

Insights from the Leadership Series 2.0: Sustainable Supply Chain

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On February 25th, 2021, senior managers from leading Canadian firms met on-line at the **Leadership Series 2.0: Sustainable Supply Chains** conference to discuss how to make supply chains more sustainable. The conference was organized by the Supply Chain Canada, Ontario Institute. The George Weston Ltd. Centre for Sustainable Supply Chains at the Schulich School of Business, York University, was an event sponsor. Centre Director, David Johnston observed that part of the reason why 450 people were in attendance throughout the day is a, “growing sense that greater accountability for social and environmental impacts is going to be part of every senior manager’s KPIs in the future.” Furthermore, that the Covid-19 pandemic further underscored the importance of building resilient supply chain organizations that are ready for the next major disruption whether that comes from climate and/or social and political change.

David White, EVP, Supply Management at New Flyer Industries, a manufacturer, stated that, *“a sustainable supply chain starts with a culture that believes a better product leads to a better workplace, and a better world”*. Ian Gordon, SVP, Loblaw Companies Ltd., a retailer, described three pillars of sustainability for his company: first, reduce the impact of operations, second, source safely and, third, use sustainable materials such as plastic packaging. *“Making a positive difference to colleagues and the community (has value in of itself) sustainability is a driver of performance and should not be seen as a source of cost”*. John Bayliss, SVP, Logistics and Supply Chain, Walmart, a retailer, advocated a disciplined approach, *“We must think of the end to end impact versus chasing every shiny object”*. He explained how the company was able to prevent greater than 1.1 million pounds of plastic from entering its supply chain by working closely with its procurement and merchandising teams to mitigate excess usage while ensuring what remained, was recyclable. To motivate big change, Mr. Bayliss urged the need to set big audacious goals regarding emission and waste reduction, and also product and packaging.

Shauna Gamble, CPO, Bombardier, an aircraft manufacturer, described where the company is focusing its efforts at Co2 emission reduction. Bombardier believes that Sustainable Aviation Fuel (SAF) can be a sustainable alternative to traditional jet fuel. Ms. Gamble underlined the need for *“coordinated efforts”* to create a *“virtuous feedback cycle”* between the company and supplier where design changes reduce fuel consumption and that reduces both costs and emissions.

Frances Edmonds, Head of Sustainable Impact, HP Canada, an information technology Company, suggested that procurement can send a signal to the business to business marketplace. *“Sustainable procurement means procuring the most sustainable services and goods from the most sustainable suppliers. If every RFP set aside a section to focus on this, imagine the sustainability impact. Your best RFP is the next one you do”*.

At a session entitled, **“The Role of Procurement in Achieving Net Zero Carbon Emissions”** all three of the participating companies had recently signed up to achieve the goals of the Science Based Targets Network (SBTN). According to Robert Ellis, SVP, General Counsel & Corporate Secretary at Celestica, an electronics manufacturing services company, the procurement team's role in reducing the carbon footprint in partnership with suppliers is to first ensure that the team has all relevant

details about how their suppliers are addressing the problem, and then work closely with the supply chain team to set weighted targets for suppliers in terms of carbon emissions. That is, assess suppliers not only on price, lead time, and efficiency, but also on their commitment to reducing carbon emissions.

Tim Faveri, VP, Sustainability & Shared Value at Maple Leaf Foods, a food manufacturer, explained that in order to keep the procurement team accountable for zero carbon emission goals, it is crucial to educate them on the effect of carbon emissions on the company business, as they must communicate to the suppliers that working towards a net zero carbon emission target is a strategic priority.

In achieving net zero carbon emission, Chantale Despres, Director of Sustainability at CN, a railway and transportation company, suggested they are at the early stages of their sustainability journey. Cross functional collaboration is critical because while the procurement team can source more sustainable technology and maintenance items the operations people have to make those purchases work to keep the trains and vehicles moving. All the panelists concluded that if the procurement team actively targets suppliers who can have a direct effect on reducing carbon emissions.

The panelists on a session '**Building Value and Transparency through Strategic Sourcing & Procurement**', acknowledged that a company can only be genuinely competitive if it buys the most sustainable product from the most sustainable suppliers. According to Bénédicte Lê Quang, Customer Success Manager at Ecovadis, an ecological business intelligence consultancy, "70 per cent of the sustainable impact of any organization depends on its supply chain, and the supply chain is the biggest lever that can be used by the organization to improve its sustainability." This echo's a theme in the conference that accountability for sustainability is expanding in scope from the internal actions of organizations to the behaviors they enable up and down the supply chain in their buying activities. (e.g., Scope 3 carbon emissions)

Sandra Hamilton, a researcher from the Manchester University Institute of Innovation, described the power the large public procurement spend can have on pushing a sustainability agenda in supply chains. This influence though is limited by the function public purchasing historical focus on value for money and its sophistication in sourcing and working with suppliers.

A session on '**Managing Supplier Risks Effectively**', had moderator Danny Shields, VP, Industry Relations at Avetta, a risk management consultancy, emphasized a strategic approach that began with identifying an organization's critical suppliers and working with them to effectively manage risks. As stated by Fiona Renzi-Fantin, Head of Supply Chain & Operations at Baxter Canada, a healthcare company, the supplier's size is a good indicator of how risky it could be. The smaller the supplier, the higher the risk, as they are less experienced in this environment and need more guidance. It is not a lack of motivation, but rather knowledge that prevents them from achieving the necessary goal. Sanja Cancar-Todorovic, Head of Enterprise Procurement, Outsourcing and Vendor Management at Home Capital Group Inc., a financial services company, concluded that procurement has become more impactful in an organization in order to strengthen key supplier relationships.

In the final session, '**Supplier Diversity and Inclusion: Moving to a Strategic Business Imperative**', the moderator Silvia Pencak, President, from the Women Business Enterprises Canada Council, a non-profit organization, said, "Diversity and Inclusion are not just nice to have, but a requirement for the success of any organization." In support of this point, Tamika Walker, Program Manager, Supplier Diversity, Global Purchasing, and Manufacturing Services, General Motors (GM), an automotive company, said, "Everything we do is focused on the customer as the end goal and as

customers demand inclusivity, it is important to concentrate on inclusivity as part of a holistic strategy, as it helps address the needs of our non-diverse and diverse customers in a global market". In short, if your customers are diverse, why is your supply base not diverse.

Ms. Walker explained how GM conducts 'health checks' on the diversity of its supply base. *"It is key to have the right metrics to identify the right diverse suppliers, to understand the supplier base, and to get the data right. It is not an emotional decision; it should be data driven."* This is followed up by systematically searching out diverse suppliers by getting involved in multiple industry forums. Andy Thompson, VP, Integration and Transformation, Nokia, a telecommunications equipment company, insisted that supply chain professionals need to be pragmatic about what their supplier pool can do and the capability of the supply chain functions processes to support goals such as supplier diversity.