

Creating holistic supply chain sustainability: not a choice, a given

Recent research and studies indicate that integrating sustainability into every decision and process in supply chains will be essential in the coming years. Such a strategy not only mitigates risk, say experts, but also contributes to the bottom line.

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When the Sustainability Consortium (TSC) released its “2017 Impact Report” last July, supply chain managers were presented with evidence that the act of integrating sustainability into every decision and process in their network helps companies avoid risks to their bottom lines and creates more sustainable products for the environment.

According to “The Call for Collective Action Across Supply Chains,” over 2,000 suppliers used TSC category sustainability surveys to report their progress to retail buyers—a 25% increase from the year before. These suppliers represent over \$200 billion in sales to their retail partners.

TSC notes that supplier engagement has not only increased, but 40% of suppliers surveyed replied positively that they had taken action to improve their sustainability survey scores. These actions by suppliers include creating internal data collection and communication systems, engaging suppliers, changed products or processes or have started communicating publicly about their sustainability efforts.

The “2017 Impact Report” also dives into why almost 40% of suppliers often answer “we are unable to determine at this time” to many sustainability survey questions. This shows that suppliers are not afraid to say they do not have the data to answer, and that they want to go on record that they plan to obtain the data in future years. To have more suppliers begin to fill out surveys, even with this answer, shows that there is gaining momentum for more companies to begin their sustainability journey.

“This year has seen an unprecedented increase in the implementation of our work. The heart of what TSC does is harness the demand signal from retailers, brands and other major purchasers to super-charge the implementation of sustainability improvements right across the value chain,” comments TSC Chief Executive Euan Murray. “If done right, a collective-action model can make rapid, market-changing improvements to unlock growth.”

Supply chain “architects”

The same conclusion was drawn by The Economist Intelligence Unit, which recently published “No More Excuses: Responsible Supply Chains in a Globalized World.”



According to Michael Spence, professor, New York University and 2001 winner of the Nobel Prize for Economic Sciences, the timing for such a study could not be better.

“The recently-elected administration in the United States has declared its lack of support for multilateral frameworks, preferring instead a bilateral approach based on the search for mutually beneficial relationships,” he says. “For large countries and economies, such an approach may help rebalance growth patterns.”

But he also notes that in a world of bilateral and regional frameworks (a process well underway) there will be a much more complex environment for multinational companies to navigate, and a difficult one for smaller countries to engage with.

The Trump administration has also issued negative signals with respect to the U.S. commitment to the climate change agenda, and hence to the sustainability of a rapidly growing global economy.

“Multinational firms are the architects of global supply chains,” says Spence. “As such they must deal with the shifting economic, technological, political and social forces and pressures operating on their supply chains, employees, customers and regulators.”

He adds that it is not much of an exaggeration to say that their ability to navigate and respond will be one decisive factor for the future of a reasonably integrated and sustainable global economy.

Richard M. Locke, provost and professor of political science and international and public affairs at Brown University, observes that the integration of developing country producers into supply chains is having a “transformative effect” on local economies, allowing poor countries to develop.

He adds: “At the same time, however, the social and environmental consequences of this particular pattern of development have provoked significant controversies over the role of global brands and their local suppliers, often seen as exploiting developing countries’ low wages and weak social and environmental regulations to produce low-cost goods at the expense of local workers’ welfare.”

Circular economy

Arguably, there are few global brands more widely recognized than those of Oracle—a major player in the supply chain industry. Jon Chorley, the

company’s Chief Sustainability Officer, notes that minimizing environmental impact and addressing global climate change continue to be a priority.

“Sustainability is everyone’s business,” he says. “We also develop products and services that support sustainable operations—our own and those of our customers.”

When Oracle OpenWorld’s annual conference convenes in San Francisco this October, you can bet that sustainable supply chains will be high on the agenda. The reason is simple: A global survey of attitudes and future plans for the adoption of supply chain management solu-

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tions in the cloud conducted by IDG Connect on behalf of Oracle, mirrors this sentiment.

The report states that Oracle’s “2020 Goals” include a renewable energy target: “The future for cloud-based supply chain management solutions.” In addition to its internal initiatives, this report addresses how Oracle technology helps other organizations better execute and measure their own sustainability efforts.

“As Oracle shifts its business to the Cloud, we also recognize the opportunity to design our hardware for the environment and contribute toward establishing a more circular economy,” says Chorley.

The company’s commitment to “global citizenship” includes its procurement activities as it recognizes that purchasing decisions present an opportunity to have both a social and environmental impact. Oracle’s values around “sustainability procurement” include, but are not limited to, ethical business conduct and the responsible sourcing of materials throughout its global supply chain.

“On issues ranging from factory safety to conflict minerals, we work in our own hardware supply chain and across our industry to advance responsible practices,” says Chorley.

Finally, Oracle’s direct hardware suppliers must also acknowledge their commitment to the EICC Supplier Code of Conduct, which is designed to promote worker safety and fairness, environmental responsibility and ethical business. ∞∞

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