



BSR Conference 2008 | Sustainability: Leadership Required
Driving Change in Global Supply Chains:
New Models for Ensuring Impact

Breakout Session Summary

Wednesday, November 5, 2008 | 2–3:30 p.m.

Speakers

- **Thomas (Tony) K. Brown**, Group Vice President, Global Purchasing, Ford Motor Company
- **Rajan Kamalanathan**, Vice President Ethical Standards, Wal-Mart
- **David M. Schilling**, Program Director, Interfaith Center on Corporate Responsibility
- **Tara Rangarajan**, Managing Director, Advisory Services, Business for Social Responsibility (moderator)

Highlights

- Companies have progressed from thinking about procurement as a set of one-time transactions with many suppliers to thinking strategically about long-term partnerships with a smaller number of centralized suppliers.
- Auditing or policing of suppliers does not drive sustained change, and suppliers can cheat the system. Partnership efforts and shared responsibility with suppliers are needed to improve supply chain social and environmental performance in the long term.
- Partnerships should go beyond suppliers to include competitors, NGOs, and local governments if they are to effectively deal with issues and avoid unnecessary repetition of time-consuming and expensive audits and other compliance-related activities.

Memorable Quotes

- “Suppliers should have an effective internal code of conduct, covering key tenets that are part of Ford’s principles. If not, they cannot expect to do business with Ford in the long term.” —Thomas (Tony) K. Brown, Ford Motor Company
- “In the long term, this [addressing sustainability issues throughout the supply chain] is really going to benefit suppliers, retailers, and end customers.” —Rajan Kamalanathan, Wal-Mart





Business for Social Responsibility

- When working with competitors, “you need to have like-minded people come to the table who can build trust and not be afraid of risks.” —Rajan Kamalanathan, Wal-Mart

Overview

To open the panel, Schilling discussed the development of how companies work with their suppliers, noting that evolution is still occurring. New approaches are characterized by shared responsibility and use of both top-down and bottom-up approaches that involve workers, communities, and suppliers. He emphasized that companies cannot do it alone, and have to work with NGOs, trade unions, and other brands.

Kamalanathan pointed out that NGOs such as Schilling’s have helped Wal-Mart and others develop efforts to address sustainability and supply chain issues, and their questions have helped focus the minds of company leadership. Given a widespread lack of understanding about where products are actually made, the company faces challenge in achieving greater transparency and ownership from manufacturing suppliers on labor issues. He also emphasized the need to work with buyers and others within the company to make sure they are on board with supply chain goals.

Brown pointed out that businesses tend to focus on competitive issues in high-volume purchasing from suppliers (obtaining items at the right cost, time, quality, and location), but they also have to make sure to conduct business consistent with the policies of the business, including those related to human rights and working conditions. To make sustainability efforts a part of the company fabric at Ford, operational buying and engineering personnel do a corporate social responsibility rotation to increase their exposure to relevant issues.

Schilling emphasized the need for workers in China and elsewhere to gain a greater understanding of, and participation in, supply chain and labor rights issues. He stressed that working with unions will help companies build long-term sustainability into their operations.

Speakers were asked where they would like to see supply chain work in five years. Schilling responded that there should be well-developed networks to address issues throughout the supply chain so they don’t have to be addressed in an ad-hoc fashion. Kamalanathan emphasized the need for development of a smaller, better supplier base that treats workers appropriately and addresses both social and environment issues. Brown closed by stating that these issues should be woven into the way business gets done.

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