

The Relevance of Environmental, Social, and Governance in Sustainable Supplier Selection

Authors : Christoph Koester

Abstract : Supplier selection is one of the key issues in supply chain management with a growing emphasis on sustainability driven by increasing stakeholder expectations and proactivity. In addition, new regulations, such as the German Supply Chain Act, fostered the inclusion of sustainable incl. governance selection criteria in the selection process. In order to provide a systematic approach to select the most suitable sustainable suppliers, this study quantifies the importance and prioritizes the relevant selection criteria across 17 German industries using the Fuzzy Analytical Hierarchy Process. Results show that economic criteria are still the most important in the selection decision averaging a global weight of 51%. However, environmental, social, and governance (ESG) criteria are combined, on average, almost equally important, with global weights of 22%, 16%, and 11%, respectively. While the type of industry influences criteria weights, other factors, such as type of purchasing or demographic factors, appear to have little impact.

Keywords : ESG, fuzzy analytical hierarchy process, sustainable supplier selection, sustainability

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