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Supplier diversity implementation as part of sustainable procurement of Finnish enterprises

Operations and Supply Chain Management

Master's Thesis

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Companies are increasingly required to implement sustainability practices as part of their different business operations. Procurement plays an important role in sustainability implementation, and in sustainable procurement the organization integrates the environmental, social, and monetary dimensions of sustainability into its procurement processes. One form of implementing social sustainability that has emerged is supplier diversity. In supplier diversity the buyer organization procures products or services from suppliers who have traditionally been underrepresented in our society. Supplier diversity has been executed as part of sustainable procurement for decades in the United States. From North America, it has gradually spread to other countries as part of corporate sustainability practices, although it is not yet globally implemented.

This research studies how Finnish enterprises implement supplier diversity as part of their sustainable procurement. The research was conducted using a qualitative research approach and utilized both primary and secondary data sources. The primary data was collected through semi-structured interviews, which explored the views of Finnish procurement and sustainability professionals on the implementation of supplier diversity in their organizations. The secondary data was gathered through document analysis of the public reports and websites of the interviewed Finnish companies.

The findings of the study revealed that supplier diversity remains a relatively unfamiliar concept among Finnish procurement and sustainability professionals and is not currently widely implemented in Finnish companies. Moreover, the concept of a diverse supplier has not been widely defined in Finnish business contexts. Finnish companies identified several barriers to the implementation of supplier diversity, such as lack of data and knowledge, limited resources, lack of stakeholder and top management interest, and the current political atmosphere. Despite the challenges, the companies also recognized drivers and benefits of executing supplier diversity in procurement. These included for example competitive advantage and enhanced brand reputation, increased innovation, and overall enhanced economic well-being in society.

This study provides valuable insights for Finnish companies into the current implementation of supplier diversity and the key drivers and barriers to its adaptation. It addresses the research gap in how Finnish enterprises approach supplier diversity, and thus lays a foundation for future, more in-depth research on the topic.

Key words: supplier diversity, sustainable procurement, sustainable supplier selection, Finland.

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Yrityksiltä vaaditaan vastuullisuustoimia yhä enemmän osana yritystoiminnan eri osa-alueita. Hankinnalla on keskeinen rooli vastuullisuuden toteuttamisessa, ja vastuullisessa hankinnassa yritys omaksuu sosiaalisen, taloudellisen ja ympäristövuoteisuuden luottavuudet osaksi hankinnan prosesseja. Yhdeksi sosiaalisen vastuullisuuden toteuttamisen muodoksi on noussut toimittajien monimuotoisuus. Siinä ostajaorganisaatio hankkii tuotteita tai palveluita toimittajilta, jotka ovat perinteisesti olleet epäedustetussa asemassa yhteiskunnassamme. Toimittajien monimuotoisuutta on toteutettu osana vastuullista hankintaa jo vuosikymmeniä Yhdysvalloissa. Sieltä se on hiljalleen levinnyt myös muihin maihin osaksi yritys vastuullisuutta, mutta sen toteuttaminen ei ole kuitenkaan vielä globaalilla tasolla.

Tämä tutkimus selvittää, kuinka suomalaiset yritykset toteuttavat toimittajien monimuotoisuutta osana vastuullista hankintaansa. Tutkimus toteutettiin laadullisella tutkimusmenetelmällä, jossa lähtienä hyödynnettiin primääri- sekä sekundääridataa. Primääridata kerättiin puolistrukturoiduilla haastatteluilla, joissa kartoitettiin suomalaisten hankinta- sekä vastuullisuusammattilaisten näkemyksiä toimittajien monimuotoisuuden toteuttamisesta heidän organisaatioissaan. Sekundääridata koottiin dokumenttianalyysinä haastateltavien suomalaisten yritysten julkisista raporteista ja nettisivuista.

Tutkimuksen tulokset osoittivat, että toimittajien monimuotoisuus on vielä melko vieras konsepti suomalaisille hankinta- ja vastuullisuusammattilaisille, eikä se ole tällä hetkellä laajassa toteutuksessa suomalaisissa yrityksissä. Monimuotoista toimittajaa ei ole myöskään määritelty laajalti suomalaisissa yrityksissä. Suomalaiset yritykset tunnistivat lukuisia esteitä toimittajien monimuotoisuuden toteuttamiselle, kuten tiedon puutteen, rajalliset resurssit, sidosryhmien ja yrityksen johdon vähäisen kiinnostuksen aiheeseen, sekä nykyisen poliittisen ilmapiirin. Vaikka suomalaiset yritykset korostivatkin toimittajien monimuotoisuuden toteuttamisen haasteita, he myös tunnistivat ajureita ja hyötyjä monimuotoisuuden edistämiseksi hankinnassa. Toimittajien monimuotoisuuden ajureiksi ja hyödyiksi tunnistettiin muun muassa kilpailuetu ja vahvempi yritysmaine, lisääntynyt innovaatio, ja kokonaisvaltaisesti parempi taloudellinen hyvinvointi yhteiskunnassa.

Tämä tutkimus tarjoaa suomalaisille yrityksille arvokasta tietoa siitä, miten toimittajien monimuotoisuutta toteutetaan tällä hetkellä, ja mitkä ovat sen toteuttamisen ajurit ja esteet. Tällä tutkimuksella täytetään suomalaisten yritysten toimittajien monimuotoisuuden toteuttamisen tutkimusaukkoa, ja täten se voi luoda perustaa tulevalle ja syvemmälle tutkimukselle aiheeseen liittyen.

Avainsanat: toimittajien monimuotoisuus, vastuullinen hankinta, vastuullinen toimittajavalinta, Suomi

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1 Introduction

1.1 Introduction to the topic

In today's business world, sustainability has an increasingly important role than before. Businesses in all fields have to consider sustainability in their business actions to be able to be profitable. This is due to the fact that consumers are paying more attention to how businesses operate on the environmental, social, and economic dimensions of sustainability. (Silva, et al., 2024.) Procurement plays a crucial role in enhancing sustainable practices within enterprises as well as in achieving the United Nations Sustainable Development Goals. Sustainable procurement is defined as adopting environmental, social and monetary sustainability components into the procurement process. (Waqar, et al., 2025.)

Nowadays, many businesses have understood the importance of diversity as part of the social dimension of sustainability. This can be seen, for example in their efforts to include diversity in their recruitment processes and therefore making the firm more inclusive. (Silva, et al., 2024.) However, the efforts to include diversity cannot be limited to only businesses' internal actions, as it should be implemented throughout the supply chain. Procurement plays a significant part in this, because through purchasing practices, businesses can enhance diversity beyond their company. (Miguel & Tonelli, 2023.) As a result, supplier diversity initiatives and programs have become more common as part of sustainable supply chain management and procurement (Silva, et al., 2024).

Supplier diversity is not a new concept, and in fact has been implemented in supplier diversity programs in the United States for nearly fifty years (Blount, 2021). However, because of the increasing racial unrest and social polarization, the need for diversity in all business actions, including procurement, has grown. Supplier diversity is commonly defined as "the purchasing of goods and services from businesses owned and operated by visible minority groups". It means building a supplier base from diverse groups, who have traditionally not been included in the supply chain. (Sordi et al. 2022.) Yet, supplier diversity definition is dependent on the country and its historical context and therefore its defined differently depending on the source and geographical location (Richard, et al., 2015). Some articles limit the term to include only people from ethnic minorities. Others

take a broader approach and also include other minority groups, such as gender, and sexual orientation minorities. (Goodman, et al., 2024.)

Having a diverse supplier base can help organizations with increasing revenue and creating customer value. Studies show that implementing supplier diversity into firms' procurement strategies can help reduce risk, increase innovation and flexibility when managed efficiently. (Sordi, et al., 2022.) In addition to these benefits, implementing supplier diversity fosters financial equality between large enterprises and minority groups (Miguel & Tonelli, 2023) and enhances the economic well-being of the community the buyer organization operates in (Goodman, et al., 2024).

1.2 Purpose of the study

In the past few decades, a large share of studies has been conducted on the supplier diversity implementation in the North America. However, the supplier diversity implementation has not been studied in Finnish businesses point of view. In this research, an interview study in addition to a document analysis are conducted to fill such research gap of the supplier diversity implementation of Finnish enterprises. The aim of the study is to gather valuable information of how Finnish businesses stand with supplier diversity and how they identify the drivers and barriers of supplier diversity implementation.

As the world changes, it becomes more crucial for the businesses' success to evolve. This study is built around the research problem of the lack of information in the implementation of supplier diversity in Finnish enterprises. To address this research problem, this study aims to find answers to the following research questions:

- *RQ1: How do Finnish enterprises implement supplier diversity as part of their sustainable procurement?*
- *RQ2: How do Finnish enterprises define a diverse supplier?*
- *RQ3: What are the drivers and barriers to Finnish enterprises' implementation of supplier diversity?*

The first research question *How do Finnish enterprises implement supplier diversity as part of their sustainable procurement?* is the main research question of this thesis, and it finds an answer to Finnish businesses' supplier diversity implementation strategies or the

lack of them within their sustainable procurement practices. The second research question *How do Finnish enterprises define a diverse supplier?* studies the cultural and geographical definition of Finnish enterprises regarding a diverse supplier. The third research question *What are the drivers and barriers to Finnish enterprises' implementation of supplier diversity?* finds an answer to the motivators and challenges Finnish enterprises face or believe to face when implementing supplier diversity into their sustainable procurement strategy.

This study is conducted with a qualitative research method. Qualitative research method is best suited for studies that have the intention to increase understanding of complex nature of phenomena. Researchers should use qualitative research method, when it is impossible or difficult to collect quantitative data regarding the phenomena. In qualitative research method data is commonly collected using surveys, interviews, field notes, observations and video. (Lahiri, 2023)

This research uses multiple data source method to provide a comprehensive overview on how Finnish enterprises stand on the topic of supplier diversity. The primary data source of the study is semi-structured interviews with procurement or sustainability professionals of Finnish enterprises. The aim of the interviews is to gather valuable information on not only supplier diversity implementation but also the drivers and barriers of it. The secondary data source of the study is data analysis of the interviewed Finnish enterprises' sustainability reports and company web sites. Using multiple data sources will give the study and its findings credibility (Lim, 2024).

The results of this study can offer valuable information to businesses. They can utilize the information of other enterprises' level of supplier diversity implementation to become a pioneer of sustainability in their field and therefore gain competitive advantage in their market. In addition to the buyer organizations, this study can also offer valuable information to the minority led suppliers on the level of how supplier diversity is implemented in Finnish supplier markets. This study can be significant through its new valuable information regarding supplier diversity in Finland and providing more data on the topic. However, due to this study focusing on only few selected Finnish companies, it is recommended to conduct further research on other companies and business fields to gain deeper knowledge on the topic.

The structure of this research is the following. First in chapter 2 a literature review on the topic of sustainable procurement is presented with important themes such as the triple bottom line, supplier selection process, benefits and challenges of sustainable procurement implementation, and sustainable procurement standards implemented in Finland. In chapter 3 the topic of supplier diversity is introduced with themes such as DEI, the drivers and challenges of supplier diversity implementation, and geographical and cultural considerations of supplier diversity. The literature review ends with subchapter 3.6, in which sustainable procurement, sustainable supplier selection process and supplier diversity are combined into the theoretical framework of this research. In chapter 4 the methodology of the study is presented including research approach, sampling, data collection and analysis, as well as research quality. In chapter 5 the findings of the study are displayed. Lastly, in chapter 6 of discussion and conclusions, the research questions are answered, and limitations and future research suggestions are presented.

2 Sustainable procurement

2.1 Triple bottom line in procurement

Sustainable development has had a growing interest in the academic world, including the studies in the field of supply chain management and procurement (Miemczyk, et al., 2012). Sustainability as a theme is topical due to the environmental challenges such as climate change, in addition to resource consumption style in present day. If global material consumption continues to evolve according to the current trend, it is expected to double by the year 2050. (Waqar, et al., 2025.) This highlights the increasing importance of how products are produced and procured.

In sustainable procurement, the values and objectives of sustainable development are implemented in the purchasing process of an organization. In other words, the procurement practices are sustainable when they meet present needs without compromising future resources. (Miemczyk, et al., 2012.) In sustainable procurement the sustainability actions of a company are extended outside the organization's boundaries and throughout the whole supply chain (Meehan & Bryde, 2011). Suppliers are at the core of supply chains and therefore set off sustainability in the entire supply chain (Kannan, 2018).

In addition to academia, businesses have started to truly implement sustainability into their procurement strategies (Ghadge, et al., 2019). In the past, companies have implemented sustainability practices only into their internal operations and close stakeholders because of external pressure. Nowadays, global businesses are also being held accountable for the sustainability of their supply chains' operations. One way to tackle this external pressure is to push sustainability demands on suppliers. (Berenguer, et al., 2025.) Procurement is one of the main functions of business, and at its core procurement professionals face the task to procure the needed materials from suitable suppliers (Kannan, 2018). Buyers have to consider different factors in supplier selection processes, and therefore evaluating the suppliers' sustainability performance has become an important feature. This is due to the external pressure of different stakeholders, like investors, consumers, regulators and NGOs. (Ghadge, et al., 2019.) Sustainable procurement implementation is crucial for the company's collective success of sustainability efforts (Chang & Fong, 2025).

In sustainable procurement organizations should consider all elements of sustainable development in purchasing activities. The three elements of sustainable development are the environmental, social and economic dimensions. (Miemczyk, et al., 2012.) This three dimensional division of sustainability is called the Triple Bottom Line (TBL), and it consists of three P's – People, Planet and Profit (Elkington, 1998). Corporates have traditionally payed the most attention to the environmental aspect of the TBL and therefore simultaneously lacked in the other two dimensions (Meehan & Bryde, 2011). In the early stages of academic literature regarding sustainability, some researchers have even used the terms “environment” and “sustainability” interchangeably (Carter & Liane Easton, 2011). While enforcing ecofriendly activities into the organization's procurement strategy is important, the social and economic sustainability actions should not be left behind (Meehan & Bryde, 2011). Below in the figure 1, the concept of Triple Bottom Line is visualized in a Venn diagram. Each circle represents one of the three dimensions – people, planet and profit. In the middle of the diagram the three circles overlap each other, and together they create sustainability. This represents how true sustainability is implemented only when all of the three dimensions are taken into consideration.

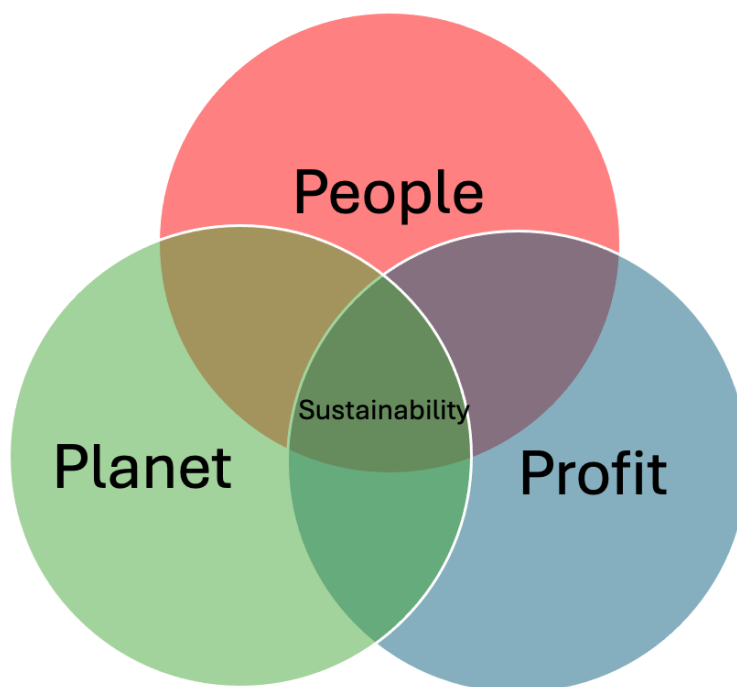


Figure 1 The Triple Bottom Line of sustainability – People, Planet and Profit (Elkington, 1998)

The Planet circle, like pictured above in the figure 1, represents the environmental sustainability dimension. In the environmentally sustainable procurement practices

organizations try to tackle the challenge of climate change and other environmental issues through their purchasing choices. Environmentally sustainable purchasing activities are for example minimizing waste through adoption of recycling practices, as well as implementing clean technologies (dos Santos & da Cunha Reis, 2024). In addition, reducing the company's carbon footprint by choosing geographically closer located or local suppliers is a way to enhance the organization's environmental sustainability through purchasing decisions. Although, the increase in globalisation and offshoring of suppliers has made it harder for buyer organizations to implement this strategy (Ghadge, et al., 2019).

The social sustainability dimension is visualized in figure 1 as a red circle with a title "People", and it focuses on the human rights, social justice and inclusion of people. It includes the organization's involvement of the local communities as well as every affect their business actions have throughout the whole society. Social sustainable purchasing activities are for example ensuring that your suppliers provide decent work, and social inclusion. (dos Santos & da Cunha Reis, 2024.) Supplier diversity is also included in socially responsible procurement (Worthington, 2009). Sustainable procurement can include different diversity goals, such as supporting minority groups via purchasing their products and services as part of the company's corporate social responsibility strategy. A big part of the people dimension is the term Corporate social responsibility (*CSR*) (Blount, 2021), in which companies are expected to implement socially responsible business because it's ethically right (Yang, et al., 2024). In CSR, corporates go beyond pursuing only their own financial benefit and the actions required by law and instead focus on social good (Worthington, 2009).

The third and final dimension of the Triple Bottom Line is the Profit circle, and it represents the economically sustainable dimension. In economically sustainable practices organizations strive for overall financial prosperity. (dos Santos & da Cunha Reis, 2024.) Examples of economically sustainable procurement activities organizations implement are supporting local businesses and cost efficiency.

2.2 Sustainable supplier selection

Choosing suitable suppliers is one of the most important tasks in the supply chain management (Rashidi, et al., 2020). It is an extremely strategic decision regarding which suppliers an organization chooses to buy products and services from. Supplier selection

has direct effects on the buyer organization through for example firm performance, customer satisfaction, product quality (Rashidi, et al., 2020) and profitability (Memari, et al., 2019). Among these effects, supplier selection is also a great way to enhance the sustainability performance of a firm (Igarashi, et al., 2013).

Even though the supplier selection process might seem like a single decision, it is actually a process made of several tasks (Igarashi, et al., 2013). The supplier selection process starts with the buyer organization's identification of needs (Zimmer, et al., 2016). In this section it is specified what kind of product or service is needed for the project. After determining what kind of product or service the procurement professionals are looking for, the next step is to agree on the measurement criteria for potential suppliers. After settling on the demanded criteria, a call for tenders is sent to the potential suppliers. Once the buyer organization has received the tenders, they make their supplier selection. This supplier selection process is a bit simplified, because it can often include several rounds of tenders and qualified suppliers. After the final decision, the buyer organization continues to evaluate the chosen supplier's performance, such as sustainability performance level. (Igarashi, et al., 2013.)

In supplier selection process procurement professionals must take into consideration a wide variety of different success factors of the supplier, such as price, quality, lead-time and flexibility (Kannan, 2018). Traditionally, the economic factors, such as price of a product, have had a strong influence on procurement decisions (Memari, et al., 2019). However, in recent years sustainability level of a potential supplier has risen as a success factor among the traditional criteria (Kannan, 2018) mainly due to international regulations and external pressure (Rashidi, et al., 2020).

The sustainability performance level of a supplier is an essential criterion through which the potential suppliers are evaluated, among the other criteria. Like in the Triple Bottom Line (Elkington, 1998), the sustainability criteria in the supplier selection process can be divided into economic, environmental and social criteria (Memari, et al., 2019). Sustainable supplier selection is used as a term when buyer organization uses sustainability performance level of a potential supplier as a way to evaluate their suitability to become part of their supplier network (Zimmer, et al., 2016). The economic criteria are the traditionally emphasized criteria such as price, lead-time, quality and flexibility. Examples of the environmental criteria are recycling, pollution reduction and

energy consumption. Social criteria are demanded social sustainability performance level in for example safety and health of employees and stakeholder relationships' maintenance. (Memari, et al., 2019.)

When companies implement sustainability already in the supplier selections phase, they can avoid future reputation damages from possible supplier sustainability scandals (Rashidi, et al., 2020). In addition, implementing sustainability into supplier selection helps the buyer organization and its entire supply chain to achieve sustainability goals (Alikhani, et al., 2019).

It is difficult in the supplier selection process to ensure sustainability in all three fields, environmental, social and economic (Ghadge, et al., 2019). Most literature works around the topic do not consider all three dimensions in the sustainable supplier selection, usually addressing only one or two sustainability dimensions (Kannan, 2018). Green purchasing and supplier selection, which is when the environmental sustainability performance level of a supplier is highlighted, has been emphasized in academia, whereas socially sustainable supplier selection has nearly disregarded (Zimmer, et al., 2016).

Choosing a sustainable supplier in the supplier selection process has its challenges. There might be fewer suppliers to choose from among the potential suppliers. Consequently, lack of alternative sustainable suppliers has been identified as a barrier of sustainable procurement implementation. (Ferri, et al., 2016.) It is also important to notice that suppliers with the highest level in sustainability might not be the best alternatives when considering other criteria (Alikhani, et al., 2019). For this reason, the buyer organizations should internally evaluate which criteria have the biggest value in the decision.

2.3 Benefits of implementing sustainable procurement

In supply chain management literature, the main measurements of supply chain performance have traditionally been the following: risk management, cost minimization, enhancing of resilience and flexibility as well as lead time optimization. Lately sustainability has risen as a growing trend among these criteria. (Ghadge, et al., 2019.) Sustainable supply chain management provides businesses the tools to succeed and continue to thrive in the business world not only today, but the next decades and so on (Carter & Liane Easton, 2011).

There are numerous benefits the company can gain when implementing sustainable procurement into their procurement strategy and processes. One of biggest internal drivers of sustainable procurement initiatives has been identified as cost reduction (Barbanti, et al., 2022) especially through green practices (Ghadge, et al., 2019). One example of sustainable procurement cost saving activity is the purchasing of recycled packaging materials, which are better designed for reusing and recycling (Carter & Liane Easton, 2011). The cost savings earned from green practices are often long-term and they stem from utilizing the resources more efficiently as well as the reusing of assets (Ghadge, et al., 2019). Sustainable procurement often leads to overall enhanced financial performance, because it focuses on long-term benefits compared to short-term gains of cost efficient purchasing (Nordic Council of Ministers, 2021).

Another great benefit of sustainable procurement implementation has for an organization is enhanced risk management. Especially firms who produce consumer-products have significant pressure from customers to implement sustainability into their operations (Berenguer, et al., 2025). Implementing sustainable procurement practices reduces supply chain risk. When a buyer organization selects sustainable suppliers in their supplier network, they reduce reputational risks. (Ghadge, et al., 2019.)

Sustainable procurement implementation can enhance organization's brand image and reputation (Barbanti, et al., 2022). From the environmental sustainability perspective, green purchasing has been studied to reduce the risk of reputational damage and improve corporate reputation. Then again from the social sustainability point of view, socially responsible purchasing is beneficial in the creation of a strong brand. (Hoejmose & Adrien-Kirby, 2012.) Better reputation often results in enhanced attractiveness to consumers and suppliers (Carter & Liane Easton, 2011).

Through sustainable procurement, firms strengthen trust among their stakeholders (Viale, et al., 2022), which leads to stronger relationships. In sustainable procurement implementation it is essential to manage the organization's stakeholder relationships effectively (Kannan, 2018). The external pressure from stakeholders is one of the greatest drivers for organizations to implement sustainable purchasing (Lee Park, et al., 2024). Sustainable and responsible procurement improves businesses competitive performance (Hoejmose & Adrien-Kirby, 2012). In addition, sustainable procurement implementation has benefits not only to the buyer organization but also to other stakeholders as well.

Organizations who implement sustainable procurement practices can reduce their environmental impact as well as enhance the social welfare of the environment they operate in (Waqar, et al., 2025).

2.4 Challenges of implementing sustainable procurement

Implementing sustainability into procurement and supply chain management of an organization is a complex mission, with possible external and internal challenges (Miguel & Lago da Silva, 2024). First, sustainable development is a moving target, meaning it and its demands evolve continuously (Nordic Council of Ministers, 2021). The lack of financial resources can often prevent businesses from adopting sustainability into procurement (Hoejmosse & Adrien-Kirby, 2012). Implementing sustainable procurement into the organization can be expensive due to high initial investment costs. New and innovative green production processes need high investments from the company and often small businesses cannot afford it. (Ghadge, et al., 2019.) Therefore, organizations are facing the dilemma to implement sustainability into their purchasing activities due to pressure from external stakeholders and to simultaneously keep their costs low and business profitable. The initial increase in the price often falls to customers and their willingness to pay extra for sustainably produced products or services (Chang & Fong, 2025).

As a result of globalization, supply chains have fragmented and spread out internationally all over the globe (Hoejmosse & Adrien-Kirby, 2012). With global and complex supply chains, it gets harder to monitor the sustainability performance level and practices of the suppliers. Especially low tier suppliers which are often located geographically far and therefore are also less available for buyer organization's sight (Ghadge, et al., 2019). Buyers should monitor and encourage their suppliers to continuously improve their sustainability performance (Rashidi, et al., 2020). However, some suppliers lack knowledge or motivation to truly implement sustainable practices into their operations, and this makes it even harder for the buyer organization (Shaikh, et al., 2024).

Businesses find sustainable procurement implementation challenging partially because of unclear standards and regulations regarding the field (Ghadge, et al., 2019). Also lack of governmental regulations or support regarding sustainable procurement have been identified as barriers (Shaikh, et al., 2024). In global supply chains making the change towards sustainability requires the efforts of entire supply chain. Without proper

regulations ensuring everyone engages, it becomes difficult to manage. (Ghadge, et al., 2019.)

In international value chains there are different geographical locations for suppliers often throughout the entire supply chain. This leads that often in different countries there are varying criteria and perception of the desired sustainable performance level. In addition, there are differences in sustainability regulation nation wise. (Ghadge, et al., 2019.) These differences in culture create significant challenges in successful sustainable procurement implementation (Hoejmose & Adrien-Kirby, 2012). The suppliers closest to the consumers in the value chain are often put under the most pressure regarding sustainability practices. The buyer organizations should however pay extra attention to the implementation of sustainability practices in low tier suppliers. (Ghadge, et al., 2019.) To be able to successfully adopt sustainability into procurement, the global buyer organizations need to truly educate and understand the local community and environment of their supply network (Hoejmose & Adrien-Kirby, 2012).

Cultural differences are core at different risk acceptance levels between the supplier and the buyer organization (Barbanti, et al., 2022). When the buyer organization has significant power in the supply chain, they have more leverage to persuade the supplier into adopting sustainable practices to their processes. In contrast, if the buyer organization is small and therefore lacking buyer power, it makes the successful implementation of sustainable procurement challenging. (Hoejmose & Adrien-Kirby, 2012.)

Organizational culture of the buyer organization plays a significant role in the successful implementation of sustainable procurement. Some organizations might implement social sustainability practices into their purchasing strategy only to seem more appealing to their stakeholders. This phenomenon can be seen as the new greenwashing of the corporate world (Lee Park, et al., 2024). Businesses might face passive management culture as a challenge in sustainable procurement implementation. The management might be reluctant to put actual sustainable procurement practices into use because of initial costs (Hoejmose & Adrien-Kirby, 2012) and uncertainty of the possible benefits (Miguel & Tonelli, 2023). In addition, the gained benefits from sustainable procurement practices are often intangible, and therefore harder to verify. Support from the top management is critical for the sustainable procurement implementation to succeed. (Hoejmose & Adrien-Kirby, 2012.)

2.5 Sustainable procurement policies and standards implemented in Finland

ISO 20400, Sustainable procurement – Guidance, is the first global standard on the topic of sustainable purchasing (Professional safety, 2017). The standard was established in 2017 and it takes on from the previous ISO 26000 standard (ISO, 2023), which focused on organizations' overall social responsibility (ISO, 2025). The ISO 20400 standard provides purchasing organizations guidelines on how to create and implement sustainable procurement policies (Professional safety, 2017). The standard is also contributing to the success of numerous Sustainable Development Goals of United Nations. These goals include social sustainability goals like no poverty (Goal 1), zero hunger (Goal 2), gender equality (Goal 5), reduced inequalities (Goal 10), and economic sustainability goals such as decent work and economic growth (Goal 8), responsible consumption and production (Goal 12) as well as environmental sustainability goals like climate action (Goal 13) (ISO, 2023).

The Nordic countries have cooperated and worked together on making public procurement policies more sustainable. The Nordic Council of Ministers strive for the Nordic area to be in the forefront of making public procurement more sustainable, and to be able to achieve this target, they released a thorough report on how sustainable public procurement is linked with each UN Sustainable Development Goal. They recognize how significant role public procurement plays for the governments to achieve their sustainability objectives and for the citizens to have sufficient public services. (Nordic Council of Ministers, 2021.) United Nations' Sustainable Development Goal number 12 focuses on responsible consumption and production. Its target 12.7 was built solely on the sustainability of public procurement, and it strives to “promote public procurement practices that are sustainable, in accordance with national policies and priorities”. (United Nations, 2025.) In addition to the Nordic countries, the European Union is making efforts by implementing sustainable development into procurement policies. The EU has created the Green Public Procurement (GPP) Criteria and Requirements to help their member countries with their sustainable public procurement decisions. The GPP provides criteria for different product and service groups for the EU countries to be able to reduce their environmental impact of their purchase. (European Union, 2025.)

Finland's public procurement creates approximately 20 % of the Finnish GDP. Therefore, there is a great effect on how those public purchases are carried out. (Ministry of the Environment, 2025.) The Finnish government has created several policies on promoting sustainability in public procurement. For example, Finland's Ministry of Finance (2025) established a national program on strategic public procurement, and on the program season of 2019-2023 three of the eight goals were focused on sustainability and its three dimensions. One of the measures of social sustainability implementation is the improved employment of the most vulnerable groups and individuals in the labor market. (Ministry of Finance, 2025.) One concrete way to implement this measure is the diversity practices in the employee recruitment processes.

Another initiative the Finnish government has carried out to transform the field of public procurement towards sustainability, is the ecological goals of public procurement initiative, which focuses on decreasing the carbon footprint of Finland's public purchases (Ministry of the Environment, 2025). A wide variety of Finnish government's sustainable public procurement initiatives are focused on environmental sustainability, and the other two dimensions of sustainability are not as present in the agendas.

3 Supplier diversity

3.1 Diversity, equity and inclusion (DEI) in business

Today many companies are striving to be as inclusive as possible, and for this goal to be reached they are adopting diversity, equity, and inclusion (DEI) practices into their operations (Silva, et al., 2024). The term DEI practice is used to describe all internal attempts organizations implement in order to ensure an inclusive work environment (Olusanya, 2023). The main agenda behind DEI implementation is to reduce inequality in the society and it is strongly aligned with United Nations' Sustainable Development Goal number 10. Its target 10.2 strives to "empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status". (United Nations, 2025.)

Diversity as a term is used to describe the differences among groups and individuals (Ta, et al., 2024). In organizational context, diversity means the presence of differences between employees (Nweiser & Dajnoki, 2022). Diversity attributes can traditionally be divided into two genres, surface-level and deep-level attributes. The first mentioned are external characteristics such as gender, race, nationality and age, and they are more easily observable in a person. The second genre of diversity attributes includes unobservable characteristics like religion, values and education. (Ta, et al., 2024.)

The internal diversity practices and their effects to the companies' performance have been studied and emphasized in academia (Richard, et al., 2015). DEI implementation can enhance workplace productivity as well as the quality of work (Olusanya, 2023). Internal diversity practices can be implemented in for example employee recruitment processes and training (Richard, et al., 2015). Diversity practices are used to overcome workplace discrimination (Nweiser & Dajnoki, 2022) and to ensure positive work environment where every employee is valued despite of their characteristics (Olusanya, 2023).

Implementing internal diversity practices and DEI can strengthen the company's competitive advantage via improving the workforce's creativity, decision-making and marketing performance (Worthington, 2009). From diverse workforce stems understanding of diverse consumer-bases, which enables companies to expand to new markets and reach new consumers (Nweiser & Dajnoki, 2022). It varies how businesses communicate their DEI practices to their stakeholders. Some businesses avoid

mentioning specific diversity groups represented and only use the term diverse in their communications, while others list the diversity groups openly (Berenguer, et al., 2025). Companies have started to implement diversity, equity, and inclusion (DEI) throughout their supply chains (Yang, et al., 2024).

3.2 Supplier diversity in supply chain management

In addition to internal diversity practices, businesses should also implement diversity practices in their external actions. Just like the internal diversity practices aim to strengthen inclusivity within the organization, supplier diversity practices have a goal to enhance inclusivity throughout the supply chains (Lee Park, et al., 2024). Supplier diversity becomes in an important role in the external diversity practices, because suppliers are one of the most important external stakeholders. The concept of supplier diversity is not recent. However, it has been acknowledged to raise a growing interest in the academic field due to recent uncertainties and racial unrest worldwide. (Sordi, et al., 2022.)

As a term, supplier diversity is difficult to give a definition to because there is no single definition to it (Berenguer, et al., 2025). However, its basic idea is the purchasing of goods or services from a supplier, who represents a minority group (Sordi, et al., 2022) and who has traditionally been in an economically disadvantaged position (Goodman, et al., 2024). To be able to identify as a diverse supplier, the company needs to be at least 51 % owned and operated by a diverse person or a group (Goodman, et al., 2024). In other words, those individuals and groups of people in our society who are disadvantaged (Berenguer, et al., 2025) or have been traditionally underrepresented. Supplier diversity implementation helps the minority suppliers overcome some of the structural difficulties they face, such as discrimination and prejudice (Lee Park, et al., 2024).

Diverse suppliers can be for example ethnic-minority-owned, woman-owned, and small-business enterprises (Worthington, 2009; Yang, et al., 2024). Originally the term supplier diversity included only racial and ethnic minorities (Goodman, et al., 2024). However, the term has later expanded to include suppliers owned by disabled and LGBTQ+ community (Yang, et al., 2024), as well as women and veterans (Goodman, et al., 2024). The definition of a diverse supplier is dependent on the context and the history of the country and therefore differs internationally (Miguel & Lago da Silva, 2024). It has also varied throughout time and will continue to evolve in the future (Berenguer, et al., 2025).

Great example of how the context and history of a country influences the diversity definition, are the indigenous people of a country. For example, Malcolm et al. (2024) studied how the indigenous people of New Zealand called Māori, are empowered in the supplier diversity implementation of New Zealand.

There are two goals for supplier diversity implementation. The first goal is that the purchasing organization enhances its financial performance through better product quality and public image. The second goal is that the minority supplier achieves increased opportunity and economic inclusion. (Richard, et al., 2015.) Individuals who represent minorities might have less financial and social capital, as well as access to information. When a supplier has limited resources, it complicates their participation in tendering and competing for contracts. (Goodman, et al., 2024.) Supplier diversity implementation strengthens communities while simultaneously contributing to economic growth (The Chartered Institute of Purchasing and Supply, 2025).

The most common two ways for businesses to implement supplier diversity are supplier diversity programs and diversity inclusion in Supplier Code of Conducts (Berenguer, et al., 2025). In supplier diversity programs and initiatives, the buyer organizations often set up a so called “diversity spend goals” where they state their target spend for diverse suppliers. The amount of diversity spend goals varies but on average they tend to be 8-15% of a company’s total procurement. The public reporting of companies related to their diversity spend goals differs. (Goodman, et al., 2024.)

Firstly, supplier diversity programs were established in the United States (Blount, 2021), and they were born as a response to civil rights issues in the late 1960s (Shah, et al., 2018; Larson & Kulchitsky, 2024). Organizational supplier diversity programs are built on strategies to include diverse groups of suppliers, which have not been traditionally included in the supply chain (Sordi, et al., 2022). Usually, supplier diversity programs are driven by the company’s goal to spread out economic disparity. This way the company is seen to enhance its corporate social responsibility (Min, 2009) as well as ESG standards (The Chartered Institute of Purchasing and Supply, 2025).

3.3 Drivers and benefits of supplier diversity implementation

Implementing supplier diversity into the company’s purchasing strategy can have numerous benefits both to the buyer organization and the community. The benefits can

roughly be divided into two categories: strategic organizational drivers and moral drivers to implement supplier diversity programs. Strategic organizational drivers are the benefits the organization gains like enhanced innovation and financial performance, while the moral drivers are linked with Corporate Social Responsibility and the organization's will to simply do good. (Lee Park, et al., 2024.)

From the strategic organizational drivers' perspective, supplier diversity programs have been studied to enhance company's economic results and long-term performance. The increase in profit is based on the strengthening of the company's competitive advantages the company gains through widening its supplier bases. (Min, 2009.) Diverse group of suppliers can provide the buyer organization with valuable knowledge on growing diverse markets (Malcolm, et al., 2024). As immigration continues to increase, the demographic of countries becomes more and more diverse. As a result, the consumer base becomes increasingly diverse as well. (Blount, 2021.) If Finnish enterprises want to continue to meet all of their customers' needs, they should utilize the valuable information from their diverse suppliers. In addition, it has been studied that a company's supplier base often reflects the consumer base. Therefore, a diverse supplier network can seem attractive to diverse markets. (Richard, et al., 2015.) This leads to companies expanding to new segments and markets (Yang, et al., 2024).

The Covid-19 pandemic resulted in shortages in several raw materials and products and therefore showcased the need for a diverse supplier base (Alcade & Dahm, 2024). In the future, other possible causes for raw material shortages could be wars or extreme environmental conditions. These types of events lead to disruptions in organizations' supply chains and therefore interferences in their production processes. For this reason, diversifying your supplier base can also be seen as risk management action, when managed effectively. (Sordi, et al., 2022; Yang, et al., 2024.)

Supplier diversity implementation has also been studied as beneficial to the company's brand image (Sordi, et al., 2022). When companies include diverse suppliers in their supplier base, and communicate it transparently to their external stakeholders, the trust among their stakeholders grows which leads to better brand reputation (Yang, et al., 2024). This driver is also linked with stakeholder theory, in which a business focuses on creating value for all of its stakeholders while simultaneously meeting their expectations. Stakeholders are the individuals and groups which are affected by the business and value

it is creating. (Ghadge, et al., 2019.) The primary stakeholders are crucial to the firm's business activities (Viale, et al., 2022), and some examples of these are suppliers, investors, customers and internal workforce. Secondary stakeholders include, for example, business competitors and the media. Some customers who are educated on the responsibility issues of the business world can choose to boycott firms and their products based on the fact that they are not implementing supplier diversity (Lee Park, et al., 2024).

One driver of supplier diversity is the expectations and pressure of different stakeholders. This means listening and adapting to consumer and investor demands on higher sustainability demands and implementing them into the business strategy. Stakeholders like investors are not satisfied with different sustainability issues among supply chains because they typically lead to damaging the reputation of the business (Rashidi, et al., 2020). Some investors may use diversity as a criterion to decide whether they want to financially invest in a business. They may have chosen to implement the diversity criterion because they have seen the benefits supplier diversity programs have in business's financial performance. On the other hand, they can also implement it for the sole purpose of putting external pressure on businesses to execute diversity programs and therefore raise their corporate social responsibility participation. (Lee Park, et al., 2024.)

They will also face less threats to their corporate reputation when they have openly shown their commitment to diversity (Worthington, 2009; Malcolm, et al., 2024). However, in some cases, companies could implement supplier diversity programs with the sole purpose of portraying its public image in a favorable way.

Supplier diversity program can be seen as a valuable resource of an organization. The buyer organization can achieve a competitive advantage from creating a sustainable supply base and maintaining a long-term successful strategic relationship with their sustainable suppliers (Alikhani, et al., 2019). This is why in resource-based view it would be profitable for an organization to invest in sustainable procurement. However, it is important that businesses learn to manage their resources to be able to maintain them and to obtain new resources (Viale, et al., 2022).

Supplier diversity implementation can be a valuable resource to the buyer organization through its increase in innovation (Sordi, et al., 2022; Yang, et al., 2024). Diverse small businesses tend to produce innovative products due to their unique way of thinking (Sordi, et al., 2022). These new innovative products and innovative solutions to different

processes result financial gains for the buyer organization (Malcolm, et al., 2024). Studies have shown that implementing supplier diversity into organization's procurement strategy can make the purchasing processes more flexible and agile. Diverse suppliers tend to be small or medium sized businesses and can therefore react to changes faster (Sordi, et al., 2022).

Government mandates was the most significant driver in the establishment of the early supplier diversity programs in the United States. When governments or other regional mandates give incentives for companies to develop supplier diversity programs, they have more motivation to do so. (Goodman, et al., 2024.)

From the moral drivers' perspective, supplier diversity implementation does not only improve diversity in the supplier network but also enables greater diversity in the entire supply chain. This is because suppliers who are owned by minority groups or individuals are more likely to hire minority employees. (Miguel & Tonelli, 2023). Supplier diversity implementation also enhances the economic well-being of the community the company operates in. This is through creating opportunities and therefore economic development for individuals or groups who have previously been underrepresented in our communities. (Goodman, et al., 2024.)

3.4 Barriers and challenges in supplier diversity implementation

In addition to several benefits of implementing supplier diversity, there can also occur some challenges when adapting it into the organization's procurement strategy. The number one goal of procurement departments has traditionally been to tender and purchase the highest possible quality with the lowest cost. Supplier diversity implementation has not always been seen to go hand in hand with the mentioned goal. (Blount, 2021.) In the short term, creating a new supplier relationship can be viewed as costly, time-consuming and disruptive. It takes time and energy to build a trusting relationship between the buyer and with the supplier. In addition, in a new supplier relationship, purchasing organizations often use more time and resources to monitor the supplier to be able to evaluate if the supplier is a good fit for the supplier portfolio. The increased monitoring and the building of a successful buyer supplier relationship will cost more for the company in the short term than staying with an existing supplier. (Richard, et al., 2015.)

Creating a supplier diversity program is costly to the organization, as they have to put time and resources to establish and implement it. These costs include for example the training of the staff, monitoring of the program and supporting of the diverse suppliers. (Worthington, 2009.) Organizations should have realistic expectations, and not overly optimistic ones including instant short-term financial benefits from implementing supplier diversity (Richard, et al., 2015). In addition, the establishment of supplier diversity programs often starts by mapping diverse suppliers from the already existing supplier network. This can cause challenges to the buyer organization, because they might face different obstacles with identifying which suppliers represent diverse. (Miguel & Tonelli, 2023.)

For supplier diversity programs to be successful, they need to be aligned with the corporate culture and business strategy (Min, 2009), as well as clearly and openly communicated to internal and external stakeholders. Company could implement supplier diversity programs with the sole purpose of portraying its public image in a favorable way. When this is the case, the company will likely face some negative brand image, if the external stakeholders view their supplier diversity efforts as just opportunism or tokenism. (Worthington, 2009.)

One of the challenges in the implementation of supplier diversity programs is the buyer organization's full commitment to the program. The buyer organization can sometimes lack commitment to supplier diversity implementation due to different reasons. Firstly, the motivation for the execution of the diversity program can be only to enhance sales and not with a true ESG motivation. Another reason for poor commitment is the lack of importance to the cause of the buyer. They can have issues with conflicting objectives with the program and sometimes tend to just minimally adapt the agreed policies without truly understanding the idea behind it. (van Hoek, et al., 2024.) For the buyer organization to successfully implement supplier diversity into their corporate strategy, the top management and the organizational culture need to be supportive of the procurement team in its implementation (Miguel & Lago da Silva, 2024).

Implementing a supplier diversity into an organization's procurement strategy can pose some risks, due to challenges when working together with individuals from different backgrounds (Ta, et al., 2024). These risks are mostly associated with communication differences between the buyer organization and the diverse supplier. Communication

differences may stem from cultural differences with feelings of lack of cohesion, and goal disparity. (Richard, et al., 2015.) The communication differences damage the relationship which restrains performance (Ta, et al., 2024). One way of minimizing the risks of communication differences is for the buyer organization to put a lot of effort into achieving a long-term, fair and collaborative relationship with their diverse supplier via mentoring program (Miguel & Lago da Silva, 2024).

Miguel & Tonelli (2023) discovered in their research that lack of regulations in Brazil regarding supplier diversity resulted in only few buyer organizations implementing it. Their findings supported the claim that corporates mainly only implement social initiatives if they are mandatory. Lack of regulations regarding the matter can therefore be seen as a barrier in supplier diversity implementation.

Supplier diversity program implementation can become unethical when carried out from wrong motives, because it is built on power imbalance. Small businesses owned by minority representatives are often lacking in power, because of their small size and limited resources. This results in power asymmetries in negotiation situations with the buyer organization. (Lashley & Pollock, 2020.) Buyer organizations might externalize the supplier diversity program implementation to third parties to be able to avoid and overcome these challenges. Especially the power asymmetry caused by supplier diversity programmes can be reduced by using a third party. (Miguel & Tonelli, 2023.)

3.5 Geographical and cultural considerations of supplier diversity

The academic literature regarding supplier diversity is heavily based on the experience of the USA (Worthington, 2009). This is because early supplier diversity programs were established in the United States (Larson & Kulchitsky, 2024). The United States has a large minority community of for example Native American, African American, Hispanic and Asian American minorities, and their businesses make up for 1 trillion US dollars in revenue (Richard, et al., 2015). Because of the history of the United States, as well as the large minority community of the country, it is logical that the academia around the theme is heavily focused in the USA.

Supplier diversity programs and practices have later expanded from the USA to other countries with their own adaptations (Miguel & Lago da Silva, 2024), especially the United Kingdom (Berenguer, et al., 2025). Even though supplier diversity efforts of large

companies are increasing, supplier diversity implementation is not yet globally widespread (Berenguer, et al., 2025). This supports the lack of academic research in the topic in various countries such as Finland.

Supplier diversity as a theme and its implementation are different regarding its environment (Richard, et al., 2015). For example, war veterans are an important minority group in the USA, because they make up approximately 7 % of the country's population. Therefore, the veterans are also often included in the supplier diversity programs in the United States. (Lee Park, et al., 2024.) However, the war veteran population in Finland is significantly smaller, as they make up only 0.04 % of Finland's population, and have an average age of 99 years (Veteraanit.fi, 2025). This supports the results Berenguer, et al. (2025) stated in their study, how veterans are often not included in the Western European diversity dimensions. The veteran community is one example of how there are international differences with the definition of the supplier diversity term, because it is heavily linked with the history and the context of the country (Miguel & Lago da Silva, 2024).

The significant factors to supplier diversity implementation are the minority groups of the business environment and how they are valued in the community. Therefore, the supplier diversity definition regarding Finnish suppliers are the economically disadvantaged groups of the Finnish population. In the European context, immigrants are often mentioned among diverse suppliers (Berenguer, et al., 2025). Finland's population has been traditionally viewed as quite homogeneous (Raento & Husso, 2002). Contrast to this common believe, there are several ethnic minorities living in Finland. When considering Finland's population by their language, the largest minority groups are Swedish (5.1 %) and Russian (1.8 %) (Statistics Finland, 2023).

Another significant diversity dimension is gender. A diverse supplier according to gender factor can mean a business owned by women or other gender minority (Berenguer, et al., 2025). Supply chain workforce has traditionally been a field dominated by Caucasian-males, and it stems from past and on-going gender inequality in the field (Silva, et al., 2024). Women and transgenders have traditionally been under-represented in supply chains, and gender diversity wants to bring light to this topic and to ensure equal opportunities to all genders (Yang, et al., 2024). The executive positions among supply chain management have also had a low female representation. This can be explained by

for example unconscious bias, work travel, and low opportunities within leadership. (Miguel & Tonelli, 2023.)

Besides gender, disability has been widely represented globally in different definitions of diversity (Berenguer, et al., 2025). People with disabilities often have limited social capital, which leads to less financial capital and employment opportunities as well as lower wages. Apart from the need to include people with disabilities to supplier diversity implementation, disability is not recognized as commonly in supplier diversity programs as other diversity dimensions. (Goodman, et al., 2024.)

3.6 Theoretical framework for supplier diversity implementation as part of sustainable procurement

The theoretical framework of this research connects the introduced relevant concepts of the conducted literature review. This theoretical framework provides the tools to analyse the conducted interview study and document analysis. With the help of the framework, we can compare the primary and secondary source findings with the conducted literature review and find out if the findings support each other or contradict one another.

Below in figure 2 is visualized the theoretical framework of this research. The figure presents the three most relevant terms intertwined as nested circles and therefore describing their connection to each other. The biggest circle is sustainable procurement, which is a broad concept. Inside the sustainable procurement circle sits sustainable supplier selection process, which is a specific operational process within sustainable procurement implementation. The smallest circle inside both of the bigger circles is supplier diversity, which is a form of sustainable procurement implementation and concrete strategy of sustainable supplier selection.

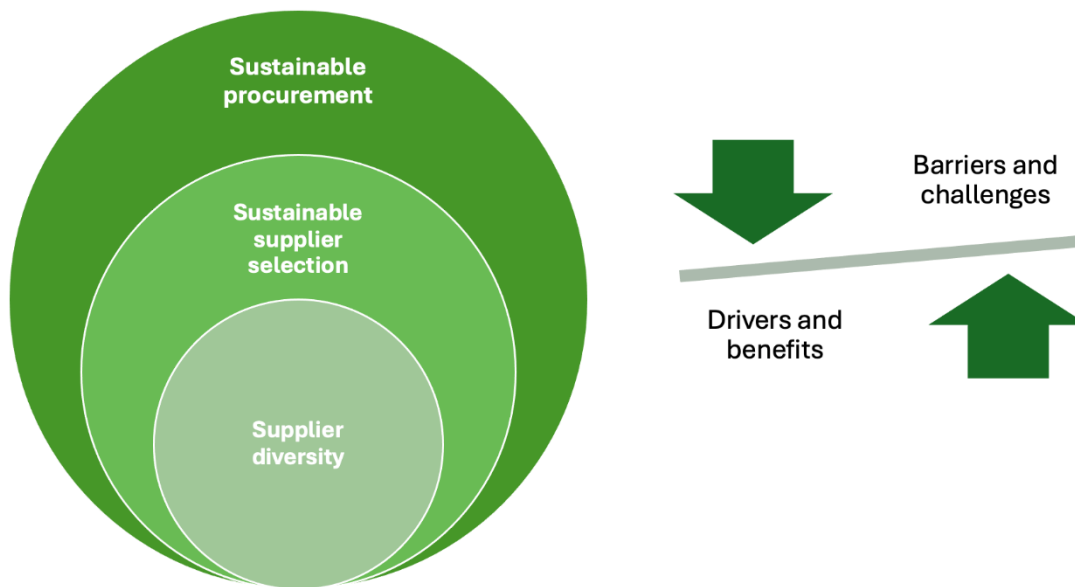


Figure 2 Sustainable procurement, sustainable supplier selection process and supplier diversity intertwined as a theoretical framework

Sustainable procurement is a wide term used to describe, when the buyer organization takes into account the environmental, social and monetary sustainability dimensions in their purchasing activities (Miemczyk, et al., 2012). It is an umbrella term, which includes all the activities the buyer organization implements to be able to operate their procurement responsibly without compromising future resources (Miemczyk, et al., 2012). Supplier diversity programs are one example of a sustainable procurement practice (Worthington, 2009).

Sustainable supplier selection falls within sustainable procurement as a specific operational process. In sustainable supplier selection the buyer organization chooses a supplier to buy products or services from, and in the decision, they evaluate the suppliers based on their sustainability performance level among other criteria (Zimmer, et al., 2016). Sustainable supplier selection should take all three dimensions of sustainability into account when evaluating suppliers' sustainability performance level (Memari, et al., 2019).

Supplier diversity is both sustainable procurement practice and a focused strategy of a sustainable supplier selection. In supplier diversity buyer organizations select deliberately diverse suppliers in their sustainable supplier selection process to execute their sustainable procurement in practice (Sordi, et al., 2022). Diverse supplier is a term which

is heavily dependent on the context and history of the country the supplier operates in (Miguel & Lago da Silva, 2024). Supplier diversity implementation is seen as a component of businesses' corporate social responsibility (Min, 2009). Businesses which implement sustainable procurement practices are more likely to implement supplier diversity practices (Berenguer, et al., 2025).

In addition to the three nested circles, there are visualized barriers and challenges, as well as drivers and benefits on the right side of the figure 2. The drivers and benefits represent the motivators behind the buyer organization's will to implement supplier diversity as part of their sustainable procurement practices. The barriers and challenges stand for the obstacles the buyer organization has faced or believe to face in their supplier diversity implementation. Both drivers and barriers have strong role within the interview study as this research wants to gain deeper knowledge on why Finnish enterprises are implementing or lacking in supplier diversity implementation. Table 1 below summarizes the drivers and barriers identified in the academic literature regarding companies' implementation of supplier diversity.

Table 1 Overview of supplier diversity implementation's drivers and barriers

Drivers and benefits of supplier diversity implementation	Barriers and challenges of supplier diversity implementation
Enhanced economic results and long-term performance (Min, 2009)	Increased short-term costs (Richard, et al., 2015; Worthington, 2009; Blount, 2021)
Higher knowledge of diverse markets, attractiveness to diverse consumers (Malcolm, et al., 2024; Blount, 2021; Richard, et al., 2015; Yang, et al., 2024)	Challenges with identifying diverse suppliers (Miguel & Tonelli, 2023)
Better supply chain risk management (Sordi, et al., 2022; Yang, et al., 2024)	Communication and cultural differences with diverse suppliers (Ta, et al., 2024; Richard, et al., 2015)
Enhanced brand image and reputation (Sordi, et al., 2022; Yang, et al., 2024)	Buyer organization's full adaptation of the supplier diversity programme (van Hoek, et al., 2024)
Stakeholder pressure and improved attractiveness to stakeholders (investors, consumers, etc.) (Lee Park, et al., 2024; Rashidi, et al., 2020)	Lack of regulations (Miguel & Tonelli, 2023)
Enhanced innovation (Sordi, et al., 2022; Yang, et al., 2024; Malcolm, et al., 2024)	Power asymmetry between diverse supplier and buyer organization (Lashley & Pollock, 2020)
More flexible and agile purchasing processes (Sordi, et al., 2022)	
Government mandates and legislation (Goodman, et al., 2024)	

Enhanced economic well-being of the community (Goodman, et al., 2024)	
Greater overall diversity in the entire supply chain (Miguel & Tonelli, 2023)	
Corporate Social Responsibility implementation (Lee Park, et al., 2024)	

The conducted literature review and the presented theoretical framework make it possible for us to reflect between the academic literature regarding the theme and the findings of the multi-source study. This research aims to provide a comprehensive overview of how Finnish enterprises implement supplier diversity as part of their sustainable procurement and what are their drivers and barriers behind it. In the following chapter the methodology of this study is presented including the data collection and analysis of the research.

4 Methodology

4.1 Research approach

Many research questions and phenomena are impossible to study in numbers because of their complexity (Lim, 2024). Qualitative research method provides the tools to study these situations. This study uses qualitative research approach, which is often the most suitable research approach when studying social (Teherani, et al., 2015) and complex phenomena (Lim, 2024). In qualitative research the study is built around questions regarding experience, perspective and meaning of individuals or groups who take part in the study (Hammarberg, et al., 2016). Therefore, qualitative research makes it possible to learn on the thoughts and views of an insider (Bazen, et al., 2021), such as procurement or sustainability professionals, and their thoughts on supplier diversity implementation in Finland.

Qualitative research provides us with in-depth insights of specific themes (Lim, 2024). This is especially achieved through in-depth interviews, which are one of the most used data collection method in qualitative studies (Bazen, et al., 2021). Through qualitative research we can study the underlying motivations driving different decisions (Lim, 2024), such as the drivers and barriers of supplier diversity implementation of Finnish enterprises. Qualitative research method can sometimes be criticized of its small sample sizes and therefore limited representation of the broader population's views and generalizability (Hammarberg, et al., 2016; Lim, 2024). However, without qualitative research method there is risk of oversimplifying and misinterpreting social phenomena, if they would be studied in quantitative research method (Lim, 2024).

In in-depth interviews the researcher and the participants have one-on-one conversations individually in order to gather a comprehensive overview of the participants' experiences and views on the topic (Lim, 2024). A qualitative researcher often prepares at least some of the themes and questions before the interview. The interviews can be carried out either structured, semi-structured or unstructured, depending on the structure and flexibility of the interview. (Eriksson & Kovalainen, 2008.) Semi-structured interviews are executed with the help of an interview guide, while simultaneously allowing the interviewer to dig deeper into responses than for example surveys. The interview guide must be designed in

a way that encourages the interviewees to answer the questions open-ended and in-depth rather than plain yes or no answers. (Lim, 2024.)

This study utilizes semi-structured interviews to be able to process all important topics while still providing flexibility and possibility for the interviewees to describe phenomena in own words. Semi-structured interviews are well suited for studies including ‘what’ and ‘how’ questions, and much business-related qualitative research conduct their interview studies as semi-structured (Eriksson & Kovalainen, 2008). The interviews give a more in-depth look into the interviewed organizations’ thoughts on the supplier diversity implementation. In addition, it provides us the possibility to gather valuable information regarding the challenges and benefits the procurement professionals believe supplier diversity implementation might have.

In addition to semi-structured interviews, a document analysis is used as secondary data source. Thus, this study utilizes multiple data collection to provide as comprehensive overview of the theme as possible. Multiple data sources can also be referred to as the triangulation of data (Bowen, 2009). The collection of multiple data in research is often used in sensitive topics to ensure maximum insights (Hammarberg, et al., 2016) as well as to provide qualitative research studies’ findings with generalizability and credibility (Lim, 2024). In this study primary data is collected as an interview study and secondary data is gathered as a document analysis from company websites and reports. Document analysis is often utilized in qualitative research as an analytical tool to support other qualitative research methods (Bowen, 2009). In this study, the analysis of various reports and corporate websites provides us valuable information of how Finnish enterprises communicate their sustainability practices to their external stakeholders. The use of multiple data sources can help to make the study more robust (Lim, 2024). Together with both primary and secondary data this study gives an overall broad view of supplier diversity implementation as part of the sustainable procurement of Finnish enterprises.

4.2 Sampling

In research, sampling is defined as the process of choosing participants which give rich data of the observed phenomenon (Moser & Korstjens, 2018). In qualitative research sample sizes are traditionally small (Hammarberg, et al., 2016) compared to quantitative research methods. The sampling of qualitative researching is done on deliberately and not

at random (Moser & Korstjens, 2018). Sample sizes are dependent on the availability of participants (Hammarberg, et al., 2016).

To conduct this study, criterion sampling is implemented as a sampling strategy. Criterion sampling strategy is realized when a researcher pre-determines criterion of importance and then selects the participants who meet such criterion (Moser & Korstjens, 2018). In this research the criterion was set at large or medium-sized companies, which all work in the Finnish production industry. The limitation to large or medium-sized companies was made because small companies might have limited resources in their business actions and therefore limited investments in sustainable procurement practices. Large companies are more likely to face external pressure to implement social sustainability practices because of their constant exposure under consumer scrutiny. In addition, large companies tend to have large supplier networks. (Berenguer, et al., 2025.) To be able to collect enough data in the Finnish business industry, I extended the search of companies from large companies to large and medium-sized companies.

After clear sampling criterion, a search for large or medium-sized Finnish companies was made. To be able to find the relevant people to this study within the organizations', the search was particularized to procurement or sustainability managers and directors. If the professionals worked in procurement positions, they needed to be head of their company's procurement departments or in managerial positions. This limitation was made to ensure that the interviewed professionals would have an overall perception of their company's sustainability practices among procurement. If the professionals worked in sustainability positions, they had to be part of social sustainability initiatives or overall managerial positions among sustainability. This limitation was made to ensure that the sustainability professionals would have knowledge of their organization's supplier diversity implementation. Companies' websites, LinkedIn, and the researcher's own professional connections were all utilized to find the contact information of the desired professionals, who met these requirements. Several potential interviewees were contacted via email and from those seven procurement or sustainability professionals agreed to the interview study.

4.3 Data collection

4.3.1 Primary data

For the primary data collection semi-structured interviews were conducted with the procurement or sustainability professionals of Finnish companies. The responsible managers of the chosen companies were contacted and after that interviews were arranged via Zoom or in-person. The interview duration for semi-structured interviews is usually flexible around 30–60 minutes per interview depending on the depth of the information shared (Lim, 2024). In addition, the overall availability and schedule of the interviewees affected the planned interview durations. As per usual for a semi-structured interview, it followed an interview guide, with all themes the interview should cover but still allowing it to proceed in natural way as conversation flows with the interviewee. In the table 2 below, the interview timelines and titles of the interviewed professionals are presented.

Table 2 Primary data sources

Company and interviewee	Title of the interviewee	Time and place of the interview	Duration of the interview
B1, I1	Head of Procurement	15.4.2025 at 13:00, Zoom	38 minutes
B2, I2	Sustainability Excellence & Development Manager for Human Rights	22.4.2025 at 13:00, Espoo	1 hour 25 minutes
B3, I3	Senior Manager, Global Forest Affairs	29.4.2025 at 10:00, Zoom	35 minutes
B4, I4	Head of Procurement	5.5.2025 at 10:00, Zoom	43 minutes
B5, I5	Senior Sustainability Manager, Responsible Sourcing	6.5.2025 at 15:00, Zoom	30 minutes
B6, I6	Sustainability Manager	7.5.2025 at 13:00, Zoom	25 minutes
B7, I7	Head of Procurement	9.5.2025 at 14:00, Zoom	31 minutes

The B1 interviewee I1 works in the position of Head of Procurement, and their responsibility is to manage all procurement activities of B1 except of one purchasing category. They have worked at B1 for a total of eight years in different managerial procurement positions. The overall work experience among procurement of I1 is about

fifteen years, which gives them credibility to comment on the sustainability implementation and trends in the procurement field, such as supplier diversity.

I2 works in the position of Sustainability Excellence & Development Manager in B2. They are the global lead of B2's human rights programme, and therefore they are the suitable professional to include in this study. I2 has worked in B2 for a total of six years in different work positions in the human rights field. The interview with I2 was the only interview which took place in person, while the others were conducted remotely via Zoom. This was because I2 suggested a face-to-face interview instead of a Zoom-meeting.

The B3 interviewee I3 works in the position of Senior Manager in Global Forest Affairs. They have worked in B3 for three years as forest sustainability professional. In addition, I3 has a wide previous experience in sustainability and political positions, which makes them competent to answer different sustainability themed questions regarding their organization.

B4's interviewee I4 works in the title of Head of Procurement. I4 has worked in their position for over two years, and they are responsible for the whole procurement operations of B4. They have 25 years of experience in the procurement field which gives them the needed professional competence to be included in this research.

I5 works in the position of Senior Sustainability Manager in Responsible Sourcing in B5. Because I5 specializes in responsible sourcing, it makes their interview a valuable addition to this research. In addition to four years of experience in their current position, I5 has over ten years of work experience among supplier sustainability topics.

The B6 interviewee I6 works in the title of Sustainability Manager. They are part of their company's sustainability unit, and they are responsible for sustainable procurement and value chain processes. Because of I6's range of responsibility, they make a great addition to the interview study. They have overall three years of work experience in the business sustainability field.

The interviewee I7 of B7 has a work title of Head of Procurement and they are responsible for B7's procurement organization. I7 has a long work career in various procurement positions, and they have worked among procurement field for nearly thirty years. Their

wide and comprehensive procurement experience makes their interview valuable to include in this study as well as them competent to answer the questions.

A total of seven interviews were conducted and they were all recorded to allow the interviewer to actively listen and take part in the conversation without the need to take notes. This way it was also secured that all relevant information gained from the interviews could be made use of in the study. Five of the seven interviews were conducted in Finnish to ensure the interviewees could communicate their views as well as possible in their native language. Two of the chosen interviewees did not speak Finnish, and for this reason their interview was conducted in English. All of the interviews started with a short introduction to the study including the motivation and purpose to ensure the participants were aware of the study they were taking part in as well as the topic of the interview. All of the interviewees were reassured that their anonymity would be respected in the study and all recognizable features would be anonymized. The purpose of doing this was to set up an open and trusting atmosphere for the interview to take place and therefore allow open and honest conversation.

4.3.2 Secondary data

For the secondary data collection, document analysis of the companies interviewed was conducted. Document analysis method is suitable for qualitative research, where researcher gathers information and deeper understanding of a certain phenomenon (Bowen, 2009). To complement the interview findings and increase data triangulation, secondary data was collected from the company websites and public corporate reports of the interviewed companies. From these documents the research gets valuable insights into how the chosen companies communicate their sustainable procurement and supplier diversity commitments publicly. The documents were selected based on their relevance to procurement strategy, sustainability practices, and supplier engagement. Secondary data sources were reviewed between April and May 2025. In the table 3 below, the gathered secondary data sources which were used in this study as well as the Finnish enterprises and their business fields are presented.

Table 3 Secondary data sources

Company	Business field	Secondary data source
B1	Food production industry	Company website: Responsibility, Annual Review and Corporate Responsibility Report 2024
B2	Fuel production industry	Company website: Sustainability, Annual Report 2024
B3	Forest industry	Company website: Sustainability, Annual Report 2024
B4	Air conditioning industry	Company website: Responsibility
B5	Industrial machinery production industry	Company website: Sustainability, Annual Report 2024
B6	Wholesale and retail industry	Company website: Sustainability, Annual Report 2024
B7	Food production industry	Company website: Responsibility, Annual Report 2024

B1 is a Finnish medium sized listed company that works in the food production industry. B1's corporate web site, which has a separate feature on responsibility, as well as their annual review and corporate responsibility report of 2024, were both used for their secondary data sources. B2 is a large Finnish listed company working in the fuel production industry. For B2's secondary data both company website's sustainability section and their annual report from 2024 were utilized. B3 is a large Finnish listed company that works in the forest industry. B3's secondary data was collected from their company website's separate sustainability feature as well as their annual report from 2024. B4 is a Finnish medium sized company which is working in the air conditioning industry. B4 did not have their annual report stated on their website, and therefore only their company website's responsibility communication was used for their secondary data collection. B5 is a large Finnish listed company which produces industrial machinery globally. For B5's secondary data source both annual report 2024 and company website's sustainability part were utilized. B6 is a large Finnish listed company operating in the wholesale and retail industry. B6's secondary data source was collected from their annual report 2024 and their company website's section regarding sustainability. B7 is a Finnish medium-sized company noted in the Finnish stock market. The company B7 works in the food production industry. Its secondary data source utilized the annual report 2024 and their company website regarding responsibility.

4.4 Data analysis

4.4.1 Primary data

The primary data analysis started with the recording and transcribing of the recorded interviews. Transcribing means the process of writing the recorded interviews fully out for later analysing (Moser & Korstjens, 2018). All interviews were first transcribed in their original language to maintain the cultural nuance and accuracy in word choices. This meant that five of the seven interviews were transcribed in Finnish. Afterwards relevant parts of the transcribed interviews were then translated into English for later analysing in this study. Two of the interviews were originally conducted in English and therefore had no multilingual context in the transcribing process. In transcribing process, it is extremely important to pay attention to word choices made by the participants (Moser & Korstjens, 2018).

After the transcribing process the researcher goes through the transcribing and searches for the meanings and patterns in the text. This process is called thematic analysis, and in it the researcher goes through the transcribed interviews and looks for reoccurring themes. This part of the analysis process was conducted with the help of the interview frame, because the themes were built in the interview questions. The purpose of this process is to find a deeper understanding of the collected data. (Moser & Korstjens, 2018.) The last part in the data analysis process of a qualitative research is the search for connections between the primary data sources. This means comparing the interviews with each other in order to find similarities and differences. This process was conducted from the point of view of the research questions.

4.4.2 Secondary data

Document analysis provides researcher with supplementary data as well as verification of findings derived from other sources (Bowen, 2009). This study's secondary data sources were utilized as supplementary data of how these Finnish enterprises communicate their sustainable procurement and supplier diversity practices to their external stakeholders. In document analysis research method, the text needs to be examined and analysed to be able to form meaning and understanding of the data and phenomenon (Bowen, 2009).

The document analysis process consists of skimming, reading and interpreting the documents. Skimming means superficial examination of the chosen documents. This study's secondary data analysis process started with looking into the selected companies' websites and public reports and skimming through them. In the skimming phase the reader does not dive deep into the text and its meanings. (Bowen, 2009.)

The second part of the document analysis process included reading carefully all the chosen documents and examining them thoroughly (Bowen, 2009). The websites and public reports were all read through precisely and all mentions of sustainability practices were being looked for. Relevant information was identified using keyword searches from the documents, such as "supplier diversity" and "sustainable procurement". In addition, other social sustainability policies among procurement practices and supplier selection process were being searched. In their company websites, the businesses usually had a separate sustainability -section, which was extremely relevant and helpful to this study.

The last part of the document analysis process is to interpretate the collected data (Bowen, 2009). The interpretation of the documents was conducted with the help of the interview frame and its themes. Because the analysed documents of this study were created for the Finnish enterprises' own purpose and not for research purposes, they cannot provide adequate answers to respond to research questions in detail (Bowen, 2009). Especially the drivers and barriers of supplier diversity implementation would lack information without the valuable data collected from the interviews.

4.5 Research quality

Qualitative research needs to be ethical, well described, important and implementing appropriate research methods (Hammarberg, et al., 2016). Studies which are conducted with a qualitative method are often unique and therefore hard to replicate. This often leads to questioning of the credibility of qualitative research. However, one way to increase the credibility of a qualitative research is triangulating data. (Walle, 2015.) When document analysis is used as a means in the multiple data source method it can provide the research with credibility. This is especially the case when the findings of the document analysis and the other qualitative research methods corroborate each other. However, if the findings of different data sources would contradict each other, the researcher would need to investigate the matter more. (Bowen, 2009.)

The priority of qualitative research is to protect the privacy of those individuals or groups taking part in the study through providing anonymity (Eriksson & Kovalainen, 2008). In this study the privacy of the participants was ensured by only referring to businesses and interviewees via codenames. The anonymity of a research also includes removing of all personal data from the sources to maintain the confidentiality (Eriksson & Kovalainen, 2008). In this study, all recognizable information from the interviews which could have been connected to the interviewed individuals or companies was anonymized or left out.

For qualitative research to be trustworthy, it needs to apply neutrality. This means that all findings of a research are represented in an objective manner. (Walle, 2015.) Through triangulating data, the research can minimize the potential biases compared to a single study (Bowen, 2009). All the participants of this research took part in it voluntarily. Voluntary participation is crucial for the ethical implementation of a research, and it includes the possibility to withdraw from the research at any point (Eriksson & Kovalainen, 2008).

5 Findings

Chapter five presents the findings of this multi-source study. The findings have been divided into two subtitles, primary and secondary data. Primary data findings are the discoveries made in the interviews of seven procurement or sustainability professionals of Finnish enterprises. Secondary data findings present the data discovered in the document analysis of the interviewed enterprises' websites and publicly available corporate reports.

5.1 Overview of sustainable procurement implementation and sustainable supplier selection

5.1.1 Primary data

The interviews started with questions regarding the sustainable procurement implementation of the interviewed companies as well as their supplier selection criteria. The purpose of this was to establish baseline awareness of the interviewees as well as overview of how sustainability is implemented among procurement processes. The aim of these questions was to learn how Finnish enterprises make their procurement decisions and how much sustainability of a supplier effects those decisions.

Interviews showed that sustainability is embedded in the procurement decisions of the interviewed Finnish enterprises. All interviewees described different methods of how they adopt the social, environmental and economic dimensions of sustainability into their procurement. Sustainability is also one criterion which these buyer organizations take into consideration before making supplier selections. The mentioned examples of how the Finnish enterprises concretely practice sustainability in their procurement are presented next.

Supplier Code of Conduct is a tool for the buyer organizations to demand sustainable practices from their suppliers. All interviewees mentioned Supplier Code of Conducts as a significant way to implement sustainable procurement. With Supplier Code of Conducts the buyer organization demands the supplier to sign their requirements regarding their operations. It explains, that Supplier Code of Conduct includes basic human rights topics, and it obliges the supplier to implement sustainability all through out their supply chains.

A potential supplier cannot be accepted to be a supplier if they don't accept and sign the Supplier Code of Conduct.

“We demand that our suppliers have signed our Supplier Code of Conduct. We do this to ensure that our suppliers share the same values as we do as a company.”

(I4, Head of Procurement)

Supplier self-assessment form is described as valuable part of the sustainable procurement implementation by interviewees I1, I2, I5, and I7. The forms often include different sustainability questions regarding the suppliers' operations. If their answers are approved by the buyer organization, they are accepted to be a supplier or accepted to move forward in the supplier selection process.

“We have a self-assessment program, which we are running on annual basis with all our bigger suppliers. It is also mandatory for all new potential suppliers to do the self-assessment and in it they go through ESG questions. Then we have our compliance and ethics team run an integrity check, where they would go into the publicly available materials on the company and the owners to check if there are any red flags there. If supplier would pass all these checks, then we would go for our audit.” (I5, Senior Sustainability Manager, Responsible Sourcing)

Interviewees explain that sustainable supplier selection includes risk evaluation process to be able to minimize the supplier risk. Risk assessment regarding the purchased product and the country of its origin are both brought up by I1, I2, I6, and I7. In addition, some of the buyer organizations mention automated counterparty screening process to check for ethics and sanctions of the potential supplier. It checks for example news articles of potential legal cases against the supplier, so that buyer can then choose to not work with said supplier and avoid damaging their reputation.

All interviewees mentioned different official certificates as a way to verify their suppliers' operations' sustainability. The demanded certificates are related to the business field the company works in, for example B1, B6 and B7 demand food safety certificates from their suppliers whereas B3 gives value to environmental certificates. In addition to certificates, audits are operated regularly. B4 puts great value to audits, in which they verify the social sustainability performance level of potential suppliers. B6 and B7 conduct audits to suppliers who are operating in countries with high risks.

The interviews proved that sustainability is officially included in the supplier selection criteria of Finnish enterprises. However, it varies to which extent it is embedded. I1 emphasises that most of the criteria is focused on the purchased material instead of the supplier and their way of operating. B3 has embedded sustainability into supplier selection but it's mainly focused on the environmental dimension of sustainability. Other important supplier selection criteria mentioned in the interviews besides sustainability were price, delivery, quality and product safety.

The interviewees were asked whether they consider diversity factors as part of their supplier selection process. Majority of the interviewees denied including diversity factors in their supplier selection criteria. However, B2 and B5 have adopted diversity into their supplier selection and evaluation process by evaluating how their potential suppliers implement DEI practices in their own operations.

“We check things related to diversity, inclusion, and equity. For example, if we go visit a supplier for an audit, we will always make sure that we include women in our interviews. Or if there are people who have disabilities, we'll make sure to include them so that it's a very inclusive assessment that we do.” (I2, Sustainability Excellence & Development Manager for Human Rights)

“Diversity is covered in our code of conduct and self-assessments. We do require that our suppliers are addressing this DEI approach internally. We are making sure that our employees have diversity, and we would expect our suppliers to do the same with their employees.” (I5, Senior Sustainability Manager, Responsible Sourcing)

I4 states, that the criteria affecting their supplier selection process are price, supplier's geographical location, supplier size and risk, as well as environmental and social sustainability performance level. Diversity is not included in the criteria, and they would not base their supplier selection decision only based on the fact that a supplier is defined as a diverse supplier.

“To us, it does not matter what is the background of our supplier. If we had two suppliers, and one of them represented an ethnic minority, I would not choose the supplier only based on their ethnic background. There are other criteria, which

are more important in the supplier selection process, such as supplier's location and environmental impact, as well as supplier risk.” (I4, Head of Procurement)

5.1.2 Secondary data

The document analysis started with searching sustainable procurement practices and supplier selection criteria from companies' websites and public reports. Sustainability and sustainable procurement are both heavily present in all of the companies' web sites and public reports. B4 is the only company among the interviewed companies, that does not have separate description of their supply chains or procurement's sustainability implementation on their website.

Supplier Code of Conducts are mentioned as a way to ensure sustainability of their suppliers in many public reports of the interviewed companies. In addition, supplier code of conduct is often accessible on their company websites. In B3's annual report they state Supplier Code of Conduct as a tool to communicate their minimum requirements for suppliers. Majority of the companies state clearly that they only use suppliers who have signed their Supplier Code of Conducts.

“When selecting its suppliers and service providers, B6 takes into account criteria related to social responsibility and the environment, for example by requiring suppliers and service providers to commit to the B6's Code of Conduct or its own principles of a similar level and the aforementioned sustainability attachment.”
(B6, Annual Report 2024)

Risk assessment and mitigation are mentioned as key factors in ensuring sustainability within the supply chain and procurement activities. Supplier self-assessment surveys as well as audits are mentioned in sustainability reporting as ways to monitor the sustainability of their suppliers. Social responsibility audits can unveil possible sustainability misconducts and then buyer organizations can take corrective actions based on them.

B4 is the only company which does not have a variety of sustainability efforts within their supply chains listed in their company website. All of their mentioned social sustainability efforts are related to their own workforce and local community. Their overall public reporting is clearly more compact compared to the other companies. However, this is probably explained by their smaller company size and the fact that B4 is not a listed

company like the others. Therefore, they are required different reporting levels than bigger listed companies.

Clear supplier selection criteria are listed in some of the interviewed companies' communications. B3 lists social and environmental responsibility as official supplier selection criteria among cost-competitiveness, quality, financial stability, and supply reliability. B1 does not list their supplier selection criteria directly in their documents.

5.2 Overview of supplier diversity implementation as part of sustainable procurement

5.2.1 Primary data

The interviewees were asked how their companies define a diverse supplier and to describe their supplier diversity implementation. The purpose of these questions was to find out companies' internal definitions or the lack of them as well as to gather examples of concrete supplier diversity practices and programs if implemented.

Majority of the interviewees were not familiar with the term beforehand. Therefore, all companies except B2 had not set a clear definition to diverse supplier either. The interviewees were aware that the term is difficult to define, and its definition varies. I5 explained, that because they have not established a supplier diversity program with specific targets, they also have not defined the term diverse supplier within their company.

“I know that when people sometimes talk about diverse suppliers, they define it as diversifying the geographical location of the suppliers or size of the companies, for example. So, there are different definitions used. Since we do not yet have a specific target set on supplier diversity, it is also not defined.” (I5, Senior Sustainability Manager, Responsible Sourcing)

Compared to the other interviewed companies, B2 had a clear definition of a diverse supplier. To them, a diverse supplier needs to be at least 51 % owned, managed and controlled by a minority group. I2 explained that their entire supplier diversity journey started with the definition of the term.

“We define diverse suppliers as businesses that are at least 51 % owned, managed and controlled by minority groups, which are country dependent, women, LGBTQI+ people or people with disabilities. It has to be all three, ownership

alone is not enough if its' not actually also actively managed by diversity groups”
(I2, Sustainability Excellence & Development Manager for Human Rights)

Supplier diversity definition is dependent on the country it operates in. I2 explains that their definition is related to their suppliers' country of business operation. For example, for their US suppliers the definition would include veterans, whereas for Canadian suppliers could apply to indigenous groups as well. The key in the definition is to view minority groups as country dependent and apply a broad understanding and approach with it, I2 states. The diverse supplier definition of B2 does not include small businesses or social enterprises.

Most of the interviewed companies had not established concrete supplier diversity programs. B1 and B3 had not implemented supplier diversity in their company and their procurement practices on any level. B4 and B7 had not established any supplier diversity programs, but compared to other companies without supplier diversity programs, they do implement their corporate social responsibility in purchasing. B4 procures some of their materials from a social organization, whose employees are long term unemployed and disabled people. In addition, they try to procure their needs from small and local suppliers, if possible. However, there are no official programmes or initiatives established related to these activities which I4 points out. Similarly, B7 also procures some of their materials from a charity organization in order to enhance their corporate social responsibility among purchasing. In addition, a lot of their suppliers are of small sizes because of the nature of Finnish farming industry. B6 has not established any supplier diversity programs but they are including diversity themes such as gender representation in their supplier audits.

“Diversity and DEI themes are strongly represented in our internal operations, and I believe that they will rise to be a part of procurement on some level at some point. As for now, gender equality and discrimination are part of our social sustainability audits.” (I6, Sustainability Manager)

B5 and B6 demand DEI practices from their suppliers in their code of conducts or social audits, but they have not implemented any supplier diversity programs. However, B5 is in the process of gathering data on the demography of their current supplier network. In order to do this, they ask specific questions in their sustainability audits to gain visibility on the ownership and management of the supplier. Even though they are gathering the

data, it is a very small portion of their supplier which is covered with those audits. In addition, I5 explains that they are not yet actively using the gathered demography data of their suppliers.

B2 had established a supplier diversity program in 2021 as part of their sustainability vision. The first years of their supplier diversity program journey, they focused on peer sharing and learning from their business partners who had already adopted similar programs. After that, they wanted to set out an ultimate goal of how much they would increase the money they are spending on diverse suppliers. However, they did not have any data of their current spend on diverse suppliers available. This is the phase they are currently in with their supplier diversity implementation. B2 tries to map out how much of their current procurement is done from diverse suppliers, and after that they can set clear targets. I2 emphasizes that establishing a supplier diversity programme should not be reinventing the wheel but rather using existing tools and processes. The key to successful supplier diversity implementation is to map out existing tendering and evaluation process for supplier selection and then embedding supplier diversity as part of it.

5.2.2 Secondary data

Majority of the companies in this research do not mention the term supplier diversity in their company website or public reports. Diversity is included in most of the companies' internal sustainability practices and most of the companies have a wide reporting on DEI implementation. However, expanding diversity and inclusivity efforts to their supply chains are lacking.

Even though B4 is implementing corporate social responsibility in their purchasing through procuring some of their materials from a social organization, which employs long term unemployed and disabled people, this does not come to light in their public communications. Neither do their efforts to include as many small and local suppliers in their supplier network as possible.

The only company that mentions supplier diversity in their communications is B2. They identify supplier diversity as one of their sustainability practices they have implemented in order to reduce inequalities in their supply chains. B2 states on their website that they have started the process of researching how their purchasing activities are divided among

diverse suppliers, as well as small and social businesses. From this statement it seems that their supplier diversity implementation is still fairly new. This finding is supported by the fact that B2 does not open any specific supplier diversity practices or targets on their website. B2 has defined the term diverse supplier in writing on their website. However, they have not specified any details related to it, like how it is implemented in different countries.

“We identify a company as diverse, if it is at least 51 % owned and operated by an underrepresented groups (like minorities, women, LGBTQI+-community members and disabled people).” (B2, Company website)

5.3 Drivers of supplier diversity implementation

5.3.1 Primary data

There are numerous drivers and motivators for the buyer organization to implement supplier diversity practices into their strategy. The interviewees were asked what kinds of drivers they would identify to supplier diversity implementation. I1 states that sustainability initiatives, including supplier diversity, in business operations is a competitive advantage, especially when business manages to implement them before their competitors. I6 believes that supplier diversity implementation would enhance their company’s brand reputation. I2 and I5 recognize enhanced innovation and creativity as a supplier diversity driver. B2 strives to be innovative and one way to increase their innovation is to include diverse suppliers in their supplier networks to get diversity of ideas.

“Another really big driver is innovation. I think in order to be an innovative company, you need to look beyond the usual suspects that you always work with, if you want to have innovative ideas. This is something we have in our own internal DEI programme. We speak about how it’s really important to have diverse and multinational teams because that brings a diversity of ideas. The same thing applies to suppliers. It brings innovation and diversity to your business by working with different suppliers.” (I2, Sustainability Excellence & Development Manager for Human Rights)

Pressure from different stakeholders is identified as a supplier diversity driver from I1 and I6. In I1's interview, they state that new sustainability demands usually come up from three internal stakeholder groups: procurement team, commercial team or regulation team. These internal groups have often heard the new demands from external stakeholders, such as consumers, competitors and legislation, and pass them on internally. I3 also identifies stakeholder pressure as a driver in their different sustainability practice implementation. I3 states that B3's most relevant stakeholders for sustainability implementation are investors and legislation.

B2 has established a supplier diversity program, and their main driver was stakeholder pressure especially from their customers and investors. I2 explains that most of their customers are large global companies, and therefore they have already adopted very advanced supplier diversity practices. One of their customers has a program called *Partner Promise* on diversity, equity, and inclusion, which also covers supplier diversity. B2 joined the program and has now joint commitment with their customer to develop a transparent supplier diversity strategy as well as to grow diverse spend through inclusive procurement policies.

All I1, I3 and I6 raised legislation as a key driver in corporate sustainability implementation, including supplier diversity. I3 states, that legislation is the tool if one wants to truly move things forward. I2 explains, that there are no national nor EU-level influences which would drive supplier diversity implementation forward in Finland. In addition, the current trend on the political agenda in the EU, is that the policymakers want to lighten the reporting burden of companies. Therefore, it could be unlikely that these kinds of initiatives are required in EU via legislation in the near future, I3 and I4 both speculate.

Motivated individual employees who are willing to fight the fight are an internal supplier diversity driver recognized by I2. If there is someone in the company who really fights for supplier diversity implementation and puts it as a priority, it makes a huge difference in the adaptation of the initiative. Sometimes there is no one willing to take sustainability initiatives forward, and it might be the reason why they stay unnoticed within the company strategy.

Corporate social responsibility drivers are one of the key motivators for the buyer organization to implement supplier diversity into their strategy. I3 states in their

interview, that supplier diversity implementation would make it possible for their industry's benefits to be divided more equally in our society. Therefore, it would improve overall economic well-being in our community. I4 tries to procure as many products and services as possible from small and local suppliers to provide economic wellbeing to the society. I2 mentions reducing inequality along B2's supply chains as their driver for establishing a supplier diversity program. When implementing supplier diversity, the buyer organization supports businesses which are minority owned and through that they reduce inequality and discrimination in our society. Enhancing equality again strengthens the stability of the business operating environment, which leads to fewer disruptions in the supply chain. When the environment is stable, it enables corporates to expand their business to new markets.

“In my opinion, supplier diversity is one of the ways that companies can tangibly actually tackle inequality. Because if you have a program that eventually leads to you enhancing spend on diverse suppliers, you are actually economically improving those businesses' ability to profit and you are basically reducing inequality in a very material way.” (I2, Sustainability Excellence & Development Manager for Human Rights)

Small suppliers often provide the buyer organization great customer service and flexibility compared to bigger suppliers. I4 recognizes this as one of their main drivers to select small and local suppliers to their supplier network. However, if the supplier is too small, it also increases some supply chain risks. For example, if B4's demand would suddenly increase, the small supplier could not possibly meet their demand with their capacity, which would lead to B4's financial losses. For these reasons, I4 states that it is vital to choose the right sized supplier, especially with critical purchases.

“For us, the size of the supplier is an important criterion in supplier selection. We are quite small as a company, and if our supplier is too big, I immediately see risks with it. If there would occur shortage with materials, like during the Covid-19 pandemic, they wouldn't prioritize us.” (I4, Head of Procurement)

Another driver recognized by I2 for supplier diversity implementation is the demographic transformation of consumers. Immigration is a growing trend in EU and Finland, and the demography of our population is developing continuously. Companies that have a supply chain that demographically represents their consumer base attract more customers. B2

has recognized this benefit, and it is one of the drivers of their supplier diversity implementation.

“Enhancing spend with companies owned by underrepresented groups, which would be underused or overlooked in the absence of a specific program, helps progressively transform our supply chain so that they reflect the demographics of the communities in which we operate.” (I2, Sustainability Excellence & Development Manager for Human Rights)

5.3.2 Secondary data

Because most of the interviewed companies do not mention supplier diversity implementation in their reporting, there are no mentions of its motivations or drivers either in their secondary data sources.

However, B2 has established a supplier diversity program. From B2’s company website the main driver of supplier diversity implementation is identified as a moral driver of corporate social responsibility. B2 states that they recognize the role inclusive procurement plays among inequality prevention. No other motivations for supplier diversity implementation are mentioned in their website or annual report 2024.

5.4 Challenges and barriers of supplier diversity implementation

5.4.1 Primary data

The interviewees were asked questions regarding the challenges and barriers they have faced in supplier diversity implementation. If the interviewed organization had not adopted any supplier diversity practices, the question was phrased as what kinds of barriers have stopped them from implementing it.

When discussing the challenges and barriers the buyer organizations face in supplier diversity implementation, several different ones were brought up in the interviews. The lack of knowledge and data on the demography of suppliers were brought up from I1, I2, I4 and I5. Setting clear targets on how much the buyer organization wants to increase their spend on diverse suppliers is challenging without knowing how much they are currently spending. I1 stated, that currently they don’t have any data on the topic, and they don’t see the need to conduct research on their supplier network’s demography. I4

answers, that they do not have the data of their suppliers' diversity, and they would feel invasive and even discriminative asking their suppliers on their diversity representation.

“Currently we have no understanding of how many of our suppliers are diverse. We might have diverse suppliers in our supplier network, I am sure we do, but we have no knowledge of that. It is not a topic we would even ask our suppliers.”

(I1, Head of Procurement)

B2 has already established a supplier diversity programme, but they have also faced some challenges with the lack of data regarding their existing suppliers and mapping their current spend on diverse suppliers. They tried to gather the missing data by sending out questions to their existing suppliers. They added a question regarding being and identifying as a diverse business to their already existing supplier survey, which they send to new suppliers among supplier selection process, as well as existing suppliers every three to five years. However, as it turns out, a lot of their suppliers choose to leave the question unanswered.

“We have to have the questions as being voluntary because of GDPR in the EU. So, we can't force suppliers to answer this question. And sometimes, actually a lot of the time they just don't answer.” (I2, Sustainability Excellence & Development Manager for Human Rights)

I2 speculates, that one of the biggest reasons suppliers choose to leave the question unanswered is the lack of knowledge on the topic. European suppliers are not that familiar with the topic of supplier diversity, and they might think that answering the question could lead to discrimination. B2 also operates with American suppliers, and the contrast to getting answers there is high compared to the EU. I2 explains, that American suppliers are used to answering questions regarding supplier diversity and they see its implementation as a positive thing.

B4 purchases some of their materials from a social organization, which employs long term unemployed people and disabled people. They have faced some challenges within their years of working together. The specific supplier has very high turnover within their workforce and their employees have different abilities, which leads to some mistakes with their purchase orders. In addition, because their operation is not commercially based, their way of running things like warehouse inventory and material management has some

difficulties. However, B4 has communicated all the challenges with their diverse supplier and has managed to minimize mistakes.

Political atmosphere is mentioned as a barrier in supplier diversity implementation by both I1 and I2. B2 operated a pilot in one of their markets to gather data on their current spend on diverse suppliers. They chose to conduct the pilot in their US market, because the suppliers there are happy to disclose that information with them. In addition, diverse businesses have specific certifications in the United States to verify that they are actually owned and operated by a diversity group. However, the current political atmosphere in the United States has made it more challenging to collect data on diversity themes, because suppliers are tense to answer these types of questions in the current political context. This is because the current administration of Donald Trump is targeting US companies, which have implemented diversity programs.

“Right now, Trump’s administration is targeting companies. Well, technically it’s not supposed to target private companies, but it’s still having ramifications on private companies who have these types of programs. For example, any private company who has a federal contract in the US, Trump has said that if you have this type of program in your company, you’re not getting federal contracts from the US government anymore.” (I2, Sustainability Excellence & Development Manager for Human Rights)

I2 and I1 both state that some US businesses are reacting in terms of these new actions by Trump. Companies operating in the United States are pausing or rolling back in their diversity initiatives to avoid consequences. Some are even changing the language of their annual reports. B2 has not made any big changes other than putting their US pilot programme on pause. They are waiting to see what happens with the current local political atmosphere in the United States. I1 believes that the Trump administration’s actions put business diversity development moving backwards.

Another barrier in supplier diversity implementation is the lack of stakeholder pressure on the matter. I1 lists especially consumer pressure as a significant factor in sustainability implementation, because consumer opinions and making the product the kind of product the consumer appreciates is one of B1’s main goals. Therefore, the lack of consumer pressure on supplier diversity implementation is identified as a barrier by I1. I6 also

recognizes the lack of stakeholder pressure as a barrier. Their most important stakeholders are investor and consumer demands.

“If a consumer would value and demand supplier diversity, our current implementation status could be different. To a large extent, a company does what consumers and customers value and want. Supplier diversity has not come up from that channel as a requirement. Like for example palm free products or other consumer driven requirements.” (I1, Head of Procurement)

Diverse suppliers’ capabilities to fill other procurement demands of the buyer organization is recognized as a barrier to adopt supplier diversity practices by some of the interviewed companies. I1, I6, and I7 believe diverse and small suppliers could have difficulties to meet their companies’ procurement demands. Large and medium-sized buyer organizations often have a lot of different procurement demands, such as specific industry-related certificates and sustainability demands. Small and diverse suppliers might have difficulties to meet the demands, because of their limited resources and cost structure compared to larger companies. I2 thinks that small suppliers face difficulties to meet their other procurement demands, but that businesses should have an approach that is proportional to the size and nature of the supplier. In practice, this means having realistic expectations for small suppliers who have limited resources.

“When we are thinking about audit and certificate requirements we put to our suppliers, it can demand a lot of costs and resources from them to provide them. For smaller suppliers this can be challenging, when we are demanding an additional certificate or emission reduction targets from them.” (I6, Sustainability Manager)

I2 does not think that diverse suppliers would have any challenges to meet their requirements. I3 disagreed as well with diverse suppliers’ difficulties to fill other procurement demands, especially with small suppliers. They don’t see any big influence within the suppliers’ sizes regarding to their competence to fill B3’s procurement demands, as it’s more of a question with educating them on it.

“I don’t think it has to do with the supplier or its size. You can always educate them. Even when you have a smaller supplier, you can teach them to fill other sustainability demands.” (I3, Senior Manager, Global Forest Affairs)

I4 recognizes the need to modify demands beforehand for small suppliers, so that their limited resources are taken into consideration from the buyer organization's behalf. One big concern I4 raises with procuring materials from small suppliers is increased regulations. EU-level reporting regulations affect greatly small companies, who do not have the needed resources to complete the required reporting. I4 sees purchasing from small supplier as a risk in scenario where regulation levels are suddenly increased. However, the current regulation trend shows that new EU-level reporting regulations are possibly slowing down.

Businesses have limited resources and because of this they have to decide and prioritize on which strategies and programs they want to implement. This applies to sustainability initiatives as well, and sometimes other sustainability topics are seen more valuable to the buyer organization. Diversity programmes can be seen as additional compared to other sustainability initiatives. I5 and I3 recognize limited resources as a barrier in supplier diversity implementation.

“Limited resources are a challenge. You need to have time and possibility to first of all gather the information, analyse it and then properly manage and transform it to programs. It's sometimes difficult to compare what is more important, but in heavy industry, carbon footprint topics are so important from our perspective. We produce a lot of emissions, so naturally we start with those topics. I would say that the biggest supplier diversity barrier is to have resources and investments in that topic and to get that as a priority.” (I5, Senior Sustainability Manager, Responsible Sourcing)

I3 and I6 brought up in their interview, how their companies' other sustainability initiatives are seen as a priority, which can be seen as a barrier in new sustainability initiatives implementation. B3 operates in the forest industry, and their business is heavily influenced by the environment. Therefore, their two biggest sustainability practices are climate change and biodiversity related initiatives. Social sustainability practices tend to be left behind in priority compared to B3's environmental sustainability practices. Among socially sustainable procurement, living wage and the safe working environment are seen important, and supplier diversity insignificant compared to those. I6 states that their priorities are within social sustainability issues related to working conditions and work safety as well as environmental sustainability initiatives.

“I think that supplier diversity has not yet been recognized as an important theme. At the moment, the priority in sustainability implementation is human rights issues like working conditions and work safety, in addition to environmental sustainability. Supplier diversity has not come up as a relevant topic for us.” (I6, Sustainability Manager)

Top management’s lack of interest to implement supplier diversity was brought up as a supplier diversity barrier by I3. They said, that if top management of a company does not see the added value of supplier diversity implementation, there are no chances to drive such topic further. On the contrary, I2 states that so far in their supplier diversity programme journey there has been no internal barriers to it, everyone including the top management have been very receptive to the initiative. However, I2 believes that there might be some internal reluctance once they start setting targets on how much they are going to increase their spend on diverse suppliers. This is because B2 is currently facing some economical challenges and everything they are spending is heavily monitored.

In purchasing activities, the pressure to keep costs low is high, and this is identified as a barrier in supplier diversity implementation by I7. Especially in the food industry, the prices have increased significantly in the recent years. For this reason, there is a lot of internal pressure to choose a profitable supplier. Small and diverse suppliers might have higher prices than large suppliers. I7 states that they would love to increase the number of small suppliers in their supplier network, but the pressure from their customers to keep costs low is too high.

“High prices and costs are a barrier of supplier diversity implementation at this moment. Especially after the high inflation, and the fact that the price of food stayed at a high level. We are struggling with it.” (I7, Head of Procurement)

Lack of diverse suppliers in the industry might make it difficult for the buyer organizations to practice supplier diversity in their procurement decisions. B3 operates in the forest industry, and they don’t have that many options regarding their suppliers. In addition, the forest industry is very male dominated with a low ethnic minorities representation. Therefore, there would be limited supply of diverse suppliers in the field. I3 argues that these factors could make it challenging for B3 to implement supplier diversity into their procurement. I4 supports the statement, that their industry’s suppliers are also very homogenous and that there are not a lot of possible diverse suppliers

represented. If they would implement supplier diversity, they would have to select suppliers who are located further than their current local suppliers. This would again increase the carbon footprint of their supply chain, which is something B4 is actively trying to avoid.

5.4.2 Secondary source

There are no mentions of supplier diversity implementations barriers or challenges in any of the interviewed companies' company websites or annual reports. This is logical because B2 is the only company which has communicated about supplier diversity to their external stakeholders, and even their communication on the topic is concise.

5.5 Future outlook

The interviewees were asked how they see their company's supplier diversity strategy developing in the near future. I1 commented that they will definitely consider supplier diversity implementation internally, and decide whether it is something they should add to their sustainability practices. I3 believes that B3 would establish and implement supplier diversity in their sustainability strategy when other sustainability issues have been tackled. For them, that would mean basic human rights such as living wage as well as minimizing the environmental impact of their business operations.

“The way I see it is that when all the other sustainability topics are considered in our business operations at a good level, then we could have space to promote these kinds of additional goals.” (I3, Senior Manager, Global Forest Affairs)

As for now, I4 does not see supplier diversity in their company's future strategy. They feel that the topic is important, but their industry field is too homogenous to have proper supply of diverse suppliers. But who's to say how the demographic of their industry's suppliers changes and evolves in the next few years. However, if they would include small suppliers in the definition, B4 could see themselves doing research on how many of their current suppliers are small suppliers and then possibly setting targets on the matter. But the target should come with the condition that it is implemented only if B4's competitiveness is guaranteed, otherwise the risk of adopting it would be too high.

I5, I6 and I7 all believe that supplier diversity could potentially become part of their companies' sustainability strategy on some level. Before speculating more on the matter,

they would need to internally do some research and come up with a specific approach to it. I7 feels like they first need some research on how supplier diversity implementation would benefit their organization before coming up with a strategy. In addition, they raise the question of how they would gather the data regarding their suppliers. Nowadays, there are a lot of questionnaires demanded from suppliers, and getting actual answers becomes more challenging.

“We would need to understand supplier diversity better. Maybe we already have a diverse supply chain, but at the moment we are blind. We would need to analyse and see what the best target is and how we can manage it actively. But right now, we have no clue.” (I5, Senior Sustainability Manager, Responsible Sourcing)

“Maybe supplier diversity could be a part of our ESG. But does it actually bring us any benefits if we get the information that we have three or fifteen diverse suppliers in our network? We would need to really study what concrete benefits the implementation of supplier diversity would bring us.” (I7, Head of Procurement)

B2 has a goal to have all their inequality initiatives including supplier diversity operating by 2030. This would mean setting tangible targets for spending on diverse suppliers, so that they can start implementing practices and working towards achieving their goals. However, because of the current barriers they have faced in their supplier diversity program’s implementation, their process is moving slowly. Despite of this, I2 has strong belief of supplier diversity programs, and they have educated other organizations on how to start their own journeys with it.

“I am not saying that a supplier diversity initiative is going to solve all the world’s problems, but tackling inequality and supplier diversity is part of that. Tackling inequality helps to create stable operating environment for businesses and especially if a lot of businesses are doing it all together.” (I2, Sustainability Excellence & Development Manager for Human Rights)

6 Discussion and conclusions

In chapter six the findings of the conducted empirical study are discussed related to the literature review. It will be analysed whether the findings of the conducted interview study and document analysis support or challenge the statements of the existing academic literature. The researched questions will be answered in thorough matter. In addition, the limitations of this research are presented and possible future research themes regarding the topic are suggested.

6.1 Answering the research questions

The purpose of this research was to get a comprehensive overview of how Finnish enterprises implement supplier diversity as part of their sustainable procurement practices. In order to achieve that, this study was built to find answers to the following three research questions:

- *RQ1: How do Finnish enterprises implement supplier diversity as part of their sustainable procurement?*
- *RQ2: How do Finnish enterprises define a diverse supplier?*
- *RQ3: What are the drivers and barriers to Finnish enterprises' implementation of supplier diversity?*

6.1.1 Supplier diversity implementation of Finnish enterprises as part of their sustainable procurement

The interview study and document analysis showed that Finnish enterprises have more or less embedded sustainability into their procurement decisions. The most common sustainable procurement practices adopted were Supplier Code of Conducts, sustainability audits, supplier self-assessments and risk assessments. In sustainable procurement the buyer organization includes the environmental, social and economic sustainability dimensions into the purchasing activities (Miemczyk, et al., 2012).

The findings of this research showed that Finnish enterprises value some of the sustainability dimensions in their procurement decisions more than others. This supports prior literature, as it is often challenging to adopt all three dimensions of sustainability in supplier selection (Ghadge, et al., 2019). The Finnish enterprises prioritized the

environmental sustainability performance level of a supplier as an important criterion, as biodiversity enhancing and slowing down climate change are the current goals behind it. For suppliers' social sustainability performance level criteria working conditions and human rights issues were recognized as the most important criteria.

This study showed that diversity is commonly included in the internal social sustainability practices of Finnish companies. Diversity was included in most of the companies' internal sustainability practices and most of the companies had a wide reporting on DEI implementation. This applies to academic literature as well, because the internal diversity practices and their effects to the companies' performance have been emphasized in academia (Richard, et al., 2015). Because of Finnish enterprises' internal DEI practices, they clearly recognize the need to encourage inclusivity and diversity in the business world. However, in most of the companies the efforts to enhance diversity were only limited to the organization's internal operations.

Only one out of the seven interviewed Finnish companies had established a supplier diversity program. The supplier diversity program of the specific buyer organization was established in 2021, so it is fairly new. The implementation of it is still in the research phase, in which they are trying to map out the demography of their current supplier network. No specific targets have been set to enhance their supplier diversity. Because of only one interviewed organization had implemented supplier diversity, and even their program's execution was still not fully developed, it can be concluded that supplier diversity is not greatly implemented in Finland.

Even though the implementation of supplier diversity programs was found inadequate in Finnish enterprises, it is important to note that some of the interviewed companies had adopted DEI practices in their purchasing. Two companies had included DEI in their supplier code of conducts and social audits. Two companies practice corporate social responsibility in their purchasing by favouring small suppliers, as well as procuring some of their materials from a social or charity organization.

6.1.2 Finnish enterprises' definition of a diverse supplier

Because supplier diversity implementation had not been studied in the Finnish context before, it was interesting to learn how Finnish enterprises would define the term diverse supplier. However, because supplier diversity is not widely implemented in Finland, only

one of the Finnish enterprises included in this study had defined a diverse supplier. According to their definition, a diverse supplier is a company, which is at least 51 % owned, managed and controlled by minority groups, which are country dependent, women, LGBTQI+ people or people with disabilities. The academic literature regarding supplier diversity supports this finding, as diverse suppliers can include businesses owned by ethnic minorities, women, LGBTQ+ community, disabled people (Yang, et al., 2024), veterans (Goodman, et al., 2024) and small businesses (Worthington, 2009).

In one of the interviews, the Finnish enterprise's interviewee stated that the country dependent minority groups are defined by the country the supplier operates in. For example, for their US suppliers the definition of a diverse supplier includes veterans, whereas for Canadian suppliers it is applied to indigenous groups as well. Supplier diversity and a diverse supplier are challenging terms because they are difficult to give an unambiguous definition to (Berenguer, et al., 2025). This was also supported by Miguel & Lago da Silva (2024), who stated in their research that minority groups are dependent on the context and history of a country. The simple definition of supplier diversity is the purchasing of goods and services from suppliers who are owned by groups or individuals who have been traditionally underrepresented in our community (Berenguer, et al., 2025) and therefore have been historically in an economically disadvantaged position (Goodman, et al., 2024).

6.1.3 The drivers and barriers of supplier diversity implementation of Finnish enterprises

There are numerous drivers and barriers of supplier diversity implementation recognized in academic literature. Below in table 4 there are all drivers of supplier diversity implementation which were recognized by Finnish enterprises gathered on the left side column. On the right-side column there are the academic literature sources which recognized the same drivers of supplier diversity implementation.

Table 4 The drivers of supplier diversity implementation of Finnish enterprises

Drivers and benefits of supplier diversity implementation recognized by Finnish enterprises	Drivers and benefits of supplier diversity implementation in the academic literature
The demographic transformation of consumers	(Malcolm, et al., 2024; Richard, et al., 2015; Yang, et al., 2024)
Competitive advantages and enhanced brand reputation	(Sordi, et al., 2022)

Stakeholder pressure (customers and investors)	(Lee Park, et al. 2024; Rashidi, et al., 2020)
Enhanced innovation and creativity	(Sordi, et al., 2022; Yang, et al., 2024; Malcolm, et al., 2024)
Small suppliers' more flexible and agile purchasing processes	(Sordi, et al., 2022)
Legislation	(Goodman, et al., 2024)
Enhanced economic well-being of the community	(Goodman, et al., 2024)
Corporate Social Responsibility, reducing inequality	(Lee Park, et al., 2024)
Motivated individual employees who are passionate to drive diversity forwards	-

Finnish enterprises recognized wide variety of different drivers for supplier diversity implementation in their interviews. The demography of the population and simultaneously consumer base are bound to evolve due to increased immigration (Blount, 2021). The need to make their supplier network represent their continuously more diverse consumer base was identified as a Finnish enterprises' driver in their supplier diversity implementation. A diverse supplier networks can lead to buyer organization expanding to new markets (Yang, et al., 2024). This is achieved through the organization's increased attractiveness to diverse consumers (Richard, et al., 2015).

Finnish enterprises view that implementation of supplier diversity can be a competitive advantage, especially if you adopt it before your competitors. It is also recognized to enhance the buyer organization's brand reputation and image. Sordi et al. (2022) supports the fact that supplier diversity implementation is beneficial to the buyer organization's brand image.

Stakeholder pressure was stated as a key driver in sustainable procurement initiatives, including supplier diversity, by the interviewed Finnish enterprises. Especially pressure from primary stakeholders like customers and investors had influenced the supplier diversity implementation of Finnish businesses. Investors put pressure to buyer organizations for them to implement sustainability initiatives in order to avoid reputational damages (Rashidi, et al., 2020). Some customers could boycott businesses based on the fact that they have not adopted supplier diversity as part of their sustainability practices (Lee Park, et al., 2024). For these reasons it is vital for the buyer organization's success to listen to stakeholder expectations.

Supplier diversity was seen to increase buyer organization's innovation and creativity by the interviewed Finnish companies. This was seen as one of the motivators to implement it as part of their sustainability strategy. The innovation was recognized as a key driver of supplier diversity by also Sordi et al. (2022) and Yang et al. (2024). It is based on the fact that diverse suppliers bring diversity to ideas. New and innovative products can lead to financial gains for the buyer organization (Malcolm, et al., 2024).

One of the interviewed Finnish companies recognized that small and diverse suppliers are often agile in their processes. This was identified as their driver in purchasing from as many small and local suppliers as possible. Small suppliers can react to changes faster, which makes their procurement processes more flexible and agile (Sordi, et al., 2022). In addition, their customer service tends to be of higher level compared to bigger businesses.

Legislation is one of the key drivers in sustainability implementation as recognized by Finnish enterprises. The same conclusion was stated in the early supplier diversity program implementation in the United States (Goodman, et al., 2024). However, there are currently not any national or EU-level influences which would drive supplier diversity implementation forward in Finland. In addition, the current trend on the political agenda in the EU, is that the policymakers want to lighten the reporting burden of companies. Therefore, there might not come any new legislation or mandates encouraging Finnish enterprises to adopt it in the near future either. Businesses are more motivated to implement supplier diversity initiatives if there are government legislation or mandates regarding it (Goodman, et al., 2024).

Finnish enterprises do not only implement supplier diversity into their procurement out of their own benefits gained from it. One of the implementation drivers was also identified as corporate social responsibility and the will to do good in our society. Reducing world's inequality and enhancing the economic well-being of the community were both stated as motivations behind supplier diversity implementation. The inclusion of diverse suppliers to supplier networks of Finnish enterprises creates opportunities and economic development to people who have been traditionally underrepresented (Goodman, et al., 2024). Another driver identified by Finnish enterprises to their supplier diversity implementation was individual employees who are motivated to drive supplier diversity matters forward in the buyer organization.

In addition to the mentioned drivers, the interviewed Finnish enterprises recognized various barriers and challenges in their supplier diversity implementation. Below in table 5's left-side column, there are summarized the barriers and challenges of supplier diversity implementation, which Finnish enterprises identified in the interview study. On the right-side column there are the academic literature sources which have identified the same barriers and challenges.

Table 5 The barriers of supplier diversity implementation of Finnish enterprises

Barriers and challenges of supplier diversity implementation recognized by Finnish enterprises	Barriers and challenges of supplier diversity implementation in the academic literature
Lack of data and knowledge on the identifying of diverse suppliers	(Miguel & Tonelli, 2023)
Limited resources, prioritizing other sustainability topics, pressure to keep costs low	(Worthington, 2009; Richard, et al., 2015; Blount, 2021)
Communication differences with diverse suppliers	(Ta, et al., 2024; Richard, et al., 2015)
Lack of top management's interest	(Miguel & Lago da Silva, 2024)
Lack of stakeholder pressure (regulations, consumers, investors)	(Miguel & Tonelli, 2023)
Small and diverse suppliers face difficulties to meet other procurement demands	-
Lack of diverse suppliers in the industry	-
Current political atmosphere	-

Finnish enterprises listed many barriers in their supplier diversity implementation. One of the most commonly mentioned was the lack of data and knowledge on their supplier network's diversity. Like Miguel & Tonelli (2023) state in their research, the supplier diversity implementation journey often starts by mapping the demography of buyer organization's existing supplier network. This was also the case with one of the interviewed Finnish enterprises, which had established a supplier diversity programme. However, as their interview showed, they faced different challenges with collecting the data. First, they identified EU's GDPR as a challenge in their data collection, because it forces them to have the demographic questions sent to suppliers as voluntary. Secondly, they had noticed that majority of their suppliers chose to leave the diversity questions unanswered, possibly due to lack of knowledge on the topic. Challenges in the data collection phase and identification of diverse suppliers is recognized as a supplier diversity barrier by academic literature (Miguel & Tonelli, 2023).

Businesses have limited resources, and they often have to choose which initiatives they adopt. Supplier diversity implementation can be viewed as costly and time-consuming in short-term (Richard, et al., 2015). Companies have to establish a supplier diversity programme and then implement it, which takes time and resources from the buyer organization (Worthington, 2009). Finnish enterprises recognized their limited resources as a supplier diversity barrier. Often other sustainability initiatives, such as environmental sustainability programmes, are seen as a priority. Diversity initiatives were described as additional programmes, which could be adopted only when other topics were already covered at a satisfactory level. In addition, the pressure to keep costs low among procurement practices was mentioned as a supplier diversity barrier by one of the interviewed Finnish enterprises.

One of the interviewed Finnish companies recognized that they had faced some challenges with communicating with their supplier, which is a social organization. Working together with people from different backgrounds can be challenging due to communicational differences (Ta, et al., 2024). However, the Finnish buyer organization in question has communicated their challenges with the supplier clearly and worked together to enhance the suppliers' performance. Miguel & Lago da Silva (2024) support this approach in their article, and state that buyer organizations, who are facing challenges with their diverse suppliers, should put time and effort into achieving a long-term collaborative buyer-supplier-relationship.

If the buyer organization's management is not interested in the supplier diversity implementation, it can be challenging to adopt it as part of the company strategy. One of the interviewed Finnish enterprises recognized the lack of top management's interest as a barrier in supplier diversity implementation. For the supplier diversity programmes to be successful, the top management and the entire buyer organization's culture needs to support its implementation (Miguel & Lago da Silva, 2024).

Finnish enterprises stated that they listen to their stakeholders' needs in terms of sustainability initiatives and their implementation. Two interviewed companies noted that none of their stakeholders have demanded or even mentioned the topic of supplier diversity. Therefore lack of stakeholder pressure was identified as a barrier in supplier diversity implementation. Important stakeholders are consumers, investors and legislation. Miguel & Tonelli (2023) discovered in their research a similar finding.

Companies mainly only adopt social sustainability initiatives if they are required to do so.

Some of the interviewed Finnish companies viewed that small and diverse suppliers face challenges in filling their other procurement demands, like additional certificates and sustainability demands. However, others stated that they do not see this as an issue, and it's only a matter of having realistic expectations for small suppliers as well as educating them on sustainability matters. Therefore the findings regarding identifying it as a barrier were contradictory.

Other barriers identified by Finnish enterprises to their supplier diversity implementation were lack of diverse suppliers in the field, as well as current political atmosphere. Few of the interviewed Finnish companies stated that the demography of their suppliers is quite homogenous, because their industry does not have that many diverse suppliers. However, this was pure speculation in both interviews, because they had not collected any data on the matter. Therefore, there is no actual support to this barrier. The current political atmosphere was mentioned as a barrier by several interviewed Finnish companies. With the current political atmosphere, they were referring to Donald Trump's administration targeting US companies, which have implemented diversity practices, and denying them federal contracts. This had pushed some US and global companies to react and slow down their diversity initiatives.

Supplier diversity programs were created in 1960s in the United States (Blount, 2021), and later expanded to other countries like the United Kingdom (Berenguer, et al., 2025). In this research, only one of the interviewed Finnish companies had a concrete supplier diversity program, and even their initiative was still quite new and its full adaptation still unfinished. Therefore, this research showed that supplier diversity is still quite a foreign term among Finnish enterprises, and it has not yet fully landed here.

6.2 Theoretical and managerial contributions

While supplier diversity has been studied in academic literature in North American settings, the Finnish enterprises' views on supplier diversity have been previously underrepresented in global supplier diversity literature. This study addressed the lack of research on supplier diversity in a Finnish context. Therefore, the findings of this research contribute valuable knowledge on supplier diversity's concept and its implementation.

This research proposed a theoretical framework, which integrates the concepts of sustainable procurement, sustainable supplier selection and supplier diversity. It was built in order to conceptualize how these themes influence each other. The findings of this study present barriers and drivers on supplier diversity implementation, which both support the previous academic literature on the field and bring new knowledge on local barriers and drivers.

This study raises awareness in Finnish enterprises of the concept supplier diversity. The findings of this study showed that many Finnish companies are still lacking a clear understanding and definition of the term. The procurement and sustainability professionals of Finnish enterprises could benefit from implementing supplier diversity into their organizations. As the findings of this research suggest, supplier diversity implementation not only enhances the corporate social responsibility of an organization but also works as a way to access new ideas and market segments. Finnish enterprises could start the implementation by organizing training programs and internal discussions in order to raise supplier diversity awareness.

In practice, supplier diversity implementation is easier to execute by embedding it into already existing procurement processes. This can mean for example including diversity as a criterion in supplier selection process. Implementation in large-scale may be challenging due to large supplier networks. For this reason, Finnish enterprises should start their supplier diversity programs with small measurable steps. In addition, like the findings of this study showed, they should be prepared to face some challenges with mapping their existing supplier network's demography. Another example of smaller implementation is pilot programs on specific market areas. Finnish enterprises could also look for international best practices before tailoring their own supplier diversity programs to the Finnish business environment.

6.3 Limitations and future research suggestions

There are some limitations in this research. Because this study only included seven Finnish businesses, it does not provide a comprehensive overview of Finland's supplier diversity implementation. Further studies would need to be conducted from the Finnish point of view to gather a better view on the topic. In addition, the topic seemed still quite unfamiliar to majority of the companies included in this study. New research on this topic in the upcoming years, when Finnish businesses would have more knowledge on the

topic, could provide us more valuable information on the supplier diversity implementation of Finnish enterprises.

A limitation within the primary data is that some interviewees might have given narrow answers or simply forgot to mention everything related to the topic. This is because the interviewees were not provided with the interview frame beforehand, and therefore they could not prepare themselves for the interviews. This choice was made to ensure honest and truthful answers to the practices researched.

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Appendices

Appendix 1 Interview guide

<p>Section 1: Background and context</p>	<p>1. Can you briefly describe your role in your company and your experience among procurement or sustainability?</p> <p>2. How would you describe your company's approach to sustainable procurement?</p>
<p>Section 2: Supplier selection and procurement criteria</p>	<p>3. What criteria does your company typically use when selecting suppliers?</p> <p>4. To what extent are social responsibility or diversity considerations part of the supplier selection and evaluation process?</p>
<p>Section 3: Supplier diversity implementation and understanding</p>	<p>5. How does your company define supplier diversity and a diverse supplier?</p> <p>6. Have any specific supplier diversity initiatives been implemented in your company? If yes, could you describe them?</p>
<p>Section 4: Drivers of supplier diversity implementation</p>	<p>7. What are the key motivations or drivers behind adopting supplier diversity practices in your company? If supplier diversity is not currently implemented, what are the key drivers to adopt it in the future?</p> <p>8. Are there any industry-specific or regional (e.g., Finnish/EU-level) influences that impact your company's supplier diversity efforts?</p>

<p>Section 5: Challenges and barriers of supplier diversity implementation</p>	<p>9. What challenges have you encountered when trying to implement or expand supplier diversity practices? If supplier diversity is not currently implemented, what are the barriers of its implementation?</p> <p>10. Do you think small or diverse suppliers face challenges in meeting your company's procurement requirements?</p>
<p>Section 6: Impact and future outlook</p>	<p>11. What benefits has your company experienced from supplier diversity implementation? If supplier diversity is not currently implemented, what benefits could your company experience from its implementation in the future?</p> <p>12. How do you see your company's supplier diversity strategy evolving in the next few years?</p>
<p>Section 7: Wrap-up</p>	<p>13. Is there anything else you would like to share regarding supplier diversity or sustainable procurement in your organization?</p>