

## “TRANSFORMATIONAL COLLABORATION IN SUSTAINABLE SUPPLY CHAIN MANAGEMENT”

### WHAT:

Globalization has led to highly complex supply chains with multiple supplier tiers, foremost located in developing countries and emerging markets. Although this transformation has helped to cut short-term costs it has also transferred business risks to regions with less developed standards and governance. In addition, factors such as resource scarcity, price volatility, climate change and a growing external pressure have stimulated leading companies to heavily invest into a more sustainable supply chain management. Thus, sustainable supply chains are becoming a top priority among companies, coupled with strategic collaboration and innovation across the value chain.

The objectives of this Roundtable included:

- Demonstrate how to implement sustainable solutions with suppliers on the ground
- Discuss strategies to improve internal collaboration between procurement and sustainability departments
- Scaling pilot project learnings – demonstrate opportunities for collaboration

### WHO:

The Roundtable was structured to provide a highly interactive process of discussion amongst 34 procurement and sustainability experts from six countries: 35% of participants held procurement and 33% sustainability functions in global companies, while 32% came from NGO's and academia. 77 % of company participants were WEC members.

#### HOST

**F. Hoffmann-La Roche:** Dr. Heinke von Seggern  
Compliance, Sustainability & Supplier Diversity Leader

#### MODERATORS

**Collaborating Center on Sustainable Consumption and Production (CSPC):** Dr. Christina Raab

**Sedex:** Tom Smith

**University of St. Gallen:** Prof. Dr. Jörg Hofstetter,  
Elisabeth Altmayer, Marc Müller

**WEC:** Dr. Terry F. Yosie

#### SPEAKERS

**AkzoNobel:** Dick Bartelse

**Eastman Chemical Company:** Godefroy Motte

**Ethical Trading Initiative:** Peter McAllister

**F. Hoffmann-La Roche:** Lyra Myers

**F. Hoffmann-La Roche:** Dr. Heinke von Seggern

**Marks & Spencer:** Louise Nicholls

**Merck Millipore:** Sarah Hove

**Nestlé:** Antonia Wanner

**Novartis:** Katja Sbukowski

**Shell Foundation:** Judith Pollock

**West Pharmaceutical Services:** Dr. Dietmar Engels

**WEC:** Dr. Terry F. Yosie

**WWF:** Damian Oetli

### MAJOR POINTS OF DISCUSSION:

- (1) Companies continue to strive to integrate responsible sourcing practices into their procurement functions, and much experimentation and innovation are underway.** Examples are co-creation initiatives with suppliers to develop “break-through technologies”, an “innovation fund” that helps to test sustainable procurement solutions in practice, and a “Supplier Relationship Center” that fosters innovation and collaboration with key suppliers to generate ideas for more sustainable materials and processes. These initiatives are multiplied as major suppliers are now applying them to achieve alignment and innovation across their own supply chains. Furthermore, incentives such as adjusted bonus systems lead procurement officers in several companies to start re-shaping their companies’ sourcing streams according to reliability, transparency, efficient use of natural resources, and adequate workplace conditions.
- (2) Procurement departments undergo a significant shift in their structures, processes, objectives and incentives** as sustainability requires coverage of the supply chain end-to-end. Sustainability experts are being integrated in procurement teams, KPI's are being adjusted in coordination with sustainability departments, regular joint meetings are being set up, and new governance structures and management-methods are being established to communicate with lower tier suppliers
- (3) Certifying compliant suppliers is not enough anymore.** To start an innovation process, successful companies not only focus on tools such as supplier audits (e.g. by independent NGO's) but increasingly visit their suppliers to understand their situation, describe what exactly they need from the supplier and to support an innovation process. Collaboration becomes essential.
- (4) Alignment of product strategy and business principles with suppliers is the key challenge:** successful collaboration with suppliers requires clear communication, mutual respect, and trust. Companies that work with their suppliers should prepare them to understand what their data means and how it affects their customers. Clear examples are recommended over abstract talk; a wrap-up of the combined business benefits (e.g. some investments, some efficiencies, eventually more customers, less risk) will enable the supplier to better understand the value of your strategy and program.
- (5) Sustainable supply chain strategies are shaped by a company's position in specific value chains.** An excellent example is a chemical company that occupies a middle position in multiple value chains (construction, mobility, packaging) and has formed various consortia of both competitors and customers to develop more sustainable business solutions at various price points for their customers. Sustainability thus becomes part of a business process to inform customers of their choices.
- (6) Achieving greater scale in sustainable supply chain initiatives** results e.g. from actions that embody “design for scale” in their original creation, are replicable as well as innovative, build capacity for scale through partnerships with other businesses and NGOs, are multi-year in planning and focus, and achieve measurable economic and other outcomes.
- (7) There are several major lessons for achieving more transformational and sustainable supply chain management:**
  - 1) don't outsource the responsibility for managing sustainable procurement practices;
  - 2) reshape transparency to provide a “system-level” view of performance across the supply chain;
  - 3) extend your company's expertise and credibility through partnerships with NGOs and other organizations in specific regions;
  - 4) place greater priority to develop better qualitative and quantitative metrics for ethical and social issues; and
  - 5) support business customers and consumers to make more informed choices.