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Nada Elmasry
n.almassry@hotmail.com

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Invest in Sustainable Supply Chains

By Nada Elmasry

“Organizations that get it understand that you can reduce your cost by reducing your environmental footprint.”

-Roger Eacock¹

In recent years, the word “sustainability” has become a buzzword that businesses use to describe their organization’s strategy. Expectations for the products and services that consumers buy have increased. Consumers used to pick their products based on quality, cost, and brand. Consumers now expect businesses to implement sustainable measures that create a small environmental footprint. One way organizations are doing this is by investing in sustainable supply chains.

Companies should manage and improve their environmental performance throughout supply chains. By managing and improving environmental performance, companies will conserve resources, optimize processes, and save costs.² The following three points are benefits that come with having a sustainable supply chain:

1. Manages business risks
2. Increases efficiencies
3. Creates sustainable products

Manages Business Risks

Implementing sustainable supply chains enables businesses to manage their

risks. Steven Swartz, who is a consultant at McKinsey & Company, explains how companies that enforce sustainable practices in their supply chains can reduce business disruption from environmental, economic, and social impacts.³ George Kell, an executive director at the UN Global Compact Office, discusses how businesses that set regulations with their suppliers and manufacturers on which environmentally friendly materials to use are less likely to face supply chain interruptions.⁴ Mitigating these three risks enables businesses to meet their customers' demands without having delays in companies' supply chains.

With sustainable supply chains, businesses can also protect their brand image and reputation. Aron Cramer, president and CEO of the UN Global Compact Office, suggests that when consumers are aware that companies care about corporate impact on the environment consumers are more likely to stick with that company.⁵ BCG energy consultant, Maurice Berns, explains that having sustainable supply chains gives businesses a competitive advantage because consumers are more likely to purchase a product or service from an environmentally conscious business.⁶

Businesses use the triple bottom line, which is a term coined by John



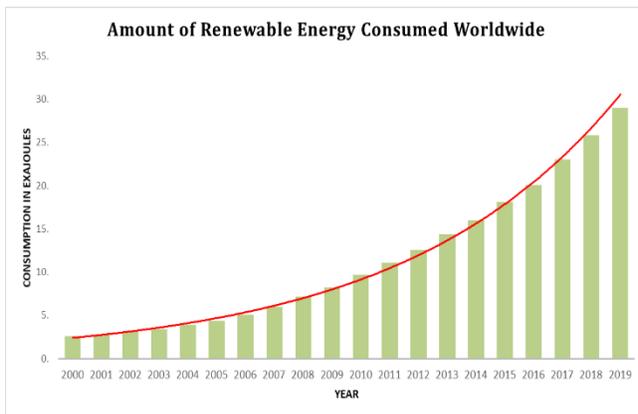
Source (Elkington, 1993)

Elkington, to not only focus on making profits but also to improve the lives of people and to sustain the environment for future generations.⁷ Businesses reach sustainability once they reach all three.

Increases Efficiencies

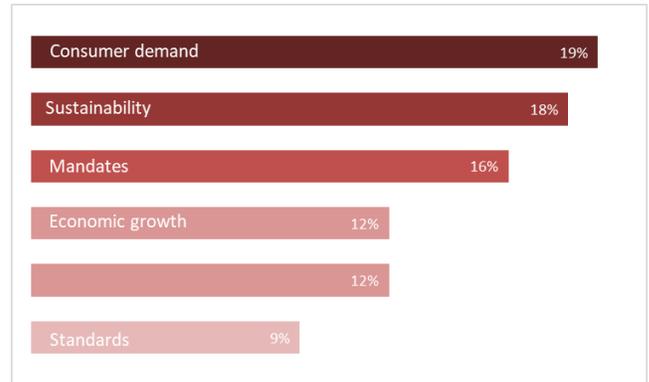
The efficiencies of a company increase when it can implement a sustainable supply chain. Companies that implement sustainable practices minimize the cost of resources, energy, and transportation. Sustainability efforts focus on reducing high costs that come from using non-renewable energy such as gas and oil.⁸ Companies can reduce those costs by using renewable energy.

In the last 20 years, global consumption of renewable energy has had an impactful increase. Figure 1 below shows that in 2019, consumption levels of renewable energy reached 29 exajoules, which is almost 11 times the amount consumed in the year 2000.⁹ To put this into perspective, 29 exajoules is equivalent to saving 4740 million barrels of oil. Even though renewable energy is rapidly increasing, it is not consumed as much as nonrenewable energy methods



such as coal and natural gas.

Christina Nunez, a writer from the National Geographic, argues that renewable energy is the fastest-growing energy in the world because of benefits that it provides.¹⁰ Organizations that use renewable energy have a smaller carbon footprint than those that use nonrenewable energy. This reduced carbon footprint decreases pollution and combats climate change. Businesses that use renewable energy have a more reliable, price-stable power source.



To continue growing both feasible and sustainable energy systems,

Figure 1- Global Consumption of Renewable Energy

governments need to implement procedures to encourage the use of renewable energy sources. Using renewable energy in infrastructure and organizations will be required to help execute this plan.¹¹

With increased efficiencies in sustainable supply chains, labor throughput will also rise. Companies can reduce costs by using their employees, machines, and resources to the fullest capacity. This will in turn improve the overall productivity of the business.

Figure 2- Consumer demand is the #1 reason to invest in sustainable technology

Creates Sustainable Products

Companies that improve their sustainable performance create sustainable products. Businesses are creating innovative products and

services that use fewer materials and have easier disposal methods.¹²

Consumers are becoming more aware of the negative effects manufacturing and supplying sources can have on the environment. As consumers become more aware of the gas emissions and waste created by supply chains, customers have updated their preferences. Over the past few decades, sustainability has become a priority for consumers. Figure 2 below demonstrates the top six reasons to invest in sustainable technologies.¹³ Consumer demand and sentiment are the leading reasons why an organization should invest in sustainable technologies.

In 2015, the company Nielson conducted surveys in which consumers reported that they want more sustainable products.¹⁴ Consumers are becoming more aware of topics such as climate change and global warming, which influence consumer purchasing habits. Consumers are changing their purchasing habits by understanding that the power to influence companies to become more sustainable lies within their dollar bills.¹⁵ In those surveys, consumers said they are willing to pay more money for sustainably produced products. The idea of buying sustainable products is attractive to consumers even if it is not their biggest priority in purchasing an item.

Companies need to understand customer demands for sustainable products.¹⁶ As the demand for sustainable products increases, companies need to balance that with convenient and reasonably priced products.

Conclusion

Companies can reduce negative environmental impact by investing in sustainable supply chains. Sustainable supply chains will help businesses conserve resources, enhance processes, and reduce costs.

Companies should invest in sustainable supply chains to manage business risks, increase efficiencies, and create sustainable products.

I hope that after reading this article you are able to understand the importance of having a sustainable supply chain.



End Notes

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