

Hidden Profit in Sustainable Sourcing

Sustainability is a high priority for many food companies. It is discussed in board rooms, amongst supply chain and purchasing organizations, and during business reviews with suppliers. Further, corporations hear about it regularly from customers and shareholders.

Assuming we can agree that doing good things for the environment is the right thing to do, let's be honest ... companies are in business to make profits, so any initiative must support that goal. Is there profitability hidden within a sustainability program? Yes, but it is not always obvious.

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Consumers buy things that make their lives easier and things they like. Often, they will pay a premium for goods/services that meet this need. This is where innovation takes a leading role in the initiative. Ideation work needs to extend beyond something that is just "better for the environment" and to innovations that are "better for the environment and

better for the consumer."

While most organizations believe they can manage, monitor, and improve on their internal sustainability programs, you must look outside your walls and include the external supply chain to have a strong, comprehensive program. Let's take a look at three examples to demonstrate why this alignment is so important.

Example 1: Your company buys corn from farmers using pesticides and fertilizers extensively. Ultimately, this behavior affects the overall sustainable footprint of your organization and you will need to address it.

Example 2: You are sourcing vegetables globally. While you have a comprehensive program to minimize water consumption and usage, your suppliers don't. Your research concludes that they are not recycling any of their water and are not really concerned about doing it. Assuming these are key suppliers, you will need them to change their thinking or possibly change suppliers.

Example 3: Corrugated and paperboard are key packaging ingredients. Where are the materials being sourced? Are they leveraging sustainably managed forests and/or recycled material? If not, are you positioned to require them to develop a plan to do so?

Is your company in a position to move the sustainability

program forward? Is there alignment with suppliers to accept and deliver against the established goals? Is your company actively assisting key suppliers in areas where you have a strong program? And, is there a mechanism in place to collect, organize, and accurately report on progress?

This last point is one that is often overlooked, but extremely important. There is little to no value in having a program that cannot be measured. Clearly, suppliers must be required to provide information as requested. Make sure that contracts address this issue.

In many instances, third-party partners are enlisted to perform things like collection of data, site audits, and potentially benchmarking information. However, once a company has that information, what do you do with it?

The data need to be properly organized to measure progress. Companies need to have robust reporting capabilities to provide a variety of views of the data and to meet both internal and external reporting requirements. This requires some level of support from technology. Fortunately, technological capability has advanced significantly in supporting sustainability initiatives. Whether it is larger enterprise resource planning companies, supply management software

providers, or niche sustainability-related companies, there is growing capability to support this area. Moreover, creative sourcing organizations should consider using collaborative sourcing/optimization functionality to assist in analyzing proposals that take into account things like additional costs associated with sustainable alternatives.

Sustainability is often a key initiative for the procurement organization and their sustainable sourcing strategy. In order to maximize the effectiveness, consider adopting these practices as part of your program:

- Establish a roadmap for advancement. Develop a corporate policy that becomes institutionalized and represents your commitment to a sustainable future. Establish stretch, but attainable goals for multiple years.

- Create strong alignment with your suppliers. Look for innovation that leads to consumer friendly products/services and greater profitability. Hold suppliers accountable contractually. Provide assistance to your suppliers in areas where you excel.

- Invest in software to properly manage your program. Assess the costs of sustainable alternatives through optimization. Collect and organize the data in a meaningful way. Provide robust reporting for both internal and external clients. **FT**

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