



Green Supply Chain as a driver of operational excellence

SINTEC INTERVIEW

Currently, more and more companies around the world are integrating the concept of the **“Green Supply Chain”** into their business practices. In some cases, this happens proactively with the rest of the chain, or it comes from customer pressure and regulations governing environmental best practices.

Following is a summary of the **Sintec** interview, **“Green Supply Chain as Driver of Operational Excellence”** with **Professor Charles Corbett**. In this interview, we talk about the “green” phenomenon and the growing tendency in various sectors to modify supply chains towards a sustainable focus and to align the changes for economic benefits.

Charles Corbett is professor of operations management and bio-environmental management at the UCLA Anderson School of Management. Within his instructional area are included operations administration, supply chain administration, entrepreneurial and small business operation, and environmental problems in administration. His current investigation centers on environmental issues in commercial activity, coordination, supply networks, operations, and business management.

ENTREVISTA

Sintec:

To what do you attribute the change in executive orientation of companies towards the implementation of a green strategy? Why is this topic so relevant today?

Charles Corbett:

- I believe that the topic is relevant for many reasons; above all, it is due to executives realizing that it is a very competitive situation. Companies that are more proactive and consider environmental topics tend to do better in other areas. This directly involves and impacts economic situations as a consequence of changes in consumption patterns and consumer interest in environmentally friendly products. It

presents a growth in the market, and there is also a slight opportunity to raise prices and maintain good customer relations.

- An important aspect in this situation is the participation of government, which is a major game-player here. Government has the task of creating laws regarding sustainability and environmental preservation along with various requirements that have been created so that every day, more companies involve something positive for the planet within their objectives.
- What is very interesting is that many of these laws, if and when they are created for domestic issues of a country, in many cases end up crossing borders, having worldwide repercussions. At least that is their intention. And although for many companies there is no choice but to follow the rules, for others the environmental theme has become very important, so much so that they are not only willing to change certain areas, operations, or processes, but they decide to take their actions to the next level and change the entire company towards a totally ecological vision.
- On the other hand, Professor Charles Corbett comments that the idea that all companies manage their operations on the basis of environmental strategy doesn't seem realistic to him, at least in the short term. And even though it would be something good, he doesn't consider it viable due to the drastic changes that would need to be made by society on a worldwide level. Still, a good result and something that supports the cause is that companies are noticing that if they modify or implement strategies with an environmental focus on their operations, they are simultaneously opening many opportunities. These opportunities allow them to contribute to saving the planet without risking their main operations or the level of quality of products and services they offer their customers.

Sintec:

The fusion of environmental aspects and financial performance go hand in hand. How does this work?

Charles Corbett:

- It works through various mechanisms, many of which are rather obvious. For example, if you sell green or environmentally-friendly products, you will immediately attract buyers who are interested in them who previously identified with the brand. A new market segment will open up, increasing profitability of the company because of increased sales. And at the end of the day, what companies are seeking are economic objectives.
- It is very interesting to see how at any moment, you can analyze what it is you are doing within the company to find a number of areas of opportunities in which you can work. What is even more incredible is that when these opportunities are detected, the company many times won't take advantage of them due to the fear of facing new situations, and even more because it is not at all easy to predict the "why," "how," and "when" of a situation.
- The good news is that companies and decision-makers always have the option of turning back to the past to see the results of changes throughout the evolution of the company. They can also compare the effects of a strategy aimed at environmental preservation by other companies, especially in financial terms.
- To conclude with the answer to the question, I can add that it doesn't matter what industry you are in, or the type of company you are, you should always detect an opportunity, accept the risks, and go after it.
- A good opportunity is a situation that achieves a positive impact on society, involving sustainability and at the same time offering optimum financial results for a company.
- In the first place, if we refer to the supply chain and logistics system with which it normally operates, and analyzing it with an ecological focus, we can see that logistically speaking, the efficiency of the supply chain depends in great part to natural resources, and that most production operations require a large quantity of carbon emissions and other gases. Still, thanks to advances and the commitment of companies, we have discovered that many changes and actions can be made to allow the reduction in levels of carbon and gas emissions simply by using other types of machinery and applying various principles. The benefits and return on investment are easy to identify and recoverable within weeks or months.
- We will always ask, "Why didn't we do this before?" The truth is that in addition to environmental reasons, there are also financial considerations. As mentioned previously, companies are a little afraid when not able to at first recognize the benefits and effects that can occur, and what is worse, when attempting the change, companies do not know where to start.

Sintec:

Why do you think that it is so hard to recognize the opportunities?

Charles Corbett:

- It is the unpredictable nature of the issue. In the first place, it is due to the fact that processes that could have been implemented 15 years ago cannot continue to be used today.
- The good news is that we have attempted to create a system or mechanism that allows us to have consistent and proper processes for resolving our needs in the present. If your company has a logistics system designed with oil prices from 20 years ago, this system probably will not work given today's oil prices, and much less work in the coming decades.
- Environmental conditions make it necessary to reconstruct your logistics strategies. The trick is to know at what moment to integrate actions that improve environmental conditions of our planet and integrate them in a plan that allows the optimum utilization of resources like gas and oil that the chain needs to function, and as a consequence, obtain a cost reduction.
- Most companies find it hard to modify and apply strategies when they are not guaranteed an immediate positive financial impact. Being a costly item for the budget, companies are not willing to make the changes.

Sintec:

Can you explain the term **environmental management**?

Charles Corbett:

- We have been using this term for quite some time. What we try to illustrate is the fact that many times people complain that they are too busy or have more important things to do, and do not have time to worry about the environment as well.
- The good thing is that many environmental tools, techniques, and plans we have proposed are now being incorporated into quality processes and programs, mainly in manufacturing companies. Although other companies are still not convinced, what is impressive is that these environmental programs have been rapidly expanding as the fundamental principles of environmental preservation are designed to highlight benefits and defects. There is also a better control of carbon emissions since they are now easier to measure.
- What we are trying to say is that we are not creating something fundamentally new, and that companies should stop seeing each process separately and start taking care of their carbon emissions by using the necessary tools.

Sintec:

Why is there a tendency to create a **Green Supply Chain**?

Charles Corbett:

- There are a number of reasons, but I feel that it is because logistics and supply chain functions consider the price of oil. Given the current high oil prices, companies have discovered that they can make process changes that reduce their dependence on this resource and lower their costs.
- In addition to this, there are many tendencies and situations that most people do not consider, but are also important.
- One of these is what we call **closing the loop**, in reference to companies being pressured by the government as well as by society to think about what to do with products once the end user is through with them. It is the company's responsibility to not allow the consumer to simply throw them away. It is even more important to propose a solution to make something useful from the waste.
- What is interesting is that **waste collection** can become a very profitable business. Even as it can be a big logistical headache, in many cases, this waste contains lots of value, especially in electronic products like laptops, iPods, etc., and many of them contain valuable metals that can generate a lot of income.
- In their mission to do something for the planet and reduce the footprint and impact of damage from carbon emissions, large retailers like **Wal-Mart**, who provide consumers a wide variety of products, really want to know what quantity of gases were emitted along the chain in order to get the product to its final destination. The idea is that consumers have the opportunity to decide if they are willing to spend their money on products that help reduce the carbon footprint on the planet.
- What is certain is that there is still no methodology that clearly explains the **carbon footprint** on the planet—one that explains what we need to do, or how to measure it. The only thing we know is that the consequences are serious and that there are an increasing number of us trying to do something about it.
- Another tendency of companies aimed at the green supply chain is **package redesign** to make packaging eco-friendly, or even to eliminate packaging if possible.
- Another topic is **energy saving**. There is a wide variety of serious problems in the energy sector that increase the consequences of the high consumption of energy, especially in the production and growing of certain products. The good thing is that in the long term, there are a number of areas of opportunities that can be improved here. They just need a large economic investment, and probably in many cases, it is necessary to completely recreate companies' supply chains so that the results would be economically and environmentally positive.

Sintec:

In regards to Latin America, what can countries do to begin to take action to help the environment?

Charles Corbett:

- This is a very good question, and my first reaction is to say that it is very risky to try to generalize in just one answer for all of Latin America. If we ask a person in Mexico, in Chile, or in Brazil what the main problems are, we would get many different answers.
- For example, in Chile, some of the most exported products are perishable items like salmon and wine—food products and items obtained directly from nature. So, for them the main problem is the depletion of natural resources, a situation that in the long term impacts the quality of life of society.
- Brazil also has a strong participation in the food sector, but in comparison to Chile, Brazil is known for exporting what are considered basic products. The main question for this country is what will happen in the future with the general conditions required for the products. Would Brazil be able to comply with these? Would their products be accepted?
- The country is also facing a problem with regards to deforestation of the jungle—a topic of concern that has reached a worldwide level. They have begun considering incentives to help recover and preserve the jungle.
- Then there is Mexico, a country that exports a large quantity of electronic parts due to the availability of labor and the setup of maquiladora assembly plants. This situation has made Mexico stand out in the automotive sector as well. Still, there is currently a preference change with consumers who increasingly demand products—especially vehicles—that are environmentally friendly. Included here are the big foreign companies that buy automobile parts and who demand products and parts that comply with regulations and specifications applying to certain ecological requirements. This also has a positive impact in that it joins people and governments together as they work towards an environmental culture.
- Confirming my answer, and as I mentioned, although all of Latin America is taking sustainable actions to help save the planet, it is not the responsibility of just one to create a positive environmental impact. Each country must focus precisely in its own current situation, and the companies in each country must work on specific strategies depending on the needs and requirements of their supply chains.

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