Sustainability Issues In Manufacturing Companies

Identify and analyse particular sustainability issues in the context of a multinational manufacturing company. Consider economic, social, and environmental sustainability perspectives, and use appropriate examples to illustrate your answer.

Introduction

Due to the increasing number of manufacturing companies and the cutthroat competition has forced them to engage every possible action to make profits and stand apart from the competitors. Therefore, when organisation operate with maximum potential in order to achieve organisation goal and become competitive blindly. Knowingly or unknowingly, it engage itself some of the activities that are not ethical. Moreover, in this process it affects the consumers in a negative way. In order to rectify these problems, the concept of sustainability emerged that aims to focus on long-term existence. These days, organisations have understood the importance of environmental and financial benefits that can be derived from sustainable business actions (EPA, 2018). The concept of sustainability emerged as the creation of manufactured products, which are economically sound, and it ultimately minimises the negative effects while conserving the natural resources and preventing the environmental energies. Corporate social responsibility and sustainability perspective has to be considered by organisations because through mandatory and strict rules regarding CSR company strives to improve the society by donating money, environmental-friendly policies, and health safety measures. Sustainability encourages organisations to regulate the business operations that are ethical and account for economic, social, or environmental influence by considering environmental and human rights (ICAEW, 2018). The essay brings out the discussion on several sustainability issues especially in various multinational manufacturing organisations. The essay carries a critical analysis on sustainability issues based on social, environmental, or economic perspectives with illustrations. Many companies could not succeed because of unethical methods or sustainability issues. Although, these organisations are known to be in the name of blue chip shares but they could not comply with environmentally friendly policies (Kozlowski, Searcy, and Bardecki, 2015).

Sustainability issues

Sustainability has become an important factor in relation to manufacturing companies. Business sustainability is defined while managing the triple bottom line through which companies handle the financial, environment, and social risks, opportunities, and obligations. By focusing on manufacturing sustainability, recent generation has valued CSR and have made environment protection priority. This generation focuses to care for environment, a sentiment that they incorporate in the buying habits. Ten out of nine focuses to pay more attention on the products from the brands, which are committed to have a positive environment or social impact. Sustainable manufacturing not only makes the products more marketable but ignoring sustainability can harm the sales. For example- replacing the electric bulbs with energy-efficient fluorescent lamps that could even last three times more than electric and also consumes nearly 25 percent less energy. Several practises are to be considered to foster the business sustainability and ultimately help the organisation to move on the path from stragglers to leaders. The practises are stakeholder`s engagement, reporting and disclosure, life cycle

analysis, and environment management systems. Organisations which are sustainable have proved themselves attract and retain employees easily because of less reputation and financial risk. The healthcare costs of the manufacturing companies has been increasing due to considerable strain on delicate manufacturing cost structures. Manufacturers face problems while providing healthcare services. The company has to be aware of rising cost and manage it to ensure that healthcare services do not push the price of products. Concerning actions for the environment can be beneficial for local environment. Sustainability regulations remain expensive for manufacturing organisations. For example- In 2015, Volkswagen will not exist among the investor-focused CSR (corporate social responsibility) ranking. The automobile manufacturers preferred business priorities that have commenced to integrate resources scarcity, social equity, digitization, climate risks to corporate responsibility (Hepler, 2015). The Environmental Protection Agency reports that software-cheating emissions lead to the testing of eleven million owned by consumers. This further resulted to unknown Air pollution that have contributed to respiratory ailments and deaths that linked to contamination of breathing air. Whereas, in coming few years the company has raised environmental targets such as the group started prioritising the environmental strategies and targets. Currently, the company is seeking the leading role in sustainability in the automobile industry. It is the aim of the company to make decisive contribution in order to mitigate the risk associated with climate change and improve the quality of the air. Another similar case of Mitsubishi Motors leads to emission scandal. Although several companies have not been able to become successful to accomplish its sustainability activities and the essay discusses some cases. Cadbury struggles to integrate the supply chain. The case describes that situation where the company involved child labour as their slaves. Although the company has paid close attention for the welfare of the labourers. Moreover, what actions should company to sustain the same level of sustainability to ensure that the supply chain is ethically operated? Other than environmental issues, choosing the wrong leader can affect the long-term sustainability. For instance- ExxonMobil which is renowned as world`s largest oil and gas corporate in terms of its market share but it does not represent the same level of leadership which is represented by other smaller peers. The biggest flop of Ford named “The Edsel” has launched the new vehicle under the wraps, which was the experimental car. The company had lost around $250 million in 1959 due to failure of marketing plan. It is more important for the companies to leave a positive legacy and maintain it throughout the time till it operates in the corporate world. If the company consider its one-time benefit as more important such as ruining and spoiling the environment until and unless they are caught red handed and finally are punished and even if they are caught, government penalise them for their deeds which ultimately affects the long term sustainability. Even after being penalised, some organisations think as our organisation has already paid the penalty fees, which is much more less than their profit making. So, paying penalties is more cheaper than causing harm to the environment which not only affects the organisation`s long term sustainability but also encourages the younger generation to do the same without caring about the environment. Although, the companies may earn benefits in the short run or till the time they are not caught red handed by the authorities but in the long run it encourages the next generation to spoil the environment and loss of consumer base (Maas, Schaltegger, and Crutzen, 2016). In 2013, many protesters in UK has reported that mining companies has breached the environmental and human rights. Expansion of mining and automobile companies have threatened the water supply chain of nomadic people and area`s ecology. For example- Rio Tinto Group is an world`s largest mining corporations but it breached the human and environmental rights. It is important to consider that water is a both lifer and death resource. The company has been diverting water without taking care of local community living around it. Although, the company has succeeded to make profits but ultimately it has released the

importance of water from the deep level aquifers to provide nomadic people pure water and a seasonal river will be diverted near the mine. Apart from environmental issues for the sustainability, companies lose their brand image due to social and economic causes too (Neate, 2013). For example- Tyco international is a Manufacturing company that deals in production of electronic components, which further undoubtedly creates risk on the part of fire safety, health care, and security. Social issues such as fraud employees within the organisation such as Tyco international`s executives such as CFO and CEO were found guilty of stealing a sum of money of approximately $600 million from the organisation which ultimately left a very bad impression that even responsible executives are not loyal. As shareholder`s investment is in the hands of top level management because their decision making will affect shareholder's returns but here in Tyco international CFO and CEO turned fraud that reflects a very bad image in a long run. Another corporate example is Enron, which is known for its wealth, power and smart. Nevertheless, this company faced spectacular bankruptcy because of painstaking planned accounting fraud passed by accounting organisation (Wolf, 2014). Although, the company faced a drop in share price due to disaster in financial terms where employees and investors experienced their savings vanishing. Social issues such as sexual harassment, health risk during the process, and disloyal employees lead to affect the sustainability in the end. Electronic, infrastructure, and mining companies face risk associated with employee's health increases in these types of operations. So in order to overcome these issues, companies have to undertake some crucial measures to protect the employees' health and enhance the health services in the company (Kaspereit, and Lopatta, 2016). Apart from this, it is reported that nearly 71 percent millennial want food industry to serve healthy food and products to them (Daneshkhu, 2018). Moreover, even they are ready to pay more money to minimise the overloading expenses of healthcare services. Young generation has changed the food trends over the recent years; they have forced the company to undertake the activities that can win the trust of the food manufacturers (Bradford, Earp, Showalter, and Williams, 2016). MNCs and large manufacturers started to listen to the consumer`s demand and preferences for transparency regarding production methods and its ingredients. Millennial prefer healthy food, which forced the food industry to engage low-fat and high fibre. As per the statistical reports, millennial look at the label stickers to see whether the content is natural, organic and sustainable or not (Industry News, 2017). Although, companies earlier provided a brief description of what they are providing in their product but now companies have become more aware of what actually they are serving to their customers as Millennial are more interested in in what way food can be sourced and grown and how it ultimately affect the carbon footprint. Long-term sustainability is a priority for the company especially while serving the customers as when buying food at stores. Several environmental issues has created awareness among Millennial that has influenced the food industry to employ environmental friendly practises (Siew, 2015). Apart from mining, electronic and food industry, it is seen that large clothing industry such as Zara, H&M, and topShop has been focusing to discontinue the production of those apparels that followed the allegation of animal cruelty. Ethical and CSR concerns has enforced the engagement of natural and expensive raw material that could not affect the animal`s survival that will help the company to image itself as operating the company to achieve the sustainability (Pedersen, Gwozdz, and Hvass, 2018). Zara and H&M have criticised the organisations who uses angora wool especially after the unethical practises for the Chinese suppliers (Jason, 2018). These companies has ceased the production of angora products just after the plucking of several Chinese factories. In short run, although, these companies incurred a huge cost to find the substitute of angora product, which will help the company to maintain its sustainability (Pedersen, Gwozdz, and Hvass, 2018). This has reflected a shifting of consciousness among the customers who are ready to pay more for the ethical sourced clothing. The time when the

confidence of people was hit by horsemeat scandals and things concerned with obesity and diabetes. In order to achieve the sustainability and corporate social responsibility, Big MNCs have decided to build the public policies and commitments regarding the supply chain that has focused on improving the capitalist system (Sunday Telegraph, 2013). It is important to know that while sourcing the commodities such as cocoa, potatoes, soy, sugar, coffee, and corn, many farmers face injustice and inequality. Apart from this, many CSR and sustainability reports are criticised to focus only on specific projects such as usage of water, by paying adequate wages to the workers, fair price to small farmers, figuring out the root cause of hunger and poverty due to which companies lack adequate policies that can guide the supply chain (Kozlowski, Searcy, and Bardecki, 2015). Oxfam has ranked the companies such as Unilever, Coca-Cola, and Nestle as per the standards and how it ensures to apply the worker`s rights and farmers that also can includes a transparency in the operations of supply chains, managing the usage of water and land, protect the human rights, and actions to reduce the negative effect of climate change (Confino, 2012). Brexit has severe impact on the economic as well as social environment of the organisation. It is reported that UK consumer shares appear cheap valuation metrics that brings out price to adjusted earnings that fail to take into consideration the level of debt and maintain a poor cash flow exhibiting a level of investment that are exposed to cyclical pressures that has affected rising cost and corporate profit margins (Marketviews, 2018).

Conclusion

From the above discussion in the essay, it can be concluded that considering the sustainable and CSR activities have become necessary for regulating business in recent corporate world. These days, the competition is not only limited on what company contribute as profits to its shareholders but also its long-run reputation. Several benefits discussed above in the essay after executing sustainability actions can be it gives a brand recognition, saves cost on operations, organisational growth, increase the consumers base and ultimately it is able to employ greater talent and retain the efficient staff. The essay also illustrated some relevant examples such as how Zara and H&M questioned the sustainability of other clothing outlets just because of not using the natural resources that should not harm the animal’s existence. While analysing the reports of sustainability issues, according to emission trading system, 11000 power stations and flights associated with European countries accounts for 45 percent gas emission. Other than benefits, fulfilling sustainability contexts also lead to higher costs such as changing the process of supply chain and using elements that are more nutritious in the food industry.

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