SUSTAINABLE OUTSOURCING —
THE SUSTAINABLE PHILOSOPHY INFLUENCE
ON THE OUTSOURCING PROCESS

Stanisław Brzeziński

Introduction

Outsourcing can be named as purchasing of products or services from any company external to your own unit (Gray et al., 2011). The main goal of it is to help the business or organization be more competitive by staying concentrated on their basic competencies. So the target of outsourcing in the supply chain is to gain a competitive advantage. Companies choose outsourcing when they discover there is an advantage both in cost and possibility in comparison to in-sourcing, according to the transaction cost theory and the resource-based view (Hunt, Davis, 2008).

Some studies have found a few motivations of companies implementing outsourcing in their supply chain. They include lowering the cost and perfecting company’s financial performance, allowing companies to concentrate on basic competencies, and being able to gain quality or technology that would be too expensive or difficult for them to gain internally, from outside sources. Other researches have noticed simplifying actions and progressing efficiency, allowing a quick answer to environmental revisions, progressing product quality, getting new possibilities, and bringing basic strategic and structural revision (Holcomb, Hitt, 2007). „The Black Book of Outsourcing 2007 Green Outsourcers Report“, book by Brown and Wilson, named 5 industries: information technology, facilities management outsourcing, document process outsourcing, business process outsourcing, supply chain, transportation & logistics, which are most likely to use green outsourcing. They also have found 12 steps to progress a green outsourcing initiative: commit, designate, communicate, assess, set
goals, learn, review, put it in motion, phase in, evaluate, market & get the word out, and monitor (Brown, Wilson, 2007). Other literature has also reported that through the scale of environmental challenges and growing awareness of sustainable policies in the society, governments, and industries, there is a strong requirement for sustainability in outsourcing (Grabara et al., 2015).

The regularly cited Brundtland report (1987) names sustainability as „meeting the needs of the present generation without compromising the ability of future generations to meet their need”, and appeared to mention a breakthrough in perceiving sustainability beyond formal ecological spheres.

One key concept that sums up this multi-disciplinary thinking is the „triple bottom line“. The Triple bottom line idea is a notion originally made by Elkington (1997). The triple bottom line, also referred to as 3BL or people, planet and profit, states that in order to attempt for a sustainable world, business must look to include sustainability and the approach explains and connects economic profit with environmental and social advantages. The idea appears to have reverberated mainly with big business and supplies them with a new handle for joint social responsibility and ethically motivated operations. The idea, although proper and of much virtual value is not without errors. Arguments against the 3BL idea underline the problems in measuring and evaluating the economic implications and profits. Further, single and self-contained Country state motivations can easily leave out and elude these matters. The triple bottom line is hard to operationalize, as highlighted by the research by Quak and de Koster (2007), who researched the level of toleration of sustainability related to business policies.

The existing literature in the field of sustainable or green outsourcing is not very large. Although the IT sector in particular is well explored from an outsourcing point of view (Gonzalez et al., 2006), sustainability is again researched on a low level (Beath, Ross, 2006). This is very astonishing given the magnitude to which entities other than IT-centered organizations, outsource their operations. The distinct lack of study in this field depicts clear and open water that is available for research studies to be explored. However, there is a growing number of studies in the closely connected area of green supply chains (Fiksel, 2006; Lobel, 2006; Linton et al., 2007). An eye-catching intentness of study in the green supply chain area is that of reverse logistics (Sasikumar, Kannan, 2008; Barker, Zabinsky, 2008). Reverse logistics has been named by RLEC (2012) as „The process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of consumption to the point of origin for the purpose of recapturing value or proper disposal”. With reverse logistics, although there are visible economic benefits to the practice, i.e. helping to lengthen revenue generation, there are also visible sustainable benefits: contiguity to sustainable guidelines for product take-back (end-of-life recovery), and exploiting returning transport that would normally go empty. Although Mohiuddin et al. (2010) do deliberate sustainable outsourcing to China, their outcomes are somewhat restricted to looking at cost lowering and the influence of outsourcing on saving (sustainability in their view) local jobs. This also points to a gap in the literature and a need for researching industrial practices.

**Sustainability Orientation and Sustainability-Oriented Practices**

Based on Carter and Rogers (2008) and Seuring and Müller's (2008) explication for sustainable supply chain administration, we can name sustainable outsourcing as the strategic consolidation and accomplishment of a firm’s social, environmental, and economic targets in its sourcing to a third party unit. They researched the antecedents that push companies to go after sustainability preference, the practices of the sustainability preference, and its result using the triple bottom line attend to measure the economic, environmental and social performance of outsourcing. Companies are more and more facing to boost rigorous environmental regulations and social responsibilities, customer requirement for environmentally sound products, need to achieve good fame as socially responsible, and marketplace demand as well. All those internal and external elements push firms to go after sustainability in their outsourcing practices.

Demands from the market is another emphasis for companies to be oriented on sustainability. At the end of the day, the purchaser is the indicator of a company’s success or failure: the company that wins the customer wins the market. So companies should look at the requirement of their present customers. As consumers become more conscious of the environmental damages and want to live an environmentally friendly lifestyle, they go after green products and companies that implement green strategies in their production process (Ageron et al., 2012). Seuring and Müller (2008) remind that besides the emphasis from social groups, companies may be more concerned with the boycott of their products from customers because of the report of environmental or social difficulties in their supply chain. Thus, customer demands are also one of the causes that companies go after sustainability.

In order to go after sustainability in outsourcing, there are many practices outsourcing companies may implement. Companies have to more delicately look at things like energy consumption, waste disposal, recycling, alternative energies, environmentally preferable products and service etc. In general, those practices could mainly be divided into internal and external practices (Seuring, Müller, 2008). Internal practices concentrate more on functional coordination, such as product design and risk administration. External practices are network working together with customers and supplier progression. They suggest that internally-oriented companies should give themselves over sustainable product progression, and externally-oriented ones should conduct sustainable focused supplier administration in coherence with their sustainability targets.
**Sustainable Product Design**

In the earlier years, when some progressing countries such as China and India had more beneficent environmental regulations in comparison with the developed ones, companies used to get rid of the production or outsource those products that were not allowed to be manufactured in their own countries to those so-called „pollution haven” countries (Cole et al., 2006). However, now as the environmental difficulties are becoming harsher in those developing countries, e.g. in China, the bar of environmental regulation has been growing also in those countries, which made it more inconvenient to find the „pollution haven”. If companies need highly environmentally dangerous products, they will have difficulties to find an outsourcing supplier and outsourcing destination. As companies implement a sustainability orientation, they need to change their products after the overall environmental and social regulations, so that they can be really sustainable instead of relocating the disordered part to their upstream suppliers. Sustainable products are products that have or aimed at an upgraded economic, environmental and social quality in coherence with the target of sustainability. It aims to achieve benefit without compromising the environmental and social liabilities. The target is to fulfill customer’s requirement for environmental and social performance and achieve a competitive advantage in the market (Seuring, Müller, 2008; Kot, Brzeziński, 2015). Instead of outsourcing the environmentally dangerous products to other countries, companies may want to remake their product with materials that do not cause much damage to the environment, with less energies intake, or with counterfactual energies that will not reduce the present critical energies. Companies may also remember the closed loop supply chain to recycle the product after being used. Although it seems to be more expensive to make products with higher environmental and social levels, in the long-run, the sustainability preference would become companies’ competitive benefit, thus would also guide to higher economic performance. As companies implement sustainability directed product design, they always notice environmental and social regulations. So, I expect them to have higher performance on environmental and social aspects as collated to those without sustainability preference.

**Sustainable Supplier Management**

The target of going after sustainability cannot be accomplished mainly by one company as the conclusive result influences all units in the supply chain. Companies’ sustainability is shown by its supplier (Hsu, Hu, 2009; Pabian, Pabian, 2014). Supplier choice and supplier progression are the two strategic tools that companies can exploit to progress their economic, environmental and social performance. Companies used to choose suppliers on the basis of their economic performance, such as product quality, price, delivery speed etc. However, with sustainability preference, companies can no longer concentrate only on those financial terms in estimating suppliers; they need to implement sustainable criteria of dealing with supplier’s economic, environmental and social performance in choosing and progressing their suppliers in order to gain their sustainable preference (Aminoust, 2012). As Bowen suggests, to introduce sustainability preference in a better way, there are a few things companies could do with their supplier administration. Companies could estimate suppliers’ environmental performance by supplying them with an environmental estimate questionnaire, classify suppliers with their environmental performance, grant suppliers for their progression in environmental performance, and even demand suppliers to have an environmental administration system. As an outcome of supplier choice based on environmental approach, the supplier that has a higher environmentally friendly policy should be chosen and kept as a part of the supply base. Seuring and Müller (2008) suggest to boost communication between suppliers and the focal company, report criteria to suppliers, guide supplier evaluation and supplier progression in order to gain sustainability in the supply chain. When the purchasing companies’ target of going after sustainability is reported to and approved by the suppliers, it is more likely that the suppliers would be incorporated in the outsourcing process. Supplier administration contains supplier selection, evaluation and progression. Suppliers are selected on the basis of purchasing companies demands for product quality, price, service, delivery, technology, and mainly sustainability to gain purchasing company’s competitive benefits. After selection, appreciation is needful to make sure suppliers fulfill purchasing company’s demands, and act at a satisfying level.

Supplier choice is normally a time absorbing and expensive process. Instead of shifting supplier from time to time, purchasing company may want to have constant suppliers to lower the cost and have an effective purchasing process. To do so, purchasing companies need to progress suppliers for long-term working together. In order to be pointed towards sustainability, companies not only maintain all the environmental and social regulations on their own, but also put them in the supplier selection criteria and exploit them to estimate suppliers’ performance. In the aftermath of it, I expect their outsourcing action in terms of environmental and social aspects would be higher in comparison to those which are not sustainability oriented.

The literature has shown that supplier administration has a positive influence on supplier and company actions (Paulraj, 2011). So I expect that sustainability oriented supplier administration would be positively connected with company’s economic outsourcing performance.

**Sustainability and outsourcing in practice**

The question about the key drivers for outsourcing has been asked formerly in other studies (Lau, Zhang 2006; Chen, 2008; Mohiuddin et al., 2010). Also Bhamra (2012) wrote about this matter in his survey. Perhaps not astonishingly, the outcomes appear in close nearness to former researches inasmuch as cost saving is the main factor for out-
sourcing. Sustainability as a key factor in their outsourcing decision making was not been mentioned by any respondent. According to Bhamra’s lowering costs are the most vital drivers. However, they did not always identify them purely as a sustainability matter. Lowering energy exploitation and the costs connected with processing materials were the major vehicles for cost lowering. Waste lowering was also on a high level under the generic cost reduction title. The second largest factor for going after the balanced agenda was if the business was demanded or pressured to do so by their customer. The third most vital factor driver was that businesses thought that a sustainability agenda was beneficial to the future progression of their business.

Corporate websites and promotional materials emphasize the sustainable properties of the businesses. Obtained data indicated that even those responding organizations that did not completely backup the sustainability, still had a vital reminiscence of sustainability associations on their business websites. The last of the top 5 sustainable outsourcing factors is ethical and socially liable behaviors.

According to Brown-Wilson Group and Black Book Research, companies may decrease their negative impact on the environment by responsible outsourcingers. They conducted a series of surveys that concerned the following issues. The survey shows the commitment of the government in a green outsourcing through financial incentives, sustainability education and legislation. What is more, the research indicates lack of global standards and regulations that allow outsourcing suppliers to avoid environmental liability. Global regulation is clouding the issue, with suppliers claiming that their goods and outsourced services would help with compliance. The research shows a growing impatience with lack of outsourcing vendor response and green innovation. Environmental protection loses public interest because the economy becomes more challenging and job growth decreases.

The next survey presents the most and least responsive countries to so called „green movement”. Among the countries that are most involved in the green movement are: Sweden, United States, UK, Canada and India. It is noteworthy that in Sweden and India the percentage rate shows an upward trend while in the other countries the percentage indicator was declining. However, the least involved are the following countries: Mexico, Russia, China, Philippines, and Brazil. Research indicates that outsourcing customers are more tolerant with lack of green initiatives, while outsourcing suppliers respond with concrete solutions. The survey shows that clients of ancillary managed services significantly less policing their current sustainability clauses than clients of tech outsourcing services. What is more, many organizations in the UK and USA had no specific budget for green changes in 2010. In response to the world consumed by environmental issues, outsourcing companies have made pretensions about their green credentials. Offshore and US/UK vendors survey showed that offshore vendors considerably failed to adopt formal green policy, failed to apportion needed budget funds to green for 2009 and likely would not budget increases for green tech or outsourcing initiatives for 2010 than US&UK vendors (Green Outsourcing Survey, 2009).

I can enumerate ten main tips of sustainable outsourcing. It is important to define clearly what sustainability and sustainable outsourcing means to company and/or your customer. The next thing is to obtain management commitment to developing sustainability agenda. It is also important to ensure that all employees, stakeholders and clients are educated on approach and encouraged to input/provide feedback. Companies should research options for sustainable partnerships and establish an evaluation structure to assess progress and enable continuous improvement moving forward. It is also important to consider all aspects of sustainability (environmental, social and financial). Companies should also integrate sustainable outsourcing as part of „Business As Usual”. They should also share best practices with industry and celebrate successes and report achievements (Sum, 2011).

Going green is a philosophical commitment that is gaining momentum. It is important for each organization to commit to a forward-directed and fully integrated business process that includes achieving social goals. It may be difficult to define, and outsourcing community may struggle with the best ways to implement it, but there is no doubt that green or sustainable outsourcing is a key area of concern for global customers. It’s also a good business for environmentally responsible companies.

Conclusions

Sustainability is not an important business solution when companies are thinking about outsourcing operations. The most important factors are always cost and what the customer postulates may be. However, as cost was the most important issue for many business initiatives, practitioners normally ascribed any cost saving actions as connected with sustainability. Cost saving through the cut of energy consumption and transport costs accounted for most of the actions. Some studies indicated that sustainability would be a major question in their research on outsourcing if their customers require it. However, an earlier study forecasting future tendencies in outsourcing praxis did not even recall sustainability matters at all.

References


Stanisław Brzeziński, PhD, D.Sc.
Częstochowa University of Technology
Faculty of Management
e-mail: Stanislaw_Brzezinski@wp.pl
Zrównoważony outsourcing — wpływ podejścia zrównoważonego na procesy outsourcingowe

Streszczenie

Podejście zrównoważone nie stanowi dominującej koncepcji biznesowej wśród przedsiębiorstw planujących operacje outsourcingowe. Najważniejszymi czynnikami przy podejmowaniu decyzji o eksternalizacji części łańcucha wartości firmy są zawsze koszty tych operacji oraz opinie klientów. Związane z koncepcją zrównoważonego rozwoju korzyści kosztowe przedsiębiorstwa najczęściej realizują poprzez ograniczenie zużycia energii oraz obniżenie kosztów transportu. Autor wskazuje, iż podejście zrównoważone może mieć decydujące znaczenie dla tych firm, których zoriento- towani na zrównoważony rozwój klienci wymagają tego rodzaju postępowania. Wciąż jednak badania empiryczne nad zrównoważonym bąd\'ż zielonym outsourcingiem nie stanowią znaczącego nurtu rozważań naukowych w ramach problematyki outsourcingu. Zrównoważone podejście przedsiębiorstw do eksternalizacji elementów ich łańcuchów wartości staje się jednak coraz ważniejszym czynnikiem w podejmowaniu decyzji przez klientów globalnych, oceniających całe procesy produkcji, logistyki i marketingu firm.

Słowa kluczowe

outsourcing, podejście zrównoważone, zrównoważony outsourcing, łańcuch wartości