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How a Supply Chain Control Tower Can Help Achieve Corporate ESG Goals

Deploying a supply chain control tower has proven to be an effective solution for achieving ESG goals. Here's why.

January 16, 2022 | By [Ken Koenemann](#), VP of Technology and Supply Chain at [Dploy Solutions](#) a [TBM Consulting Group](#) Company.



Given the current **supply chain crisis** going on around the world, chances are that achieving environmental, social and governance (ESG) goals has taken a bit of a backseat for many U.S. and multinational manufacturers for now. At the moment, simply getting the raw materials they need and delivering product is the single biggest problem to solve.

Despite the logistics nightmare and its profound impact on the overall economy, the Biden Administration remains focused on climate change as a top priority. Even before the COP26 Climate Summit, Biden had issued bold plans to **reduce carbon emissions** from transportation by increasing use of electric vehicles and from industry through carbon capture, plus regulations that **force companies to disclose** how their operations impact climate change. For manufacturers, it's only a matter of time before meeting environmental mandates will take precedence, regardless of whatever else is going on.

In addition to mandates, consumer sentiment and public demand are forcing companies to make ESG goals a higher priority. Studies show that **80% of consumers want more sustainable products**, and **want to buy from companies** with sustainable business practices, which include emphasis on human rights and social issues across the supply chain, in addition to environmental concerns.

This confluence of pressures means that companies really can't afford to wait. Even with logistics issues wreaking havoc on the supply chain, **now is the time** to implement strategies to meet ESG goals before policy and public pressure make it impossible to remain competitive.

Deploying a supply chain control tower has proven to be an effective solution for achieving ESG goals. By providing a real-time method for monitoring, measuring and reporting on key ESG metrics from across the entire supply chain, a supply chain control tower gives companies broad visibility into their ESG performance so they can make decisions and adjustments to optimize operations. Here are just a few examples.

1. Map the shortest routes to limit transportation emissions. According to an EPA analysis, over **75% of greenhouse gas emissions associated within a number of industry sectors comes from their supply chain**, so identifying the shortest routes to minimize travel can make a big dent in lowering emissions. By using a supply chain control tower to tie into freight carrier systems, companies can look at alternative routes for oceanic shipping and even onshore trucking to minimize travel.

2. Consider different modes of transportation. Medium- and heavy-duty trucks, like the millions of semis that haul most of the freight in the United States, account for nearly **one-fourth of all greenhouse gas emissions in the transportation sector**. Meanwhile, aircraft and rail produce only 10% and 2%, respectively.

With a supply chain control tower, companies can look at alternative modes like planes and trains to make the long haul and use trucks only for last-mile delivery to reduce emissions. The control tower provides visibility across multiple modes of transportation to help companies make those decisions based on real-time data.

3. View the sustainability ranking of suppliers. You could be doing really well in your own operations—moving product on electric trucks, recycling, reducing energy consumption and improving working conditions. But, if you're buying from China, where there are no regulations on emissions or employment, it could essentially negate all your domestic efforts.

By requiring suppliers to report on ESG metrics through a supply chain control tower as part of their supplier agreement, companies can better understand where their most sustainable sources are and make appropriate decisions. For example, if a supplier in Mexico outperforms one in China on emissions and recycling, the supply chain control tower provides clear data to make the case for shifting production to meet ESG goals.

Admittedly, implementing some of these ESG initiatives could be a challenge even with the best supply chain control tower technology in place without the right preparation. That's especially true when dealing with countries with far fewer regulations and incentives to comply with the higher standards of the U.S. government and consumers.

To get started, here are three practical steps manufacturers can take to prepare.

1. Decide which metrics to measure. The metrics that matter may differ from one organization to another, but in general, ESG goals around recycling and waste, electricity/water consumption and CO2 emissions are a good place to start. They're relatively easy to measure with hard data, and there's a good chance your suppliers may already be monitoring them.

2. Figure out to measure those metrics. The reality is that digital measurement tools like a supply chain control tower must be the standard. Your suppliers may have never even thought about measuring all of this, or on the other hand, have their own regulatory issues to deal with. Adding manual or paper-based reporting to their task list likely won't win their favor. Instead, giving them sleek digital tools that integrate with their own existing technologies can go a long way toward convincing them to participate.

Consider using tools like a web crawler or Google Alerts to stay informed about suppliers from news, industry trades and other third-party sources. This can give you an external view of how things are going to validate and bolster internal data.

3. Devise a strategy to get buy-in from suppliers. Getting suppliers onboard could be a tough sell, especially if what's important in your part of the world isn't important in theirs. In a competitive marketplace, extreme measures, like making sustainable practices a requirement to do business

with you, runs the risk that your suppliers will say, “it’s not worth it,” and simply walk away. One of the most successful strategies is a combination approach -- incent them with more business and the promise of how compliance will put them at an advantage with other customers and their own regulatory agencies. By participating in your ESG program, they can demonstrate steps to become a good corporate citizen, which will bode well as other markets and governments dial up the pressure on compliance.

While the idea of focusing on ESG goals may sound ridiculous right now amid severe logistics challenges, our government is making commitments for the future. As Biden’s executive order to cut emissions in half by 2030 bares down on manufacturing, companies must begin now to implement solutions to be ready. Supply chain control towers are a quickly implemented and viable solution for a more sustainable future.



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