

wbs

WARWICK BUSINESS SCHOOL
THE UNIVERSITY OF WARWICK

**For the
Open
Minded**

Sustainable Supply Chain Management

Why are we talking about this topic today?

25 million people are victims of forced labour (Global Estimates of Modern Slavery, 2017)

79 million children are affected by exploitative child labour” (German Government)

The wage share of a seamstress of a branded t-shirt is **0.6%**. (FairWear)

SC News:

Corporate sustainability due diligence

Fostering sustainability in corporate governance and management systems.



On 23 February 2022, the Commission adopted a proposal for a Directive on corporate sustainability due diligence. The aim of this Directive is to foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations in companies' operations and corporate governance. The new rules will ensure that businesses address adverse impacts of their actions, including in their value chains inside and outside Europe.

What is the EU Supply Chain Law?

The draft European Supply Chain Act requires EU companies to carefully manage social and environmental impacts along their entire value chain, including direct and indirect suppliers, their own operations, as well as products and services.

The draft was adopted by the European Council in December 2022 and the next step is for the European Parliament to agree on a position, something which is expected to occur in May 2023. EU member states will then have two years to transpose the Directive into their own national laws. Countries with their own laws, such as Germany where the new LkSG is set to come into force in January 2023, will have to revise and tighten up legislation.

<https://www.eqs.com/compliance-blog/eu-supply-chain-law/#:~:text=means%20for%20companies,-,What%20is%20the%20EU%20Supply%20Chain%20Law%3F,well%20as%20products%20and%20services>

<https://julkaisut.valtioneuvosto.fi/handle/10024/164784>

Intended learning outcomes for this week

- Explore the concept of sustainability and related terminology
- Recognize the need to consider environmental and social impacts of the supply chains
- Explore sustainable supply chain management models/frameworks
- GUEST SPEAKER to discuss supply chain auditing for sustainability during the live lecture

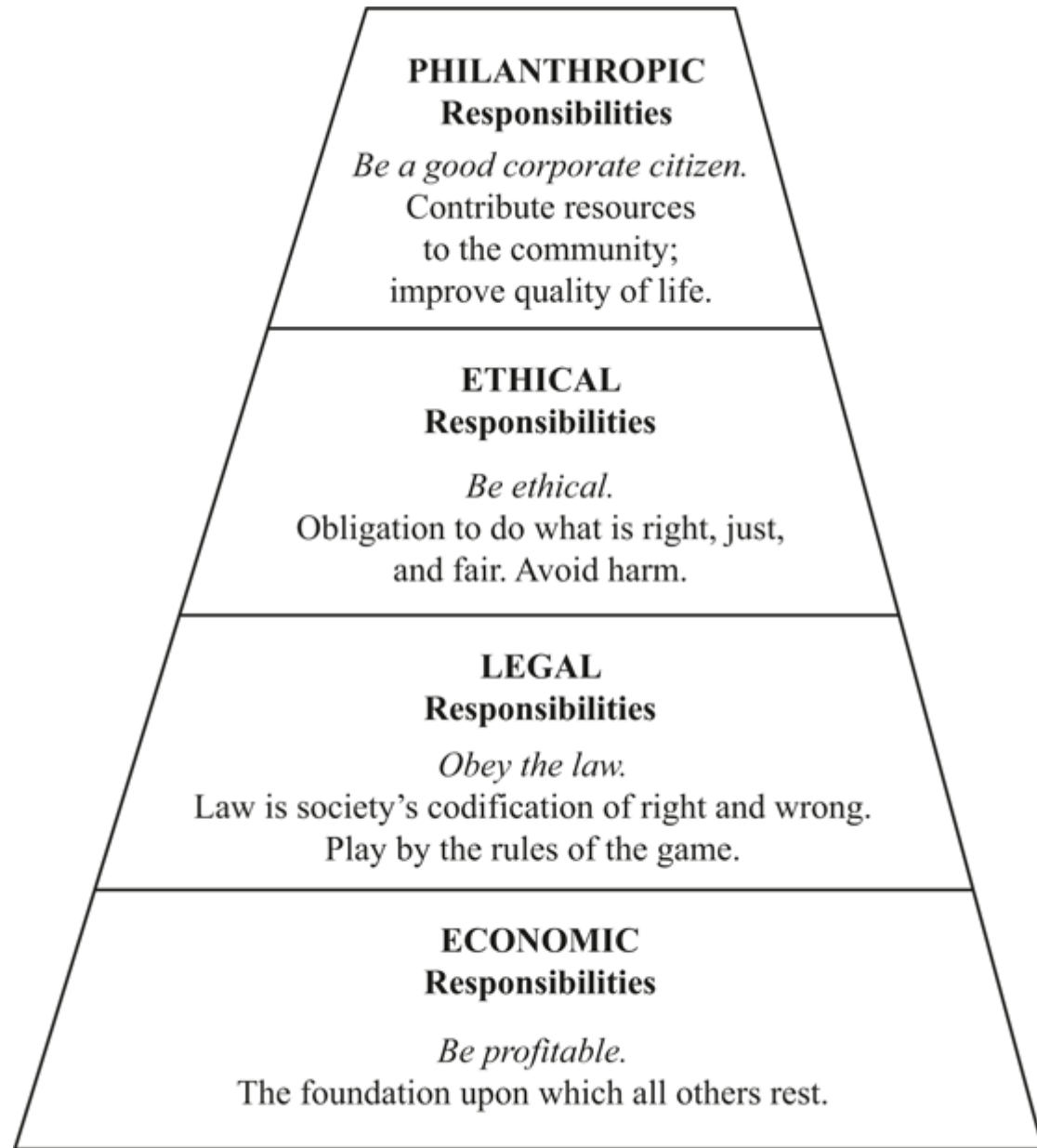
True or False? Why?

1. Every corporation can be sustainable?
2. Sustainability is going the extra mile for society?
3. Sustainability is profitability?
4. Sustainability is dependent on the country the companies operate in?
5. Sustainability is a trend?

Defining Sustainability for Business: Corporate Social Responsibility

European Commission definition:

“ ... the **responsibility** of enterprises for their impact on society.”



Source: Carroll (1991, p. 42)

What does Sustainability mean for businesses?

1-“Business has a responsibility **beyond its basic responsibility** to its shareholders; a responsibility to a broader constituency that includes its key stakeholders: customers, employee, NGOs, government - the people of the communities in which it operates.” - *Courtney Pratt, Former CEO Toronto Hydro.*

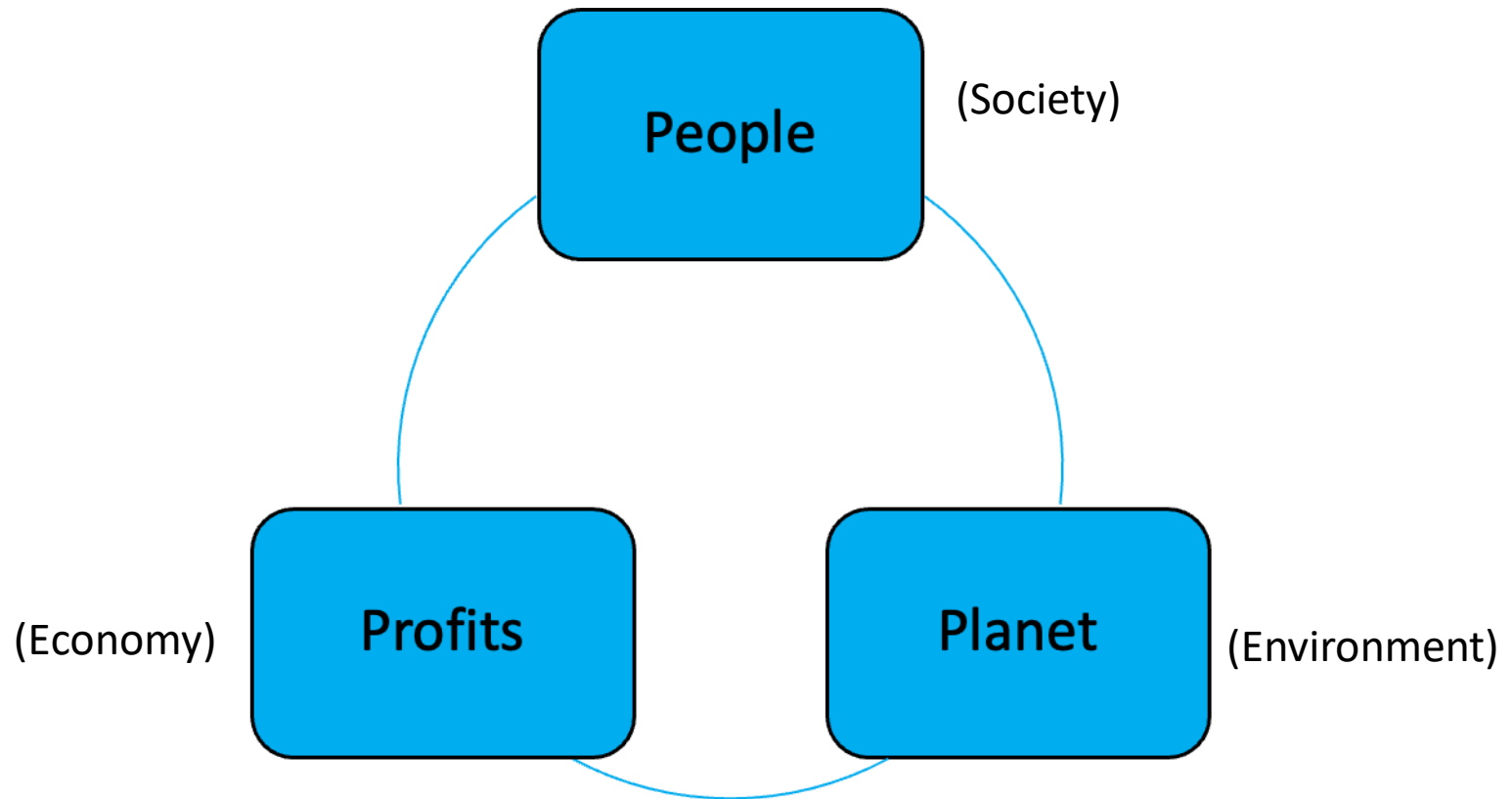
2-"Corporate social responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it... because it is **good for our business**"
- *Niall Fitzgerald, Former CEO, Unilever*

Opposing views on Sustainability

3-‘The business of business is **business**’ (Friedman)

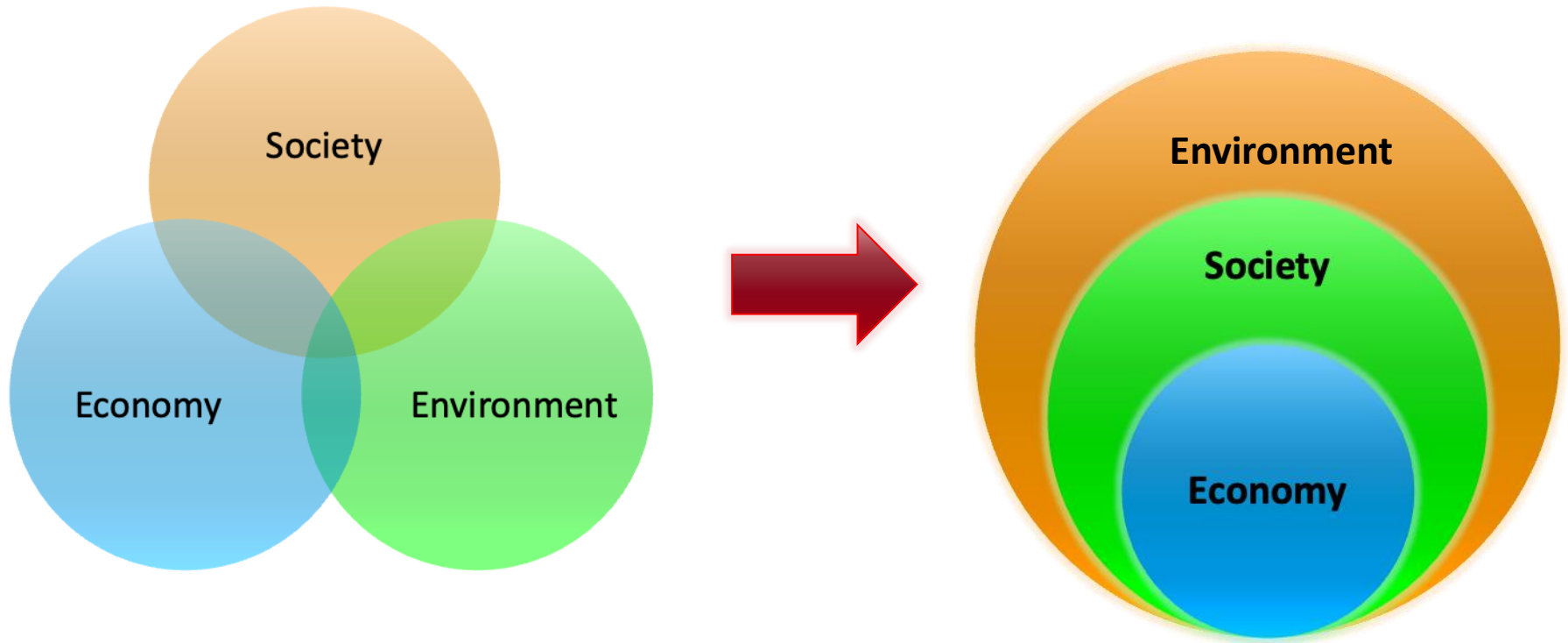
4-**It is just business as usual for companies.** There is a lot of green wash but business and economic principles have not changed. So sustainability is just another term used to do business as usual.

The Triple Bottom Line



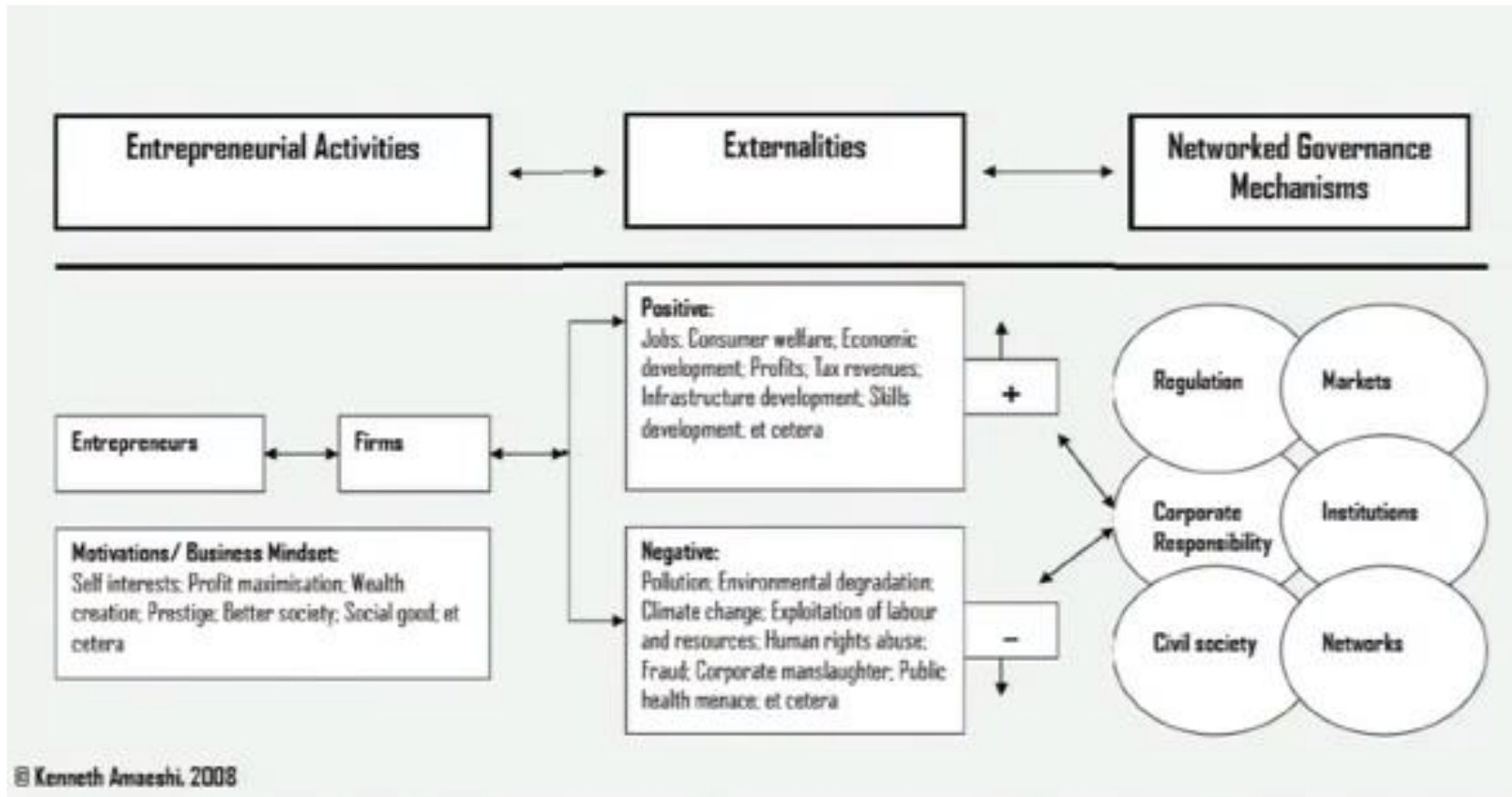
Elkington (1997)

Three Pillars of Sustainability



The focus should not be on one aspect at the expense of others!

Every company produces positive and negative externalities



Dark Side of Supply Chains

Nike was publicly accused of using **child labour** in offshore factories in 1996. This criticism endured until 1998 when Nike's CEO announced significant, long-term measures to improve working conditions at supplier factories.

US Toymaker Mattel was forced to recall US\$100 million worth of product when **one supplier used lead-contaminated paint** on the company's toys in 2007. The company watched its stock price fall 18% in the months that followed and has since been the target of litigation.

Apple faced renewed criticism in 2011 for both possible **environmental indiscretions** and a lack of **transparency** in its supply chain. Apple had previously admitted that in 2008 half of its suppliers' factories for key products including iPhones and iPads weren't paying valid overtime, one quarter weren't paying workers minimum wage, and one quarter failed to meet environmental standards.



Source: Brammer et al., (2011)

Recent examples of SC failure

The New York Times

Asia Pacific

WORLD | U.S. | N.Y. / REGION | BUSINESS | TECHNOLOGY | SCIENCE | HEALTH | SPORTS | OPINION
AFRICA | AMERICAS | ASIA PACIFIC | EUROPE | MIDDLE EAST

Report on Deadly Factory Collapse in Bangladesh Finds Widespread Blame



theguardian

News | Sport | Comment | Culture | Business | Money | Life & style

News > Technology > Dell

Dell suppliers accused of human rights violations in China

Mingshuo Computers, which assembles motherboards for Dell, has been filmed by undercover reporters breaking Chinese labour laws.

The Telegraph

Home | Video | News | World | Sport | Finance | Comment | Culture | Travel | Life | Women | Fa
USA | Asia | China | Europe | Middle East | Australasia | Africa | South America | Central Asia | E

HOME » NEWS » WORLD NEWS » ASIA » CHINA

'Mass suicide' protest at Apple manufacturer Foxconn factory

Around 150 Chinese workers at Foxconn, the world's largest electronics manufacturer, threatened to commit suicide by leaping from their factory roof in protest at their working conditions.

Revealed: Asian slave labour producing prawns for supermarkets in US, UK

Thai 'ghost ships' that enslave and even kill workers are linked to global shrimp supply chain, Guardian investigation discovers

- Trafficked into slavery on Thai trawlers to catch food for prawns
- Thailand's seafood industry: state-sanctioned slavery?
- Ask your questions - live chat as it happened



150 Chinese workers at Foxconn, threatened to commit suicide by leaping from their factory roof in protest at their working conditions. Photo: Club.china.com

BBC

Sign in

News

Sport

Weather

iPlayer

TV

Radio

NEWS UK

Home | World | UK | England | N. Ireland | Scotland | Wales | Business | Politics | Health | Education | Sci/Enviro

Horsemeat scandal: Food supply chain 'too complex'

Why do Supply Chains fail so often?

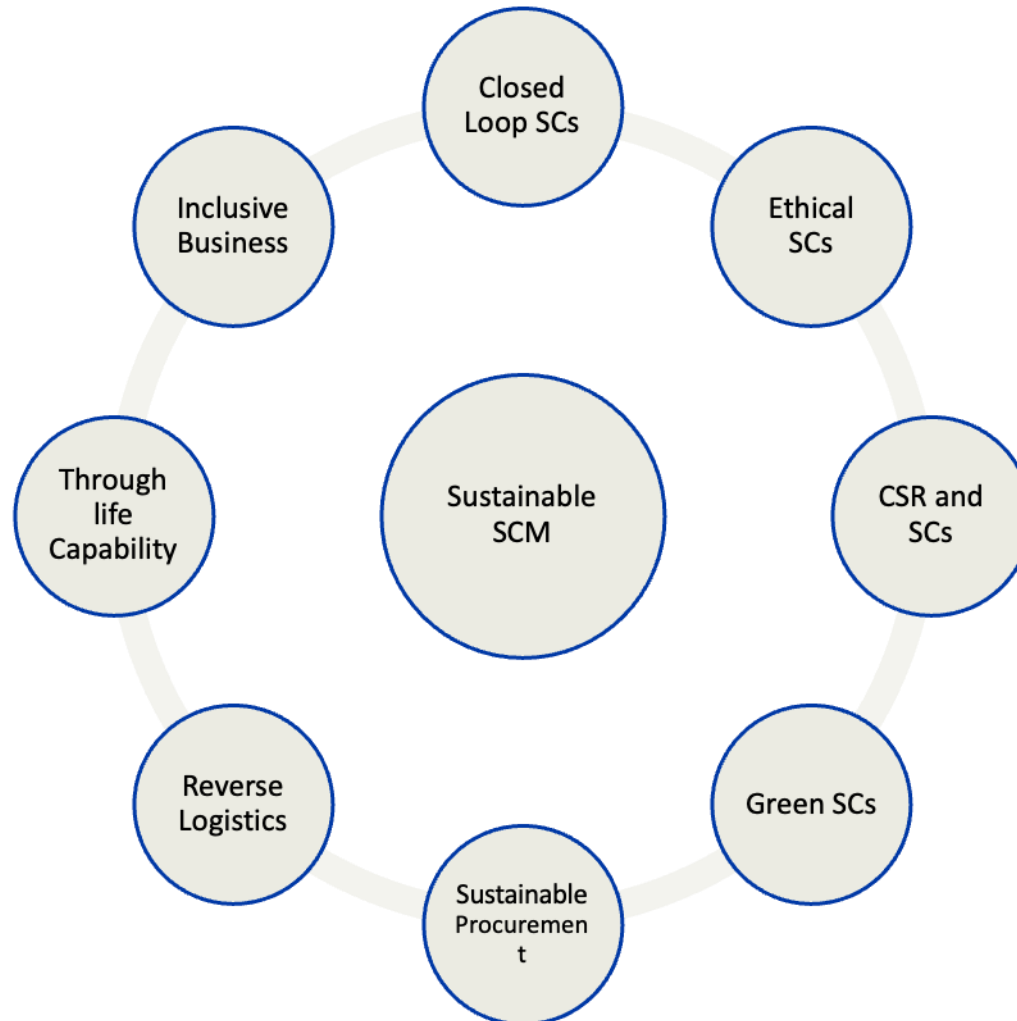
Why do Supply Chains fail so often?

- ⊙ Complexity of global supply chains
- ⊙ Lack of visibility
- ⊙ Lack of transparency
- ⊙ Lack of traceability
- ⊙ Lack of regulation
- ⊙ Lack of accountability

Status quo...

- ⦿ Only 9% of the 335 global respondents of the KPMG survey say they have complete visibility of their supply chains.
- ⦿ 49% of companies have “limited tier 1 supplier visibility but not tier 2 and beyond.
- ⦿ Only 53% of companies have a strategy to mitigate risk in their supply chains.
- ⦿ 11% of UK businesses say slavery in their supply chains is 'likely'
- ⦿ Apple, which has topped the Gartner Supply Chain Top 25 for the seventh year, said it found 23 instances of child labour in its supply chain

Supply Chain Sustainability & Related Concepts



What is Supply Chain Sustainability?

*Supply chain sustainability is the management of **environmental**, **social** and **economic** impacts, and the encouragement of good governance practices, throughout the **lifecycles** of goods and services.*

*There is growing evidence that supply chain sustainability contributions to business value are significant and multi-faceted. **Why, after all**, would the majority of the world's leading business invest in improving the sustainability performance of their supply chains?*

Source: United Nations Global Compact and BSR.

Different perceptions on Supply Chain Sustainability



....as a **risk** that needs to be managed



.... as an opportunity for **innovation**



... as simply doing the right thing for the environment and the society

Industry Examples: Videos

- Closed Loop Supply Chains

<https://www.dailymotion.com/video/xxgflj>

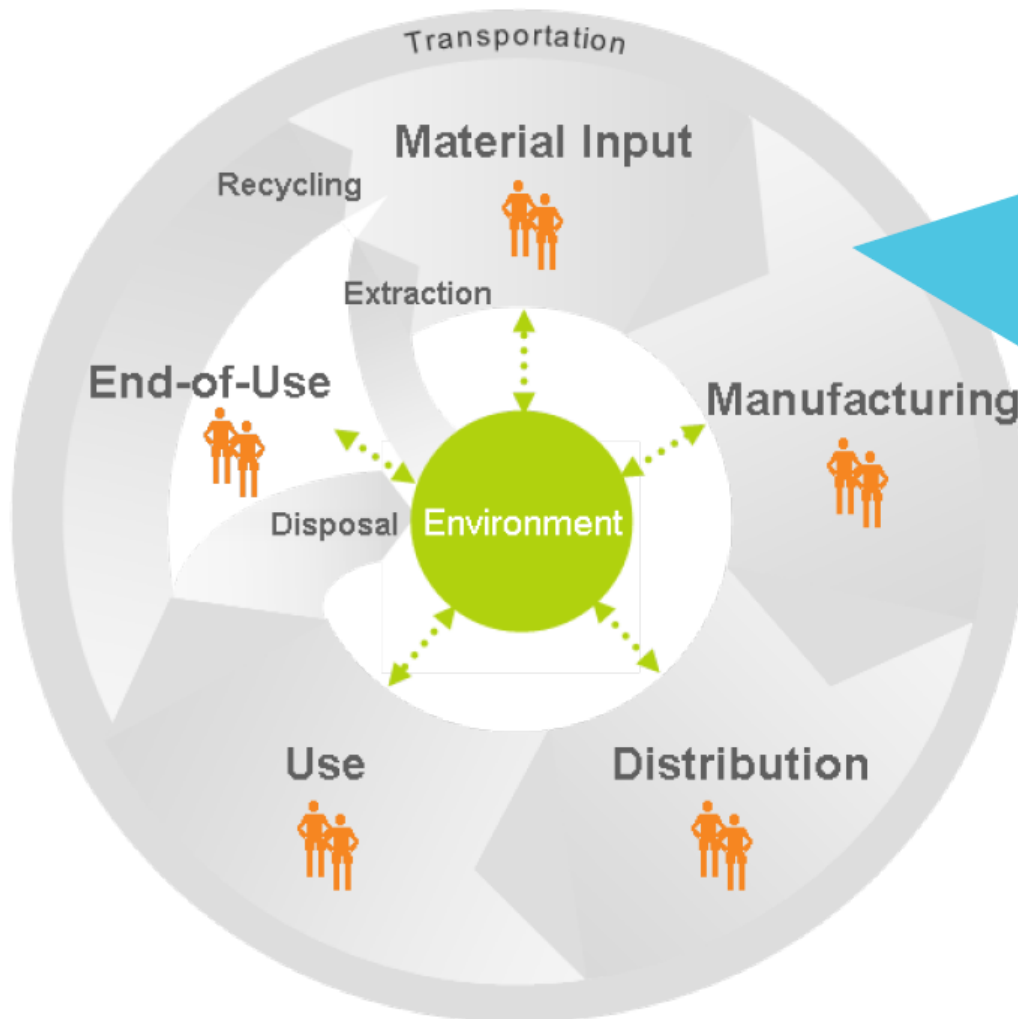
- Inclusive Business

<http://www.youtube.com/watch?v=7OE94gyP-7c>

Increasing number of sustainable SC practices

- ◎ Asda's Hero Buyer Programme
- ◎ Sainsbury's 2020 Goals
- ◎ Tesco's Farm to Fork Initiative
- ◎ BT's Game Changing Challenge
- ◎ Hewlett-Packard E-Waste Programmes
- ◎ Intel's Conflict Free Supply Chain Programme

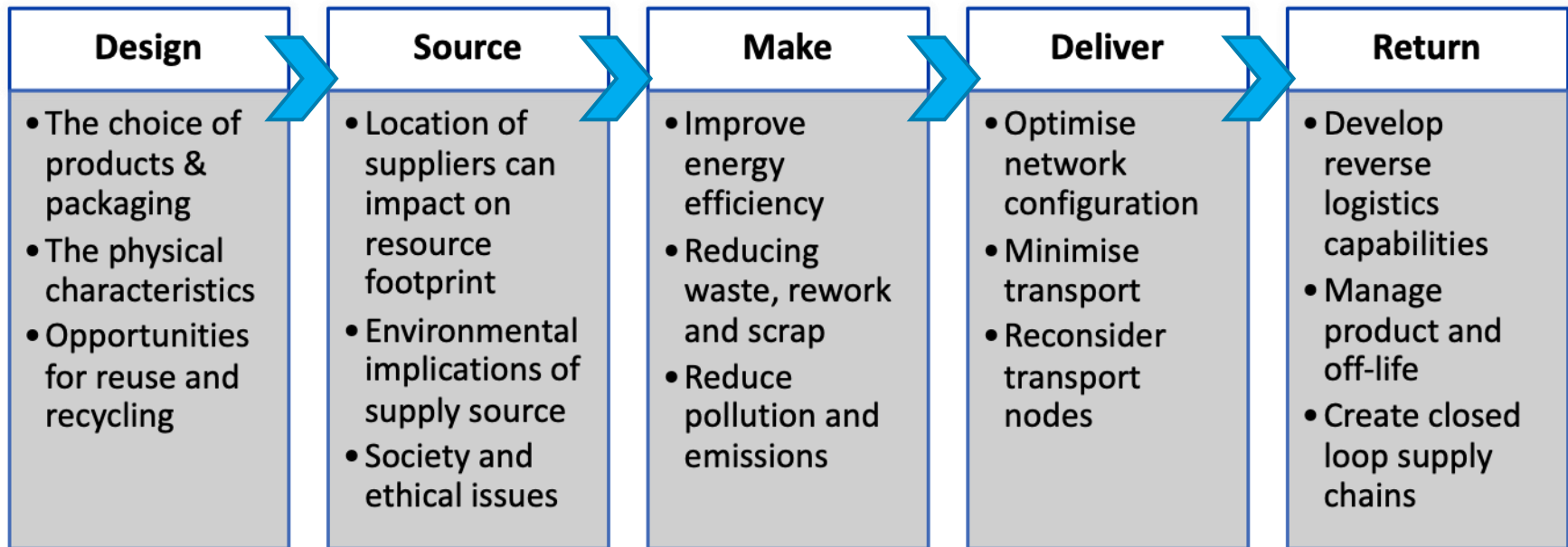
Sustainable Supply Chain practices should be underpinned by a *lifecycle approach*



At every stage in the life-cycle of specific products there are social and environmental impacts, or externalities, on the environment and on people. In addition, governance, or the accountability of organizations to their stakeholders for their conduct, is important at every stage and throughout the supply chain.

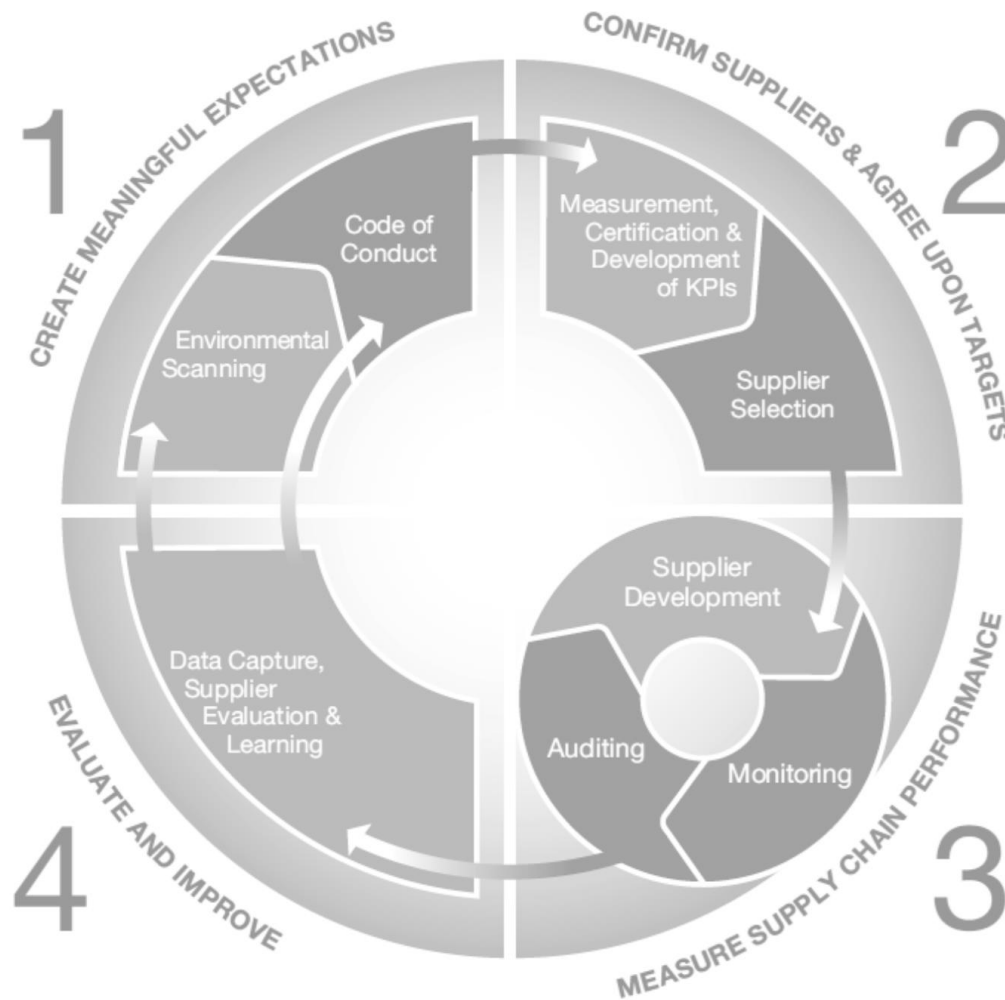
© 2010, UN Global Compact Office and Business for Social Responsibility

Sustainable Supply Chain Decisions Framework



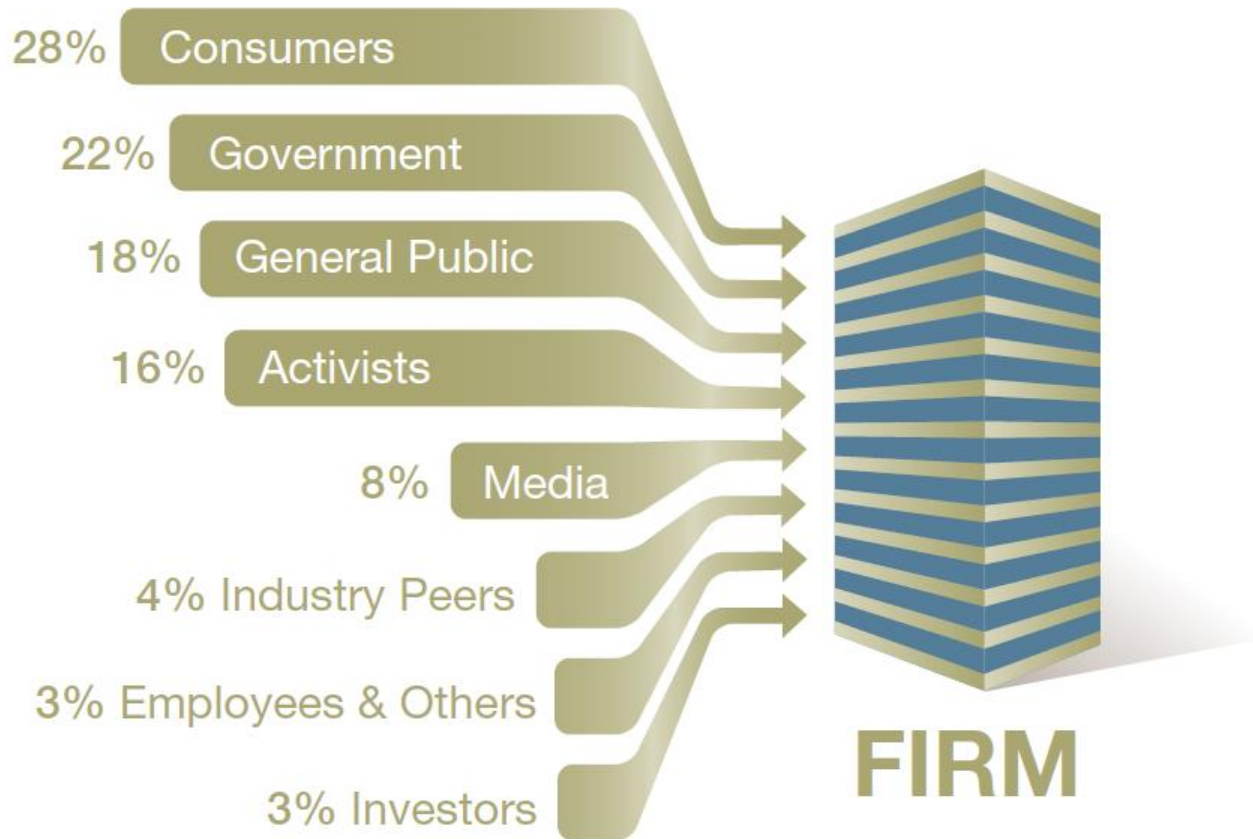
Source: Christopher (2011)

Sustainable Supplier Relationship Management Framework



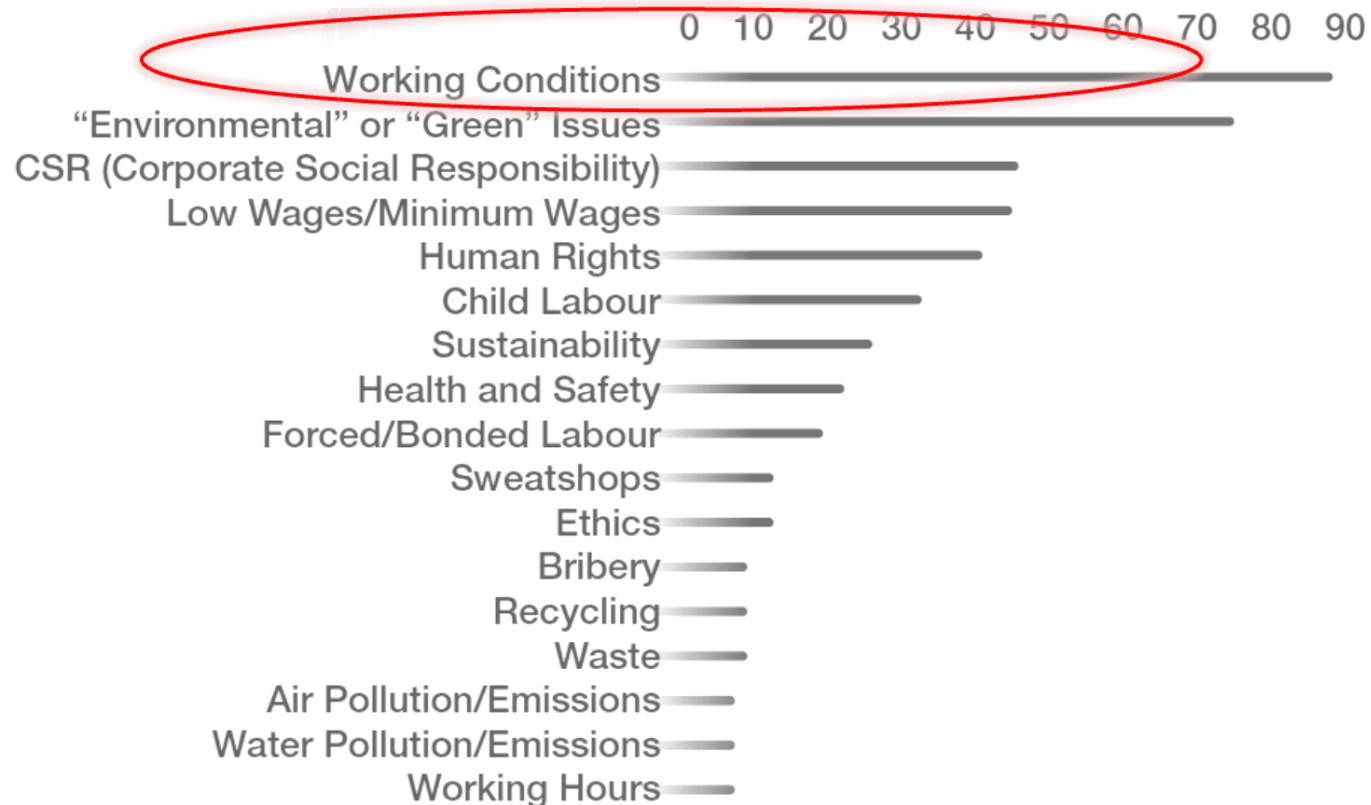
Source: Brammer et al., (2011)

Stakeholders want Sustainable SCM



Source: Brammer et al., (2011)

Key sustainability issues in SCM



Source: Brammer et al., (2011)

Summary

- ⦿ Sustainability is underpinned by the triple bottom line concept
- ⦿ Climate change and social factors are key drivers for sustainability
- ⦿ A lifecycle approach should be adopted for sustainable supply chain practices
- ⦿ Frameworks and tools are available for managing sustainable supply chain management

To Do TODAY: Watch Case study video

Supermarkets: The Real Price of Cheap Food (Channel 4)

http://www.dailymotion.com/video/x247slu_supermarkets-the-real-price-of-cheap-food-en-pt-subs_news

1. What are the issues of sustainability in the supermarket supply chain?
2. How are different stakeholders including workers and farmers being affected by the supermarket's supply chain strategies?
3. How would you suggest to stop such supply chain strategies happening in the future?