Sustainability & the Supply Chain: How to Reduce Cost & Save the Environment

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For years now, the “green” and “sustainable” trends have transitioned to a standard. From corporate offices to high-rise apartments and clothing manufacturers, most industries have begun to seriously invest in sustainability. The modern consumer is more sustainability-savvy, and brands are beginning to realize that purchasing power is often directed towards businesses that are up to par on remaining socially responsible.

As customers become increasingly aware of the conditions in which the products they buy are made and transported, organizations should pay closer attention to transforming their own supply chains for a greener good.

Unlike building a green or LEED-certified living space, creating both a green and sustainable supply chain is not a one and done project and must be part of the organization short and long term strategy. It is a long-term promise of social responsibility in managing the supply chain at all levels, from supply sourcing to production through sales and logistics/return processes.

There are four main principles that all sustainable supply chains typically follow. First, adhering entities are proponents of respecting and preserving human rights, and guarantee to prevent any abuse of these rights. Secondly, such organizations ensure that no forced labor, child labor or discriminatory practices are ever condoned. Furthermore, as the green name suggests, these businesses are committed to making sure that the environment is not harmed as a result of their operations, and they encourage the implementation of eco-friendly technology. Finally, sustainable organizations take measures to prevent all forms of corruption, including bribery and extortion.

Aside from consumer influence being a key driver for a green, sustainable supply chain, there are a number of operational benefits from such a change in the supply chain philosophy. For one, sustainable supply chains inherently manage risk by minimizing any disruptions typically caused by socioeconomic and environmental issues. Enforcing such standards, over time, can often reduce costs in energy use, labor, transportation and material inputs creating less waste. Ultimately, manufacturers can bring sustainable products to market with green features and innovations that lend a competitive edge.

Over the last few years, we have seen more and more organizations not only making peripheral considerations about creating sustainable supply chains, but actually taking the steps to achieve them. This transformative process typically begins by outlining a comprehensive roadmap that details the entire sustainability program, from the business case that supports it to the partners and resources needed to realize it. For an organization to be actively engaged in building a sustainable supply chain, it starts with the right supply chain strategy, which will be inclusive of customer service levels, financial results, operation costs and environmental targets.

Fortunately, incorporating sustainability into your current operations can begin with some simple but important business optimization decisions. As a start, making sure you have the right inventory at the right place at the right time and in the right quantities is a positive step in the sustainable direction. Proper inventory management and demand management synchronization can improve your operation's overall transportation efficiency from fuel consumption to carbon emissions, consequently minimizing an organization's carbon footprint.

Another key trend that we see in a manufacturers' journey towards a sustainable supply chain is supplier score-carding; this allows businesses to proactively evaluate their existing suppliers, and decide whether to take on new ones. One needs to look no further than Apple to realize the need for these vetting activities. The consumer technology giant has endured endless publicity regarding the working conditions at the Foxconn facility in China that produced iPads and iPhones. When large corporations like Apple establish sustainable assurance practices like supplier score-carding, consumers can rest easy knowing that their electronics are being manufactured in a responsible way.

Setting up these vetting procedures is a simple matter of scoring supplies based on their socioeconomic impact, primarily as it aligns with the four main principles of sustainability.

Low-scoring suppliers often put your brand equity at risk, threaten efficiency and drive costs up. When existing suppliers fail to meet human rights or labor practice standards, companies must put plans in place that can improve these scores within a reasonable timeframe. If new or prospective suppliers score below average on these evaluations, it may be time to consider whether or not to even begin a business relationship. Conducting further “pain/gain” analyses will logically determine if the pain of correcting a low score is worth the potential gain of keeping the supplier.

As manufacturers become more familiar with the vetting process, they may consider automating the steps for faster, more continuous evaluations. Pairing these steps with benchmarking against key performance indicators and best practices analysis will preserve the integrity of the supply chain, ensuring that suppliers follow through on their sustainable promise.

Beyond supplier scorecards, we see a higher adoption of advanced planning and scheduling technologies that allow manufacturers to continually reduce supply chain costs by focusing on today’s sub-optimized assets such as inventory management, production planning/scheduling and distribution network configuration.

Manufacturers seeking to attain truly sustainable levels of operation will realize that the transformation is an on-going journey, not an overnight switch. With a proper understanding of what “green” means, and a tangible plan for fulfilling its definition, a business of any size can reap the benefits of supply chain sustainability.

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