

Implementing Agile Sustainability Governance for your Global Supply Chains

It is challenging for multinationals to govern sustainability practices in their global supply chains – even more so during times of crisis. Prof. Tanusree Jain, Trinity Business School, with fellow researchers Profs. Vivek Soundararajan, University of Bath, Sreevas Sahasranamam, University of Strathclyde, and Zaheer Khan, University of Aberdeen, set the blueprint for agile and effective sustainability governance.

Related research:
Multinational enterprises and the governance of sustainability practices in emerging market supply chains: An agile governance perspective, Journal of World Business.



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An alliance with a purpose

THE 3 Ps IN A CoBS POD

 **PERCEIVE**
with a set of key takeaways

 **PROJECT**
with food for thought: on yourself, your organisation and the wider context

 **PERFORM**
by putting it all into practice using action tips





● PERCEIVE with a set of key takeaways

- Global supply chains offer multinationals in advanced economies low-cost products and services without the need to invest heavily in overseas jobs and infrastructure.
- They provide the emerging economies in which they operate with value – creating more employment opportunities than the suppliers could hope for on their own domestic markets.
- UNCTAD promotes global supply chains as a key factor in reducing poverty and boosting growth in developing countries.
- Managing a supply chain across continents is a challenge: Differing local laws, large distances, skills gaps and shaky quality standards can threaten a multinational's competitiveness in the market.
- There is also pressure applied to multinationals' sustainability record and ethical footprint. Multinationals tackle this with codes of ethics and conduct for its operational teams and suppliers.
- Rigid sustainability benchmarks, although suited to developed markets, can also clash with the complex, unpredictable specificities of a local market.
- With the COVID-19 pandemic, decreasing international cooperation and pressure to clean up business on an ethical and environmental dimension, there is a need for agile sustainability governance to develop.
- ASG has to satisfy certain characteristics: it must have endorsement from the top, be adaptive to tackle the complexities and changeability of emerging markets, bring together and balance the interests of both the multinational and its diverse suppliers, and possess the capacity to develop open dialogue and facilitate sustainable solutions that are innovative and mutually beneficial.
- A 4-stage, virtuous process is required to implement it: i) The definition of broad benchmarks between stakeholders – the multinational's reps, auditing bodies and local suppliers ii) Application of the benchmarks that gives suppliers autonomy in how they comply to them iii) Assessment, evaluation and learning iv) Re-adjustment or redefinition of the benchmarks to begin the cycle once again.



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the full research-
based feature on agile
sustainability governance



PERFORM

by putting it all into practice

CHECKLIST

Overview checklist

Agile sustainability governance (ASG) for supply chains in emerging markets caters for:

- Local-specific problems
- Local expertise and networks
- Complex, unpredictable specificities of a local market
- Potential lack of resources available to a local supplier
- Local culture and socio-economic conditions.

ASG characteristics are:

- It must have endorsement from the top
- It must be adaptive to tackle the complexities and changeability of emerging markets
- It must bring together and balance the interests of both the multinational and its diverse suppliers
- It must possess the capacity to develop open dialogue and facilitate sustainable solutions that are innovative and mutually beneficial.

STAGE 1: Collective definition of Sustainability and CSR goals

- Use a collective approach to define broad benchmarks between stakeholders – the multinational's reps, auditing bodies, NGOs, employee associations, and local suppliers.
- Encourage "authentic dialogue" to be used grounded on five conditions – sincerity, accuracy, comprehensibility, legitimacy and listening.
- Focus only on the development of broad sustainability benchmarks.
- Use existing corporate codes of conduct as a basis for benchmarking, guidelines set by international and local regulations and law, ethics & compliance requirements, safety and quality control requirements in use in the organisation.
- Study how peer companies do things and what sustainability framework they have (or have not) implemented.
- Identify the broad areas of sustainability and CSR-related issues relevant for improvement in your company and/or those which may present a risk for the company and that should be addressed.
- Ensure that areas such as costs, risk of corruption, patch up solutions, skills and resources and potential conflict of interest among stakeholders are addressed and assessed. Set down the rules of the game by referring to your corporate values, supplier relations guidelines, binding contracts and audits, code of conduct, and local and international law.

STAGE 2: Autonomous Execution

- To avoid a "one-size-fits-all" set of sustainability benchmarks and encourage agility and effectiveness, empower suppliers to demonstrate control and initiative in fulfilling them.
- Encourage suppliers to map their strengths and limitations: size, skills, production and logistics capacities, motivation to take risks, develop innovative solutions, soft power among local communities.

- Encourage a degree of experimentation by encouraging local suppliers to naturally find ways and processes that suit their interests, resources, contexts and skills.

STAGE 3: Evaluation and collective learning

- Ensure that your approach takes into account that set benchmarks do not necessarily have to be fully reached. Do not penalise local suppliers on this but encourage them to assess performance and learn in order to improve and maintain incentive.
- Use an evaluation system that promotes corrective measures based on authentic dialogue and peer-to-peer learning. Include various stakeholders, including employer associations, unions and the employees themselves.
- Use local and international forums for learning opportunities.
- While ensuring that supplier efforts remain in line with the set benchmark, retain the notion of freedom to experiment.

STAGE 4: Collective redefinition

- Emphasise a collective approach to check, talk, and then redefine benchmarks.
- Adopt a continuous improvement mindset and approach with the aim of ensuring that both actors and benchmarks evolve to meet environmental changes.
- Strengthen the applicability of the collective redefinition by again adopting the notion of multi-stakeholder interaction – reps from the multinational, suppliers and others – in redefining benchmarks.
- Encourage the development of self-organised and spontaneous communities contributing to the agility of the entire governance system.
- Anchor legitimacy in the AGS and benchmarks by planning out a series of periodic collective redefinition sessions: this will strengthen trust, bonds and relationships, and lead to improved performance and problem-solving capacities.



Getting involved

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