

Office of Communications

Phone: +49 621 181-1016

pressestelle@uni-mannheim.de

www.uni-mannheim.de

Mannheim, 22. July 2024

Press Release

GBP Monitor: Despite the Supply Chain Act, Financial Factors Dominate the Selection of Business Relationships – Sustainability Takes a Backseat

For companies, proven criteria such as price, the reliability of payment terms or the length of the business relationship continue to play the most important role when selecting their customers and suppliers. Sustainability aspects are clearly subordinate – despite the new Supply Chain Act. This is shown in a new study of the German Business Panel (GBP). The GBP data confirms the overall negative attitude of many companies towards the current sustainability regulations, including the new sustainability reporting standards. However, there are exceptions: Companies that voluntarily report on sustainability and align their business model accordingly for strategic reasons welcome the regulation.

In May 2024, following fierce controversy, the European Union has adopted a new supply chain directive that obliges large companies to make a greater commitment to environmental protection and social standards (*environmental, social, governance, ESG*). The documentation requirements were introduced to exert pressure on all companies involved in supply chains to contribute to ensuring compliance with sustainability goals. This directive is to be gradually implemented by 2029.

In Germany, the Supply Chain Act (Lieferkettensorgfaltspflichtengesetz) with similar objectives has been in force since last year. The current GBP data now show that the expectations associated with the new act are only being fulfilled to a limited extent: Companies still select their customers or suppliers mostly because of hard financial indicators such as price, product features, terms of payment and delivery. According to the GBP survey, these criteria are considered to be the most relevant. Non-financial indicators such as environmental protection and sustainability rank at the bottom of the list. The results apply both to large companies, which are required to disclose their ESG performance, and to smaller companies with fewer than 1,000 employees, which are not obliged to do so.

Only companies that use ESG factors for their own business model and therefore have a strategic focus on sustainability goals are prepared to increase their environmental and social efforts and adapt their supply chains accordingly. In particular, this includes companies that also invest in real environmental and climate protection measures, for example by reducing their own emissions.

“The many bureaucratic obligations for supply chains obviously do little to change the fact that companies are hardly willing to change their usual processes out of consideration for social goals when selecting their business relationships. In too many cases, the implementation of the law is purely a compliance exercise with no real impact on sustainability goals,” says Professor Dr. Jannis Bischof, holder of the Chair of Business Administration and Accounting at the University of Mannheim and project manager of the GBP.

The negative assessment of the supply chain regulation is accompanied by the fact that most companies rate the new mandatory standards for sustainability reporting (*European Sustainability Reporting Standards, ESRS*) as “rather negative” or “very negative”: 56 percent of the companies without an ESG focus and 39.2 percent of the companies with ESG focus agree with this statement. The companies criticize the fact that the requirements are too bureaucratic and too complex.

Remarkably, the new requirements perform particularly poorly among the companies fulfilling them: 59.3 percent of users with an ESG focus report that the reporting effort is too high, compared to 52 percent of non-users. 66.7 percent of users with an ESG focus consider the requirements to be too complex and too bureaucratic, as compared to 59 percent of non-users. “Those who have actively worked with the standards seem to be particularly critical,” summarizes Bischof.

The complete report on company trends in July 2024 (“GBP-Monitor: Unternehmenstrends im Juli 2024”) can be found here: https://www.accounting-for-transparency.de/wp-content/uploads/2024/07/gbp_monitor_2024_07.pdf

Further information on the GBP monitoring report

The German Business Panel interviews more than 800 companies per month and in March 2024, also more than 250 researchers, on the economic situation in Germany and collects data on 1) any expected changes in revenue, profit and investments, 2) economic decisions, 3) the expected shutdown rate in the sector, and 4) the satisfaction with the economic policy. Furthermore, GBP reports on particularly relevant questions every three months.

Background information on the German Business Panel

The GBP is the long-term survey panel of the trans-regional Collaborative Research Centre “Accounting for Transparency” (www.accounting-for-transparency.de). The Collaborative Research Center (CRC) “TRR 266 Accounting for Transparency” was established in July 2019. In May 2023, the German Research Foundation (DFG) approved the extension of four additional years. It is the first CRC with a focus on business administration. More than 100 researchers from the following nine universities are involved in the CRC: Paderborn University (host university), Humboldt-Universität zu Berlin, University of Mannheim, researchers of Ludwig-Maximilians-Universität München, Goethe University Frankfurt am Main, Frankfurt School of Finance & Management, University of Cologne and Leibniz University Hannover. The researchers examine how accounting and taxation affect the transparency of companies and how regulation and firm transparency impact our economy and society. The CRC is funded with approx. EUR 18 million.

Contact:

Professor Dr. Jannis Bischof
Chair of Business Administration and Accounting
University of Mannheim
Phone: +49 621 181-1630
e-mail: jbischof@uni-mannheim.de

Yvonne Kaul
Research Communication
University of Mannheim
Tel: +49 621 181-1266
e-mail: kaul@uni-mannheim.de