

# REDUCING ENVIRONMENTAL RISK THROUGH SPM

Philip McVeigh, Biznet Solutions, describes how Supplier Performance Management (SPM) approaches can identify and control environmental and social impacts.

Managing Corporate Social Responsibility is becoming a new challenge for procurement professionals. This is because a well managed and ethically responsible supply chain has now become indispensable business practice. All supply chains have some social impact on the world and, as a result, formal measurement and management of the environmental results of these actions is paramount in achieving a socially responsible supply chain. A company's competitiveness is becoming increasingly dependent on successful collaboration with its suppliers.

The modern era has allowed firms to engage in outsourced production to low cost markets in an effort to gain bottom line results. Consequently, many companies are either sourcing their product directly from overseas or have relocated large portions of manufacturing to developing markets. However, as seen with several highly publicized cases, it is within this supply network that a significant amount of environmental risk can be found.

Companies are accountable for the physical quality and environmental impact of their end product, despite the fact that they have not produced any of the component parts. It is critical during this process that the suppliers' performance is both monitored and managed

correctly to ensure that their behaviour is not endangering corporate reputation.

Management attention of suppliers has broadened from product quality, price and logistics to take environmental and social impacts into account. Undoubtedly, there is an increased need for monitoring and evaluating supplier relations. Senior management are now becoming increasingly conscious of the effects 'reputational risk' can have on their business.

## SPM — A Solution?

Firms are turning to SPM to help mitigate 'environmental risks' on their supply chain. This can play a key role in helping a company develop a more sustainable business model by providing both economic and reputational benefits as it enables companies to monitor, report and manage their suppliers' activities. It also identifies areas of environmental supply risk.

Philip McVeigh says: "Procurement is no longer just about distribution and logistics; we operate in an environment where we are held liable for the malpractices and actions of our suppliers." By providing a holistic understanding of a company's supply chain, SPM can identify the impacts the company has throughout the entire procurement process to the point of sale.

Key Performance Indicators (KPIs) assist the measurement of suppliers across Health, Safety, Social and Environmental (HSSE)

guidelines, encouraging better environmental performance, and thus helping a company reduce its social impact. Examples of KPIs for companies wishing to commence an SPM initiative (depending on the industry) could be Energy Costs Per Unit of Production, Total Waste Disposal Costs, or Raw Material Costs Per Tonne of Product.

SPM will enable a firm to increase the social and business impact of its suppliers through performance driven evaluation. Measurement will help you to improve project value, give an insight into supplier's behaviour, and gain a holistic understanding of your entire supply chain. Furthermore, formal measurement of suppliers can enable a company to formulate risk mitigation strategies to help manage their global supply chains. Unfortunately, these risks are too often ignored — partly because of the perceived complexities of measuring and integrating them into operational decision making.

The ultimate goal of SPM is to achieve strong lines of visibility and communication with suppliers, help to develop collaborative relationships and drive performance forward. Visibility and measurement are becoming fundamental to supply chain success. Through a methodical and incremental approach towards SPM, organizations can reduce environmental supply risk and transform their suppliers into business partners. •

## For further information

Philip McVeigh  
Biznet Solutions  
T. +44 289 022 3224  
[www.BiznetSPM.com](http://www.BiznetSPM.com)