11. The impact of COVID-19 pandemic on sustainable business practices—case of an international logistics company

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Abstract

Purpose: The aim of the research was verification of changes in companies' environmental and social initiatives during the COVID-19 pandemic and determination of the impact of these changes on the economic benefits and costs.

Design/methodology/approach: A case study method was applied in the research. A deliberately selected company, which participated in previous quantitative research was chosen for the study.

Findings: In the analysed company, the COVID-19 pandemic led to the acceleration of the already implemented sustainable business practices and the introduction of new ones. It suggests that the crisis may improve companies' environmental and social results. The improvement is particularly likely, if the implemented sustainable business practices meet one of the criteria: have a positive impact on the financial performance in the short term (1), reduce business risks highlighted by the crisis (2) or improve efficiency, optimise operations (3).

Research limitations/implications: A company selected for the case study may be considered a sustainability leader and, as such, is not representative for the population. At the same time, however, it meets the criterion of vividness of the cases selected for study.

Originality and value: In the previously conducted quantitative research, the largest group of respondents indicated that in the crisis they would probably give up all implemented environ-

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mental and social practices. The presented results suggest, that the opposite approach—increasing the number and accelerating already implemented sustainable business practices—may be profitable for the companies.

Keywords: sustainable business practices, sustainable transportation, social programmes for employees, companies' economic performance.

Introduction

The crisis always requires the companies to revise their operations (Dubrovski, 2004). The revision should be made according to certain criteria and may lead to giving up some of the company's activities, in particular the least beneficial for the company (Valackienė & Virbickaitė, 2011). Quantitative research conducted in the initial period of the COVID-19 pandemic showed that in a crisis situation, as exemplified by the occurring pandemic, almost all companies declared that they would probably give up all or part of sustainable business practices. At the same time, a large group of respondents indicated that they were unable to determine which initiatives, and selected on the basis of which criteria, would be abandoned (Małys, 2021). Currently, it is possible to verify which changes in the area of sustainable development have actually been introduced, together with an indication of the reasons for the actions taken.

The idea of the triple bottom line assumes that along the economic performance companies should consider the environmental and social results of their operations (Eklington, 1998). However, it is indicated that in practice, activities beneficial from the environmental and/or social perspective sometimes are, and sometimes are not beneficial from the economic perspective (Hoffman & Bazerman, 2007). Individual companies should be particularly involved in environmental and social practices that improve their economic performance, what increases the likelihood of maintaining these practices in the long term (Guerrero-Villegas et al., 2018).

At the same time, however, it is noted that due to the growing popularity of the idea of sustainable development, some companies may be interested in its implementation, wanting to follow the dominant and growing trends, even if it is associated with incurring additional costs in the absence of clear economic benefits. Such opportunities may be available mainly to companies achieving good results, especially of a financial nature (Martínez-Ferrero & Frias-Aceituno, 2015). In a crisis situation, they can resign from implemented initiatives in order to reduce current costs.

Taking the above considerations into account the aim of the research is verification of changes in companies' environmental and social initiatives during the

COVID-19 pandemic and determination of the impact of the economic benefits and costs on these changes. To achieve the aim, a case study method was selected, which allows to obtain detailed information on the changes made and their reasons.

The chapter is composed of five parts. After the introduction, the possible influence of environmental and social practices on company's economic performance is discussed. The section also summarises the results of previous, quantitative study. The next part presents research method and is followed by research results elaboration. The chapter is concluded by the summary of main research results, practical implications and research limitations.

11.1. The influence of environmental and social business practices on companies' economic performance

The improvement of the company's economic results has always been one of the dominant issues in management. The concept of sustainability additionally highlights the importance of environmental and social results. The impact that the company's commitment to environmental and social business practices on the achieved economic performance is still under study. The research results are ambiguous—some studies indicate a positive impact (e.g., Fujii et al., 2013; Jung et al., 2018), some negative (e.g., Feng et al., 2018), in some studies the results obtained are statistically insignificant (e.g., Mahoney & Roberts, 2007).

Various explanations for the obtained results are proposed. According to the first of them (Fujii et al., 2013), environmental and social business practices generate only additional costs and do not bring measurable benefits to the company, which in turn leads to the the weakening of the competitive position of the company (Walley & Whitehead, 1994). Thus, it is assumed that the improvement of environmental or social performance is achieved at the expense of economic performance.

The second explanation assumes, that the commitment to environmental and social business practices leads to immediate and lasting improvement in economic performance. In this context, the possibility of reducing costs (e.g., energy), improving resource management (e.g., by reducing their losses in production), or improving results in the area of human resources management are given as examples. In the environmental area, it is also indicated that traditional production methods often involve additional costs, related to environmental fees, storage of harmful substances or their disposal, or reduction of emissions at the end of the production process, which are incurred annually. Eco-design or clean production practices allow for the permanent elimination or reduction of these costs (Fujii et al., 2013).

According to other ideas, the relation between economic costs and benefits achieved thanks to implementation of environmental and social practices changes in time. This is mainly a result of investments related to some practices implementation with the benefits visible only in the long term (Fujii et al., 2013).

In a crisis situation, those companies for whom involvement in environmental and social business practices worsens the economic performance may resign them. In the aforementioned studies conducted in the initial period of the pandemic, the largest group of respondents indicated that they would probably give up all implemented practices (Małys, 2021).

11.2. Research method

In the discussed research, a case study method of a deliberately selected company was chosen. The company participated in quantitative research conducted in the initial period of the COVID-19 pandemic. In that study, the respondent indicated that probably some sustainable business practices will be abandoned, but at this stage it was impossible to specify which ones. At the same time, the respondent declared the willingness to maintain the practices addressed to the company's employees.

The analysed company is part of a Scandinavian capital group operating in the TSL sector. The core activity of the entity is concentrated in the western part of Poland and includes activities typical of 3PL operators. The company belongs to the SME sector: it employs approximately 100 people and its annual turnover does not exceed PLN 50 million. The two main areas of the company's activity are contract logistics, carried out in two distribution centres and international road transport, performed by a fleet of tractor units with universal and specialized road trailers. The company also conducts auxiliary shipping activities, including multimodal (rail, sea and air) and distribution transport carried out by SCV

Data for the analysis were obtained from two sources: internal documents and reports of the company (1), and as a result of a series of semi-structured interviews with various employees of the company, to which one of the authors had easy access (2). Subsequent interviews were conducted in order to obtain more detailed information as a result of previously obtained data. The research was carried out in November-December 2022.

11.3. Research results

Environmental and social initiatives in the period before the start of the COVID-19 pandemic were an important and integral element of the company's strategy.

To a large extent, this reflects the vision and values represented by the founding entity and thus expected from subsidiaries. Nevertheless, the examined company has a high degree of autonomy in the selection of specific initiatives. Due to the relatively complex economic situation in the years preceding the pandemic, tasks related to the implementation of environmental and social objectives were strongly conditioned by a simulation of the financial result of the planned activities. The areas of particular interest of the company were sustainable transport and social practices for employees.

Activities related to the acquisition and operation of HGV fleet since 2011 were focused on meeting the highest standards in terms of pollutant emissions (EURO VI). The framework for these activities was determined on the basis of legal acts in force in the European Union.[1] These rules were respected throughout the pandemic and, despite sanitary restrictions, resulting in particular in a decrease in the supply of contract vehicles, they were not abandoned or reduced.

Initiatives in the field of adapting the company's fleet to EURO VI emission standards, apart from the obvious environmental benefits related to the reduction of pollution, are strongly justified both in terms of marketing and economics. The financial benefits of implementing vehicles in this standard are multifaceted and cover almost every aspect of both financing and fleet operation. These vehicles, as new units, are covered by a full warranty during their financing period (36 months), which significantly reduces technical costs. The fuel consumption is significantly reduced compared to older models. This allows to generate savings of 6%–8%, which is all the more important as fuel costs range from 15% to as much as 35% of the total operating costs of the fleet (depending on the characteristics of the line). Road toll costs in the vast majority of cases are preferential for low-emission units, thus promoting environmental solutions. In addition, these vehicles are characterized by excellent parameters in terms of ergonomics, amenities for drivers and are equipped with a large number of additional elements that increase driving safety.

The initiative that was both strengthened and accelerated to the strongest extent as a result of the COVID-19 pandemic was the intermodalism of road transport for the analysed company. It consisted in a sectional change from road to rail transport by placing road semi-trailers on pocket wagons. This change is consistent with the White Paper of the European Union (European Commission, 2011) and is associated with a significant reduction in greenhouse gas emissions. The dynamic development of activities aimed at intermodalism of road transport was strengthened by one of the basic effects of the pandemic on the transport sector,

[1] Directive 1600/2002/EC of the European Parliament and of the Council of 22 July 2002 and Regulation (EC) No 595/2009 of the European Parliament and of the Council of 18 June 2009.

which was the limitation of the availability and mobility of the company's fleet staff. A significant number of absences, both caused by infections and preventive, caused serious disruptions in the serviced supply chains, and due to the prevalence of the phenomenon, it did not allow the use of substitutive alternatives to own transport. The weakening of the impact of the pandemic on road transport has not resulted in even a partial departure from the concept. On the contrary, once launched, the initiative was further accelerated due to the widely reported problem of driver shortage (IRU, 2022), but also due to the highly positive economic results.

Another activity that can be treated as a response to the pandemic staff shortage is the handling of multiple semi-trailer distributions using one truck tractor and a single crew. The solution is closely related to the intermodalism of transport by road trailers, but goes a step further and includes the company's own vehicles for last-mile delivery. In this case, the shipment of several road trailers by rail is accompanied by one truck with loaded trailer, that unloads carried cargo by consignee located in the vicinity of destination rail terminal first, while rest of the shipped trailers are being delivered by train. After unloading, the driver tows the first trailer to the terminal, collects sequentially the next trailer arriving on rail cars and delivers them to their destinations.

The COVID-19 pandemic caused, or at least accelerated, transformations in the field of fleet crew employment systems. On lines servicing Polish foreign trade, i.e. starting and ending in Poland, the current model of employment in a continuous system, with drivers taking weekly rest at their place of residence (or on the road, if synchronization is not possible) has been replaced with a model of two weeks of continuous employment with one week of rest.[2] On the one hand, this change causes an increase in the company's costs, due to the need to employ three drivers for each pair of vehicles (to ensure traffic continuity). In practice, however, it means a very significant improvement in driving efficiency and optimisation of the use of the company's resources. During two weeks of employment, drivers receive a shortened rest period between two weekly driving periods of at least 24 hours. Driving time is used optimally and drivers are not under pressure to quickly finish their weekly work between shifts. As a consequence, the change in the employment system results in an increase in drivers' satisfaction with a significant improvement in the profitability.

The period of the COVID-19 pandemic also made it necessary to abandon some of the planned activities due to the objective impossibility of implementation. These activities included those, that did not meet the demands of maintaining the recommended (and in some periods also required) social distancing. First of all,

[2] In practice, this division amounts to 13 days of work and 8 days of rest, due to the maximum number of daily driving periods permitted by law in one driving week of the driver.

integration and recreational meetings suffered, which were only marginally replaced by increased activity in social media and the company's internal communication system. Trainings (both for administrative employees and cabin crew) were also cancelled. These initiatives have not been transferred to the virtual space, to a large extent due to the lack of appropriate tools for remote training and training staff trained in this field, but also due to the insufficient access to infrastructure declared by employees.

Table 11.1 presents a summary of information regarding changes introduced in the company to environmental and social practices during the COVID-19 pandemic.

Table 11.1. Changes in environmental and social practices introduced during the COVID-19 pandemic

Sustainable development area	Implemented practices	Changes during the COVID-19 pandemic	Benefits from introduced changes	Costs of introduced changes
Sustainable transport	emission reduction (EURO VI emission standard)	maintaining the practice	• decrease in some operating costs • marketing benefits • improved environmental performance	increase in some operating costs
	intermodalism	accelerating practice implementation	• reducing the risk of shortage of drivers • reducing the number of vehicles on the roads (congestion and safety) • improved environmental performance	increase in some operating, transactional and sales costs
	change of road trailer distribution (use of one truck tractor)	introduction as a new practice	• reducing the risk of shortage of drivers • decrease in operating costs	no effect
	changing the system of employing fleet crews	significant acceleration of practice implementation	• optimising the use of resources • improving driving efficiency	increase in costs

Table 11.1 – cont.

Sustainable development area	Implemented practices	Changes during the COVID-19 pandemic	Benefits from introduced changes	Costs of introduced changes
			• revenue growth • profitability increase • improved social performance (driver satisfaction)	
Social programmes for employees	integration meetings	resignation from implementation	• reducing the risk of employee illnesses • cost reduction	no effect
	internal trainings	resignation from implementation	• reducing the risk of employee illnesses • cost reduction	a slight increase in training costs due to the partial use of external training

Source: own work.

Conclusions

As already mentioned, in quantitative research conducted at the beginning of the pandemic, the largest group of respondents indicated that in the crisis they would probably give up all implemented environmental and social practices (Małys, 2021). The results of the presented research indicate, however, that the crisis may also lead to the acceleration of the already implemented initiatives or the introduction of new ones. It seems that in particular this may apply to activities in the field of sustainable development that meet one of the criteria:

1) have a positive impact on the financial performance in the short term,
2) reduce business risks highlighted by the crisis,
3) improve efficiency, optimise operations.

As one of the respondents said, "economic judgment is always the most important thing for companies, regardless of the circumstances." For this reason, in a crisis, efforts are made to maintain activities directly improving the financial result (in the short or medium term) or limiting the risk of deterioration of this result. Other practices, in particular those generating greater burdens than economic benefits for the company, may be suspended at least temporarily.

It should be noted that the conducted research has some limitations. First of all, it is limited to one case study of a company that meets the vividness criterion. The conducted analyses should be supported with quantitative research. In addition, the analysed company belongs to a highly regulated industry in the environmental area, which affects the level of costs when not meeting certain environmental standards.

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