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# Leveraging the **Digital Supply Chain** to Support ESG Goals

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March 2022



# What's Inside:

Introduction .....	3
Climate and the Current Supply Chain Crisis.....	3
The Challenge Facing the Global Supply Chain .....	4
The Eco-Friendly Digital Supply Chain in Action .....	5
Transportation Management: a Highly Progressive Approach.....	5
Materials Management: Current Standard and Mainstream Approach .....	5
Facilities Maintenance Management: Emerging Approach.....	6
Recommended Approach to Shift into Eco-Friendly Supply Chain Transformation.....	6
SDI: The Digital Supply Chain Company.....	7
About the Author .....	7



## Introduction

*In today's reality of extreme weather and dramatic climate shifts, environmental sustainability is one of the single greatest challenges facing the current and next generation.*

*There is increasing regulatory pressure and expectation that companies should report on their environmental and social governance (ESG) performance.*

*How a company operates regarding the planet (and its people) has increased in importance because socially conscious consumers, employees and investors now use ESG criteria to screen organizations, making sustainability performance the competitive differentiator of the future.*

## Climate and the Current Supply Chain Crisis

With ESG matters increasing in the spotlight, sustainability, ethics and a business's ability to govern them are becoming an essential business practice.

- **59%** of US consumers say a company's purpose and values play an important role in their purchasing decisions.
- **44%** of Millennials and 49% of Gen-Zs claim to have made choices about the type of work they are prepared to do or organizations they'd work for based on personal ethics.
- **61%** of Generation Z feels "very or extremely" worried about the future, citing concerns such as climate change.

**Extreme climate is extending the current supply chain crisis**, driving organizations to assess the reliability, efficiency and resiliency of their supply chain. The ability to evidence strong ESG credentials positions retailers, manufacturers, and other multi-site facilities management (FM) organizations strongly against competitors. Top organizations are increasingly leveraging digital supply chain management strategies and emerging technology to drive environmental sustainability as a measurable performance goal.





## **The Challenge Facing the Global Supply Chain**

Inefficiency in the supply chain can have an enormous impact on the environment. The rise in consumerism and **the need for immediate gratification** that is driving rapid adoption of eMobility and mobile procurement technology is increasing the need to address it sooner rather than later. For example, warehouse and inventory accuracy levels decrease because of supply chain disruptions, triggering more stock outs and spot buys. This, in turn, increases demand for these critical supplies. With decades of demand to meet, suppliers start extending lead times, ports experience blockages, and shipping containers become a rare commodity - which all result in higher transportation costs. Higher transit costs lead to less efficient routes in greater frequency.

To compensate, larger multinational organizations are **securing their own ships** to move cargo (a trend we are already seeing). More ships and trucks in circulation increases emissions and the carbon footprint overall, which in turn increases the planet's temperature and causes more extreme weather that causes more disruption to the health of the global supply chain.

Now quantify this chain of events across multiple industry sectors, with multiple organizations, each having multiple facilities and stores to maintain, each having their own array of parts and demand for materials and supplies that they have little to no visibility into and each part has its own packaging... Although our current situation seems overwhelming, **if each organization starts** by doing what's necessary, together we can achieve the impossible.

Bringing supply chain into the environmental sustainability conversation is a must, and having visibility into how your MRO and spare parts supply chain impacts business outcomes is key. **Digital supply chain transformation** can reduce an organization's environmental impact while improving business outcomes.

MRO supply chain and spare parts management has real impact both upstream and downstream:

- *Total cost of ownership of production and facility assets*
- *Actionable data on material, supplies and part spend*
- *The ability to tie spend data into service/work order data*
- *The impact of asset uptime and technician productivity on throughput*

Now more than ever organizations must **leverage their MRO and FM spare parts supply chain** to support environmental sustainability. SDI has helped hundreds of businesses in nearly every industry reduce their carbon footprint and save money through implementing sustainable supply chain strategies. Then what are the recommended steps to jump-start an eco-friendly digital supply chain transformation strategy?





## The Eco-Friendly Digital Supply Chain in Action

The pandemic proved and exposed inefficiencies in nearly every supply chain, environmental disruptions like this only further the case for organizations to harness the power of digital transformation and optimization. Conveniently, the **key trends** driving digital supply chain transformation strategies also drive environmental and social governance (ESG) goals in transportation, materials, and facilities maintenance management.

## Transportation Management: a Highly Progressive Approach

Leveraging transportation management to impact ESG goals is a highly progressive approach. While the costs to implement may be higher, **the impact on ESG is also high**. Some ways managing transportation impacts environmental and social governance initiatives include:

- Reduce costs and improve service with streamlined transportation management processes.
- Track emissions across short- and long-term views to see where key problem areas lie.
- Reduce fuel use and switching to cleaner fuel and energy sources to reduce pollution levels.
- Improving working conditions for drivers and other workers with regulating hours, safety measures, and health initiatives.
- Embracing new supply chain tools and innovative technology designed to track, trace and improve shipping.



## Materials Management: Current Standard and Mainstream Approach

Improving materials management processes is the current standard and mainstream approach to incremental ESG improvements. While there are increased costs, the impact on ESG produces a rather minimal return, while **business processes** are improved overall.

- Automate systems and platforms to integrate into the system for improved efficiency.
- Examine the production chain, streamline packaging and identify materials that could be reused or recycled in environmentally responsible ways.
- Convince suppliers to ship parts in reusable containers such as styrofoam packaging and incentivize savings to organizations to send back for multiple uses.
- Recycle cardboard, paper, aluminum cans, pallets and some plastics, like polyethylene and polypropylene.
- Developed protocols to separate recyclable materials, address employee-generated food waste and incinerate excess to generate energy.



## **Facilities Maintenance Management: Emerging Approach**

The emerging approach to driving towards ESG goals is in more strategically managing maintenance supplies for facilities – whether production facilities, schools, or retail sites. The costs reduce over time, and the impact on environmental initiatives produces a rather **high return due to the visibility** and increased control.

- *Streamline sourcing and procurement processes to promote sustainability and supply chain resilience.*
- *Improve warehouse management with optimized planning and automated processes around forecasting, allocation, and replenishment.*
- *Remove wasteful procurement by integrating warehouse inventory into custom catalogues for service providers and maintenance technicians to order directly through.*
- *Leverage spend across multiple facility locations, hold critical spares on site for revenue-generating assets.*
- *Improve FM KPI performance around asset uptime, wrench time, and reduce spending, freeing revenue for ESG performance initiatives.*

## **Recommended Approach to Shift into Eco-Friendly Supply Chain Transformation**

Driving positive ESG performance and reporting confidently on it demands that your organization has the **tools and knowledge** needed to transform your ESG commitments into action. Organizations need to integrate ESG objectives into their operational strategy. My recommendation is to start small by implementing sustainable projects specifically within the facilities maintenance operations

program and quantify the end result into terms of environmental impact. This allows organizations to improve operations while building a business case for climate change. Over time, facilities can **move from reactionary to preventive strategies** and then finally to predictive strategy where ESG performance can grow. Once the FM supply chain is resilient and efficient, organizations are better positioned to explore riskier, higher profile ESG initiatives around material management and transportation that often increase costs as a trade-off for “being green”.

The **standard of cleanliness and efficiency** should come first, reducing waste in energy and materials within your facility and its supply chain practices. Then begin to work on the bigger changes – such as solar panels or IoT-enabled devices – gradually transforming energy-sucking buildings into beautiful, self-sustaining ecosystems.

When organizations shift their operational view of supply chain into terms of environmental impact and efficiency, the metrics and KPIs tracked will naturally be translatable into ESG performance. Consider how powerful it would be to consumers and stakeholders if an organization announced that by **automating communication flows** around procurement and maintenance work orders by implementing digital supply chain technology, they successfully removed 500,000 emails over the course of the year reducing 2,000 kg of Co2. That would be the equivalent of saving approximately 5,000 trees all while reducing maintenance costs and increasing organizational efficiency!





## **SDI: The Digital Supply Chain Company**

At SDI, we're passionate about changing the way people think about and manage their supply chains. **And we've been doing it for over 50 years.** Through best practices and responsible sourcing that reduces the impact of operations on the environment, SDI is a partner dedicated to providing sustained value for our customers. We see it as our responsibility to integrate sustainability into our client solutions and use true state-of-the-art technologies to streamline processes, eliminate waste and increase productivity. Based on your unique goals, targets and vision, we work with you to develop an individual plan that reduces the total cost of ownership for your MRO and FM spare parts supply chain. This involves process improvements, optimized inventory, reduced levels of consumption and cost savings.

### **Benefits of a digital supply chain strategy:**

- *Implementation process identifies and categorizes ALL parts*
- *Best-in-Class Storeroom Operations benchmark tool and processes*
- *Continuous Improvement program for year-over-year savings*
- *One single technology platform across the entire MRO enterprise*
- *Visibility across your entire enterprise*
- *Compliance and consistency across the enterprise*
- *Significant reduction in downtime incidents and other maintenance issues*
- *Detailed KPIs and informational reporting*
- *Enhanced customer service to tradespeople and all stakeholders*

SDI has helped thousands of businesses in nearly every industry **reduce their carbon footprint and save money** through implementing sustainable supply chain strategies. If you're interested in hearing how we've helped our clients and how we can help you, contact us. We look forward to speaking with you!

### **About the Author**

As a Market Analyst and Supply Chain Advocate, **Charnett Moffett** strives to raise awareness on all



things related to the digital supply chain. His research includes a careful study of the impact of supply chain on facility maintenance and multi-site retail facility management operations.

At SDI, Charnett helps to identify challenges facility leaders face

and change the way they think and manage their supply chains. By partnering with other subject matter experts in and outside the organization, Charnett provides thought-provoking commercial insights that emphasize the use of integrated and smart technology centered on continuous improvement for the facilities maintenance, repair, and operations supply chain.





## *The Digital Supply Chain Company*

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1414 Radcliffe Street, Suite 300 | Bristol, PA 19007

**800-322-2644**

[www.sdi.com](http://www.sdi.com) | [sales@sdi.com](mailto:sales@sdi.com)

