Not enough environmentally sustainable business strategies

The Supply Chain Intelligence Report (SCIR) 2009 found that 41.3% of the companies from the major industries the country, including the automotive, food and beverage, mining, construction, transportation and chemical sectors did not have, or had no plans to incorporate metrics to measure their impact on the environment.

TerraNova Research completed this comprehensive study into the supply chain and logistics practises of business in Sout Africa, which saw over 200 senior company officials, from both a strategic and chain perspective, participate in the in-dep survey.

The metrics (key performance indicators - KPIs) listed in the survey included energy consumption from supply chain operations; carbon emissions from supply chain operations; water consumption from manufacturing operations; infrastructure simplification and reverse logistics.

The industries that took part in the survey revealed the following results:

Automotive Industry

Just over one third (34.3%) of the respondents from the automotive industry reported that environmental KPIs are not a current or future KPI. While this is an improvement on the 41.3% for the total sample, it is still alarming that such a large portion of the automotive industry is not planning to implement sustainable business practices. When asked about specific environmental initiatives, just under half of the respondents said that metrics around water consumption and CO2 emission are also not current or future KPIs (47.6% for both).

Commenting on the results of SCIR 2009, Graham Terry believes that since the automotive industry is very much a global industry it is likely that international pressure (particularly from Europe and the US) will cause South African motor companies to monitor and report on the impact their operations have on the environment in the forthcoming years. He is head of the office of the executive president at the South African Institute of Chartered Accountants (SAICA) and the auth of the recently published book 'Green - why corporate leaders need to embrace sustainability to ensure future profitability

Mining and Quarrying Industry

From the mining and quarrying sample 50.5% of the respondents reported that the various environmental KPIs are not a current or future KPI, with energy consumption from supply chain operations (50%), CO2 emissions from supply chain operations (60%), water consumption from manufacturing operations (35.7%), infrastructure simplification (46.7%) and reverse logistics (60%) not being business imperatives for the industry.

"The unwillingness to adopt these new and important KPIs in this sample is surprising considering that mining is one the industries which not only has a significant impact on the environment, but felt a dramatic impact during the country's energ crisis in 2008," says Terry.

Oil, Gas and Chemicals Industries

From the oil, gas and chemicals sample 44.6% of respondents reported that the various environmental KPIs are not a curr or future KPI for them - an amount similar to that of the total sample (41.3%). Despite this poor result from respondents in this industry, 57.1% of this group claimed that environmental issues are an important factor in making decisions for their business. Further research into this sector is required to determine which environmental KPIs this industry considers in th decision-making besides the ones listed by SCIR.

Construction Industry

From the construction sample 35.6% reported that the various environmental KPIs are not a current or future KPI - an improvement on the total sample (41.3%). A third of respondents (33.3%), however, listed energy consumption as not a current or future KPI and 44.4% reported the same for CO2 emissions.

FMCG and Retail Industries

The FMCG (fast moving consumer goods) sector appeared to be only slightly more in tune with the market's concern abou the environment. A third of the respondents reported no plans to incorporate the listed environmental KPIs in their management systems, compared to 35.8% for the Retail sector. When questioned as to which factors are considered important when making decisions about new products or markets, 55.6% of FMCG respondents said that environmental issues are critical in decision making, compared to a significantly lower 38.1% for the Retail sector.

Terry feels this could be attributed to many of South Africa's FMCG companies being a part of multi-national groups, and therefore required to adhere to international standards. Alternatively, he surmised, FMCG manufacturers may be more aw of the changing market and are trying to ensure the longevity of their relationships with their consumers.

Urgent need for green thinking

“The unwillingness of more than 40% of the South African companies that took part in this survey to adopt new and import environmental KPIs is alarming, particularly in the light of South Africa's precarious energy situation and Eskom's recent calls for major tariff increases,” says Terry.

According to Terry, companies that want to get ahead of the rest and position themselves for long-term growth, urgently ne to start ‘thinking' green and developing sustainable approaches to sourcing and supply chain management. “The competiti realities of the current economic environment demand that companies proactively manage new customer needs and expectations, as well as increasing environmental regulations.”

He notes that South African companies manufacturing products to be shipped overseas, or with mother companies abroa are going to find it increasingly difficult to escape international pressure - particularly from the US and Europe - to monito and report on the impact their operations have on the environment.

“Re-assessing a company's supply chain from purchasing, planning and managing the use of materials to shipping and distributing final products, can achieve savings as a direct result of implementing green strategies. Ultimately SCIR 2009 indicates a shift in thinking is required by many South African companies and directors in terms of their sustainability strategies should they want to turn risk into opportunity and improve their competitive advantage in this ever-increasing glo world,” concludes Terry.