

**The Green Suppliers Network brings manufacturers and suppliers several steps closer to meeting sustainability and lean goals.**

# One Green Turn Deserves Another

By Lisa Cooling

**S**ustainability has become one of the main issues facing most CPOs today, and the benefits of focusing on the environment and other sustainable goals are evolving. Yet many organizations are finding that the road to going green can be tricky to navigate in the real world of supply management.

Questions arise regarding the degree of green each supplier brings to the equation. How can you really be certain that they use environmentally friendly components, and how do other parts of their operation measure up? Or, perhaps you already know that cost savings can arise from implementing green changes in production: Are you seeing any of that, or do you feel that there could be missed opportunities? These are just some of the challenges facing proactive supply management professionals today. As sustainability expands its reach further throughout the global market, we can expect even more questions and challenges.

Beginning a sustainability initiative can be overwhelming to any organization. Where do you start? How do you determine what the best practices are? Fortunately, as sustainability proliferates through business, resources for information and assistance are sprouting up in

this new, sustainable world. One of those resources is the Green Suppliers Network (GSN), a partnership between industry, the Department of Commerce, Manufacturing Extension Partnership (MEP) and the U.S. Environmental Protection Agency (EPA) to work with the suppliers of large manufacturers to promote process improvement and waste elimination in their operations.

Mention the EPA to some organizations, and they will describe their fear that the government agency will come into their facilities, scrutinize how things are run and then issue fines for environmental violations. However, the GSN doesn't work that way. While the EPA provides support and funding to the program, at its core the program is designed to help suppliers and manufacturers work together without fear of reprisal or fines of any sort, and to identify opportunities for improvement through waste reduction using a third-party,

confidential technical review.

"Sustainability is essentially a journey, a process. Through the GSN program, you can work with your supplier to find that low-hanging fruit to start the journey right now," says Kristin Pierre of the U.S. EPA in Washington, D.C. Pierre spoke about the GSN program in April 2008, at ISM's A.T. Kearney Center for Strategic Supply Leadership meeting in Washington, D.C. She explains that the EPA is serious about operating the GSN because it "will help businesses to stay competitive, and we want to keep manufacturing and key service industries in the United States. This program shows you can do these things while reducing environmental impact."

The GSN is designed to assist small and medium-sized companies with sustainability and cost reduction, because these are generally the organizations with the least amount of expertise and resources to devote to making sustainability changes. "These companies typically are dealing with



The Steelcase wood furniture plant in Caledonia, Michigan, has benefited from the Green Suppliers Network program.

intense competition just to stay in business, so they can't afford to make mistakes. Sustainability issues are a new area for many suppliers, and they don't always have the required in-house expertise to address them," says Pierre.

To address these fears, the GSN focuses on the fact that the program essentially combines sustainability with lean practices. Materials and energy improvements easily fit into traditional lean manufacturing business models because they cut costs and focus on reusing materials and recycling waste, as well as reduce a company's environmental impact, presenting a strong business case for these smaller organizations.

### Support From Large Companies A Key Element

The GSN program is usually initiated by a "corporate champion," which is usually a large manufacturer. This corporate champion reviews its suppliers and identifies those that are strong candidates for the GSN assessment process, and as a result are more likely to adopt several lean and clean manufacturing practices. The cost to the supplier for this assessment is US\$6,500. For supplier facilities that have less than 500 employees, the EPA provides an additional cost buy-down, so the final cost to the smaller supplier is US\$4,500. While not required by the program, many corporate champions actually offer to pay a portion, or in some cases the entire fee, for their suppliers to become GSN partners. "We're finding that suppliers normally see an ROI of 3 to 1 or greater, thanks to the cost improvement opportunities they are likely to find through the assessment itself," says Pierre.

The assessment is conducted through a third party, the U.S. Department of Commerce's National Institute of Standards and Technology's Manufacturing Extension Partnership (NIST MEP). Each local GSN review team is lead by lean experts from



The commitment to sustainable manufacturing is evident in Steelcase's wood plant — the company's first LEED-certified manufacturing facility.

a local MEP center and an environmental expert from the state. No EPA personnel visit the supplier or the corporate champion. Instead, the GSN assigns local GSN review team representatives versed in the supplier's industry to visit the facilities and conduct the two-to-three-day assessment. All information from these assessments is kept confidential from the EPA and the customer, both of whom do not see facility-specific data. The corporate champion may receive aggregate data about its supplier's performance, but the decision on how much to disclose and actually implement from the recommendations stays with the supplier.

During the assessment, the GSN review team trains the suppliers on how to use the lean and clean GSN tools and apply those tools with the supplier's staff to a product or process line. The team then offers suggestions to address identified issues related to production and the environment.

"It's more about teaching the suppliers how to fish. The assessment can bring issues to light that they need to work on, and point out places where waste might be occurring. For example, the assessor might ask why machines are left on between shifts, but it's up to the manufacturer to decide if they will make any recommended changes and turn them off," says Pierre.

Cost reductions and risk mitigation aren't the only benefits to come from the GSN assessment process. Pierre points out that it also creates an opportunity for the large manufacturer to reach out to its valued suppliers and strengthen the relationship. "It's all in your approach," she says. "Making this a voluntary versus a prescribed activity is a good place to start."

Because both parties are in positions to reap benefits of the program, many corporate champions that have already taken part in the program have found it relatively easy to make the first connection by approaching it from this direction.

One corporate champion that has enjoyed positive results from its participation in the GSN is Steelcase, Inc. in Grand Rapids, Michigan. This global office furniture manufacturer has been nominating manufacturers for the GSN assessment since 2004, near the beginning of the GSN program itself.

"It's such a practical program, and it combines environmental practices, social responsibility and economics — the three things we are concerned about when it comes to sustainability," says Mary Ellen Mika, supply chain manager at Steelcase. "It's immediately helpful to a supplier, and to us in terms of the cost of doing business

through its focus on reducing waste. And it's making a difference in the long term because it's helping improve things for the environment."

### No Two Assessments Are Alike

To begin the process, Steelcase sends an invitation to a supplier to describe the Green Suppliers Network assessment opportunity, including examples of how it has worked for other suppliers so far. Although Steelcase invites all participants in the same way, each time an assessment occurs, it culminates in a different outcome. In some cases, the assessors review the site and find the supplier has more opportunities on the traditional lean manufacturing side. In other scenarios, the recommendations are targeted more toward environmental issues.

Mika says that Steelcase has offered to pay the assessment fee for the supplier, if the supplier would like. At the moment, several suppliers are taking Steelcase up on the offer, but when the organization first began working with the GSN program, it was a different story.

"In the beginning, we didn't have that many takers on our offer to pay for the assessment. Part of that was because we had not made it a complete 'no strings attached' offer. We said we expect you to share the results and some of the cost savings with us. It wasn't the desire for shared cost savings that drove us to 'attach strings,' because we were quite confident that the program was going to yield savings for the supplier and therefore help us in the end, either directly or indirectly. It was more about our desire for information, to try to help improve things in-house for us," she says. "We realized that we might be scaring off potential participants by making our offer to pay for the assessment contingent upon their willingness to share the assessment report and some of the savings realized from the project."

Today, Mika says that Steelcase has dropped those conditions and has seen the program take off. She believed some of the suppliers were already on-edge when

they heard that the EPA was involved in the program. They were also concerned that they could be providing too much information to Steelcase, who might then “swallow up the savings.” The changes in Steelcase’s approach toward the GSN assessment wouldn’t have been possible without support from management, notes Mika. “Management believes in it, and I am not asked to demonstrate, for every assessment, exactly what the savings are. I couldn’t do it anyway since I don’t have that specific data. We only have access to the aggregated data. That level of trust in the GSN program has truly facilitated a lot of positive economic and environmental changes for Steelcase.”

On the other hand, Mika has developed strong relationships with a number of suppliers who do opt to share details with their corporate champion. She even travels to supplier locations to participate in assessments from time to time. “Some of them are very comfortable with having their customer along and sharing all of this information. Others might not be, and that’s fine, too. We simply hope to encourage our suppliers to participate in whatever way they feel most comfortable.”

### A Deeper Dive

At the moment, Steelcase is offering the invitation to its direct, tier-one suppliers of components and finished products. Initially, Steelcase’s supply chain team selected suppliers that were most likely to say yes to participation in the program, were willing to take the perceived risk (“there is no real risk for them,” she notes), showed enthusiasm and seemed likely to benefit from a lean and clean assessment. Going forward, however, Mika says the team may use the GSN program in a more strategic manner to target specific suppliers, such as those that are proposing a cost increase or those that supply components of a Steelcase product targeted for lean and green review.

“When a supplier is telling us that they’re going to have to raise prices, it’s an indicator to us that we should look



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further into the reasons for the proposed increase, and that a GSN assessment could help lean out the supplier’s process to identify cost reductions to offset the proposed increase,” she adds. “For instance, we could say, ‘Before we agree to this increase, we want you to consider going through a GSN assessment and consider implementing some of the opportunities identified to reduce cost and waste, and then we’ll talk about a specific price increase.’”

Utilizing the GSN assessment as a deeper dive tool has helped Steelcase find cost reductions and product innovation opportunities with a number of suppliers, such as Byrne Electrical Specialists. Following the GSN assessment, Byrne gained exposure and knowledge about environmental requirements it hadn’t known about before (for example, European Union regulations such as RoHS, and REACH) and was able to prepare accordingly. Mika says that today Byrne is growing its business, as the lean and clean review not only helped it find cost reductions and comply with industry regulations, it also translated into a marketing advantage and proactive sustainability opportunities because it could capitalize on its environmental initiatives.

Overall, the GSN can deliver identifiable economic savings and opportunities to organizations of all sizes. Pierre says that on average, participating manufacturers have identified about \$585,000 each in cost savings through changes made as a result of undergoing the GSN assessment. “In addition, 15 of the suppliers we have talked to reported a total of \$3.8 million in increased sales. As of April 2008, 27 jobs have been retained and eight new jobs created as a result of the lean and clean reviews,” she notes.

In today’s difficult economy, keeping staff employed also has a strong social impact. In addition to the other benefits of the GSN program, knowing that cost savings can be found without resorting to layoffs can reduce stress for senior management. Even better, knowing that the savings are coming from waste reduction and lean and clean manufacturing processes — opportunities that might have gone unidentified without the GSN assessment — can bring new meaning to the phrase “getting the green light.”

To find out more about the potential benefits of the Green Suppliers Network, visit [www.greensuppliers.gov](http://www.greensuppliers.gov). **ISM**

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