

Why transparency matters

The past few years have given rise to an exponential growth in transparency across the global marketplace. Ubiquitous social media outlets and extensive search engine capabilities alone have brought in sunlight where only shades of gray or complete darkness formerly existed. This is especially true “up the value chain” to supply chain origins.

Why does this matter? In the name of “sustainability” or “social responsibility,” manufacturers are increasingly being required to disclose their supply chain’s social and environmental impacts. What once represented a “black box” is now becoming a transparent entity.

This change in business practice represents both risk and opportunity for manufacturers.

Risks

- **Product supply.** If one or more of your suppliers is halted or shut down due to environmental or social compliance transgressions, you bear the operational risk of not receiving input materials on time.

- **Product quality.** If one or more of your suppliers is engaging in sub-optimal environmental practices, you take on the operational risk of receiving and utilizing sub-optimal natural resources in your products and services.

- **Brand reputation.** If any of the environmental or social practices of your supplier becomes news, you take on the risk of becoming part of the story — or the story.

Opportunities

- **Strategy development.** Scoring your suppliers on their environmental and social performance can provide



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greater data and information when making supply chain decisions. In other words, if you simply ask potential suppliers to pass a third-party audit and then select based on lowest per unit cost, you leave out significant and substantial environmental and social data from your decision process and work with costs that do not adequately reflect risk.

- **Partnerships.** Working with your suppliers and potential suppliers on environmental and social

issues can foster greater trust and deeper working relationships. There is also the opportunity to engage with, partner with and learn from leading environmental and social non-governmental organizations regarding improved supply chain sourcing. These NGOs can serve as key proponents for your business in terms of brand reputation.

- **Brand reputation.** If you play a pivotal role in improving the environmental and social practices of your suppliers, you open the opportunity to become a part of the story of positive change, or again, The Story.

Increased transparency is no mere trend; it is here to stay and will likely increase in its upward trajectory. The sooner you begin thinking inside your black boxes, the sooner you can begin mitigating key risks and begin working on new opportunities to create value for your business.

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