

The Supply Chain Leadership Ladder

A Maturity Model for Supply Chain Sustainability

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Introduction

Leading companies recognize that their global supply chains can be a key asset or a major risk, both in terms of the business value that they represent and their potential impacts on society and the environment. Companies want to gain visibility into the risks and underlying drivers of uncertainty and challenges within their supply chains. This is both smart business and, increasingly, a business imperative. Regulatory requirements such as the California Transparency in Supply Chains Act and the UK Modern Slavery Act have shifted expectations for sustainable supply chain management from voluntary activities to mandatory actions and disclosures.

Many companies have taken up this challenge by implementing programs and practices that manage the uncertainty in their supply chains. These programs are designed to promote transparency, identify risks and root causes in ways that are not elsewhere evident, and unlock business value in forms such as better supplier partners, enhanced resilience, and overall better products and services. Whether they call the program “supply chain sustainability,” “responsible sourcing,” “responsible supply,” “sustainable procurement,” or another name, BSR member companies know that these programs help them identify and manage risk and generate business value. This is also supported by evidence from the research community. Numerous studies have identified a quantifiable link between engaging in supply chain sustainability and business benefits, such as an increase in revenue and stock price, cost reductions, and a boost in brand value.¹

To support companies in their efforts toward supply chain sustainability, BSR has developed a maturity model, called the Supply Chain Leadership Ladder, to clarify “what good looks like” from our point of view. BSR’s perspective on supply chain maturity is informed not only by our 25 years of leadership in supply chain sustainability, but also by our research and advisory work with companies on business strategy, human rights, climate change, and inclusive economy. The ladder takes into account the practices that are working and those that are best positioned to drive impact. The ladder is applicable across industries but recognizes important differences among companies in terms of their risk tolerance, ambition level, and orientation toward tackling global challenges.

¹ World Economic Forum, 2015, “[Beyond Supply Chains](#)”; Oxford-Arabesque, 2015, “[From the Stockholder to the Stakeholder](#)”; EcoVadis, INSEAD, and PwC, 2013, “The Value of Sustainable Procurement Practices.”

Context for the Leadership Ladder

GOOD PRACTICE

Companies in consumer-facing industries with significant manufacturing supply chains, such as retail, apparel, food, and consumer electronics, were the pioneers of supply chain sustainability, and they have a long history of supply chain and social compliance programs with common elements. More and more, we are seeing companies in industries that have not traditionally had supply chain sustainability programs, such as power and utilities and financial services, beginning to adopt the same core program elements of companies in these pioneering industries.

In some ways, the collective journey up the supply chain leadership ladder has been fruitful. Many of the core program elements, such as supplier capability building, women's empowerment, and multi-stakeholder collaboration, represent good practices that are likely to contribute to the positive impacts we all seek to achieve. Businesses have realized some reputational benefits from putting these programs in place, and we are aware of a number of instances where companies have reported that their programs helped them to identify risks and avoid high-profile industry scandals.

However, some of the core program elements have not delivered the impact that companies seek to achieve. There are still examples every day, on every continent, of workers facing threats to their health and safety and working long hours for insufficient pay. Many factories, farms, shippers, and other actors in global supply chains remain vulnerable to the risks of climate change, and many companies have not yet taken steps to understand these risks or reduce their emissions contributions. In addition, we see that supply chain sustainability programs are often still too separate from core supply chain functions, such that businesses are not generating the true value from their efforts. Companies must reexamine their core sustainable supply chain practices and orient them toward impact, alongside business continuity and value.

THE IMPACT WE ARE TRYING TO ACHIEVE

Across industries, supply chains are the engines of today's global economy, serving to deliver goods and services around the world. Supply chains also serve to connect businesses and the individuals who work for them across geographic, industry, cultural, and regulatory boundaries. Considering the increasing global population, the growing number of global migrants, income inequality, and the changing climate, supply chains are a natural place to address some of today's most pressing challenges, and to gain business value in the process.

BSR's vision is a future where supply chains are inclusive, resilient, and transparent. Inclusive, meaning creating value for the people participating in them; resilient, meaning climate-resilient and environmentally restorative; and transparent, meaning following practices that are readily verified—as technology enables supply chains to be traceable and transparent—whereby companies and stakeholders are confidently reporting their practices and impacts.

The Supply Chain Leadership Ladder

A MATURITY MODEL FOR SUPPLY CHAIN SUSTAINABILITY

BSR's perspective is that the maturity of company's supply chain sustainability efforts is defined by the extent to which a program is designed to exert the greatest positive impact on the most critical areas of the supply chain, while also delivering on the company's performance ambition. The higher a company climbs up the ladder, the more likely it will have a positive impact and gain value from its program.

The design of BSR's maturity model is aligned with key aspects of ISO 20400, the international standard on sustainable procurement, as well as with industry maturity frameworks, such as the Responsible Sourcing Journey, developed by AIM-Progress, and the EICC membership model.

Maturity can be evaluated through both internal- and external-facing program dimensions. Internal dimensions include the level of integration into the business, as represented by the program scope and structure, as well as the governance model that supports program management and strategy. External dimensions include the sophistication of supplier engagement approaches, the level of transparency in reporting, and the depth of engagement in relevant collaborations and networks. The quality of the program, such as the level of integration into the business and the expected and demonstrated program impacts, indicates program maturity, while the quantity of activities, such as the number of supplier audits a company carries out, does not.

The Supply Chain Leadership Ladder includes four "rungs," or levels, which we illustrate here at a high level and describe in more detail on the next page.

Figure 1. BSR Supply Chain Leadership Ladder



Figure 2. BSR Supply Chain Leadership Ladder Details

LEVEL		<i>Program scope and structure</i>	<i>Governance and management</i>	<i>Supplier engagement</i>	<i>Collaboration and reporting</i>
1	Defining	We have clear visibility to all Tier 1 vendors, and a high-level understanding of raw material procurement (e.g., to the farm, mine).	We have set minimum expectations for suppliers, which are understood within some supply chain and procurement-related groups and functions in our corporation.	Our suppliers understand our standards and expectations and provide basic information.	We understand we need to collaborate and learn from and with others, and are reporting publicly on basic aspects of our program.
Building Awareness	Statement:				
2	Defining	We have created a robust approach to ensure compliance, including tracking compliance, monitoring issue trends, and setting goals based on our minimum standards. We have visibility to all Tier 1 vendors and some beyond Tier 1.	We are aligning strategies, tools, and incentives across relevant teams (procurement, compliance, sustainability) to reinforce standards and to operationalize them.	Our approach to supplier engagement reflects a holistic view of social and environmental issues, and we provide capability building to support suppliers in achieving compliance and beyond.	We understand collaboration requires give and take, commitments, and participation. We actively engage in the collaborative initiatives that we participate in, adopt collaborative processes internally, and help hold others to account. We report specific details of our program activities and findings.
Assuring Compliance	Statement:				
3	Defining	We evaluate the risks and opportunities in our supply chain, including those that occur beyond Tier 1, and use this information to formulate our strategy.	Our management approach firmly addresses our sustainability priorities as an integrated element of our overall purchasing/supply chain engagement. Governance of the program is at the highest level of the organization.	We engage our supply chain on both the broader key risks and opportunities as well as on our vision of leadership to invite participation, engagement, and alignment.	We understand our broader supply chain work impacts global goals (e.g., SDGs) as well as local communities and individuals. Our transparency and engagement in these global processes demonstrates our commitment and alignment. We report on key issues, such as climate and human rights.
Managing Priorities	Statement:				
4	Defining	We have a clear and robust program strategy that is aligned with our business and sustainability goals and is designed to address our greatest risks and maximize opportunities to generate business benefits and positive social impacts.	Our strategic approach is enabled through integrated action and participation of senior management and internal systems and tools that embed our strategy into our business processes.	Our supplier engagement approach reflects our vision of the supply chain as a force for business success and positive social impact.	We understand resolving root causes of key issues in our supply chain requires both engagement at the local community level and at the regional or global level, and that collaboration is key to increasing our leverage and impact. We participate appropriately based on our strategy. We report transparently on all aspects of our program and actively seek opportunities to share our learnings.
Driving Impact	Statement:				

While our aim is for the detailed paragraphs in figure 2 to be clear enough for companies to recognize which one best describes their programs, BSR maintains an even more detailed set of core elements that make up each of the boxes. We use these core elements to provide benchmarks to our members of their programs.

HOW TO USE THE SUPPLY CHAIN LEADERSHIP LADDER

BSR has designed this framework such that all companies can assess their approach to supply chain sustainability, and decide how to improve their programs. There are three simple steps to the process:

1. **Benchmark** the internal and external dimensions of your program against the impact ladder, asking a set of questions that fall under each “defining statement” to determine where on the ladder the company falls for each of the four dimensions.
2. **Set ambition level.** A company must then determine where it wants to be on the ladder for each of the dimensions, by considering its own context and landscape. There are many internal and external drivers that can help to determine the ambition level. For example, there may be a significant change to the overall business strategy that has implications for supply chain, or customers may start asking for more detailed information about the supply chain, or a regulation could be enacted that by its nature requires more direct management of the impact in a company’s supply chain.
3. **Devise a plan.** Using the series of common elements of the different “rungs,” a company can then devise a plan to get to the next rung.

BSR has seen how companies can make changes, and we have also seen how difficult it can be to move up the ladder. Different companies will have different ambition levels and different time horizons in which changes can be made. What is certain is that changing the internal dimensions—how the program is scoped and structured, and how it’s governed and managed—will be easier than the external dimensions, but it is imperative that all companies strive to move up the ladder across all dimensions over time.

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At Unilever, we believe sustainability is integral to our business and we continuously challenge ourselves to ensure our practices are delivering both our business objectives and a positive social and environmental impact. By working with BSR on identifying best practices and benchmarking our social sustainability approach in Supply Chain, we were able to improve our program, specifically to ensure that the governance structure would have the desired impact.

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—Marcela Manubens, Global VP for Integrated Social Sustainability, Unilever

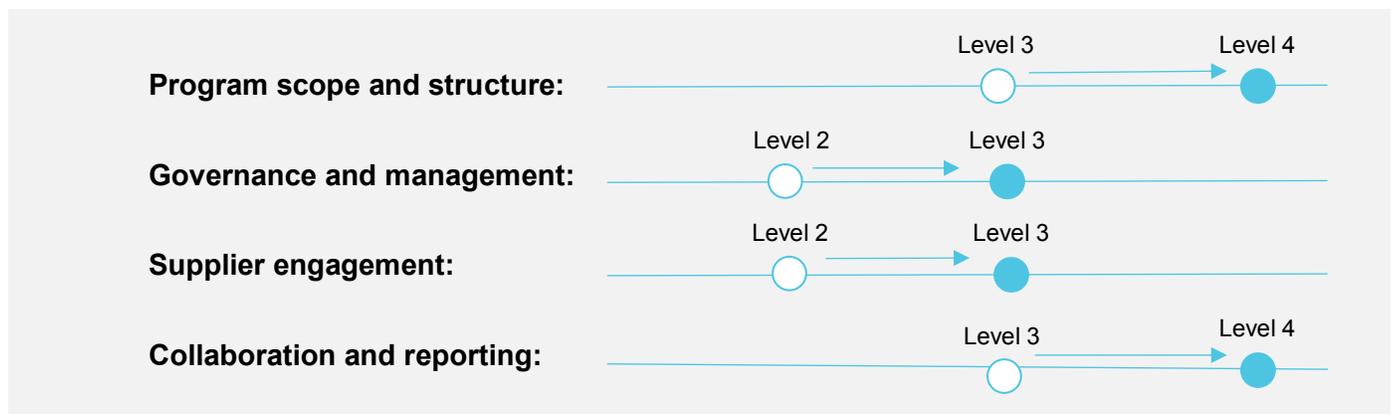
In the example below, Company X ranked its program and determined that the company was between levels 2 and 3 on the ladder for all of the dimensions. Company X then developed its ambition level, and planned a set of actions to get from the current state to the desired level of impact.

As stated above, there could be multiple reasons why a company would want to move up the ladder. In this particular example, the move from “managing priorities” to “driving impact” on two of the dimensions could be because a company sees the opportunity to gain brand value from impactful work that it is already doing with its upstream supply chain, such as investing in women workers or improving farmer livelihoods. The move from “assuring compliance” to “managing priorities” on two of the dimensions could stem from a desire to allocate resources more effectively toward high risk/high opportunity activities.

Figure 3. Benchmark. Example of Company X’s position along the Supply Chain Impact Ladder

LEVEL	INTERNAL DIMENSIONS		EXTERNAL DIMENSIONS	
	<i>Program scope and structure</i>	<i>Governance and management</i>	<i>Supplier engagement</i>	<i>Collaboration and reporting</i>
1 – Building Awareness				
2 – Assuring Compliance				
3 – Managing Priorities				
4 – Driving Impact				

Figure 4. Setting Ambition. Example of Company X’s High Level Plan of Where It Wants to Be



Once a company has established its desired impact level, it can then consider the actions to take that will move it up from one rung to the next. In the case of Company X above, moving from level 3 to level 4 on program scope and structure will likely require it to identify and engage in stakeholder-led community programs at a local level in its upstream supply chain. Moving from level 2 to level 3 on governance and management will likely include ensuring that all procurement processes and tools have integrated sustainability aspects, such as language in tenders, automated steps in supplier management/ERP systems, and contract language that requires suppliers to address material sustainability issues.

CONCLUSION

In conclusion, we hope that the Supply Chain Leadership Ladder will help companies from all industries to see how their approach to supply chain sustainability compares to their peers, and what they can do to orient their programs even more toward impact.

During 2017, BSR will continue to work with member companies and others that want to improve their supply chain sustainability programs, and we will continue to benchmark their programs against the ladder. We will be building an anonymized data set of our assessments, which we plan to release later in the year. Periodically we will be writing about how companies are moving up the ladder, providing practical examples for inspiration. Finally, we welcome debate and discussion with all interested stakeholders about this ladder, with the aim of improving it over time.

ABOUT BSR

BSR is a global nonprofit organization that works with its network of more than 250 member companies and other partners to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Visit www.bsr.org for more information about BSR's 25 years of leadership in sustainability.

ABOUT THIS REPORT

This report was written by BSR Supply Chain Managing Director Tara Norton, with contributions from Manager Meghan Ryan and Vice President for Asia-Pacific Jeremy Prepisci.

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