



**TAIGA COMPANY<sup>®</sup>**

oxygen for your business

Sustainable Supply Chain Management



# Sustainable Supply Chain Management

## Introduction

The recent inclusion of sustainability concepts in supply chain management practices has provided the opportunity to:

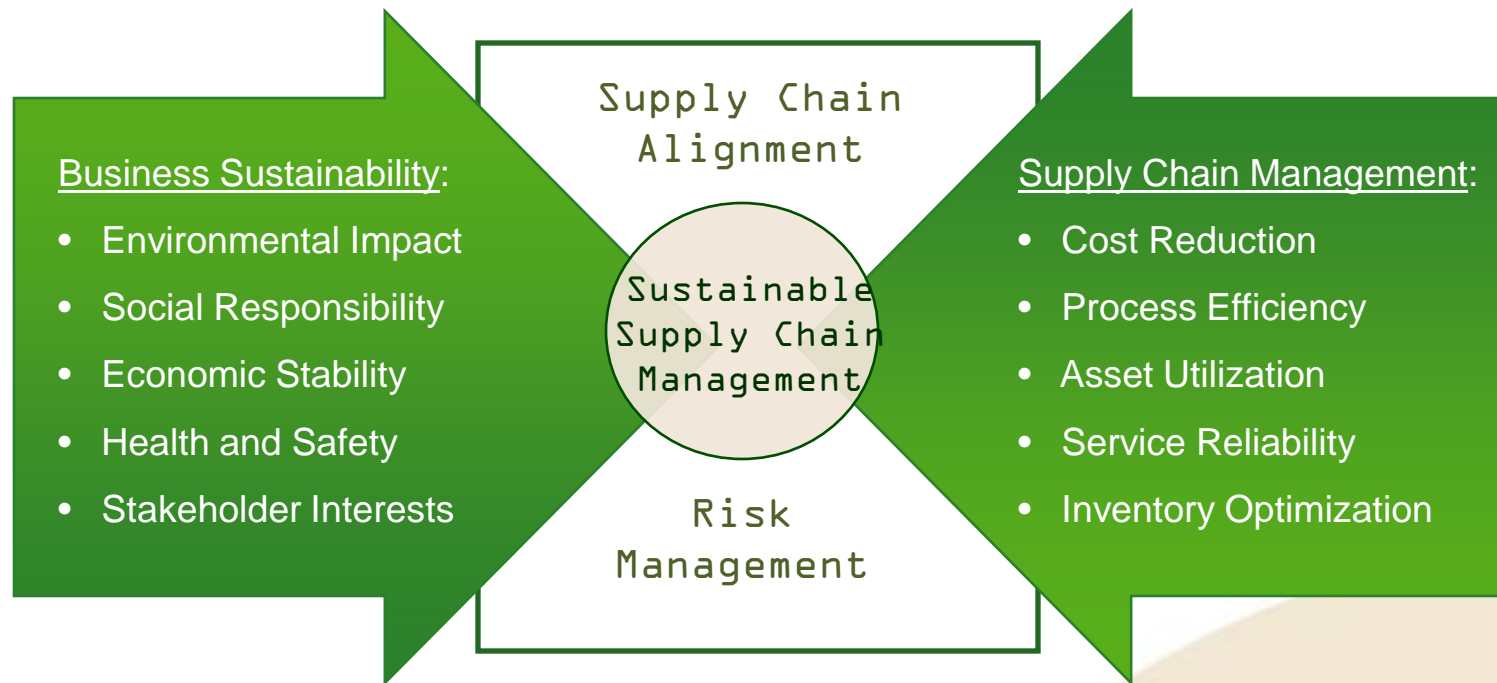
- Review processes, materials, and operational concepts from a different perspective.
- Incorporate the role of social concern and the environment in supply chain value creation.

Traditional Supply Chain SCM has focused primarily on cost, targeting reductions (including transport, inventory, and administration) of 7% to 9% of revenue.



# Sustainable Supply Chain Management

## Value Drivers





# Sustainable Supply Chain Management

## Value - Supply Chain Alignment

- Internal Business Processes: Corporate goals focused on the process improvements which promote and enable a sustainable supply chain.
- Employee Engagement: Individual and organizational performance metrics which support corporate business sustainability goals.
- Customer Expectations: Sustainable product expectations clearly communicated down the supply chain.
- Supplier Integration: Integrate processes with supply base to improve communication, efficiency, product quality, and ensure common sustainable processes.
- Learning and Growth: Create working relationships that promote change, innovation, and growth across the supply chain. Customers and suppliers grow and develop with the business.
- Financial Balance: Allow all partners the ability to succeed financially, creating a stable business environment and an aligned business sustainability direction.

"Sustainability helps build a new level of partnerships not just based on product development but based on sharing knowledge and expertise in order to accelerate transformation."  
AkzoNobel.



# Sustainable Supply Chain Management

## Value - Risk Management

- Supplier: A new breed of 'green' and eco-minded suppliers are seeking to take market share from the competition. They are expecting a shift in the playing field, as companies redefine their metrics for quality.
- Consumer: Growing eco awareness has put the consumer preferences for alternative products on the leading edge of business sustainability. These consumer expectations will ultimately ensure that only the most sustainable products and services will rise to the top.
- Social and Local Community: Businesses are aligning their social activities with the engagement expectations of the communities in which they operate. This provides a framework for business transactions carried out at the local level through partnerships with community groups and local businesses
- Environment: Environmental impacts are expanding beyond the walls of the company and incorporating the full lifecycle of products and services.
- Politics and Legislation: Pending US and global legislation has the business world taking notice. The outcomes could have significant impacts on not only an individual business' operations but across the supply chain.



# Sustainable Supply Chain Management

## Organizational Qualities

- Executive leadership engaged with sustainable supply chain goals.
- Sustainable supply chain management aligned with corporate sustainability.
- Procurement Strategies aligned with business goals.
- Clearly outlines sustainable procurement policies with defined governance structure.
- Defined and monitored supplier performance metrics
- A total life cycle based procurement philosophy.
- Health, safety, social, and environmental factors built into business decisions.
- Sustainability defined as a fundamental part of the cost benefit analysis.
- Main focus on source reduction.

"The Dell build-to-order and 'do it all ourselves' model served the company well for almost 20 years, but the environment has changed. Our supply chain needs to change dramatically."  
-Dell Computer



# Sustainable Supply Chain Management

## Key Positions within the Organization

- Supply Chain and Procurement Professionals: Key interface with the company's supply chain can implement new sources of supply or work with current suppliers to incorporate sustainability concepts that improve operations. Procurement play a role in coordinating sustainable purchasing practices across various departments within the organization.
- Environmental, Health, and Safety Professionals: Key interface with the company's operations and establish and implement the company's sustainability policies. They can also function as a communication vehicle to the organization.
- Sales and Marketing Professionals: Key interface with the company's customers represent the face of business sustainability and communicate the organizations values and commitment to sustainability. Sales and Marketing link consumer preferences for sustainable products with the offerings of the company.



## Sustainable Supply Chain Management

# Success Factor - Stakeholder Engagement

Supply Chain achievements are the result of close collaboration with key stakeholders committed to the business's success

- Stakeholders actively engaged in the sustainability strategies of the business.
- The supply chain working together under aligned sustainability goals.
- Business responsiveness to the expectations of the consumer.
- Business practices designed for minimal environmental impact.
- Realized benefits of a supportive local community.



# Sustainable Supply Chain Management

## Green Procurement Best Practices

- Supply Alliances: A Shift from intermittent transactions towards longer-term relationships with sustainable business partners.
- Integrated Supply: A sustainable flow of materials and services integrated into internal processes and aligned with material and quality standards.
- Sustainable Product Quality Standards: Business sustainability standards prevalent in material selection, manufacturing processes and product packaging.
- Supplier Commitments: Suppliers have aligned value for meeting internal company business sustainability metrics, environmental law, and social expectations.
- Supplier Compliance: Companies work with business partners to meet specific sustainability targets and assist others that fail but are committed to make improvements over time.

"Meeting social and environmental standards is not optional".  
- Lee Scott, Wal-Mart



# Sustainable Supply Chain Management

## Target Areas for Improvement

- Strategy Assessment – Evaluate business needs, market conditions, and sustainability value drivers (research / benchmarking) to improve supplier relationships or initiating sourcing.
- Strategic Sourcing – Improve sustainable material selection and supplier manufacturing processes as part of supplier selection criteria.
- Supplier Management – Establish key supplier performance metrics to ensure continuous alignment with sustainability targets.
- Procurement Processes – Improve transaction efficiency to reduce inventory and warehousing.
- Logistics – Optimize inbound and outbound logistics to reduce fuel consumption and emissions.
- Inventory Management – Reduce inventory levels on non-critical supply resulting in lower carrying cost, waste and material obsolescence.
- Organizational Effectiveness – Establish cross-functional work-groups to reduce rework and process waste through early supplier involvement in business planning.



# Sustainable Supply Chain Management

## Educate and Train

- Outline and communicate a common vision.
- Roll-out a consistent corporate policy.
- Clearly define the governance structure.
- Establish common practices and procedures.
- Hold on-going training.
- Incorporate sustainable practices early in the planning process.
- Document and celebrate successes.
- Identify areas for ongoing improvement.



# Sustainable Supply Chain Management

## Resources

- The Institute of Supply Management. <http://www.ism.ws/>.
- CAPS Research. Global Research Center for Strategic Supply Management. <http://www.capsresearch.org/>.
- Forum For the Future. *Hallmarks of Sustainable Performance*. Draper, Hanson, Uren.
- Pew Center. <http://www.pewclimate.org/business>
- APQC Publications. [http://www.apqc.org/promos/marketing/books/pubs\\_index.html](http://www.apqc.org/promos/marketing/books/pubs_index.html)
- Aberdeen Group. *The CPO's Agenda 2009: Smart Strategies for Tough Times*.  
<http://www.aberdeen.com/summary/report/benchmark/5717-RA-procurement-officer-agenda.asp>
- LMI Government Consulting. *Best Practices in Implement Green Supply Chains*. April, 2005.