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## For Suppliers, the Pressure Is On

By [CLAUDIA H. DEUTSCH](#)

[HOME DEPOT](#) did not sell organic roses this past Mother's Day. Why? There were no cheap local ones available. And the amount of carbon that would have been emitted by shipping cheap ones from Venezuela seemed to eclipse any environmental benefit of avoiding pesticides and such.

"We're working with local farmers to help them grow organically and still be price competitive," said Ron Jarvis, Home Depot's senior vice president for environmental innovation. For now, he added, "we'll stick with conventional roses."

Call it Phase 3 of the greening of corporate America. Companies have turned to alternative energy, bought hybrid fleets and otherwise tried to clean up their own acts. Many have helped customers go green by stocking green products, selling carbon offsets along with airline tickets or offering electricity from renewable resources for those willing to pay extra.

Now they are looking at their supply chain as the next frontier for combating [climate change](#). "Carbon footprint is absolutely new territory," said W. Drew Schramm, a senior vice president at the furnishings company [Herman Miller](#) and a member of the committee on social responsibility at the [Institute for Supply Management](#), a trade group. "We're not sure how we'll measure it, we're not sure how we'll deal with it, but we've told our suppliers, 'Get ready, because we're going to ask you a lot of questions.'"

Environmental experts and supply-chain consultants say they are hearing such comments more and more. "Companies are finally looking at their full carbon footprint and seeking a model for distributing responsibility for it," said Emma Stewart, the director of environmental strategy for the nonprofit group Business for Social Responsibility.

That may be the true goal. But in business, such discussions are rarely couched in terms of sharing blame. Instead, they emphasize how much more efficient — thus, less costly — green operations can be.

"Corporate America has approached this with the attitude of 'green is gold,'" said Daniel

Mahler, a partner at the consulting firm A. T. Kearney. Recalcitrant suppliers will eventually lose business, said John M. Davies, vice president of green technology research at AMR Research, “but first, companies will try to show them how greener practices can make them more viable in the long term.”

The push may soon change the nature of what is on store shelves. In September, [Wal-Mart](#) announced a pilot program with suppliers of seven common items — DVDs, toothpaste, soap, milk, beer, vacuum cleaners and soda — to measure and reduce the amount of energy used in making and distributing them. In marketing and store displays, Home Depot gives preferences to its EcoOptions line of environmentally friendly products, and the company has said it would favor suppliers that came up with a new category of green product, like a recyclable power tool.

Nor are retailers the only ones dangling the carrot. When costs and convenience are comparable, the banking company [HSBC](#) Group flies its employees on the airline with the most fuel-efficient fleet. If that airline costs more, HSBC tries to negotiate a better price before buying the cheaper-but-dirtier tickets. “We want to influence the system long-term,” said Francis Sullivan, deputy head of group sustainable development for HSBC.

In 2005, [General Motors](#) started a pilot program in China in which it shared lessons from its experience in manufacturing and energy efficiency with suppliers, and then asked the suppliers to suggest goals for reducing costs and carbon emissions. It is expanding the program to other countries.

“We focused on best practices at our own facilities first, because we weren’t going to ask these independent companies to do something we hadn’t done,” said Elizabeth A. Lowery, vice president for environment, energy and safety policy at G.M.

[Timberland](#), the shoe company, is reaching even further into its supply chain. Since making rubber is a carbon-intensive process, Timberland is working with Vebram, which makes rubber soles, to use more recycled content. Since pesticides and herbicides can lower soil’s ability to absorb carbon, Timberland is also using more organic cotton in some lines. It has also introduced a footwear line called Earthkeepers, which uses only material that has met strict criteria for low carbon impact.

“If you are going to design carbon out of a product, you have to understand every place in the life cycle that carbon comes in,” said Betsy Blaisdell, manager of environmental stewardship at Timberland.

That is not easy to ascertain. Companies are still grappling with whether to include carbon

emitted in transporting materials to their shops — or from mines and fields to their suppliers' factories — in their own tally of carbon emissions. And verification of a supplier's environmental claims can be difficult.

[General Electric](#), for one, does not include supply-chain emissions when it calculates its carbon footprint. "We've drawn the boundary around activities over which we have operational control, and our reduction efforts are focused within that boundary," said Peter O'Toole, a G.E. spokesman. Earlier this year, A. T. Kearney and the Institute for Supply Management asked 40 large companies about their sustainability policies. Almost 60 percent had a formal policy for their own managers and designers, but only 36 percent had a policy for their purchasing people to follow.

But that percentage seems likely to grow, and could create a headache of its own: what if a supplier's biggest customers differed in their definitions of "green"?

Some companies are addressing that now. Ms. Blaisdell of Timberland said there was "cross-brand collaboration" among footwear companies to "create a common means of evaluating the supplier's carbon footprint." Gavin Neath, senior vice president for global corporate responsibility at [Unilever](#), said that the company was "uncertain as to whether we should be putting direct pressure on our suppliers at this stage." But, he said, Unilever is talking to competitors about collaborating nonetheless.

"Unilever has 10,000 suppliers across 65 countries, and auditing them all would be a lengthy, laborious process," he said. "And imagine if a supplier got six different questionnaires from six customers."

That worries electronics companies as well. So 30 of the biggest ones have signed on to an Electronics Industry Code of Conduct, laying out what they expect from suppliers in terms of social issues and environmental performance. Many of the companies still work one-on-one with some suppliers on carbon-reduction projects, and few, if any, have handed suppliers ultimatums of go green or else.

But each company uses the same questionnaires and sets similar goals.

"If you're going to make a real difference, you have to let go of your corporate ego," said Bonnie Nixon Gardiner, the global supply chain manager for social and environmental responsibility at [Hewlett-Packard](#), which buys \$53 billion worth of products each year. "Many of us are operating in the same regions, with the same suppliers, even in the same factories, so our voice together is going to be much more powerful."

As environmental questions have gained prominence in private industry, the government has also become involved. In 2004, the [Environmental Protection Agency](#) and the Department of Commerce formed the Green Suppliers Network, through which a small company can learn sophisticated management and manufacturing techniques that can make it less carbon intensive and more profitable. “We don’t go in saying, ‘Go hug a tree,’” said Kristin Pierre, program manager for the Green Suppliers Network. “We say, ‘We will help you be more efficient in the way you use time, labor, materials and energy.’”

That is the line corporations take, too. “We don’t say, ‘Reduce greenhouse gases or we won’t buy from you,’ because it’s better if people see their own interests aligned with greenhouse-gas reduction,” said Susan Tomasky, executive vice president for shared services at [American Electric Power](#), which is encouraging many of its suppliers to let the Green Suppliers Network perform a technical review.

A small number of suppliers are taking steps to go green before they feel pressure to do so. They see it as a pre-emptive strike and a competitive tool rolled into one.

“We know the requests will be coming from our customers, and this is how we can differentiate ourselves,” said David Wright, the innovation manager at the PrimeAsia Leather Company, a tannery in China that has been steadily increasing its use of solar and wind energy and energy-efficient reflective paints. “And we can always go back and demand more energy efficiency from our suppliers, too.”

In fact, many suppliers include “greenness” when they bid for business. Mr. Sullivan of HSBC reports that some office supply companies have been promoting their “carbon neutral” paper. He is skeptical; most such claims are not verifiable.

Yet he welcomes such pitches. If nothing else, they show that the supplier understands HSBC’s focus on climate change.

“If we have two bids that are equal in every other way, of course we prefer the company that seems to share our values,” Mr. Sullivan said. “It’s a question of brand compatibility.”

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