Notes and debates

Procurement of logistics services and sustainable development in Europe: Fields of activity and empirical results

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**A B S T R A C T**

This paper strives to answer the general question; how far purchasers of logistics services take into account aspects of sustainable development. Modeled on the German Sustainable Development Strategy, which is based on the EU Sustainable Development plan, five fields of activity are defined: the reduction of transport intensity and emission, the reduction of land use, the choice of carrier under consideration of sustainable aspects, the permanent improvement of working conditions, and the enhancement of qualified employment. Then, propositions for purchasing companies of logistics services are developed, which contribute to safeguard ecological as well as social sustainability. In order to conduct an exploratory study, a questionnaire was sent to 750 purchase and logistics managers. It was found that purchasing companies place high value on ecological and social aspects. But the perceived importance is not associated with purchasing companies’ own contributions to logistics service providers’ sustainable activities. Additionally, it was seen that purchasing companies exert only a minor influence on logistics service providers regarding ecologically and socially sustainable actions. A fundamental precondition for a sustainably oriented procurement of logistics services can be seen in the purchasing companies’ awareness of the need for integrating sustainable aspects in economic decisions.

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1. Introduction

Companies in highly developed economies can resort to a diversified market of logistics services. Consequently, the procurement of logistics services plays an important role. Above all, it comprises the assessment of logistics service providers’ capabilities and previous operations. Among the typical approaches of managing buyer–supplier-relationships, literature increasingly discusses approaches considering the integration of sustainable aspects in buyer–supplier-relationships (Seuring and Müller, 2008a; Miemczyk et al., 2012). The concept of sustainable development raises the question of how to safeguard forceful growth and social as well as ecological sustainability at the same time (United Nations, 1987). Recognizing this, the paper strives to answer the general question, how far purchasers of logistics services take into account aspects of sustainable development. In order to answer this comprehensive general question, more detailed research questions are necessary. Thereby, two different perspectives are taken into account. First, we believe that the purchasing company must observe its own contribution, if it seeks to enhance the sustainable behavior of service providers (Cowan et al., 2010). Following this idea, we argue that within buyer–supplier relationships, purchasing companies must be willing to enable supplier’s sustainable actions. (Philipp and Militaru, 2011). Therefore, the first research question (RQ 1) is:

- How strong is the purchasing companies’ willingness to enable logistics service providers’ sustainable activities?

Secondly, literature emphasizes the potential influence of buyers on logistics service providers’ sustainable actions (Lieb and Lieb, 2011). Considering this viewpoint we derived the second research question (RQ 2):

- To what extent purchasing companies influence sustainable actions of logistics service providers?

Literature on buyer–supplier-relationships in logistics increasingly takes into account the aspect of sustainability (Seuring and Müller, 2008a; Miemczyk et al., 2012). This existing body of knowledge is presented in chapter two. Defining the scope of the research field conceptual deliberations can be done (McCutcheon and Meredith, 1993). This study’s conceptual framework is based on governmental initiatives to promote and safeguard international sustainability standards. Proceeding from the German Sustainable Development Strategy (Federal Government of Germany, 2002), which is based on the European Union (EU)
Sustainable Development Plan (Commission of the European Communities, 2001a) five fields of activity are deduced in the third chapter.

Especially, the first research question directs our attention to the phenomenon of buyers’ willingness in the process of sustainable procurement of logistics services, and hence takes on a new scientific perspective. There is thus comparatively little scientific knowledge about this particular issue. Accordingly, existing literature is not sufficient to formulate reasonable hypotheses. Before hypotheses about these new issues can be formulated and tested, a general understanding of sustainable purchasing of logistics services is required. In such cases, Frankel et al. (2005) recommend a qualitative research approach. Therefore, a qualitative research approach seems to be appropriate (Pedrosa et al., 2012). Consequently, to answer the research questions and to evaluate the general role of sustainability in the purchase of logistics services and especially the contribution of logistics service buying to the five fields of activity an exploratory survey was conducted (see chapter four). The fifth chapter describes and discusses the empirical results of this survey. The concluding section presents the study’s central findings and defines practical implications.

2. Literature

To analyze literature regarding the research question, three research streams can be considered. Firstly, research concerning the procurement of third-party logistics (3PL) services is of special importance. Secondly, the involvement of sustainability in third-party logistics research is considered. Thirdly, research in the field of Corporate Social Responsibility (CSR) contributes to the formulated questions. Research on CSR seems to be relevant because literature emphasizes a broad convergence between the concepts of Sustainable Development and CSR (Carroll and Shabana, 2010). For the year 2010, Klaus et al. (2011) estimate the total volume of logistics services in Europe (EU 27 plus Switzerland and Norway) to be 930 billion Euros, of which 512 billion Euros are outsourced to external logistics service providers. This provides an external procurement rate of 52.0%, demonstrating the particular importance of logistics services procurement. Previous research on logistics service procurement mainly focused on procurement process frameworks and special characteristics and requirements relating to different process steps (Andersson and Norrman, 2002; Bagchi and Virum, 1998; Sink and Langley Jr., 1997). Furthermore, logistics service providers’ selection criteria have played an important role in recent literature (Marasco, 2008; Selviaridis and Spring, 2010). Van Laarhoven et al. (2000) identify cost reduction, service improvements and flexibility as the central selection criteria. Selviaridis and Spring (2007) additionally mentioned reliability, responsiveness to requests and financial stability as decisive selection criteria. Wolf and Seuring (2010) stated that procurement decisions are still made under consideration of these traditional criteria and that environmental concerns are not being included until now. In 2011, Lieb and Lieb (2011) stated significant commitment to environmental sustainability in the logistics-industry. Even the economic and financial crises did not lessen the commitment of those companies (Lieb and Lieb, 2011). They reveal pressure from customers as one of the main reasons for sustainable activities by third-party logistics service providers. Despite of various sustainable activities conducted by 3PL-companies sustainable issues aren’t a major determining factor in contractual agreements (Lieb and Lieb, 2010). In 2012, Kudla and Klaas-Wissing (2012) pointed out that shippers’ stimuli for providers’ sustainable actions are still underdeveloped. In general the choice of logistics service providers is made by buying-centers, especially in the case of long-term relationships (Large and Kovács, 2001). However, a purchaser has a substantial responsibility for the provider’s future performance because the evaluation of the provider’s capabilities belongs to his working area (Miemczyk et al., 2012). In addition to traditional criteria for the selection of logistics service providers, the purchaser can consider the service provider’s conformable behavior regarding legal and ethical standards.

The concept of sustainability defines sustainable development as a development that “meets the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations, 1987, p. 16) The concept’s central message is the demand of a more equitable distribution of the planet’s resources and fair development opportunities for people in the world. Sustainable development is differentiated into three interdependent dimensions: economic, ecological and social sustainability (Dylick and Hockerts, 2002; Seuring and Müller, 2008a). Literature generally mentions external pressure through laws and regulations, greater public vigilance and the social and environmental requirements of a growing group of clients as reasons or motives for sustainable actions (Green et al., 1996; Walton et al., 1998; Seuring and Müller, 2008a, 2008b; Fürst and Oberhofer, 2011). In addition to external conditions, literature too emphasizes organizational preconditions (Carter and Jennings, 2004) and personal values and initiatives of top management (Székely and Knirsch, 2005) and employees (Collier and Esteban, 2007) in order to effect sustainable actions. Baumol (2009) point out that the alignment of corporate behavior and of each member of the organization with legal rules and regulations, internationally recognized standards and corresponding organization’s internal rules is of particular importance. Generally, literature on buyer–supplier-relationships in logistics discusses impacts on firm performance of ecologically and socially sustainable activities, also represented by the studies of Facanha and Horvath (2005) and Abbasi and Nilsson (2012). Furthermore, some authors tried to demonstrate positive correlations between sustainable, especially ecologically sustainable actions and traditional economic key figures (Rao and Holt, 2005). In general, the concept of sustainability goes far beyond individual economic considerations and constitutes a principle-based approach for a long-term potential-oriented design of humankind’s living conditions in general. Essential for achieving sustainable development is the consideration of this principle by the individual economic entities’ decisions. Since there is a considerable impact of logistics activities on the environment and on occupational conditions, sustainability can be seen as a matter in the procurement of logistics services. Moreover, the concept can be seen as a comprehensive moral standard, which represents the needs of a wide range of social groups. The national governments entered into commitments to progress sustainable development by the implementation of national development strategies. These strategies could serve as guidelines for individual micro-economic decisions.

While the term Sustainable Development appears in the early 2000s, CSR has a long-standing stream in research history (Carter, 2005). In a common definition, the European Union defines CRS as “the integration by companies of social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis” (Commission of the European Communities, 2001b). Both concepts cover an economic, ecological and social dimension (Ciliberti et al., 2008). Within the broad field of CSR, the concept of Logistics Social Responsibility (LSR) addresses such issues “that relate specifically to socially responsible logistics management” (Carter and Jennings, 2002, p. 146). Carter and Jennings (2002) distinguish purchasing, transportation and warehousing as the three main functional areas performing logistics activities. Based on this, Ciliberti et al. (2008) developed a taxonomy of Logistics Social Responsibility practices. They distinguish the five areas of Purchasing Social Responsibility (PSR), Sustainable Transportation (ST), Sustainable Packaging (SP), Sustainable Warehousing (SW) and Reverse Logistics (RL). In the first instance, from the customers’ point
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