

Supply Chain and Sustainability - Will This Marriage Last?

It takes a mature approach to building lasting value to ensure that "sustainable supply chains" becomes a vital component of strategic competitive advantage

By Bill Schneiderman

Traditional supply chain interests center around cost, quality and delivery. These interests intersect neatly with sustainability into supply chain blocking and tackling improvement initiatives, including:

- Reducing package size, weight and expense
- Increasing production yields
- Cutting product returns and repairs
- Optimizing production and distribution networks

Much has been made of this confluence of interests between supply chain and sustainability around cost. But lasting marriages require a mature approach by both partners to transform initial common interests into a life joined together, and they must also handle divergence in interests when these inevitably appear. So it goes with business maturity.

Not every sustainability or green investment makes supply chain or business sense. Good decisions depend on integrating partners' interests within a broader framework of what is good for the family or what is good for the business. Mature approaches explicitly integrate supply chain and sustainability decisions within the framework of the overall business, rather than treating either separately or off to the side as corporate social responsibility.

We recognize four basic levels of "Green Enterprise Maturity" (see illustration below) in addressing various kinds of opportunity, including our present focus on sustainability. In terms of strategic orientation, "compliers" do not see opportunity, but only burden; thus they do the minimum required. "Dabblers" relate to sustainability as opportunistic, and hence they adopt easy one-off initiatives to defend image and tweak costs lower.

"Consistent improvers" see a spur to getting better, implementing planned and consistent efforts for performance improvement, backed by processes, often in multiple areas of cost reduction, image and sometimes offerings as well. "Enterprise optimizers" see a springboard to dominance, pushing consistent, innovative and strategically integrated end-to-end efforts to develop and extend structural advantages, winning products and positions, growth, and superior performance. Not surprisingly, these latter companies are the boldest in taking advantage of collaborative opportunities across the supply chain and with customers.

A firm's position is best conceptualized as a mosaic of various levels of maturity across the

enterprise dimensions shown above. Every firm should know where they stand and make explicit decisions about where to invest for greater maturity and better business results, realizing that it is generally not possible to reach the highest maturity on every dimension.

Will This Marriage Last?

Supply chain and sustainability have embarked on a marriage with both a honeymoon and rocky patches. The honeymoon has been characterized by picking the easy fruit of obvious waste where interests are completely aligned, while coming decisions will get harder, bringing rocks. Moving beyond this rocky honeymoon, the marriage will last in companies where both supply chain and sustainability:

- Become or remain important in the bigger picture of strategic competitive advantage;
- Are integrated, in name and in practice, with one another and with core business processes;
- Contribute to higher levels of enterprise maturity; and
- Incorporate end-to-end thinking, proactive planning process development, consistent execution and realistic business decisions into everyday operation of the business.

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