Sustainability Goals in the Supply Chain

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More companies have moved beyond paying lip service to sustainability to embracing it and tracking its return on investment.

(Supply Chain Management Review – Jim Barnes and Bob Trebilcock: 5-16-16) Why are more companies embracing the principle of sustainability? What prompted them to move from merely paying it lip service as something "nice to do" to formulating new accounting line items to track its return on investment? At the Institute for Supply Management, we believe companies made the change because they realized sustainability goals are:

- Necessary because consumers are demanding attention be paid to sustainability and the government is regulating efforts to uphold it.
- Prudent because they can help save millions of dollars.
- Crucial to protect the environment for future generations.

According to the Environmental Protection Agency, "Sustainability is based on a simple principle: Everything that we need for our survival and well-being depends, either directly or indirectly, on our natural environment. To pursue sustainability is to create and maintain the conditions under which humans and nature can exist in productive harmony to support present and future generations."

We're seeing many companies build sustainability goals into their supply management objectives. Equally important, they expect their suppliers to do the same. Some of the leaders in this effort are:

- **Pepsi-Cola**: as part of its "Water Stewardship" Program, it's reducing the amount of water to produce soft drinks from about three gallons per bottle of soda to less than two gallons per bottle.

- **Subaru**: its commitment to be "America's first 'Zero Landfill' automaker" by recycling or reusing all its waste products is making it a favorite of millennials as they shop for cars.

- **Repurposed Materials**: this company turns one company's would-be trash into another company's useful product and as a result, has seen its operation grow from one site in Denver to four more in Atlanta, Philadelphia, Chicago and Dallas.

- **Packaging company Sonoco**: it operates by the statement "Every day, we commit ourselves to the singular notion that smart packaging is more than plastics, cardboard, and paper – it's a promise to people, products and our planet," and expects its suppliers to as well.

As we've talked to companies like those four and other leading authorities on sustainability efforts, we've garnered four best practices procurement professionals should consider to successfully incorporate sustainability goals into their supply management objectives.

The first best practice is *adopting specific reporting methods* that will demonstrate a company is paying much more than just lip service to sustainability efforts, including:

- Fact-based reporting;
- Tracking greenhouse gas emissions data; and
- Triple bottom line (TBL) accounting of economic, environmental and social impact.

Gathering and reporting this type of data provides benchmarks to keep internal efforts on track toward achieving sustainability goals. It also can be reported out to critical audiences such as consumers and regulators.

The second best practice we've found among successful companies is that they *conduct Life Cycle Assessments* (LCA) to determine the environmental impact of their products or services from cradle to grave. These impacts include "the extraction of raw materials; the processing, manufacturing and fabrication of the product; the transportation or distribution of the product to the consumer; the use of the product by the consumer; and the disposal or recovery of the product after its useful life," according to Tellus Institute, a not-for-profit research and policy institute that is a leader in the field of sustainable development.

The third best practice of successful companies is *adherence to ISO 14000 environmental management standards* to systematize and improve environmental management efforts.

Finally, we've found the fourth best practice is *following the Five Level Framework* – a model for planning in complex systems – to organize thinking and information to be more clear and strategic in the move toward sustainability. The Framework was developed by scientist Karl-Henrik Robert to set out the system conditions for the sustainability of human activities on earth.

The Five Level Framework consists of:

- Ascertaining the scope of the system
- Defining success
- Setting strategy
- Determining actions to take
- Identifying the tools to use

One of the significant advantages of working through the Five Level Framework is that it enables procurement professionals to think beyond their own company and look at their suppliers as well.

The more companies that pursue sustainability, the more successful each one will be in achieving business goals and protecting the environment. If companies pursue sustainability on a one-off basis, the impact will be small, but if they push it upstream to their suppliers, the network effect will be great.

(Jim Barnes is the Managing Director of ISM Services. Bob Trebilcock is editorial director of Supply Chain Management Review and also Executive Editor of Modern Materials Handling.)