

# A Call to Action

This Special Edition offers a unique perspective on the “sustainability” movement in the supply chain, suggesting that **social responsibility, environmental stewardship and regulatory compliance** have passed an inflection point and are producing volatile transitions to “next-gen” supply chains. The original research conducted by our magazine in conjunction with experts from leading companies like IHS suggest that sustainability is not a fixed state but rather a churning maelstrom of discontinuous events like EU RoHS and REACH that are engulfing the processes and suppliers that entire industries rely upon.

The articles in this Special Edition illustrate the escalating stakes of sustainability. The Dodd-Frank Financial Reform bill around Conflict Metals joins legislation like the proposed California Transparency in Supply Chains Act that seek to identify (and restrict) not only “What is in the supply chain” but “Where it comes from” and “Are sources and suppliers acting ethically and responsibly.” These unique requirements add to the growing need for stepped-up infrastructure in this discontinuous shift in order to capture an inordinate amount of information and insight about your supply chain, as well as to audit and certify the authenticity of that information.

The time is now for supply chain leaders to control their own destiny. AMR Research in 2006 noted that responding to increasing regulations by retrofitting existing operations is a sure way to keep costs high without adding any benefit to the consumer. AMR also showed us how supply chain leaders capitalize upon superior responsiveness to market opportunity to grow and, in many cases, acquire or destroy the laggards. The wrong

way to view compliance is a series of high-cost, low-reward, one-off projects. Tackle it as a supply chain risk issue and you may be rewarded handsomely.

If I were to ask a dozen practitioners how much money they saved last year on compliance projects, experience suggests that the majority would look at me strangely and grumble about the additive cost of compliance. But if I were to ask those same executives, “How many non-compliant parts do you have that are sole source with no supplier alternatives, and how much customer revenue depends on those parts,” they may not have an answer but alarm bells would start to go off.

“Ninety percent of leadership is the ability to communicate something people want.” This quote from US Senator Dianne Feinstein could serve as a guiding principle for supply chain executives: If you want the appropriate C-level attention, budgetary allocation and investment in people, processes and technology, sell yourself and everyone around you on compliance as a root driver of supply chain risk (and reward). The most common denominator across enabling technology projects is “risk sells.”

The bottom line is this: Sustainability is only in its infancy, but its impact is already being felt. Each new drop in the social or regulatory water has a ripple effect that will impact your ability to drive top-line growth and manage costs. Transparency across your company about your supply chain risk exposure is the mainstay of this new era, and a retooling of your infrastructure to enable this insight will be the difference sinking or swimming in the sustainability maelstrom ahead.

*Do you agree? Let me know? Write me at [areese@sdccxec.com](mailto:areese@sdccxec.com). I'll look forward to hearing from you. ■*



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