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From globally responsible Supply to Value Chains: credibility, transparency

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(Paris)

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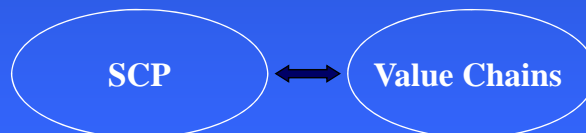


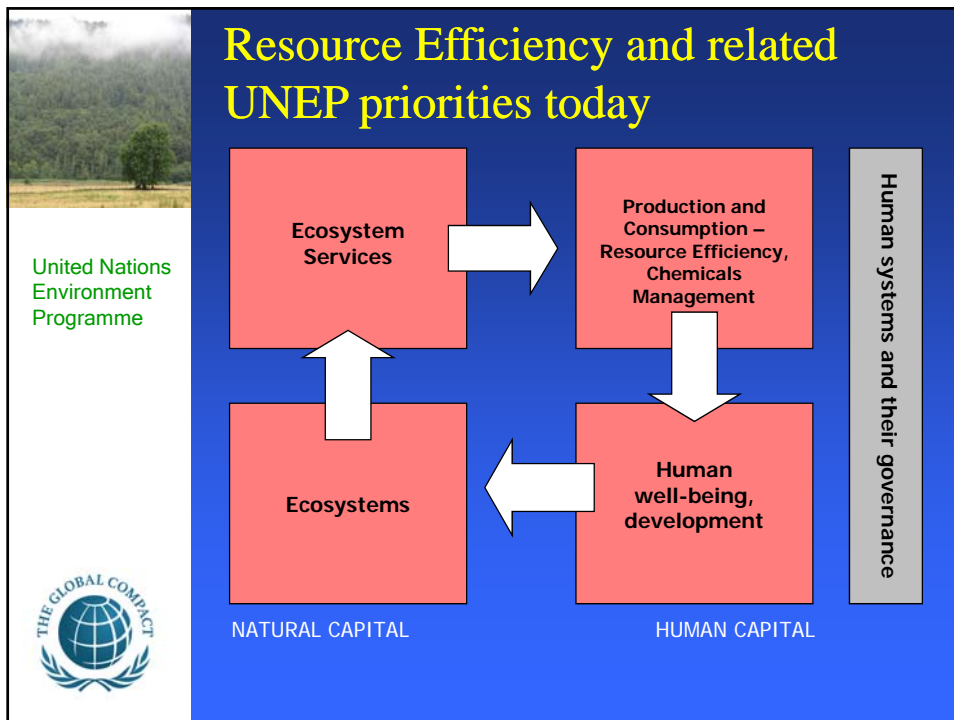
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Relevant UNEP mandates

- Bali Strategic Plan on Capacity Building and Technology Support (2004)
- Marrakech Process on Sustainable Consumption and Production (2002 – 2012)
- Corporate environmental and social responsibility (CESR)





- ## Context today:
- **Increased competition from new suppliers from all over the world**
 - **Globalisation of demand**
 - **Increasing diversity in product range**
 - **Shorter product life cycle**
 - **New societal, stakeholder expectations**
- Consider that external spending ranges from two-thirds or more of operating costs for manufacturers to one-third of costs for most services businesses*
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What is supply / value chain management?

- Management and planning of a set of flow activities, from the downstream (customers) to the upstream (suppliers), with the objective to satisfy the final demand with all its attributes (cost, quantity, lead time, flexibility, reactivity, associated services), while at the same time aiming to optimise resource use and reducing internal / external dysfunctions

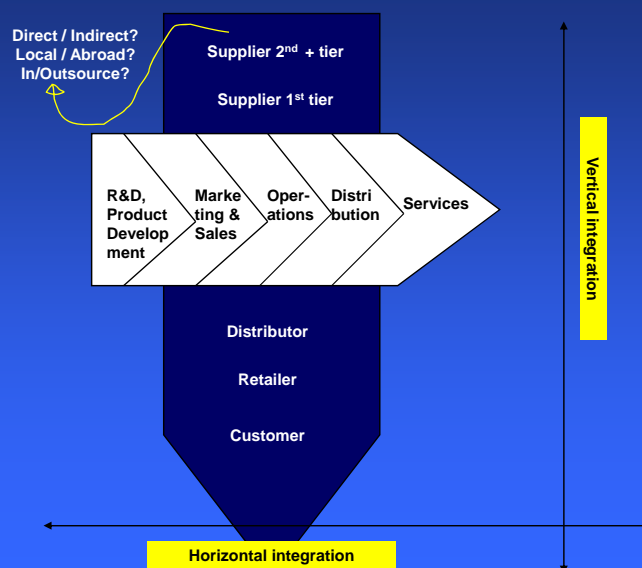
- Laoucine Kerbache, HEC. Paris



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Value chain: internal & external





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Levels of maturity, from logistics to supply chain to value chain

Evolution over last ten years:

- traditional functional approach → internal and external integration → cross-enterprise collaboration...
- Growing strategic significance of global supply chain management in a flat world
- Influence of Life Cycle Management thinking... the extended supply chain (extended producer responsibility), the reversed supply chain (product take-back)

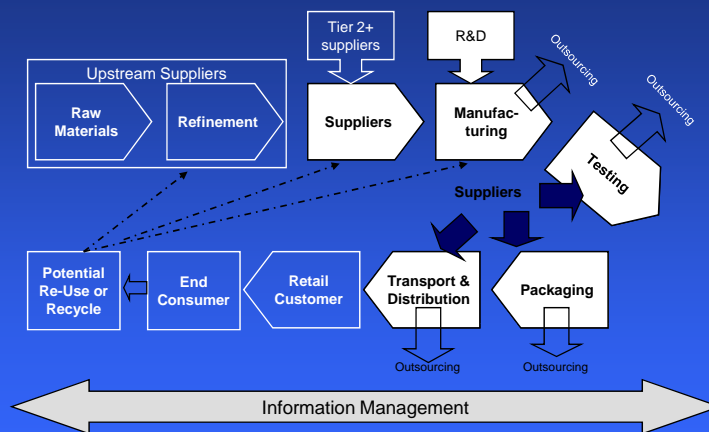


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Unpacking the chain...

- UNEP / Sustainability / UNGC "Unchaining Value" project '07





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Unchaining Value (2008) – UNEP, SustainAbility, UNGC

Capacity building and innovation for sustainability
through global supply chains:

- Information & Communications Technology (ICT),
and
- Food & Beverages Sectors

Steps to integration:

- Incremental – short term, codes, policing
- Strategic – supplier engagement, guidelines
- Transformational – new market creation, re-
engineering, networks, new business models



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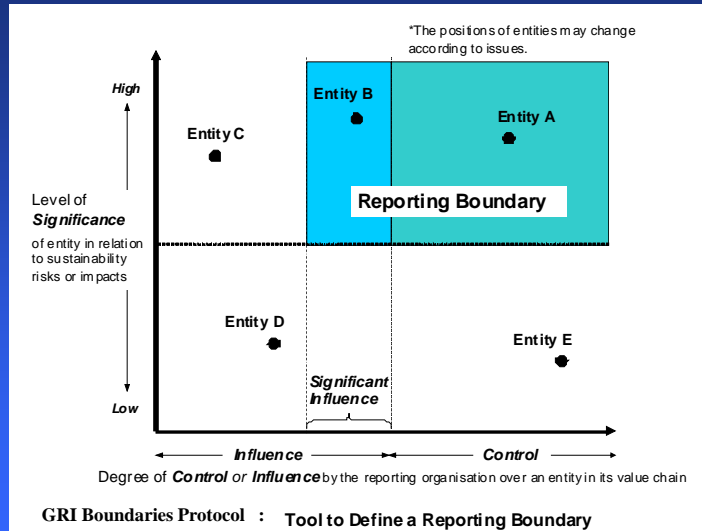


Supply / Value Chain Drivers:

- Facilities (incl location, coordinated
glocal?)
- Transportation (eg mode, route, network)
- Inventory (more/less responsive / costly)
- Information (supply & demand,
coordination)




Boundaries of accountability



By example: tourism value chain

(UNEP Marrakech Task Force on Sustainable Tourism)


tour package	Tour operator, travel agent
accommodation	Hotels, bed & breakfasts, self-catering, apartments, campsites, cruise ships
transport to / from destinations	Public transport (trains, buses), airports, air carriers / charters, scheduled / chartered sea passages, coaches
catering, food, beverage	Restaurants, bars, grocery stores, food wholesalers, farmers, fishermen, bakers, butchers
ground transport	Car rentals, boat rentals, fuel providers, gas stations, coach rentals
ground services	Agents, handlers or inbound operators at the destination
cultural, social events	Excursion and tour providers, sports and recreation facilities, shops and factories
environmental, cultural and heritage resources of destinations	Public authorities, protected site managers, private concessionaires and owners




By example: ICT value chain

(GeSI of UNEP and industry partners)

Global e-Sustainability Initiative



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Identified CSR supply chain issues

LABOUR & EMPLOYMENT

- Living wage & overtime payment
- Exposure of workers to NIR/EMF
- Bonded / forced labour
- Freedom of association
- Working hours
- Diversity / equal opportunities
- Hazardous substances exposures
- Short term contracts

BUSINESS ETHICS & SUPPLIER RELATIONSHIPS

- Bribery & corruption
- Payment & terms
- Dependency
- Competition / reciprocal trading
- Confidentiality

ENVIRONMENT

- Packaging
- End of life consideration
- Product and product hazardous substance content
- Natural resource depletion
- Process and product energy use & air emissions
- Materials content & ROIS
- Waste

ECONOMY AND MARKETPLACE

- Employment
- Minority / SME support
- Workforce profile

SOCIAL

- Content
- Theft & mugging
- Privacy
- Digital divide
- Aesthetics
- Consumer health
- Land rights
- Ergonomics

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Greening your supply chain: Why?

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The business case, eg:

- reduce costs
- improve risk management
- enhance quality
- boost innovation
- protect reputation and brand image
- respond to customer interest in green products / services and practices
- join an industry trend...



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How?

- Screen suppliers on environmental performance
- Conduct supplier energy / carbon audits
- Require a formal environmental management system (EMS)
- Set purchasing standards (eg products containing toxic substances?)
- Work collaboratively on green design initiatives, green marketing
- Provide training and share information, linking environmental performance and quality management
- Jointly plan more efficient transport and distribution systems
- Convene annual supplier technical exchange / environmental forums, include awards
- Do Clean Development Mechanism (CDM) project with supplier or downstream partner (Kyoto mechanisms)



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Barriers to change: constraints on the supply chain manager

- **Internal:** framework criteria set by Board (incl Finance Director)
- **Internal:** criteria specified by other organisational units (engineering, operations, logistics, etc)
- **External:** legal and quasi-legal regulations (national, local)
- **External:** customer defined criteria (cost, quality, delivery)
- **External:** competitor-induced criteria

- Lutz Preuss, Royal Holloway College (2005)



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More credible, transparent?

- Traditional criteria of price, quality and delivery giving way to more comprehensive *strategic approach*, considering supplier management practices, design, development capabilities and cost reduction potential
- *Managerial levers*: align goals and incentives, improve information accuracy, improve operational performance, design pricing strategies that stabilize orders, build strategic partnerships and trust



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More credible, transparent?

- Convergence of environmental and social criteria, certification and labelling schemes – building capacity on internationally recognised schemes (cf EU ecolabels)
- Harmonised criteria for credibility of schemes? (cf sustainable tourism accreditation of schemes – Marrakech Task Force)
- Role of shared information management systems, reporting, communicating progress of actions within chains – role of Global Reporting Initiative (GRI), SMEs reporting



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For more information:

www.unglobalcompact.org

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