are considered proactive measures to improve buyer-supplier relationships and firm performance on both sides (Seuring and Müller 2008, 1704). Learning from partners is an

important proactive practice for sustainability (Beske et al. 2014, 133). In addition, considering product life-cycle (Seuring 2011, 472) is important in proactive sustainability strategy formulation (Beske et al. 2014, 133). Further, Pagell and Wu (2009, 40) argue that creating a sustainable supply chain requires proactive top management and understanding that sustainability is an organization-wide commitment, and only then can properly motivated and rewarded employees create innovative new products and processes. In general, the ability to innovate is key in dynamic and rapidly changing environments of sustainable markets. Innovation is thus significantly important for sustainable supply chains. (Klassen and Vereecke, 2012, 108.) Moreover, proactive SSM practices may decrease the risk of new and costly regulations. However, regulations can also aim to encourage more sustainable solutions. (Porter and van der Linde 1995, 121,124.) Aragón-Correa et al. (2008, 89) found that firm size may have a major effect on the level of proactiveness, with SMEs less likely to adopt proactive SSM practices. Due to low visibility, lower external pressure as well as lower reputational risk, SMEs might be less enthusiastic to engage in voluntary sustainability initiatives (Jenkins 2004, 39, 45).

Risk management

Sustainable supply chains may encounter high risks due to external stakeholder demands, leading to reputation risks (Walker et al. 2008, 78), or due to supply chain disruptions, potentially leading to economic risks (Seuring and Müller 2008, 1704). Therefore, companies adapt various risk management practices in order to reduce and control risks that occur in the supply chain (Seuring and Müller 2008, 1705; Holt and Ghobadian 2009, 942). Carter and Rogers (2008, 365) also found that the concept of risk management was found to be a reoccurring theme in the sustainability literature. Beske et al. (2014, 132-133) connect supplier monitoring and auditing carried out by own employees, as well as standards and certifications managed by third parties, into risk management of sustainable supply chains. Integrating risk management in supplier management practices is considered an efficient way to mitigate supply risks (Foerstl et al. 2010, 119). Furthermore, Narimissa et al. (2020, 254) found that local production as well as sourcing locally are strategies that both reduce operational costs and reduce supply risks.

However, Kotek et al. (2018, 166) as well as McWilliams and Siegel (2001, 124) state that in order to fulfil as many sustainable responsibilities as possible, while considering the financial expectations of shareholders, companies must seek an optimal level of CSR. It is

not viable for companies to adopt all SSM practices available, but they should select those that are the most important and influential (Kähkönen et al. 2018, 519). According to Pagell and Wu (2009, 52), not all best practices are necessary for becoming successful in SSM.

3 RESOURCE-BASED VIEW IN SUSTAINABLE SUPPLY MANAGEMENT RESEARCH

This chapter will introduce the concept of resource-based view (RBV) and its integrations to sustainability and supply management. The RBV employs as the background theory for this thesis to explain how SSM can work as a source of competitive advantage. The chapter first introduces the RBV and its definition, after which its integrations to sustainability in the literature are presented. Finally, the incidence of the theory of RBV in the SSM literature is presented, as well as how the theory explains the emergence of competitive advantage through SSM.

3.1 The Resource-Based View (RBV)

According to Barney (1991, 102), a firm can obtain competitive advantage by implementing a value creating strategy, which is currently not being implemented by its competitors. Sustained competitive advantage is acquired when this strategy and its benefits cannot be duplicated by the firm's current or potential competitors. Grant (1991, 114) noticed a growing interest in a view where a firm's resources are the foundation for a corporate strategy. Earlier in the 1980s, analysing strategies focused on the connectedness between strategy and the firm's external environment, while the internal factors were considered the company's organizational processes through which strategies emerge.

The resource-based view (RBV) is one of the most influential theoretical frameworks that is used to explain how firms create sustained competitive advantage by exploiting the firm's internal resources and capabilities (Newbert 2007, 121; Kraaijenbrink et al. 2010, 350; Glavas and Mish 2015, 626; Knott 2015, 1806). In the RBV, firms are viewed as bundles or collections of resources (Penrose 2009, 21; Wernfelt 1984, 172). The theory suggests that internal resources and capabilities are what differentiate firms from competitors, and which are the source of creating competitive advantages, leading to different levels of profitability among firms within the same industry (Grant 1991, 115; Claver et al. 2002, 321). The RBV is hence derived from strategic management and the competitive advantage theory (Carter and Rogers 2008, 372).

The concept of the RBV has developed over time. Penrose (1959) can be considered the first author who introduced the concept of the RBV by presenting firms as collections of

productive resources and arguing that the growth of a firm is based on its internal resources (Penrose 2009, 21, 22). Following, Wernfelt (1984, 172) introduced firms as bundles of resources, considering resources as “anything which could be thought of as a strength or weakness of a given firm”. The author presented resources as physical, human, and organizational resources, including brand name, technological knowledge, skilled personnel, machinery, efficient practices, and capital (Wernfelt 1984, 172). Later, Barney (1991) has further advanced the theory by creating a framework that introduces the key strategic resources and their characteristics as a source of sustained competitive advantage. As resources, Barney includes all assets, capabilities, processes, firm attributes, and knowledge that can be utilized in forming value-creating strategies that improve the company’s performance (Barney 1991, 101). However, not all resources have the potential to create sustained competitive advantage, but these resources should be valuable, rare, imperfectly imitable, and non-substitutable (Barney 1991, 105-106). Grant (1991, 115) further included firm’s capabilities in the RBV as an important factor in creating competitive advantage. Resources work as inputs to each capability, and together they provide the foundation for a firm’s long-term strategy and create the primary source of profits and possible economic rents (Grant 1991, 116; Amit and Schoemaker 1993, 37). Later, the concept of dynamic capabilities was created by Teece et al. (1997), which complements the RBV in order to explain how firms adjust capabilities in rapidly changing markets (Teece et al. 1997, 516).

The RBV is thus based on two main building blocks; firm’s resources and firm’s dynamic capabilities (Glavas and Mish 2015, 626). The RBV is based on the idea that competitive advantage is achieved from having resources that are valuable, rare, inimitable, and non-substitutable – in other words, resources that have ‘VRIN’ attributes (Barney 1991, 105-106). Valuable and rare resources result in competitive advantage and improved performance, while the inimitability and non-substitutability lead to sustained competitive advantage, as competitors are unable to access these resources (Barney 1991, 107, 111). However, Eisenhardt and Martin (2000, 1107) argue that resources bring no value to the company in isolation, but require dynamic capabilities to acquire, integrate and recombine them to generate value-creating strategies and form them into sources of competitive advantage. Hence, the other cornerstone of the RBV focuses on dynamic capabilities, which Teece et al. (1997, 516) define as “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments”.

3.2 The RBV and its extensions to sustainability

Hart (1995) was the first to introduce the context of natural resource-based view (NRBV), which connects the 'natural' environment into RBV. The theory suggests that there are three central strategic capabilities, including pollution prevention, product stewardship, and sustainable development. Each capability has different environmental inputs, is based on different key resources, and has a different source of competitive advantage. Pollution prevention involves proactive waste and emissions reduction through continuous improvement, which is associated with increased efficiency and lower costs. Product stewardship is the capability of including sustainability in the whole value chain and life-cycle of the product through product design and development process. Competitive advantage is created through strategic pre-emption either by ensuring exclusive access to resources, such as green and responsible raw materials, or by establishing standards that the focal company can utilize as an advantage. Lastly, a sustainable development strategy aims to minimize the environmental burden of production and firm growth in a way that can be maintained in the future. (Hart and Dowell 2011, 1466)

Touboulic and Walker (2015, 36) recognized a missing conceptual framework for SSCM theory, which would consider all three TBL dimensions of sustainability. There were theories considering one or two dimensions (i.e., NRBV focuses on the environment and natural resources, stakeholder theory and institutional theory represent social and economic factors, and RBV considers the organization's economics), but there was no framework considering all three dimensions simultaneously (Touboulic and Walker 2015, 35-36).

Similarly, Tate and Bals (2018, 804) noticed a lack of social aspect of the TBL connected to the RBV and created a concept of social resource-based view (SRBV) combining all dimensions: environmental, social, and economic. In addition to the NRBV, the SRBV suggests that firm resources work as inputs for environmental, economic, and social capabilities, which in turn affect both environmental and social performance of the firm as well as have the potential to create competitive advantages. According to the SRBV conceptual framework by the authors, the key strategic capabilities are a mission-driven approach and stakeholder management. Mission-driven approach aims to maximize social and environmental benefits while securing profitability by utilizing a vision or mission of a founding team. The TBL value created includes creating jobs, improving health, protecting the environment, and ensuring financial viability. Stakeholder management utilizes inputs

from a broad stakeholder network to maximize support regarding products, information, and finances. This would lead to a broader scope of value creation and a quicker scale up. (Tate and Bals 2018, 819)

3.3 The RBV and SSM

According to Eltantawy et al. (2009b, 926), scholars in the field of supply management have begun to use the RBV in order to form a theoretical basis for understanding how competitive advantage is sourced from skills and practices. According to Das and Narasimhan (2000, 18) the theoretical view suggests that purchasing competence and purchasing practices are separate functions. Purchasing practices are measurable, internal activities of a company, whereas purchasing competences are capabilities of structuring, developing, and managing the supply base in order to support the company's business priorities. According to the authors, selecting and using purchasing practices is necessary for developing purchasing competence in order to achieve business goals.

The RBV contributes to supply management in several ways, and many researchers have studied the connection of how the RBV offers an explanation for SSCM (see e.g., Carter and Rogers, 2008; Gold et al., 2010; Barney, 2012; Touboulic and Walker, 2015). For example, Carter and Rogers (2008, 372) have connected the RBV to SSCM in order to explain how incorporating sustainability into SCM practices can improve the long-term success of a company. They suggest that integrating environmental and social resources and knowledge into supply chains enhance their inimitability and thus, their economic sustainability. Barney (2012, 3) argues that purchasing and supply management can provide, at least to some extent, sustained competitive advantage for a firm, and hence is linked to the RBV. The theory supports SCM in other ways as well. Based on the theory's logic, as only valuable, rare, inimitable and non-substitutable resources and capabilities can become sources of competitive advantage, other activities not containing these four attributes, could be outsourced (Espino-Rodríguez and Padrón-Robaina 2006, 62).

Capabilities are considered to be the skills, knowledge, and routines, which are learned and accumulated over time and embedded in the organization and its processes (Garvin 1993; Eisenhardt and Martin 2000, 1107; Makadok, 2001, 388; Kale et al. 2002, 749). However, the literature of supply management often uses terms that describe capabilities, such as skills, knowledge, competences and capabilities, as equivalent (Lintukangas and Kähkönen

2010, 111). In other research, supply management capabilities can be defined to be the intra-organizational and company-specific knowledge and skills of supply management personnel (Lintukangas et al. 2010, 187). The RBV also proposes that organizational knowledge can be considered an integral capability, because it supports dynamic capabilities and competitive success in constantly changing business environments (Gavronski et al. 2011, 874). In addition, supply management capabilities include competences such as internal interaction effectiveness, network understanding and developing a network position, buyer-supplier relationship management, as well as strategy formulation and implementation (Narasimhan et al. 2001, 5; Knight et al. 2005, 222). Bowen et al. (2001, 185) argue that SSM capabilities are developed by a proactive CSR approach and it requires a more strategic purchasing and supply management perspective. SSM capabilities can then further facilitate the implementation of sustainable supply and enable the distribution of responsible practices throughout the supply chain.

Individual skills and knowledge have been studied widely in the research of supply management (Lintukangas et al. 2010, 187), also connecting human resources to SSM capability (Narasimhan et al. 2001, 3; Langwell and Heaton 2016). The perspective of human resources in the concept of supply management suggests that employee skill development is an underlying aspect of purchasing competence (Narasimhan et al. 2001, 3). Human resources can play an important role in enhancing SSM capabilities through more comprehensive communication channels, training and development, employee engagement, and recruitment of employees who reinforce and support SSM knowledge and sustainability goals (Langwell and Heaton 2016, 654-655). Learning, knowledge and knowledge management of a competent team support SSM through active learning and developing knowledge to improve expertise (Knight et al. 2005, 223). Based on the study of Carter (2005, 178, 186), companies that have a higher level of SSM, such as environmentally conscious purchasing, sourcing from minority-owned businesses, and human rights and safety activities, also likely have a higher level of organizational learning. Thus, learning between suppliers and buyers can lead to improved supplier performance through which cost reductions can be achieved.

The resource-based theory proposes that innovation plays a significant role in creating value and sustaining competitive advantage (Bastic et al. 2020, 2; Baregheh et al. 2009, 1324). According to van Bommel (2011, 901), a company's capability to develop strategies depends both on its own innovation power and its supply network. Baregheh et al. (2009,

1324) further suggest that innovation is closely related to change, and the change depends on the resources, capabilities, and strategies of a company. It has been suggested that the innovative activities of SMEs differ from those of MNCs due to the need of efficient resource utilization and lack of internal and external compliance expectations (Moore and Manring 2009, 280). Lintukangas et al. (2019, 1) found that innovativeness and sustainability promote each other, as companies seem to need innovation capabilities to exploit sustainability, while sustainability serves as a motivation for companies to innovate. Innovativeness is linked to the adoption of SSM practices and successful SSM (Pagell and Wu 2009, 51), but on the other hand, growing sustainability requirements and regulations can also encourage innovation and more sustainable solutions (Porter and van der Linde 1995, 124). Further, Eltantawy et al. (2009a, 101) propose that SSM requires innovative suppliers.

The competitiveness of companies has shifted from inter-firm level towards reviewing competitiveness of whole supply chains (Shibin et al. 2017, 302; Sajjad et al. 2015, 643; Seuring and Gold 2013, 1), and thus, the competitive advantage emerges from supply chains. While supply chains are external, they are often less transparent to external stakeholders such as competitors and hence difficult to imitate. (Carter and Rogers 2008, 374.) Dyer and Singh (1998, 661) argue that companies who use unique ways to combine their resources in the value chain may achieve advantages over competitors who do not have such connections. Furthermore, the RBV suggests that it is the unique sustainability-related competencies in the supply chains that create competitive advantage (Touboulic and Walker 2015, 32). Supply chains which have integrated environmental and social resources and capabilities become more inimitable and thus support economic sustainability (Carter and Rogers 2008, 374).

While there are external pressures from government, customers, and different stakeholders for firms to incorporate CSR into their operations (Seuring and Müller 2008, 1703; Ageron et al. 2012, 173), Bowen et al. (2001, 175) argue that it is rather the organization's internal resources that better explain these initiatives. In order to implement SSM practices, adequate supply management capabilities must be developed through proactive, environmental and strategic supply management approach. Furthermore, Holt and Ghobadian (2009, 950) suggest that SSM initiatives are mostly driven by internal and cultural factors. Hence, adequate resources and capabilities support environmentally and socially responsible supply chain performance (Gold et al. 2010, 230).

However, Toboulic and Walker (2015, 33) argue, that while the connection between economic, and environmentally and socially responsible performance of a firm has been researched widely, the relationship is still ambiguous. It remains unclear whether financial performance results from adopting SSM practices or if financially well performing companies are more likely to employ SSM practices (Touboulic and Walker 2015, 33). Furthermore, Hillman and Keim (2001, 127) argue that some resources such as brand image, long-term relationships with suppliers, and knowledge can be socially complex and causally ambiguous in the sense of which resource has led to competitive advantages.

4 METHODOLOGY

After the discussion of sustainable supply management and the supporting theory resource-based view and its connections to SSM, the methodology of the following empirical part will be conducted and justified. This chapter will present the research approach, research method, and data collection and analysis used in this thesis. Finally, the reliability and validity of the study will be discussed.

4.1 Research approach

The reasoning logic in scientific research can be divided into deductive and inductive logic. Deductive logic refers to a research model where knowledge is formed through an existing theory. The research proceeds from theory, to hypothesis formulation, and finally to empirical analysis. Induction, on the other hand, is a model which bases on the idea that the research process starts from empirical findings and proceeds towards theoretical results. (Eriksson and Kovalainen, 2008)

This thesis is exploratory in character and takes an abductive approach, which can be viewed as a combination of deductive and inductive reasonings. Abduction aims to create an understanding or explanation to the studied phenomenon by obtaining descriptions and meanings from people, which are then formed into categories and concepts (Eriksson and Kovalainen, 2008). In this reasoning logic, both the empirical data and the presented conceptual framework play a role. Data collection is a method that is employed to explore phenomenon and identify themes and patterns, which are then paralleled to the conceptual framework. It will further be tested through subsequent data collection. Abductive approach can also aim to generate a new or modify an existing theory which is subsequently tested through additional data collection. (Saunders et al. 2015, 145.)

4.2 Research method

The first methodological choice in the research process is to choose whether to use quantitative or qualitative research design (Saunders et al. 2015, 164). Quantitative research is based on measurement and uses numerical data, whereas qualitative research uses verbal data (Starr 2014, 239) and studies phenomena and processes through the

experiences of individuals, aiming to understand their perspectives and point of view (Hallberg 2006, 141).

Qualitative research method was selected for this study, because the aim is to achieve in-depth, empirical evidence of the research topic. The main research question 'What is the role of sustainable supply management in creating competitive advantage for a company?' will be studied using questions 'what' and 'how' in an exploratory manner, which may further lead to the use of case studies (Yin 2009, 9). Exploratory case study aims to define questions and hypothesis for later research, or to determine the feasibility of the research procedure in question (Kähkönen 2011, 33). According to Dubois and Araujo (2007, 175), case studies are inherently explorative. Exploratory research is the most suitable approach to gain an in-depth understanding of the phenomenon being studied as it aims to broaden and clarify the knowledge concerning the issue examined. Further, an exploratory research is commonly conducted by searching the literature or interviewing experts or arranging group interviews. (Saunders et al. 2015, 175)

Accordingly, as a research method, multiple case study – or multi-case method – was selected for this thesis. Case study can be used in many situations to obtain a better understanding of complex individual, group, organizational, social, or political phenomena. It aims to attain holistic and meaningful knowledge of real-life events. (Yin 2009, 4.) Kähkönen (2011, 31) found that the use of case studies seems to be especially suitable when studying supply chain management as well as purchasing and supply management. Multiple case study, in contrast to single-case designs, uses several experiments to either predict similar or contrasting result for literal or theoretical replication. The replication procedures require the development of a theoretical framework that indicates the circumstances in which a particular phenomenon is likely to occur, as well as the circumstances when the occurrence is unlikely. The number of case studies used determines the nature of the findings. (Yin 2009, 54)

Multiple case study was chosen for this thesis, because it enables a comparison of similarities and differences between cases (Eisenhardt 1989, 540). It was a logical choice due to the diverse characteristics of the selected case companies. The case companies represent different industries within the SME size class, which is why it can be assumed that different points of view and different experiences of the interviewees can be expected, creating comparisons between the interview responses, and allowing cross-case analysis

(Yin 2009, 20). Multiple cases were chosen in order to be able to form patterns of theoretical replications and support for the theoretical proposition (Yin 2009, 54-55).

4.3 Data collection and data analysis

The data has been collected through different methods. The literature review has collected existing theories and information on the main topics from existent literature such as books, academic articles and other publications, which are then reflected to the empirical observations during the discussion of the findings. The primary, empirical data is collected through semi-structured, in-depth theme interviews, which is one of the main ways of collecting qualitative data (Starr 2014, 241). Semi-structured interviews potentially provide comprehensive material while allowing an informal and conversational interview style (Eriksson and Kovalainen, 2008). Moreover, industry-specific member lists, company interviews and various articles were explored in order to find potential case companies. The websites of these potential respondents as well as supporting financial information from different websites were examined beforehand to ensure the suitability of these companies regarding firm size and whether they have acknowledged sustainability in their values or practices.

There were a total of 8 interviews, which were carried out by Teams video calls, recorded and after transcribed. The interviews were conducted between autumn 2020 and spring 2021. The questionnaire included questions regarding four different themes; (1) drivers and challenges of sustainability, (2) sustainable strategies and practices, (3) sustainable procurement capability and resources, and (4) competitive advantage. The questions were left quite open ended in order to receive more comprehensive answers and produce more conversation. Additional introductory questions or clarifying questions were asked when necessary, and the order and form of the questions were modified to enable a natural flow and to be more suitable for different firm types (e.g. not every interviewed firm had a separate procurement team). Furthermore, as the interviews proceeded and new information was acquired, the following interviews were guided in a way that they would provide answers to similar topics as were discussed in previous conversations.

The respondent companies were selected from five different manufacturing industries. The case companies will be introduced in more detail in chapter 5.1. The idea of choosing companies from different manufacturing industries was the assumption that because certain

industries may have very similar supply chains and customers, they might thus have similar pressures and drivers for their operations, which in turn could affect how the role of SSM is seen in these firms. The objective of the study was to consider different kinds of supply chains to create a comprehensive view of sustainable supply management and competitiveness from various perspectives on large-scale sample. The study also seeks to shed light on different views on the importance of supply management and responsible sourcing and how they may vary across these industry sectors. As the findings are very much influenced by the thoughts and opinions of the interviewees, table 4 below summarizes the interview details and presents the positions of the interviewees in order to ensure the reliability and validity of the study.

Table 4. Interview details

Company	Position of the interviewee (additional responsibility)	Duration of the interview (mins)
A	CEO, owner (procurement)	60
B	VP, supply chain director	65
C	CEO, owner	60
D	CEO	45
E	CEO (production)	60
F	COO (procurement)	50
G	Commercial manager (procurement)	95
H	CEO	80

According to Eisenhardt (1989, 545), when using a multiple-case approach, a suitable number of cases usually relies between 4 and 10. She argues that fewer than 4 cases may not provide sufficient data to generate a comprehensive theory, and with more than 10 cases the volume and complexity of the data grows impracticable. Furthermore, according to Dubois and Araujo (2007, 175), using several respondents enables capturing various perceptions and meanings in order to fully understand complex business relationships. Having multiple respondents and data from different sources (data triangulations) limit interview biases (Kähkönen 2011, 34).

In qualitative research, data collection and data analysis as well as the development and verification of propositions are largely interconnected and interactive processes. This means that analysis is carried out both during and after data collection. (Saunders et al.

2015, 571.) The interactive nature of data collection and analysis is crucial in allowing important themes, patterns and relationships to emerge while collecting and analysing data. The existing data should be re-categorized and re-coded in order to identify occurring themes, patterns and relationships in the different cases. This also allows the adjustment of subsequent data collection to recognize if related data exists in cases where the study is to be conducted (Corbin and Strauss, 2008).

Accordingly, data analysis began after the first interview was transcribed. Beginning data analysis right after the first interview, allowed a clearer understanding of what was required from the following interviews. Several analytic techniques were used to analyse the cases, including pattern matching, explanation building, and cross-case synthesis (Yin 2009, 136, 141,156). After every interview, the new results were mirrored with the previous ones in order to find matching patterns either between the findings or with a relation to the formed conceptual framework. The data was analysed theme by theme following the conceptual framework's logic, and finally all interview responses were collected together. Here is when the cross-case synthesis technique was used. Each case was logged separately under each interview theme with the objective to discover new findings and perspectives from the different case companies. After these techniques were used to organize and analyse the findings, a full comparison and conclusion of the findings was conducted.

4.4 Reliability and validity

One of the most important stages of academic research is the evaluation of the validity and reliability of the study (Kähkönen 2011, 38). Especially in qualitative case studies, the evaluation of the reliability and validity is critical, as the main criticism towards these types of studies is related to the lack of precision (Stuart et al. 2002, 429). Research reliability refers to the possibility that the same case study can be repeated using the same procedures and end up with the same results, while research validity relates to the ability of a research method to measure the intended concepts and causal relationships of the study (Yin 2009, 40).

The reliability of qualitative studies comes from consistent analysis, trustworthiness and transparency of the research (Eriksson and Kovalainen, 2008). To improve reliability of the thesis, all the theme interviews were recorded in audio form and transcribed for later analysis to minimize misunderstandings or incorrect data. All interviews were conducted in

Finnish to avoid any language barriers with the interviewees, and to provide a more in-depth discussion in the respondents' native language. Afterward, certain parts of the transcribed interviews were translated into English for possible direct quotations. Furthermore, the detailed processes of data collection and analysis have been described in chapter 4.3.

Validity can be divided into construct validity, internal validity and external validity (Yin 2009, 40-45). Construct validity can be improved by obtaining evidence from multiple sources in order to identify correct operational measures, internal validity seeks to indicate the causal relationship of two or more conditions, and external validity aims to generalize the results of a study to be used in another domain (Yin 2009, 40-43). In this thesis, the construct validity of the study is improved by forming the comprehensive interview questionnaire based on existent literature and using multiple case method of 8 case companies. However, the data gathered through semi-structured interviews might suffer from biases due to the interviewee's lack of operational measures that match the correct concepts or due to respondent reflexivity (Yin 2009, 41-42). External validity is improved by using a random sampling of manufacturing SMEs from different industries, in order to generalize the results. As internal validity seeks for causal links, it cannot be strengthened through an exploratory case study (Yin 2009, 40).

In addition, all the interviewees work in top management positions of the case companies, most of them as CEOs depending on the firm size and organizational structure. Many of the interviewees were also responsible of the company's procurement processes. Therefore, it can be assumed that the interviewees have a broad and sufficient understanding of the supply chain and supply management activities of their firms. The cases are selected from different organizations representing different manufacturing industries in order to achieve comprehensive and versatile data. There were a total of 8 interviews, which was considered sufficient for finding patterns and consistencies and more than one similar views to support the reliability of the findings.

Even though using multiple sources of empirical information may improve the validity of the thesis, compared to quantitative, statistics-based studies, a multiple case study has some weaknesses. While quantitative and statistical studies can be widely understood and applied by other researchers, multiple case studies include a certain degree of uncertainty, as there are no comprehensively developed standards to explaining and judging data. (Stewart 2012, 71.)

Qualitative method aims to form an understanding of different phenomena in terms of the meanings people bring into them (Hallberg 2006, 141), and so is the case with this thesis. Rather than trying to find hard evidence and numerical data of the impact of sustainable supply management on competitive advantage of the case companies, the aim is to explore how the interviewees of different companies experience this phenomena and what kind of perspectives emerge. These views are then compared and analysed in order to find possible consistencies and patterns between companies of the same industry, or alternatively differences between companies within the same or different industry.

5 SUSTAINABLE SUPPLY MANAGEMENT IN FINNISH SME'S

This chapter provides the empirical part of the study by presenting the findings of the thesis. The findings are based on 8 theme interviews conducted in Finnish SMEs from different manufacturing industries. The findings will be introduced by following the themes presented in the conceptual framework; drivers, motives and challenges of SSM, practices and strategies of SSM, resources and capabilities of SSM, and competitive advantage sourced from SSM. These themes were also followed in the theme interviews (Appendix 1). Before presenting the main findings, the case companies of this thesis are introduced in more detail.

5.1 Introduction of the case companies

The objective of this thesis is to examine and obtain a comprehensive understanding about the role of sustainable supply management as a source of competitive advantage in Finnish SMEs operating in different manufacturing industries. In studying the topic, the thesis takes the perspective of a resource-based view, which considers a firm's internal resources and capabilities as a source of competitive advantage. Therefore, the case companies were selected appropriately to provide valuable information and knowledge about the research topic. The study employs a research method of multiple case study, and thus, multiple cases were analysed to study the phenomenon of sustainable supply management. Eight Finnish companies that meet the criteria of small and medium-sized enterprises, presented in chapter 2.2.1, participated in the research. Furthermore, in order to obtain as relevant data as possible about the perceptions on sustainability and practices of sustainable supply management, the case companies were selected to represent those that already consider sustainability in their operations. However, the centrality of responsible sourcing in their operations varied. The companies and their characteristics are presented in table 5.

The case companies present five different manufacturing industries: plastics, paper, food, metal, electronics, and machinery and equipment. They operate in several different markets based on their customers' industries. Five out of eight of the case companies were family businesses and four owner-managed. Four of the companies were considered small businesses, and four were classified as medium-sized. None of the respondent companies were considered micro-enterprises in the size class. Every other case company was privately owned and independent, but Company H was part of a larger concern.

Table 5. Characteristics of the case companies

Company	Manufacturing industry	Number of employees (2019)	Turnover (2019)	Main customers
A	Plastic-based solid surface materials	< 50	≤ 2 million €	Construction and furniture companies
B	Paper-based household and sanitary goods	< 50	≤ 2 million €	Professional kitchens, private and public facilities
C	Confectionery	< 250	≤ 50 million €	Retail/grocery stores
D	Metal structures and parts	< 250	≤ 10 million €	Large machine shops (metal)
E	Electronic components	< 250	≤ 10 million €	Electrical product manufacturers
F	Workshop solutions	< 50	≤ 10 million €	Repair shops and vehicle operators
G	Foodstuffs of plant origin	< 50	≤ 10 million €	Retail stores, wholesalers, exporters
H	Machinery and equipment, plastic- and paper-based products	< 250	≤ 50 million €	Health technology equipment, machinery, and food manufacturers, pharmaceutical logistics

5.2 Sustainability in Finnish SMEs

When asked the interviewees what they perceive sustainability to be, many of the respondents answered that what they mostly incorporate to the term 'sustainable development' is environmental responsibility. Every case company valued environmental responsibility and had made efforts to reduce the environmental impact of their company. As environmentally conscious actions, the case companies mentioned recycling, reducing waste, short and efficient transport routes, ISO 14001 and other EMS systems and certifications, and investing in more energy-efficient office and production facilities.

Compared to environmental issues, social responsibility was perceived somewhat less relevant in the concept of sustainability. This dimension was not considered as essential in every case company, especially when the supply chain did not reach low-cost country

markets, in which case social issues were not always seen as a risk. Social responsibility actions in the case companies included investing in the well-being of own employees and assuring responsible working conditions within partners through different methods. Participation in charities was also mentioned as part of social responsibility by one case company.

Every case company saw that sustainability is either a current or future trend, regardless of their industry. The interviewees reported that they have been following the evolution and a clear trend is noticeable. For example, in the food industry, sustainability was already seen as a prerequisite for competitiveness and a condition for remaining the market position for Company C. Meanwhile, Company D and Company F operating in the metal industry, did not yet see sustainability as a significant factor in staying competitive, but predicted that the importance will grow in the next years. In addition, in Company A as a supplier for the construction industry, differences in the development towards sustainability had been noticed between different countries. Where Finland had only recently begun to consider sustainability issues, and still not profoundly addressing them, the same issues had already been considered in Sweden, the UK and the US, and the importance of sustainability for the competitive position was much greater.

5.3 Drivers, motives and challenges of SSM

The interviews raised several different drivers that had guided the case companies towards CSR and sustainable behaviour in their supply chains. The drivers for SSM varied from pressuring stakeholder requirements to sustainability being in the core company values and to competitive pressures in the markets. The drivers and pressures of SSM are presented in table 6.

Customer requirements worked as a major driver and pressure for CSR in some case companies. Company A stated that their customers are increasingly demanding more environmentally friendly products and transparency with accredited claims. Where sustainability may have been more of an advertising slogan for some firms in the past, nowadays it could be a significant criterion in customers' decision making. Similar pressures were seen in Company E. The company stated that customer requirements worked as an engine towards CSR. Certain factors, such as quality and environmental systems must be

Table 6. Drivers and pressures of SSM

Category	Driver
Stakeholders	<ul style="list-style-type: none"> • Customer requirements and pressures • Consumer awareness • Demand for transparency • EU, government and other legislative regulations
Values	<ul style="list-style-type: none"> • Business idea • Company value • Top management's personal value
Markets	<ul style="list-style-type: none"> • Competitive pressure to remain market position • Global trend • Prerequisite for global market entry

certifiably managed downstream the supply chain, in order to be able to offer products to customers. Company C worked as a supplier to large consumer retail chains that emphasized sustainability in their own operations. Therefore, the company, together with its upstream partners, strived to develop sustainability in close cooperation. Company C had also found that individual consumers, especially the younger generation, are actively investigating the origins of the products they purchase and doing background research of the companies they use. As consumers are also increasingly aware of the company's internal operations, it was important to maintain a good reputation. Thus, pressure and motivation to develop CSR were created by both corporate and individual end customers in Company C. Company G also predicted that pressures from customers and consumers would increase in the future.

*"I believe that people are moving to the direction that they appreciate Finnish work, Finnish products, so the pressure to change operations comes from there – consumer pressure."
(Company G)*

Furthermore, Company E had encountered pressures from the EU. New regulations from the EU had placed pressures regarding sustainability and other issues, which was perceived very employable for a small business. Some other case companies did not find that particular pressures were directed to them. According to Company D and Company F, many of the regulations regarded such issues that are more of something considered self-evident for a Finnish firm, such as good working conditions and recycling waste.

For a few case companies, the main driver for sustainability had already been implemented in the company values and DNA from the beginning. For Company A, environmental responsibility was the basis for starting the business. Founding the company was a response to concrete environmental issues, and the company's business idea was to create solutions to minimize plastic waste and to improve recycling of plastic. In Company B, CSR was implemented in the company values, as two of their four values included "joy of working" and "respecting the environment". Sustainable behaviour had been implemented already about three decades ago, and certain sustainability issues had become something that were considered self-evident. Accordingly, Company C stated that CSR had become a part of the company's DNA and operations since the construction of sustainability began ten to fifteen years ago. The company considered sustainable development to be a motive itself, and they wanted to develop to be as responsible as possible. Company G also stated that sustainability issues had become a natural part of the business at the very beginning of establishing the company with a will to improve the well-being of the society. Sustainability had therefore also been integrated in the company's DNA. The interviewee noted that it had not been so much a choice but rather a continuation on the path of sustainability as the surrounding environment had changed.

For Company D and Company F, the driver for CSR was primarily the top management's personal way of thinking and personal values. As there were no significant external drivers or pressures towards sustainability, it was the will to support slowing down global warming and reflecting on what will be left for future generations, that motivated these firms to be more responsible in their operations.

Moreover, the ability to enter global markets had driven Company A to employ certain environmental certificates such as LEED (in the US) and BREEAM (in the UK). As a supplier to construction companies, Company A had noticed that green building is one of the fastest growing sectors of the construction industry, for example in the US. With increasing share of exports, in order to stay competitive in the green markets in the US, Company A found that they must be able to compete with certified ecological, recycled and recyclable materials. Compared to Finland, other countries like Sweden and the UK were mentioned to place more emphasis on sustainability issues, which increasingly underlined the importance of accredited sustainability claims.

In addition, the case companies raised several benefits that also acted as motives for SSM operations. According to the interviews, the motives and benefits emerged from values, enhanced competitiveness and competitive advantages through various factors, and market benefits. Table 7 below summarizes these motives and benefits in more detail.

Table 7. Motives and benefits of SSM

Category	Motive
Values	<ul style="list-style-type: none"> • Good conscience • Better environmental and social conditions in the supply chain
Competitiveness and competitive advantage	<ul style="list-style-type: none"> • First-mover advantage • Cost savings • Better company image • Increased sales and business volume • Quality and long life-cycle of products
Markets	<ul style="list-style-type: none"> • Sustainability as a marketing tool

Sustainability values could be considered both the internal drivers as well as the benefits of SSM. Company F and Company G both mentioned that one benefit of operating in a sustainable and responsible manner was good conscience, as the knowledge about the impacts of the company's behaviour increasingly grew. Further, Company C noted that sustainable behaviour was a motive itself as it would benefit everyone in the supply chain through better environmental and social conditions.

Sustainability as a source of competitive advantage was also mentioned as a motive towards CSR behaviour. According to Company B, it was experienced already in the early 90s that CSR could be used as a competitive advantage to some length. It was predicted to become a trajectory, and the company wanted to be a pioneer at a time when certain sustainability themes would become even requirements for business. For Company C, the main motive at first was that the subject around sustainable development had been followed for a long time, and the company wanted to be proactive when they noticed that the topics and interest towards it were raised among customers. Back then, the company saw that CSR would become a source of competitive advantage in any case. In addition, Company D and Company E saw that sustainability supports competitiveness by bringing cost

savings. Mess and wastage are costly, and behaving in a sustainable way reduces these costs, which in turn leads to improved competitiveness.

Company C had noticed a clear correlation between CSR actions as well as communicating CSR initiatives and company image. Sustainability was thus used as a marketing tool. The more CSR behaviours had been raised and communicated downstream the supply chain, the more consumers had reacted leading to increased sales. Company H had in turn noticed increased customer interest towards learning more about sustainable offerings. It had been requested that the case company would provide more information about the possibilities of sustainability and more sustainable product options. Most companies emphasized that while sustainability was communicated to company stakeholders, the sustainability actions also needed to be verifiable. It was often stated that false claims were not convincing. However, for Company D, responsibility issues and requirements from customers were perceived more as rhetoric than as demands to change current operations. Still, the prevailing state of mind according to case companies A, C, E, and G was that it is important to behave and operate in a sustainable manner without the need to greenwash communication.

"[...] [benefit is] good conscience and then we are able to stand behind our communication and products [...]" (Company G)

In addition, quality and long life-cycle of products were mentioned as motives as well as benefits of CSR in Company E and Company F. In relation to cost savings, both companies stated that their objective was to discover such solutions in product design and development that would produce sustainable products with a long or endless life-cycle. According to Company E, those companies that work according to certain quality systems and understand the meaning of quality, usually also perform well in tendering processes. Extensive waste and scrap costs increase the price of the end-product, which will affect the competitiveness of firms. Company F noted that the quality itself ensures sustainable and durable products, which reduces the load both in the upstream of the product's life-cycle as well as the end-life and recycling stage. However, Company F noted that there were still unfortunately many customers who preferred cheap and more disposable products without the will to invest in a more expensive, but more sustainable alternative. Furthermore, although it was not mentioned as a specific motive or benefit, Company G argued that

quality is part of sustainability and responsibility. According to the interviewee, low-quality or disposable product cannot be responsible no matter how responsibly it has been made.

In addition to the various drivers and motives for sustainability, the case companies also mentioned several challenges and barriers for SSM, which are summarized in table 8. The most often mentioned challenge was limited resources due to the small size of the firm. The resource limitations regarded both human and financial resources in most companies. Moreover, the challenges regarded profitability issues and challenges due to company stakeholders.

Table 8. Challenges and barriers of SSM

Category	Challenge
Small size of business	<ul style="list-style-type: none"> • Limited resources • Low bargaining power • Weak influencing power in the industry • Lack of knowledge
Profitability	<ul style="list-style-type: none"> • Increased costs
Stakeholders	<ul style="list-style-type: none"> • Cost pressures from customers • Low external pressure or demand • EU and government legislation

Company H and Company E both stated that due to resource limitations the companies did not have separate employees exploring for, for example, different opportunities to improve sustainability. Therefore, it would require more input and activity from employees in addition to their own workload. Then again, if such functions were acquired as external services, there could be difficulties for the personnel to adopt these practices and they may not blend into day-to-day operations. Company G also pointed to this as a resource shortage that the company does not have appointed personnel focusing on issues such as responsibility and quality, unlike larger firms. Furthermore, Company A mentioned technical challenges as barriers for enhancing sustainability of their business. There were challenges regarding the production and quality of the manufactured materials. Related to financial challenges, Company A had not been able to invest enough in product development and production technology, and through that in more sustainable raw materials.

Furthermore, also related to the small size of the firm, low bargaining power and weak influencing power inside the industry were mentioned as challenges or even barriers for becoming more sustainable. For example, Company B experienced that their volumes were rarely so large that it could have been used to demand new developments for, among other things, more sustainable and responsible materials. It was often felt that a small company had to follow the example of larger corporations. Similar views were seen in other case companies as well.

"[...] we are forced to go with the flow, actors this size can't really swim upstream." (Company D)

"[...] little ones have the agony of little ones. Our voice is not heard [...]" (Company G)

Company D also felt that they had little influence over sustainability and responsibility issues in procurement. One of the reasons perceived was, for example, that the company mainly purchased steel materials and components, which is known to not be a sustainable material itself. However, ensuring good quality was important when purchasing steel.

Lack of information and knowledge was also considered as a challenge for some of the case SMEs. Company G noted that for a small company, it was not easy to find the right people and competencies during growth. There was often a lack of knowledge when it came to new equipment procurement, timing of investments, or project implementation. Financial resources restricted searching know-how externally. Lack of understanding and knowledge of the supply chain was also mentioned as one challenge of SSM. Company D noted that they were not fully aware of the origins of the purchased raw materials, and hence, they could not be sure whether their purchases were responsible or not. This was partly because the company used wholesalers as intermediaries in its procurement, which blurred the upstream end of the supply chain. Due to limited resources, no more detailed investigation had been undertaken, as customers had not yet requested it.

Almost every case company experienced that being responsible increased the costs of procurement due to more sustainable and responsible material options (Company A, Company B, Company G, and Company H) and focusing on quality (Company E and Company F). In contradiction to the increased costs, Company E experienced significant cost pressures from customers. There was the growing desire to push prices down, while at the same time requirements for responsibility increased, which decreased profit margins.

The interviewee of Company G felt that sometimes behaviour and consumption habits can change slowly, especially with regards to food. While customers and consumers constantly want more responsible products, it seems that the price should also stay low, and consumers are not always willing to pay for it.

"Responsibility and quality cost [...] but who pays for it in the end is the question. [...] if you are looking for cheap and good and responsible, some of them is wrong." (Company G)

As mentioned before, some companies experienced low external pressures for sustainability. This challenge was mentioned mostly by companies who operated in the metal industry. Company D stated that it was difficult to offer more sustainable and more expensive products when customers were not willing to pay for them. Without pressure from customers, the company did not feel that it was profitable to change its operations in a more sustainable or responsible direction. Similarly, Company F noted low customer pressures for sustainable products. Still, unfortunately many customers chose products price first, which meant that a higher-quality, longer-lasting and more responsible product would not succeed in the competition. Also, Company H noticed most challenges in their metal industry product segment. Demand for sustainable products was significantly lower in this segment compared to the paper and plastics product segments, however, it was increasingly growing. In relation to stakeholder pressures, Company E mentioned that there were a lot of pressures from the EU, which created a lot of work for a small firm. Furthermore, according to Company G, the EU requirements were sometimes unclear, for example regarding organic food business.

5.4 SSM strategies and practices in Finnish SMEs

Sustainability played a different role in corporate and SSM strategies between the case companies. Sustainability was considered both the core of the strategy, where it had been automatically implemented in all business operations, but it had also been incorporated only in practical actions without a specific strategic aspect. Table 9 presents the different SSM practices that the case companies used in order to support their CSR strategies and responsible sourcing. Based on the interview responses, the practices the case companies used to support SSM, could be categorized in five different groups; sustainable sourcing strategy, sustainable supplier management, collaboration, risk management, and proactivity.

Table 9. SSM practices

Category	Practices
Sustainable sourcing strategy	<ul style="list-style-type: none"> • Closed loop supply chain • Use of sustainable materials
Sustainable supplier management	<ul style="list-style-type: none"> • Supplier assessment • Supplier selection • Locality and regionality of suppliers • Supplier development • Long-term partnerships
Collaboration	<ul style="list-style-type: none"> • Interaction and communication • Co-development of products and processes
Risk management	<ul style="list-style-type: none"> • Standards and certifications • Supplier monitoring and auditing • Transparency
Proactivity	<ul style="list-style-type: none"> • Following the trend of sustainable • Going beyond legal requirements

Sustainable sourcing strategy

Circular economy and minimizing new material purchases was considered as a central sourcing strategy in many case companies. The business idea and future goal of Company A was to create a closed loop life-cycle for their materials and products by minimizing new material purchases and producing only recyclable products. According to the company, circular economy is strongly present today, and the company wanted to invest in it. Financial support from the government was also available to promote circular economy. The interviewee felt that they were well in line with government policies in the direction the circular economy and sustainability were heading. Circular economy also played a key role in Company H's strategy and this was taken in account when sourcing new materials. The recyclability of materials and products was considered an important part of their sourcing strategy. The interviewee noted that while sometimes costs had driven sourcing to low-cost countries (LCC), nowadays these purchases mostly concerned only prototypes. Otherwise customers were willing to invest in better quality products sourced closer-by. Company B had accepted that while using sustainable strategies in some product categories could lose them certain customers due to increased prices, the matter of sustainability and environmental responsibility came first, as it was a part of their company values.

“We have also decided that in some of our product categories we only use wood fibre based raw material, while we rule out some markets and customers. But this decision is based on our company value ‘respecting the environment’.” (Company B)

Company E and Company F stated that their objective was to produce quality products with a long or endless life-cycle. Company F wanted to rather repair old products than produce new ones cheaper with lower quality. Company H further noted that in their manufacturing segment of machinery and equipment, it was primarily the long life-cycle and recyclability of end-products that supported sustainability.

Moreover, every case company emphasized the role and importance of recycling waste. According to Company A, the sustainability of their business mainly emerged from recycling. Companies D, E and H noted that neglecting recycling would be costly and that the cost of waste disposal has increased. Company E further stated that in Finland the situation is good, as recycled excess materials and waste are also paid for.

Sustainable supplier management

Many of the case companies had integrated sustainability in their supplier management processes. It was often included in supplier selection as one criterion of assessment. In supplier selection process, many case companies used different certificates, code of conducts, or internal procurement instructions that guided them in choosing environmentally and socially responsible suppliers. Company C stated that the company has clear procurement instructions including environmental and social responsibility issues. Negotiations with new suppliers were based on these instructions as well as the code of conduct. Company E had also included sustainability issues in their supplier selection criteria along with previously existed criteria of delivery and quality performance. The interviewee stated that the company had had a certain procurement process where the quality system had been a part of for over two decades, and in time sustainability issues had been included. Furthermore, Company B aimed to use certified raw materials when possible. The company only accepted a specific certification, and the materials had to comply with the Nordic Swan Ecolabel, including environmental, quality and health criteria. This strategic decision to only use suppliers that complied with these criteria also brought challenges as it excluded other potential suppliers.

*“Suppliers are selected according to the Nordic Ecolabel, and it excludes us from certain markets. It’s a strategic choice, in addition to choosing suppliers as close as possible [...]”
(Company B)*

Company F also sought to improve the sustainability of their business, and according to the interviewee, supplier selection was the best way for the company to impact it. Attention was also paid to sustainable carrier partner selections. In selecting suppliers, the company did not have any formal processes or guidelines to follow, but for new suppliers, visits to the new partner were always made, and responsible operations as well as the origins of components were ensured. Many suppliers of Company F also had their own sustainability-related code of conducts and protocols they followed.

“What means a lot to us is that we know our suppliers and we know their whole supply chains, we know the quality, we know what we can expect.” (Company F)

The most often mentioned supplier management strategy was selecting suppliers and partners that were domestic, local, or otherwise within effective transport connections. While not always mentioned as a strategic decision that was made sustainability first, such as in companies A, D, and E, closeness of the supplier base was seen to both decrease costs of transportation and save the environment by using effective transportation routes and types. The suppliers of Company E were mostly located domestically or in Europe, and the underlying reasons were the long history of the company and total costs including transportation. While the supplier companies in Europe were competing with suppliers in LCC countries, according to Company E, it pressured the nearby suppliers to streamline their logistics chains, which in turn would generate less both environmental impacts and costs. Company H noted that especially in the past year, as schedules had extended and freight costs had risen dramatically due to Covid-19, shorter transport distances were emphasized. The same notion was made by Company E, and according to the interviewee, the pandemic had driven companies to emphasize locality due to shortage of materials and components, long lead times, and disruptions in transportation. Company G had also gradually moved their sourcing of certain raw materials from the Americas to Europe, partly due to market pressures, as awareness and country risks had increased in South America. Company G pointed out that it was not a question of quality or price, but that bringing procurement closer had been more about risk management. Consumers and retail customers are increasingly pressuring for short delivery times and security of supply.

Furthermore, selecting nearby suppliers was considered a part of risk management of social issues. Even though the decision to source domestically was financially driven, Company A did not feel that they would shift to any LCC country suppliers even if it meant lower raw material prices. It was considered safer to stay with the close-by suppliers in order to receive potentially better support and maintain transparency. Company E similarly noted that social responsibility is in good condition in Finland. The interviewee thought that with a Finnish firm, the employer and employees often belong to unions and therefore employment contracts are obeyed. Company B saw that using near-by suppliers also minimized the risk of cultural differences, which could further cause issues with trust and communication, for example regarding transparency, employee working conditions, or misunderstanding the buyer company's needs. Therefore, the decision to source domestically also had a strategic aspect.

“The foundation of this strategy [sourcing nearby] is that the closer the raw material supplier is, the less it generates any extra logistics and transportation. But then on the other hand we also feel that this cultural environment where we operate in is more on the same basis and we surely understand each other [...]” (Company B)

The most common characteristic regarding supply strategies was the long-term approach regarding business partners. Every interviewed company emphasized long-term partnerships with their suppliers and the stability of their supply chains. For example, in Company F, the supplier base as well as customer base were well established during the years. Company H noted that their supplier base might have become even too stabilized during the years. Communicating needs and having a mutual understanding of sustainability requirements was also raised. None of the case companies had had to switch suppliers due to their lack of sustainability capability, but they were rather developed through communication. Company C and Company E emphasized long-term partnerships and developing their sustainability performance through communication and cooperation. The threshold to switch suppliers was big when the cooperation had worked well in the past. Most case companies felt that there were no major problems with supplier requirements and that there was no need to consider switching suppliers. Company C noted that sustainability issues no longer caused challenges like 10-15 years ago. According to the interviewee, suppliers have understood that sustainable development is the current existing condition. Company B further emphasized that sourcing and responsibility go hand in hand. Certain long-term partners and suppliers had themselves developed regarding the sustainability of their businesses.

“It has been the more dominant development than if we would have changed our processes and criterion and changed suppliers to accomplish certain responsibility levels or sustainability. It is more prevalent that we have developed together with our long-term partners.” (Company B)

Collaboration

To enhance sustainability in the supply chains, collaboration with different stakeholders was mentioned in a few case companies. As stated before, co-development with suppliers was a common practice in enhancing sustainability performance. Company H noted that it is important to have suppliers that support the sustainability of the case company by developing more sustainable materials and products themselves. Furthermore, Company F mentioned that their logistics partners, more specifically transportation companies, were also very proactive when it came to sustainability issues, which had provided support for greening the supply chain.

Support from the other direction of the supply chain was found as well. Company C stated that one of their customers was very active in sustainability issues and the development of sustainability and responsibility had been emphasized. The knowledge and practices obtained from this collaboration were implemented upstream the supply chain. Due to the collaboration with customers, Company C had been able to be proactive and exceed the sustainability and responsibility demands of the EU and the government legislation.

Risk management

Risk management in ensuring sustainability involved many practices that the case companies mentioned that were used in their supply management. While different standards and certifications as well as code of conducts were used in supplier assessment and selection, they also ensured that the suppliers continued working according to these requirements. In order to ensure the continuing behaviour, many of the case companies monitored and audited their suppliers.

The frequency of supplier auditing differed between case companies. Company F noted that they do not actively monitor every supplier’s supply chains, but audits and negotiations are done when new potential partners are being selected. New suppliers were always

interviewed, including employees, to ensure that operations were sustainable and socially responsible. Auditing especially in the very beginning of the procurement process when selecting suppliers was mentioned significantly important for risk management in the company. As an example, the interviewee raised an event, where an audit revealed that a potential supplier was not performing according to what was promised. The buyer, Company F, was visiting the potential supplier in Asia, who had represented themselves as the OEM (original equipment manufacturer). However, when the buyer arrived at the supplier's location, the manufacturing facility was in fact a warehouse from where the supplier was distributing other brands' products. Therefore, it was emphasized that the buyer firm should get to know the potential partner's activities well and go through their production facilities in order to understand who they will be operating with.

"[...] after that there is no active monitoring unless something happens, for example, we know there is a drastic change in ownership, when it is likely that some changes are made in the supply chain. Then we of course we will go through some level of an audit again [...] but not actively during cooperation." (Company F)

Company B stated that long-term relationships are crucial in ensuring the responsible behaviours of the suppliers. However, the interviewee argued that when auditing, one-time audit does not always tell the truth about how the supplier company is operating, but it is with time and regular audits that show where the direction of the development is headed.

"[...] as an absolute tool, I do not awfully trust it that you make a single audit. The end result can actually be either well or then poorly descriptive of the reality in the factory. Of course, it gives a certain kind of touch in it, but a much more secure tool is that [the audits] are done repeatedly with the same operator." (Company B)

Transparency, which was a motive for sustainability, also served as a risk management practice within some of the case companies. In relation to long-term partnerships, transparency of the upstream supply chain beyond the direct supplier ensured both environmental and social responsibility. Company A was planning to implement a certification system where the whole supply and production chain was uncovered, in order to comprehensively calculate their carbon footprint. In addition, Company B noted that the company had made a strategic choice that everything they sell to the customer is manufactured in-house. This way the company could assure sustainable and responsible production methods of their products. Furthermore, Company B stated that a part of their

SSM strategy was to never use spot-markets but only work with long-term raw material suppliers and partners. A similar decision had been made also in Company F. The interviewee of Company B compared using long-term suppliers to spot-markets, where there might be some cost savings, but on the other hand, what happens behind the cost is not clear.

"[...] we know their [long-term partner's] values and operating models and processes and then we can rely on the fact that certain things are fulfilled." (Company B)

Proactivity

Finally, there were some proactive SSM practices and strategies within the case companies. Many case companies had predicted that sustainable development will become a trend in the future, and they wanted to proactively engage in CSR practices. According to Company C, their internal sustainability practices included especially socially responsible actions that went well beyond current legal requirements. In addition, as mentioned before, cooperation with their customers to enhance sustainability of the supply chain enabled the company to exceed existing sustainable regulations. In addition, Company A, Company B, and Company G had incorporated sustainability into their business values from the very beginning, constantly employing voluntary sustainability initiatives and staying ahead of CSR regulations. Furthermore, life-cycle assessment of products and aiming to ensure long or endless lifetime of products and the recyclability of used materials was enhanced in Company A, Company E, Company F, and Company H.

5.5 SSM resources and capabilities in Finnish SMEs

One of the themes of the conceptual framework and the interviews focused on firm-internal resources and capabilities of the case companies that potentially support SSM as the source of competitive advantage. Based on the literature review and the interviews, these internal resources and capabilities included understanding the supply chain, supplier involvement and communications, procurement team competence, top management's involvement and support, and innovation capability.

Understanding the supply chain

Most case companies described the visibility and the understanding of their supply chain as “quite clear”. However, there were challenges tracing the supply chain all the way to the source of raw materials. Only in few cases, such as in Company A and Company G, the raw material producer was the direct supplier, which means the upstream supply chain has more than one stage. To facilitate supply chain monitoring, the case companies Company B and Company C, had often chosen suppliers that work nearby. The companies also promoted long-term partnerships to have a clearer view of also tier 2 suppliers and beyond. Furthermore, to assure responsible operations in the upstream of the supply chains, Company C, Company E and Company G noted that they require their suppliers to have certain certifications and to provide documents of where the materials are purchased from. Company F had audited all their suppliers’ factories in the beginning of their relationship and after if necessary, in order to assure responsible working conditions. Same goes with Company B and Company G with several visits and audits to their raw material suppliers.

Still, some respondents experienced that at some point, the supply chain and its operations become unclear and the materials are difficult to trace all the way to the source. While most case companies considered the nearby location of suppliers as important, there were some raw materials or components that were simply not available in Finland or even in Europe. Company E noted that some electric components were only available in Asia, and sometimes the company had to trust the documents provided by their suppliers regarding the source of materials. Company C mentioned that when it comes to confectionary products, taste is critically important, and some raw materials were not available in Europe. The company noted that they had one raw material supplier who they had not audited due to its difficult location, but overall, the lack of knowledge of the upstream supply chain considered a marginal amount of purchases. Company H had a few MNC suppliers, in which case the company experienced that they could rely on these suppliers to act responsibly, even without the knowledge of their supply chains. For small suppliers, it was trusted that the supply chains would not go logistically far. In the end, however, the most important thing in most of the case companies was the ability to trust the business partners they work with.

“[...] it also takes into account the fact that [our company’s] reputation cannot endure that we purchase from a supplier that cannot stand the light of publicity.” (Company H)

However, these case companies with a “quite clear” view of their supply chains seemed to work directly with their suppliers, without using third party contacts such as distributors or wholesalers. Company D used wholesalers and distributors to purchase their materials and components, and stated that this is one of the reasons why their knowledge of the upstream supply chain is deficient. The case company noted that there were possibilities even with third-party sellers to provide more information about the purchased materials, such as metal melting numbers, but there were some barriers why the closer investigation was not done. One reason was that their customers were not requiring such documentation or information, and due to the small size of the case company, they found it difficult to change the current practice.

Supplier involvement and external communication

There were differences between the case companies of how the suppliers were involved in enhancing sustainability of the focal company as well as of the supply chain. The level and nature of communication varied widely as well. However, what emerged in many case companies was that pressures from customers improved the way CSR activities were implemented and communicated towards suppliers and the upstream supply chain. In addition, customers could audit case companies through which additional requirements might have arisen.

According to Company H, pressures from customers regarding greener and more ecological products placed pressure on implementing responsible and sustainable activities further in the supply chain towards all different types of suppliers. Company C further noted that some supplier involvement happened due to their customer’s requirements. Additional customer requirements were communicated forward, and when new goals were set, they were passed on to the upstream supply chain through guidelines, general rules of practice, and other communications. Company C also mentioned that some of their customers placed particular emphasis on sustainability issues and there was a lot of cooperation on these matters. Similarly, the knowledge and practices that emerged through the cooperation could be applied to the case company’s own suppliers.

“Our customers also audit us, so there may be additional requirements [for our suppliers] through it as well.” (Company C)

Company E also stated that their sustainability goals were being implemented upstream the supply chain. The aim was to develop in cooperation with suppliers, and if necessary, the development was monitored at regular basis. Accordingly, the case company noted that their customers also audited them and their supply chains, including sustainability issues in their scoring systems. Regarding new suppliers, questionnaires were sent to these companies inquiring certain sustainability issues to ensure compliance to the company's goals.

Another way of involving suppliers and communicating sustainability targets was to require the suppliers to have different standards and certifications. Company B required standards and certifications from its suppliers to assure sustainability of certain product categories. Company G stated that the standards by which their suppliers had to comply with, already ensured the responsibility of these partners. The legislation of their industry guaranteed that products could be traced back to their source and it also ensured responsible production methods. Communication directly with the raw material supplier's factories was emphasized, and Company G wanted to ensure up-to-date and efficient information flows by cutting off intermediaries in the supply chain.

"[...] if there is a long value chain, i.e. a lot of middlemen, the more people withhold information. [...] the shorter and more direct the value chain, the better the information is up to date." (Company G)

According to Company A, it was important to involve suppliers as they were required to support and provide necessary information in order to the company to determine their carbon footprint. However, the case company did not actively communicate their sustainability goals to their suppliers. With long-term partners, there was a presumption that suppliers were already aware of the focal company's goals, they knew how to support these targets and develop operations to better meet them. Company F did not use active communication regarding their SSM goals towards their suppliers either, but rather ensured that the suppliers' behaviour met the necessary requirements of the company and vice versa. Company D stated that they do not particularly communicate their sustainability goals to their suppliers.

Procurement team's sustainability competence

The interviews revealed that the case companies had very different procurement teams, at least partly depending on their size. In several cases, procurement was the responsibility of the company's top management. For example, in Company A it was the CEO and production manager, in Company F the COO, in Company H the factory manager, and in Company G the commercial manager. In addition, Company H noted that the procurement activities were rather integrated in their organization than handled by clearly appointed personnel. Operational purchasing was sometimes handled separately by another employee, such as in Company F and Company G. Especially in these companies, responsible business practices were assuredly employed also in procurement.

In those case companies that did have a separate procurement team or procurement staff, the level of communication of sustainability issues varied. In Company H, sustainable development related to procurement, specifically, was not separately communicated or trained internally. The company's strategy of circular economy had been implemented throughout the firm, and the strategy was considered from a procurement perspective in order to support it. Overall, the interviewee stated that the support for the circular economy was largely done through practical actions and measures. As examples, the respondent mentioned logistics chains, packaging, recycling, package sizes to minimize wastage, storability, and safety and environmental friendliness of plastics' chemicals. Company G did not particularly communicate its sustainability targets internally either. The interviewee stated that the company had very strong values of sustainability and responsibility integrated into the company, so such things were very much self-evident. The company also had long-term employees, which meant that these values had been already internalized over the years. In Company D, while responsibility issues were not specifically communicated internally within the procurement team, the interviewee pondered that the purchasing staff, and especially younger employees, might consider responsibility issues in their own day-to-day operations. Otherwise, the company's staff was considered well trained especially in environmental responsibility issues, such as recycling, and the company also had an ISO 14001 environmental certification to guide business operations. The company's goal was to increase the personnel's environmental awareness, for example through general company briefings.

While the top management of Company A was responsible of procurement activities of the firm, sustainability issues were not specifically communicated within other staff. However, the interviewee of Company A thought that the importance of communicating internally would increase as the company grew. It was considered important to communicate not only the sustainable practices, but also the underlying strategies and values to everyone in the organization.

Some case companies reported that internal communication was active. Company B stated that procurement was such a small team that there was constant day-to-day collaboration and communication on various issues between the purchasing team and management. Company C noted that they had several meetings with the procurement staff per year, where the top management and the procurement team would go through issues of responsibility and reflect on development needs together. Company E also actively communicated requirements from customers regarding responsible sourcing internally in the procurement team.

It was noted in Company E that when the customers conduct audits, procurement personnel must be trained of such matters. The company organized both internal and external training, for example through employers' association, regarding new EU legislations and other issues. In Company C, the procurement team, as well as other staff, had training sessions to ensure that all employees had an understanding of sustainable development issues, including the social and environmental responsibility perspectives. According to the interviewee, employees must have clear instructions and rules, so that they understand what is expected and required in matters of responsibility. In the purchasing process, special attention was paid to, for example, a valid ISO14001 certification, and issues related to social responsibility such as caring for employees and ensuring there is no child labour. In Company B, training of the procurement team was more related to, for example, certification requirements, in which case it had to be ensured that the message moved internally in procurement. At the same time, it was possible to meet the requirements that were passed on to the case company by other stakeholders. Otherwise, the company noted that matters related to communication and training were activities based on the company's value base. The interviewee also pointed out that the company's procurement personnel was very long-term and had been working in the company for many years. This had led to sustainability issues and requirements becoming self-evident, and the company had not yet had to think about how these issues would be considered, for example in introducing a new

employee. The interviewee of Company F who was also responsible for the procurement activities, emphasized training and maintaining skills as well. The respondent noted that after his educational training, he had attended several shorter courses regarding supply chain and logistics.

“I also try to maintain my own training so that I won’t get stuck into outdated knowledge.”
(Company F)

None of the case companies mentioned that HR was involved in the development of sustainability and responsibility in their firms. Some case companies mentioned that their procurement staff was long-term, and with that, many companies had strong sustainability values and cultures incorporated in the company’s DNA. Recruitments was often the responsibility of the top management and it mainly emphasized employee competencies for certain job tasks rather than looked for any sustainability or CSR knowledge. In that sense, top management was primarily responsible for promoting their sustainability strategies and practices in the case companies.

Top management’s involvement and support

As stated before, procurement in SMEs is not always as clearly defined as in larger corporations, and sometimes it was the top management that was responsible for the procurement process. However, in companies where procurement was handled by a separate procurement team, it was noted that top management offered different levels of support in ensuring sustainable practices in SM. Mostly, the support was done through providing and approving certain guidelines for purchasing. Company B, Company C, and Company E stated that the top management created and approved internal instructions and guidelines for sustainable and responsible procurement and its processes. In Company G, the procurement processes were handled by the commercial manager who primarily selects suppliers and determines raw materials to be purchased by the operational buyer.

The support of top management was seen easier and more active in some case companies due to the small size and low organizational structure. Company B noted that with a low organizational hierarchy, the operating culture supports free activities at different levels, in which case the procurement team may carry out purchases as they see fit, within the given boundary conditions. Similarly, according to Company F, the organization was so low that

the support of top management could be seen at every level as the top management handled every-day operations like other employees. Thus, the management level was difficult to separate from day-to-day operations. Since the top management was involved in day-to-day sourcing processes, the support was automatically directed to other employees as well. In addition, as one of the motives towards sustainability and CSR actions was top management's own point of view and personal value, in these case companies it could be considered that top management was often involved very closely in supporting SSM in the company.

Innovation capability

When it comes to enhancing sustainability performance, many case companies mentioned several innovations that had successfully promoted sustainable development both on corporate and supply chain level, and even more broadly. These innovations often required technical knowledge and investments in new technologies. Technical knowledge was also mentioned as the most important resource in Company E. Some of these technical innovations had received government funding. However, technical and financial challenges sometimes complicated creating new innovations. As an example, Company B mentioned that their products cannot utilize recycled materials as they are in contact with foodstuffs.

Examples of innovation could be found, for example, in Company A and Company H. Both companies had a strong focus on the circular economy, and technological knowledge had enabled the use of recycled materials in end products. A part of Company A's strategy was to source back their own products they once sold to a customer, either repair them or use the materials for new products and sell them as new products once again. As another example, Company H had been able to utilize waste from the sea as production materials for some of their products, which had attracted the attention of customers as well.

In addition, Company G with a partner had invested in a system that makes use of the inevitable waste from production by utilizing resulting raw materials in other production. Government support had been received for this investment. Company E in turn had developed a product that more broadly supports environmental sustainability. Although the company did not have a specific budget for sustainable development projects, this environmental project had received government support. Company B also stated that innovations related to product development had successfully been made. As an example,

the interviewee mentioned a case where a product previously in a different shape or form had been modified so that the package itself worked as a protective dispenser, whereby the total consumption of the customer decreased.

“Then it’s a good question whether it is good for the business for the customer to purchase less volume after all, but for sustainability it is certainly a positive solution, This is quite a clear success in this sense, as we have noted in our strategy.” (Company B)

While many case companies had invested in sustainable innovations, several also reported investing in their company’s energy efficiency and reducing their facilities’ carbon footprint through indirect procurement. Four companies had invested in new heating systems and purchased air-source heat pumps. For example, the goal of Company A was to invest so that their production plant and company would be carbon neutral by 2025. Some of the companies had received government funding also for these investments.

5.6 SSM and competitive advantage in Finnish SMEs

What was considered a competitive advantage and how it was measured in the case companies somewhat differed. For Company A it was winning tendering processes. In Company B competitive advantage was the overall view of top management as well as larger total volumes. Company C measured their competitiveness through sales, marketing feedback, and company image through yearly image research. For Company D competitiveness was considered as delivery performance and customer satisfaction. For company E it was winning tenders as well as market share and growth. Company F considered professional staff, quality and reliability, long life cycle, and the company's reputation as competitive advantage. Company G measured sales targeting, responsibility and sales development, and attractiveness in export markets. For Company H, competitiveness was considered as customer satisfaction and developing long-term cooperation.

The case companies also had differing views on how SSM practices and capabilities employed as a source of competitive advantage in their firms. The most important resource for creating competitive advantage was considered skilled personnel, as well as technical expertise. Many sustainable materials and products required specific technical

understanding and new innovations, which in turn became a competitive advantage in the eyes of their customers.

“When we can’t compete by being the cheapest, we have to be innovative and produce such technical solutions that support the customer’s competitiveness and sales, and that adds value to them.” (Company E)

According to Company A, even though the costs of procurement increased with more sustainable materials sourced domestically, the practices of SSM were still considered to improve their competitive advantage. Transparency of the company’s operations and verifying responsibility claims was already perceived as important, although the significance was viewed to increase in the near future. The interviewee suspected that responsibility issues can very quickly become actions that are approved by commonly accepted standards, while nowadays still being more voluntary choices. Compared to competitors, Company A felt it was a pioneer in green construction projects. For large material manufacturers, issues such as recycling, recyclability, and similar operating models were not yet seen as equally advanced. Although the volumes with large competitors were multiple and the impact of a small firm on their competitiveness was perceived as marginal, in the green markets this was still seen as a major competitive advantage.

Company B had also experienced that their CSR operations had improved their competitive advantage. While the company had only used their own resources in promoting sustainability in their supply chain, it was noted to be a strategic choice to invest in such things by themselves. The case company stated that they are confident that the benefit will come in other ways through the progress of the business, for example through increased sales volumes due to responsible sourcing. However, it was still considered a challenge when competing in the public sector. In public procurement, the emphasis remained strongly on costs, making higher product prices of responsible product options more difficult to succeed in the tendering process.

“Rarely such situation arises where the increased cost or resource need could be directly passed on to the unit price of a product or service. Rather, it [benefit] comes from increasing the volume of the business.” (Company B)

Similarly, Company E experienced that while SSM often increased the costs of procurement, it in turn increased sales as well. However, it could not be confirmed that the

primary factor which improved the competitiveness of the firm was responsible sourcing. SSM was still considered a prerequisite for being able to compete and offer to certain customers. Company H, in turn, stated that without sustainable product options, they would have likely lost some customers. Improved competitiveness through SSM had also been experienced in Company C. Based on the firm's surveys and research, consumers had become increasingly interested in social and environmental responsibility. Firms' backgrounds were investigated in order to decide whether to purchase the company's products altogether or not. Verifiable sustainability and CSR claims also emerged. The interviewee of Company C stated that it would be challenging to sell and market believably if responsibility issues were not considered. According to the interviewee, a clear correlation could be seen in the communication of sustainable and responsible actions and sales.

*"How much [responsible actions have improved competitiveness], it's hard to measure, but it has improved and it is utilized in marketing through which we hope to increase sales."
(Company C)*

According to Company G, when it comes to responsibility-related market shocks, the responsibility strategy is the one that demonstrates the sustainability of a company. As an example, the case company cited crises that occurred within about a year, when the company was falsely accused of irresponsible actions in South America by consumers, in addition to which the Covid-19 pandemic changed consumers' consumption behaviour. Because the company had a strong sustainability strategy, they had taken care of the responsibility of their supply chain, and were able to meet the challenges facing them, and finally the company managed to maintain its market position.

"The test of a responsible strategy is in market shocks, which can even jeopardize the very existence of the company." (Company G)

Company H thought that responsible sourcing had enabled their market position and maintained some customer relationships. Almost all case companies experienced that SSM had increased costs, but Company H noted that today the costs of more responsible procurement had become increasingly competitive. In their experience, by associating the words "green" or "bio" with products or services, companies also take advantage of it in their pricing. However, it comes with the requirement that customers are also willing to pay for it.

Cost increases were not considered a challenge in Company F. They experienced that it was more of a zero-sum game with more expensive purchases but then again using more efficient transportation. The interviewee of Company F personally believed that while their competitive advantage had not improved through sustainable practices, it would improve in the future. Increasingly, customers were able to ask for and demand that the focal company, their suppliers, and the whole supply chain operates in accordance to sustainable development. The development within customers towards more sustainable thinking was viewed to mainly consider the case company's larger customers, but the transition of their smaller customers was not seen to take place in the next few or even ten years.

"I believe that the competitive advantage we are able to utilize is still to come." (Company F)

6 DISCUSSION

The conceptual framework of the thesis was constructed to support the main research question; 'What is the role of sustainable supply management in creating competitive advantage for a firm?'. The framework was supported by existing SSM and RBV literature, and suggested that the factors affecting the role of SSM in competitive advantage creation are (1) the drivers, motives and challenges, (2) practices and strategies, and (3) firm-internal resources and capabilities of SSM. The findings of this thesis also supported the conceptual framework and contributed to related literature. In this section, the main findings identified in this study are reflected upon the theoretical part of this thesis, and the main contributions to existing literature will be presented.

Previous research has suggested that due to low visibility, lower external pressure as well as lower reputational risk, SMEs might be less enthusiastic to engage in voluntary sustainability initiatives (Jenkins 2004, 39, 45). Some similar findings can be seen in this thesis, but most of the case companies, despite deficient visibility and small size, had adopted SSM practices at least to some length. Six of them had incorporated sustainability in the business strategy, and four of them had sustainability deep in the core corporate values and DNA, in which case the different dimensions of sustainability guided all business activities.

According to Kull et al. (2018, 25), while larger firms tend to focus on financial profits and firm growth, the motives of SMEs are usually more heterogeneous. The case companies had considered that while sustainable practices often increased costs, the drivers were rather company values and personal views of the top managers. The motives to employ SSM were the benefits of improved corporate image and brand value, increased sales and the mitigation of potential environmental and social risks from the supply chain. Similarly to the findings of Bachner (2018, 340), that values play a major role in SMEs regarding sustainability and CSR, many of the case companies of this study emphasized their company values as drivers for environmentally and socially responsible behaviour. However, for those case companies without external competitive drivers or pressures from customers, the level of sustainability in their operations was seen somewhat less significant than for those whose customers emphasized sustainability. These challenges were most present in companies operating in the metal industry. It can be thus concluded from the findings that customer requirements and expectations play an important role in the case

companies' efforts towards SSM, which supports the studies of several academics and scholars (see e.g., Jenkins 2004, 43; Ciliberti et al. 2008, 1580; Seuring and Müller 2008, 1704; Andersen and Skjoett-Larsen 2009, 75; Ageron et al. 2012, 174; Mani and Gunasekaran 2018, 152).

Sustainability was considered both the core of the strategy, where it had been automatically implemented in all business operations, but it had also been incorporated only in practical actions without a specific strategic aspect. According to Supyuenyong et al. (2009, 66), SMEs tend to focus on operational processes, rather than strategic. This was supported by at least three case companies, as they mentioned that their SSM practices were more practical actions, and one stated that small businesses do not really have strategies. However, a couple of case companies clearly stated that their sustainability practices had a strong strategic aspect.

Some of the case companies also had long-term purchasing personnel, which meant that the company's sustainability values were deeply understood and incorporated in the procurement activities. Accordingly, as Jenkins (2004, 47) argued, especially family-owned businesses have a long-term view regarding employees, customers, and other stakeholders' interests. This had led to sustainability issues and requirements to become self-evident and there was no need to actively communicate the goals of sustainability. One company similarly mentioned that as a family business, the firm had a long-term perspective, for example in investment decisions. Low labour turnover rate may also support the view of Huin (2004, 513) that human capital emerges as an important resource in SMEs, and that due to the limited number of expert personnel, the companies prefer long-term employees to ensure undisturbed operations. This could also partly explain why no case company mentioned HR practices being involved in finding sustainability knowledge and competences for the procurement teams, which was suggested by (Langwell and Heaton 2016, 654-655). In addition, in SMEs the development of human capital often takes place on a case-by-case basis according to specific needs (Supyuenyong et al. 2009, 67).

The most common SSM practices were related to supplier management activities and integrated risk management through supplier audits and required standards, certifications and code of conducts. Sustainable supplier management was considered in almost all case companies to support the sustainability of their supply chains. It was mentioned that sustainable supplier requirements had been added as a part of the supplier selection

criteria, and the responsibility of potential and current suppliers was assured through certain standards and code of conducts. However, new supplier selection was rarely necessary for the case SMEs as the supplier base was relatively stable, and development towards becoming more sustainable together with long-term suppliers was emphasized.

As risk management practices, supplier monitoring and auditing was considered in many case companies. While some firms emphasized frequent audits, some did not find it necessary. The location of suppliers, which was mostly domestic and inside the EU, was most frequently mentioned supplier management strategy. While the decision to source domestically was not always made 'sustainability first', the case companies considered it as a strategy which both decreased logistics costs, enhanced communication, as well as minimized cultural differences and social responsibility risks. As Narimissa et al. (2020, 254) argue, local production as well as sourcing locally are strategies that both reduce operational costs and reduce supply risks. While most of the case companies preferred domestic or EU-based suppliers, it was sometimes necessary to outsource further due to raw material, component, or cost requirements. Therefore, frequent audits might not have been possible or practical. The active application of supplier management practices of the case companies suggests that the firms and their customers realize that the environmental impacts of a company are also influenced by its supply base (Darnall et al. 2008, 33) and that business is only responsible to the extent that the whole supply chain is responsible (see e.g., Krause et al. 2009, 18; Gimenez and Tachizawa 2012, 531). Some case companies stated that requirements from customers do not only apply to the focal company, but these requirements must also be passed on in the supply chain.

However, the case companies faced some challenges in their supplier management practices. Regarding human resources, as SMEs often have flexible job functions and lower degree of job specialization (Supyuenyong et al. 2009, 66), actively controlling and monitoring the compliance of CSR activities in the upstream supply chain was not possible in all case companies. In addition, because no appointed employees were actively following supply chain sustainability, lack of knowledge about both the whole upstream supply chain as well as limited understanding of all possibilities of enhancing sustainability in supply chains was considered a challenge. Furthermore, low negotiation power with suppliers and weak influencing power in the industry were considered as challenges. Due to the small size of a company and low purchasing volumes, it was challenging to get suppliers to make new, more sustainable innovations at the request of only one small customer. Driving new

standards and other sustainability requests in the industry requires more effort, determination and knowledge from smaller firms. In addition, the impact on the behaviour of large MNC suppliers was minimal, and in many cases their actions had to be accepted as is. On the other hand, it was mentioned that larger companies tend to focus on sustainable development to some extent of their own volition, so there may not even be a need to impact on their operations. It was also mentioned that trust towards MNC suppliers was greater regarding their sustainability behaviour, as the consequences of noncompliance may be more severe for these companies under closer scrutiny.

In addition to sustainable supplier management, the case companies raised the closed-loop supply chain strategy by recycling and minimizing waste, using sustainable and recyclable materials, and producing high-quality products with long or endless life-cycle. Improving recyclability of raw materials and end-products often required innovation capabilities. The case companies used both technological expertise as well as cooperation with partners in order to create new innovative and more sustainable products and minimize created waste during the production process. However, lack of financial resources sometimes limited for example the ability to invest in more sustainable materials and technologies. Therefore, some case companies mentioned that the development was not always as fast-paced as hoped.

According to Aragón-Correa et al. (2008, 89), firm size may have a major effect on the level of proactiveness, with SMEs less likely to adopt proactive SSM practices. Based on this study, however, the participant firms were often self-directed and pioneers in many SSM practices. Perhaps that was one reason why government legislation, often cited as the biggest driver and pressure towards sustainability (see e.g., Ageron et al. 2012, 173; Williams and Schaefer 2013, 178), was perceived to place the least pressure for the case companies in addition to low visibility of SMEs. In addition, many firms felt that the responsibility situation in Finland was already good, which means that the pressures from the EU, for example, are not significant. Previous studies have proposed that interorganizational communication and training (Seuring and Müller 2008, 1704), learning from partners (Beske et al. 2014, 133), considering product life-cycle (Seuring 2011, 472), and innovation (Klassen and Vereecke, 2012, 108) are proactive SSM practices. Creating a sustainable supply chain also requires proactive top management and understanding that sustainability is an organization-wide commitment (Pagell and Wu 2009, 40). Interorganizational training and learning was not mentioned in most case companies, but

at least one firm had received new knowledge from its customers, and a few others emphasized developing together with their suppliers to become more sustainable. Furthermore, many case companies had followed the evolution of sustainable development on its early stages, in which case they were able to anticipate the upcoming trend and following requirements. Three case companies had already incorporated sustainability values in their business from the very beginning, and it was considered their central business strategy. Three other case companies had also integrated sustainability values in their business, and had been able to stay at the forefront of development. Five case companies noted that they had successfully innovated more sustainable products, procurement processes, or closed-loop supply chain processes.

According to Gavronski et al. (2011, 874), organizational knowledge can be considered a key capability. In addition to learning with partners, most case companies emphasized that internal communication was active. With or without a separate procurement team, small number of staff and low hierarchy enabled constant day-to-day collaboration and communication between the employees and top management, as also argued by several scholars (e.g., Jenkins 2004, 52; Aragón-Correa et al. 2008, 98; Supyuenyong et al. 2009, 66). In three case companies, top management was also responsible for procurement and other daily operational activities, and thus, the management level is difficult to separate from day-to-day operations. With the top management involved in every-day sourcing operations, the knowledge is present in SSM practices and support is automatically directed to other employees as well. In three companies with separate procurement teams, the procurement staff were provided training, guidelines, and other support on sustainability, such as about new standards and regulations and sustainable supplier selection criteria.

When it comes to competitiveness of companies, it was stated in almost every case company that SSM practices increase costs (see e.g., Min and Galle 1997, 15; Seuring and Müller 2008, 1704; Ageron et al. 2012, 175). There were however some areas where cost savings were found. Minimizing wastage and unnecessary use of materials by focusing on quality were seen as cost reduction activities. Minimizing logistics by using suppliers that were located near-by and using more efficient or green transportation types could in turn compensate the increased costs of more sustainable and better-quality materials. In addition, most case companies mentioned that investing in more energy-efficient heating systems would both decrease the carbon footprint of the firm and bring cost savings in the long term. However, the prevailing opinion and experience of the case companies was that

SSM practices create more costs than save them due to higher material prices, maintaining certifications, and investments in new technologies.

Thus, what was considered in the case companies regarding SSM, competitiveness does not increase only through more cost-efficient procurement activities. When it comes to sustainability and CSR practices, competitive advantage is created through other means. Firstly, good SSM performance was seen to increase sales volumes. In Company C, communicating sustainable and responsible activities was directly related to increased sales. In two other companies, being transparent and assuredly responsible, was an advantage and helped win tenders. The ability to be proactive and innovative was seen to further increase sales and customer goodwill, while competitiveness could not be improved by being the most affordable option. It was also considered an advantage when a company was able to offer more sustainable alternatives in addition to the “traditional” product and service offerings for nearly the same price. However, this view was only present in Company H, which in turn is part of a larger concern and has three different business areas. These factors may affect the fact that the company is not as strongly focused on a particular customer base as the other sustainable case companies. Moreover, having a sustainable supply chain and producing environmentally responsible products, enabled new market entries on global level. Company A noted that some countries were more ahead with sustainability than Finland in the same industry and required more standards.

7 CONCLUSIONS

The objective of this thesis was to study how sustainable supply management contributes in creating competitive advantages for Finnish SMEs through the lens of the RBV. The thesis provided a conceptual framework in order to discuss what are the drivers, motives and challenges that support and limit the use of SSM practices, and what are the firm-internal resources and capabilities of SSM that eventually provide sustained competitive advantage. This chapter will answer the main research question as well as provide managerial implications and reflection for future SSM development. Finally, the limitations of the study and suggestions for future research are proposed.

7.1 Answering the research questions

To answer the main research question (1) 'What is the role of SSM in creating competitive advantage for SMEs?', the sub questions were studied; (2) 'What are the drivers, motives, and challenges of sustainable supply management?' (3) 'What strategies and practices are used in executing sustainable supply management?' and (4) 'How can sustainable supply management resources and capabilities contribute to competitive advantage of a company?'

When considering the TBL approach in SSM, it can be concluded that competitiveness does not only emerge from cost savings and having the best prices. As sustainable practices often increase material, production, and resource costs, responsible business and SSM provide many other benefits for firms. Sales can increase through improved corporate image and brand value, as environmental and social issues are increasingly considered by corporate customers and consumers. Nowadays, greenwashing is not enough to appear more sustainable. In addition, SSM can mitigate potential environmental and social risks from the supply chain, which minimizes the risks of image and brand deterioration. Cost reductions may emerge through better quality and waste reduction as well as short and efficient transportation routes. However, often due to lack of resources, these benefits do not reach their full potential as SMEs may lack investment resources as well as strong influencing power in the industry, often having to follow the lead of larger corporations.

What can be deduced from the empirical findings of this thesis, is that in order to obtain competitiveness through SSM practices, firms require customers that also value

sustainability. Sustainability-oriented customers, especially when they are large corporations, provide sustainability pressures towards their suppliers, which drives the focal company to further employ sustainable practices. The level of CSR and SSM may be lower in SMEs whose customers value price over sustainability, which places cost pressures towards the focal company and may result in focusing on short term cost savings. Therefore, some case companies had targeted their offerings to a narrower group of customers. Focusing on niche-markets, where customers value sustainability, created the important customers pressures for SSM.

However, it was not necessarily the customer pressures that initially had driven the case companies to employ SSM practices, but many had proactively implemented such practices in their operations. Many had taken sustainability as an important part of the company's strategy and values and had also utilized it in their innovations. This way, sustainable development both created opportunities for companies to innovate and thereby create competitive advantages, and with their own innovations, companies in turn were able to promote the opportunities brought by sustainable development.

The level to which sustainability was viewed as a creator of competitive advantage differed between interviewee companies. For four case companies it was a source of innovation and competitive advantage, but according to two companies, sustainability had become more self-evident and something taken for granted, rather than a differentiator from competitors. Two companies did not find that sustainability significantly improved competitiveness, but it was viewed as a future trend and becoming more relevant in the years to come.

In conclusion, the role of SSM in creating competitive advantage for SMEs', depends on the drivers and challenges as well as the resources and capabilities of firms. Competitive advantage was created when the top management had an understanding of the concept of sustainable development and the potential benefits of SSM. In addition, creating competitive advantage required having an incorporated sustainability business culture and strategy in all business operations and using that strategy to position the firm in the market so that the right customers and consumers could be targeted. Furthermore, being a forerunner in the industry, the ability to use SSM practices in an innovative manner, as well as having competent procurement professionals to identify and mitigate potential sustainability risks enhanced sustainable competitive advantage.

This conclusion with other findings of the interviews indicated that while supply management is a critical operation in manufacturing companies, the whole is what matters. The SMEs often had low organizational structures and low hierarchies, where the owners, top management and employees had several job functions in different departments. This means that SSM or responsible sourcing alone cannot be limited as its own area. It comes with a number of other practices, resources and capabilities related to sustainability that support the responsibility of the entire business and the competitive advantages it brings.

7.2 Managerial implications

As sustainable development was considered a growing trend in all industries of the case companies, improving the knowledge and skills of sustainability and SSM practices and their benefits will likely provide a better competitive position for firms in the future. SMEs tend to have practical activities, and thus, company managers may not always realize that their daily SCM operations are sustainable and promote environmental and social responsibility. Some activities, such as sourcing locally, were informed to be economic decisions, when in fact, they also support the CSR performance and TBL value creation. This could reflect that there is a general lack of awareness of the concept of sustainability and what it means for different companies. As argued by Kotek et al. (2018, 166) and Kähkönen et al. (2018, 519), SMEs should not employ all sustainable practices available in their operations, but should seek an optimal level of CSR actions and select those practices that best support their business in order to receive optimal benefits and created value. Therefore, being sustainable and practicing SSM, does not mean that every business decision must be made sustainability first, but rather by supporting a balanced TBL.

The findings of this thesis also highlight that by being sustainable and operating responsibly in general, may bring companies competitive advantages in other ways as well. For most case companies, skilled personnel was the most important resource in creating competitive advantage. As Scherrer and Astrachan (2018, 295) presented, especially the younger generation increasingly appreciates CSR values in companies. Accordingly, one case company argued that in the future competition for skilled and professional workforce will increase. The interviewee believed that by being sustainable and responsible as a company, can attract competent employees who share the same values. Thus, by being

responsible, a company may in the future earn a better chance of acquiring skilled and professional, as well as committed employees, and thereby create competitive advantage.

7.3 Limitations and future research suggestions

The research methodology employed in this thesis creates some limitations for the study. The objective of qualitative research is to provide comprehensive and in-depth insights of the studied phenomenon and create knowledge from the perspectives, understanding, and experiences of research subjects (Starr 2014, 239, 240). Therefore, the aim of the thesis was not to produce generalized and explanatory results, but rather to obtain a deeper, empirical understanding of the phenomenon of SSM and its role in creating competitive advantages among SMEs through the experiences and perceptions of the company representatives.

Furthermore, this study has some limitations regarding scale and scope. They include a limited number of conducted interviews among Finnish SMEs per industry. The findings provided some clear patterns of the results, and the direction of sustainable development and CSR can be distinguished from the interviews. However, the causality for differences between companies cannot be surely determined based on 8 interviews, whether they are based on the company's size, industry, capabilities, or the interviewee's perspective. Qualitative methods are unable to verify causal links or strength of relationships between variables (Barbour, 2008).

However, this study offers opportunities for future research, for both qualitative and quantitative studies. The future research can utilize the conceptual framework – integrating sustainability and resource-based view – for bigger scale and scope studies to investigate the relationship between sustainable supply management and competitive advantage. Furthermore, the research could focus on particular manufacturing or other industries in more detail and identify the best practices that could support the sustainable development of the industry. As the findings indicated, some companies in the metal as well as machinery and equipment sectors were generally behind in implementing CSR in their industries. As highlighted by several scholars (see e.g., Spence 1999, 163; Tilley 2000, 32; Spence and Rutherford 2003, 1; Aragón-Correa et al. 2008, 89), the research on sustainability among SMEs remains scarce, and thus should be continued. The innovative and agile nature of SMEs may provide insightful knowledge for larger corporations as well.

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APPENDICES

Appendix 1. Interview questions

Introduction:

Sustainable supply management (SSM) (i.e. sustainable sourcing/procurement) is the adoption and integration of environmentally, socially and financially viable practices (also known as Corporate Social Responsibility, CSR) into procurement processes and decisions while also ensuring they meet the requirements of the company and its stakeholders.

The objective of my thesis is to research how the practices of SSM and firms' internal resources and capabilities affect the competitive advantage of small and medium-sized companies in Finland.

Company profile:

Industry:

Size: (# of employees, turnover)

Main customers: (private, public / consumer, business)

Title of interviewee(s):

Topic 1: Drivers and challenges of sustainability

- 1.1 What was the motivation to implement sustainability in the company and/or supply management (i.e. procurement)?
- 1.2 What were considered the benefits of implementing sustainability in the supply management operations?
- 1.3 What kind of challenges or barriers has the company faced before, during and after the implementation of sustainability in supply management?

Topic 2: Strategies and actions

- 2.1 How has the concept of sustainability/corporate social responsibility been added as a part of the supply strategy and/or as a part of the whole company strategy?
- 2.2 What kind of strategies have been used in executing sustainable supply management?
- 2.3 How does SSM support the strategic priorities/needs of the whole firm?

Topic 3: Internal capabilities and resources

- 3.1 Top management involvement
 - 3.1.1 How does the top management support employees to use sustainable supply management (SSM) practices?

- 3.1.2 How has the top management been involved in the implementation of the SSM practices?
- 3.2 Supply management capability
 - 3.2.1 How well is the firm aware of the actions within the whole upstream of the supply chain (suppliers of tier 1, 2, 3...)?
 - 3.2.2 How have the supply chain partners been considered in the firm's sustainability mission?
 - 3.2.3 How has the sustainability mission been communicated to the suppliers?
 - 3.2.4 What is the company's procurement process like and how have the processes been updated to better meet the requirements of SSM (e.g. supplier selection, audits, monitoring, cooperation, etc.)?
- 3.3 Procurement team competence
 - 3.3.1 How has the sustainability mission been communicated internally in the procurement team?
 - 3.3.2 How has the procurement team been trained or prepared to meet the requirements of SSM?
 - 3.3.3 How does the implementation of SSM show in the actions/operations of the purchasing personnel?
 - 3.3.4 Is HR involved in finding sustainable capabilities to the team?
- 3.4 Financial resources and support
 - 3.4.1 How have financial resources supported the implementation and management of SSM?
 - Is there a budget for sustainable development/CSR?
 - Do SSM activities save financial resources?
 - Do SSM activities receive financial support from the government, EU funding etc.?

Topic 4: Competitive advantage

- 4.1 How has the implementation of SSM affected the overall performance of the company?
- 4.2 How has the sustainability activities affected the costs of procurement?
- 4.3 Has the competitive advantage significantly improved/impaired due to the implementation of SSM, and how? How is competitive advantage measured?
- 4.4 How has SSM in your company affected the competitiveness of your competitors (if possible to evaluate)?
- 4.5 What are the company's main resources in creating competitiveness?

Examples

Please provide some examples of success or failure regarding the sustainability targets in your company and in the area of procurement.