

# The Transformational Company Guide

## Quality #12 - Value Chain Influence



For more information on the new business leadership standard visit  
[www.cbsr.ca/transformationalcompany](http://www.cbsr.ca/transformationalcompany)

**HOW**  
YOU DO IT



Transformational Company Quality

## # 12: VALUE CHAIN INFLUENCE

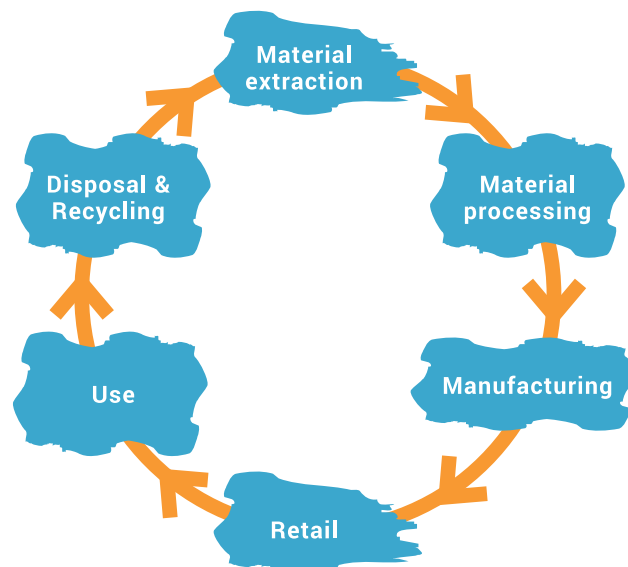


*Transformational companies take responsibility for, and influence, the sustainability outcomes of their value chain, both up and downstream of their operations, and across regions and sectors.*

### WHAT IS IT?

Progressive businesses go beyond reducing their operational social and environmental footprints to improving the social and environmental impacts of the full life-cycle of their products and services, from extraction and harvesting, through manufacturing, to distribution, use and end of life (see diagram below). They go beyond their four walls to pursue business-to-business “B2B” (business to business) sustainability collaborations benefitting themselves, broader industry and society as a whole. They partner with suppliers and business customers in key impact, dependency and opportunity areas to improve supplier and customer practices and the social or environmental dimensions of the products and services they sell. They realize that their business model cannot be described as just one business, but as a configuration of several players with aligned interests and incentives and that they are in an interdependent relationship with their business partners, which rely on one another for their mutual success. In other words, they have a “shared value chain” which requires investment and continuous improvement for all parties to achieve ongoing commercial and social results.

**Value Chain depicted as a circle to reflect circular economy and closed loop**



## WHY IS IT IMPORTANT?

To enable 9 billion people to live well within planetary boundaries companies need to work with suppliers and business customers to transform the way products and services are produced and consumed. Typically the most significant sustainability impacts are not found within a company's operations, but in the environmental and social practices of its suppliers and in how its products are transported, used and disposed. Global issues such as climate change, water stress or social inclusion are highly complex and difficult for any one company to achieve substantial progress on its own. By influencing their value chain, businesses are able to hasten the transition to sustainability. Through value chain engagement faster market transformation to sustainability is possible.

A more sustainable value chain can provide a number of business advantages, including:

- Maintain access to resources and assure continuity of supply
- Meet changing customer and regulatory requirements
- Advance innovation, create new products and business models and expand into new markets
- Develop stronger business partnerships and improve stakeholder relationships
- Access expertise, competencies, perspectives and assets not available internally
- Create external conditions for future success
- Pool risk and investments, enhance efficiency and lower costs
- Build competitive and first-mover advantage

By collaborating with external partners to create the conditions for their future success and to tap into assets and capacities they don't have, leading businesses can foster commercial and societal success. [Research](#) into value chain engagement on carbon reduction shows that companies that engage with one or more of their suppliers, customers or other partners are more than twice as likely to see a financial return from their GHG emissions reductions investments, and almost twice as likely to reduce emissions, than those who do not. Business partners also gain innovation and competitiveness benefits from their participation.

### Why BASF, a global chemical company, is influencing its value chain

New laws and standards regarding carbon emissions and other sustainability topics are being implemented, or look set to be enacted, all over the world. At the same time, there is growing market uncertainty about the cost of raw materials and the availability of natural resources. Finally, the end consumers are evolving their expectations about the goods and services they purchase. Increasingly they are holding brand owners and companies to a higher account in terms of materials that go into consumer products and the way those products are made. In short, for BASF and for its customers, creating more sustainable products and services makes good sense to achieve long-term business success.

[Source](#)



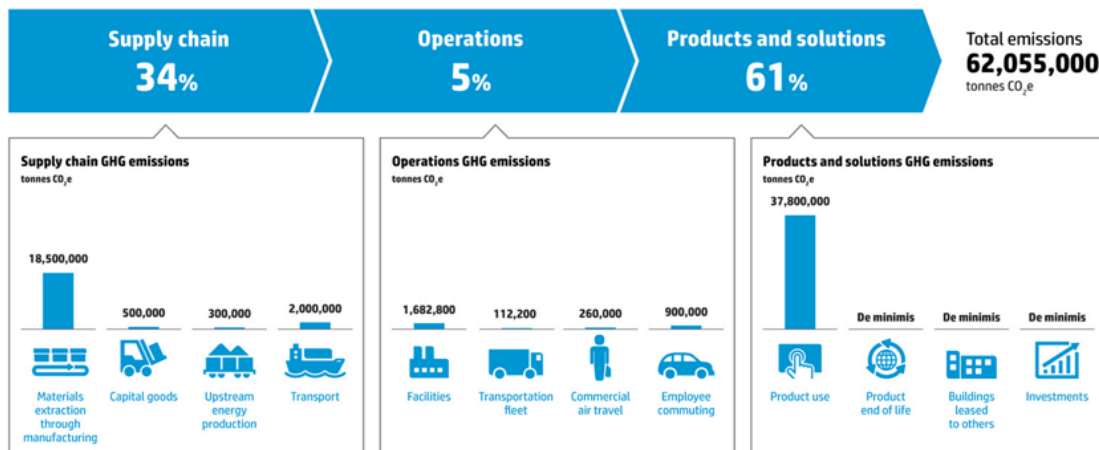
## HOW TO DO IT?

There are five steps to improving the sustainability footprint of your value chain once executive level commitment is secured:

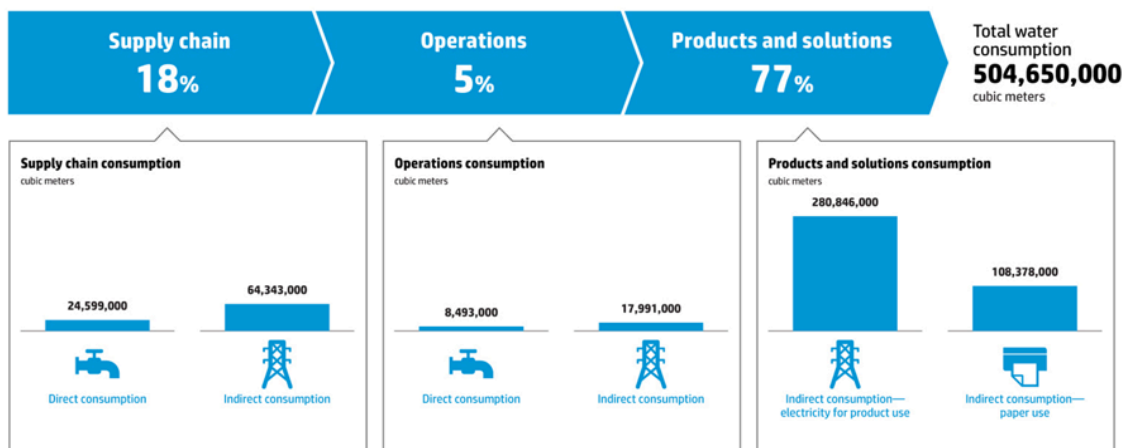
1. Describe, map and analyse the process by which your product or service is produced, consumed and disposed.
2. Identify actors in the value chain (e.g., suppliers and customers) and other affected stakeholders.
3. Identify the social and environmental “hot spots” (priority focus areas) with the greatest impacts or opportunities for improvement. *Tip: some companies publish this research as thought-leadership for their sector.*
4. Consult stakeholders and business partners for their priorities and potential solutions.
5. Initiate collaborations to advance innovation and unlock new ideas and opportunities with key business partners depending on the opportunity area. *Tip: take time to build shared purpose and foster the transparent exchange of information. Tip: to influence sustainability impacts of suppliers further upstream (called tier 2 suppliers) consider requesting your tier 1 suppliers to inform your buyers of any material impacts in their supply chain and what they are doing about it.*

### HP conducted value chain assessments of the carbon and water impacts of its products:

HP’s Carbon Footprint 2013



HP’s Water Footprint 2012



## Value chain collaboration

To create a sustainable value chain, companies collaborate with their suppliers or customer partners to improve their collective success and the success of the value chain as a whole. They put together roundtables to create the critical mass needed to make change happen. The following are some of the optional approaches companies use to engage business partners up and downstream of their operations.

## Value chain engagement options

Supplier Sustainability Engagement Continuum



The creation of a sustainable value chain often starts by partnering with suppliers or customers in awareness raising, information sharing, consultation, education and data provision, and moves to higher levels of engagement such as providing expertise, building capacity, co-researching, cost-sharing and finally, co-innovation through prototyping, joint ventures, new business model creation, etc. Not included in the chart are advanced steps of developing standards, certifications, and joint public policy advocacy.

An advanced company will set and implement goals and targets for sustainability improvements in its value chain and assess and improve the effectiveness of its influence strategies.

## WHO IS DOING IT?

**Coca-Cola** Enterprises has an ambitious carbon reduction 2020 goal to cut “the carbon footprint of the drink in your hand by a third”. Realizing most of its carbon impacts were in its value chain, it launched a three-stage carbon challenge to help its suppliers progress along each stage of their carbon management journey. The challenge starts by encouraging each organization to measure and manage its carbon footprint, then to develop carbon improvement plans and finally to share carbon information. In 2013 the company held a virtual supplier sustainability meeting and webinar to bring together its key suppliers in a collaboration and innovation dialogue, the fourth to date. Following this success the company launched an online sustainability network hub to enable the company to continue to share and collaborate across its value chain. ([Source](#))

**BT**, a UK-based multi-national telecommunications company, equally has an ambitious commitment to help its customers reduce their carbon impact by three times the full carbon impact of its business by 2020. Its 17,400 suppliers represent 64% of its carbon footprint, so BT is starting there. It introduced a Better Future Supplier Forum in 2012 to assess suppliers against global best practices and reward pioneering ideas through an annual Game Changing Challenge competition. As a result of the



competition and its other capacity building efforts, BT reduced the carbon impact of its supply chain by 250,000 tonnes measured against its 2011 baseline. Suppliers are benefiting as well by reducing their employee turnover, accident and illness rates and increasing productivity. [\(Source\)](#)

Click [here](#) for another example of a company using its influence to develop a sustainable value chain.

## ***WHERE CAN I GO FOR MORE INFORMATION?***

- [Collaboration, innovation and transformation: Ideas and inspiration to accelerate sustainable growth – a value chain approach](#), World Business Council for Sustainable Development
- [Value, Unchained](#), Forum for the Future
- Beyond Supply Chains: Empowering Responsible Value Chains, World Economic Forum <http://www.weforum.org/reports/beyond-supply-chains-empowering-responsible-value-chains>

