

How Will Green Supply Chain Trade-Offs Play Out Now?

SCDigest Editor Offers Perspective on CSCMP Podcast; Is the “Cream” Largely Gone Now?

SCDigest Editorial Staff

The following is a slightly edited version of a recent podcast that SCDigest editor Dan Gilmore recorded for the Council of Supply Chain Management Professionals. (CSCMP). That podcast is available for CSMCP members at the CSCMP web site (www.scdigest.com).

Hi, this is Dan Gilmore, editor of Supply Chain Digest. I’m here to speak a little bit about some topics around the green supply chain.

Of course, we’re all in favor of a green earth and a good environment. However, I think if we want this to really sustain itself as a movement, we’re going to have to get to a little deeper level of thinking than what we’ve reached so far – particularly around how decisions are going to be made. I think we’ve skimmed off the cream, if you will, particularly during the period of very high oil and energy prices. It was pretty easy to find some projects that would make sense economically regardless of whether they were green or not because of this high price of energy.

Now, at least for awhile, that situation has changed dramatically. So, as we go further along, we’re going to have to increasingly make some trade-offs; but what the framework we’re going to use to make those decisions and who is going to make those decisions in our companies I think is very unclear.

As a matter of fact, I’ve asked a number of executives, including some VPs of Sustainability, about this question and to be honest with you, I’ve had a bit of a hard time really getting any answers. I’m going to give you just a specific example I’ve been using when questioning those executives.

I think these are the key questions as the green movement and the green supply chain really gets to the next level of sophistication that companies are going to need to ask themselves and to find answers for

I have a friend that sells industrial adhesives and, of course, his company is working on some more environmentally-friendly products. But it could be that those more green adhesives are going to have a couple of down sides to them. For example, perhaps the green adhesive might be a little bit more expensive per pound, which is how that stuff is priced in the marketplace – maybe or maybe not – but, it could be. What is also possible is that it even if it costs the equivalent per pound, maybe I have to run the manufacturing line that’s using that adhesive a little bit slower. Maybe just fractionally so, but a little bit slower because the performance of that more green adhesive isn’t quite as good.

So, the first question is: how would a company balance those trade-offs between a true economic cost for going more green versus the traditional product? And then the second question is: Who in the organization would actually make that decision? Is a decision like that – where a trade-off that has to be made - is that the purchasing manager’s decision? The CFO’s decision? Someone else’s?

How Will Green Supply Chain Trade-Offs Play Out Now? (Con't)

Are companies going to have a framework or set of guidelines that are successfully utilized to make that kind of trade-off in the rank and file?

Or, is it going to be something that's going to have to get pushed up the ladder? Are companies going to form committees to evaluate these decisions?

So, I think these are the questions as the green movement and the green supply chain really gets to the next level of sophistication that companies are going to need to ask themselves and to find answers for.

And I think that it's very important that they start to do that now. We're taking the easy stuff today, but when the trade-offs get hard, that's where we're going to need a new level of thinking about how corporations are going to make those green decisions.

