



The Green Ultimatum

What happens when manufacturers tell their suppliers to go green -- or else?

By [Jonathan Katz](#)

Aug. 19, 2009

Getting the Supplier Buy-In

Herman Miller's sustainability program has included nearly 1,000 different suppliers over the past eight years, says Gabe Wing, manager for the company's Design for Environment team. When the company began 12 years ago working with product and process design firm McDonough Braungart Design Chemistry LLC to obtain the firm's Cradle to Cradle environmental certification, most of the company's primary suppliers jumped on board because of their long-standing relationships with Herman Miller, says Kim Buckley, the company's director of supply management. But some of the other companies further up the supply chain, such as chemicals manufacturers that might produce materials used in plastic resins, weren't as willing because of proprietary concerns, Buckley says.

Herman Miller responded by telling suppliers that were reluctant to divulge their chemical ingredients that they would not receive new business from the company if they did not comply. "Two material suppliers in the early 2000 era did not want to give us their chemical formulations, and we said that's fine but realize you're not going to get new business from us," Wing says.

Buckley acknowledges that smaller companies might not be able to pull as much weight during supplier negotiations but says Herman Miller's efforts to build positive relationships with its business partners over the years has helped reduce push-back.

Besides, it's not always the size of the company that counts but also the orders, says Ben Graham, vice president for privately owned packaging manufacturer Bell Inc. Like Herman Miller, the \$68 million company received Cradle to Cradle certification, this time at the request of the U.S. Postal Service, for more than 200 million courier envelopes Bell manufactures for the department.

"When you have huge customers, with large, multiyear contracts, you have big orders," Graham says. "That, of course, is incentive for suppliers to get on board. So when we committed to the U.S. Postal Service that we would achieve Cradle to Cradle certification for the 200 million-plus courier envelopes we manufacture for them, we probably had as much clout as any of the big companies."

Bell's suppliers went through a demanding series of measurements and assessments that included audits of raw materials production, ink, tape, tear string and adhesive. Bell faced similar issues that Herman Miller encountered when notifying suppliers about the process. "While many of Bell's suppliers immediately recognized the value of achieving this goal together, others were reluctant to share their proprietary processes and ingredients, or to risk discovering that they might have to invest in some changes," Graham says. Eventually the company did issue some ultimatums to achieve supplier compliance.

So is There a Payoff?

Most green supply chain initiatives are the result of customer requests similar to those demanded by the Postal Service or Wal-Mart, or government regulations. But can these often grueling processes help a manufacturer's bottom line? Cost savings are possible providing they're not part of customer mandates, says Rob Handfield, a professor of Supply Chain Management at North Carolina State University.

It's not going to occur simply by pushing it down on to people, and saying thou shall improve," he says. "It's really more about identifying the cost drivers in the market, understanding how those cost drivers are impacting the environment and starting to eliminate those factors where possible."

Manufacturers can achieve this by mapping out their supply chains and understanding what goes into their products and where wastes are created, Handfield says. Pharmaceutical and health-care products manufacturer Baxter International Inc. has begun measuring the environmental impact of its top 100 or so suppliers through a sustainability survey.

In 2008 the company modified its request for proposal document to cover information about its suppliers' green commitment and included sustainability language in its standard supplier agreement, says Tina Bova, manager for Baxter's purchasing and supplier management department. The company is in the midst of measuring savings specifically related to its supply chain sustainability activities, but estimates it's achieved an annual savings and cost avoidance of about \$3 for every dollar invested into its overall environmental program.

For Herman Miller's chief executive, the real value lies in customer perceptions. Walker points to the U.S. auto industry and its struggles to catch up to foreign manufacturers that were more proactive developing alternative-fueled cars. "Sustainability is becoming as prevalent in customer requirements as quality was 10 or 15 years ago, and we're at the tipping point of this movement where our customers, at least, are no longer saying it's nice to know you do it. It's a requirement."

Being at the forefront of the sustainable supply chain movement, says Walker, has meant the company can focus on its normal day-to-day business activities rather than scrambling to keep pace with more forward-thinking manufacturers.