



# SUSTAINABLE VALUE CHAIN GUIDE 2015

## The six steps





# About this guide

The Value Chain Guide is an online tool developed by the Sustainable Business Council, member companies and partner organisations.

The guide provides a practical process to help you identify risks and the many opportunities along your product or service's value chain. The guide includes a section on collaboration in your value chain and a six step tool to work through. Within the six step tool each section contains action points and some questions to help prompt your thinking. This document provides detail on the six steps, to be downloaded for ease of business use while working your way through the steps. For additional resources and background to the guide, visit the Value Chain Guide website

<http://www.sbcvaluechain.org.nz/>

You can start at Step 1 and work your way through, or identify the step that is most relevant to your business's progress in this area and begin there.

The Value Chain Guide is designed to be relevant to a range of businesses, so not all the actions or questions to consider may be relevant to you.

Mapping and managing your value chain can, at times, be complex and labour intensive, and it is likely you will encounter some challenges. The process may require input from a number of divisions within your business, as well as stakeholders. While you work through the steps with your team, you may wish to visit some of the external web pages suggested on the online guide to get new ideas, read the case studies or enlist external expertise.



## STEP 1: MAP YOUR VALUE CHAIN

Identify the key aspects of your business and understand their impact on sustainable change.

The mapping process will provide a holistic view of your entire value chain. This requires identifying multiple factors, such as where your suppliers get their materials (**your upstream value chain**), how your product or service is purchased, and what happens when your customers have finished using it (**your downstream value chain**).

Step 1 will help you summarise your value chain and will allow you to assess risks and opportunities in **Step 2**.

### ACTION POINTS

- **Identify areas of focus**

Start by looking at areas of high risk (e.g. stakeholder concern around labour related issues in manufacturing or reliance on petrochemical derived materials), major spend or the most critical issues or products.

- **Define your scope and stay within it**

Decide which area to focus on and what within this area should be included in this mapping exercise and what should be excluded. Some great examples of scope are seen in our case studies and exemplars:

- o **Toyota** chose to focus on its energy use within New Zealand.
- o **Wellington Zoo** mapped the value chain of two of its critical animal feeds.
- o **Ideas Shop** mapped its communications service.
- o **New Zealand Post** mapped the value chain of its staff uniforms.

- **Gather data**

If required gather and collate data to help define issues and opportunities. Use of a **Life Cycle Assessment** at this stage can provide robust environmental data if this is required. You can find more information about life cycle assessment on the guide's website.

- **Visualise your value chain**

Build a rough value chain using visual and data-driven diagrams and images. You can find templates to help you with this step on the guide's website.

### CONSIDER

- **What is required?**

Explore what is required to produce your product or service. Listing these on the value chain diagram template (available on the guide website) can be useful:

- o What raw materials are used to make your product?
- o Where, how and by who are the materials processed and what's involved?
- o Where, how and by who is your product manufactured?

- **How is it bought?**

- o Where or how do you purchase materials, products or services?
- o Who supplies your suppliers?
- o Where or how do your customers buy your product or service?

- **How is your product or service used?**

Think about how your customers use your product or service.

- o Does it require other resource use e.g. water, fuel or electricity?
- o Will it require regular maintenance?

- **What happens once it's finished?**

What do your customers do with your product or service once they have finished using it, or parts of it? Does it have further value e.g. is it reused or recycled?

- **How is it moved?**

How is your product or service transported throughout each value chain stage? E.g. how does it get from manufacturers to consumers?

- **Test assumptions**

Test the assumptions about your value chain with staff and external parties (such as suppliers, NGOs and peers). A workshop is a useful forum to facilitate discussion.



## STEP 2: IDENTIFY RISKS AND OPPORTUNITIES

Review the environmental, social and economic impacts at each stage of your value chain to identify the risks and opportunities.

Once a scope and the map of your value chain have been defined, Step 2 is to assess your environmental, social and economic impacts on your business and to identify the risks and opportunities.

This step will give you the information you need to determine your priorities for action (in [Step 3](#)).

The level of detail will depend on your company's size and complexity, interests, drivers and resources.

Our [Wellington Zoo case study](#) provides a really good example of what this stage might look like.

### ACTION POINTS

- **Examine environmental, social and economic factors**

Examine the key factors impacting your area of focus. Consider both inputs (such as raw material sourcing e.g. do these contain conflict minerals or questionable labour practices) and outputs (such as solid or liquid waste for services, the transfer of knowledge post-delivery of the service). You can record these on the risk and opportunity template available on the guide website.

- **Identify external drivers of risk and opportunities**

Identify any external drivers for risks and opportunities (e.g. supply/demand, cost, stakeholder requirements, supplier performance, current or future regulations, competitors' activities).

- **Look at your suppliers' supply chain**

Ask your suppliers for information on their supply chain and how they manage their own risks and opportunities.

### CONSIDER

- **What are your business risks?**

Use scenario planning to assess current or possible future risks to your business continuity, integrity, market presence, or reputation at any stage of your value chain.

- **What risks do your raw materials carry?**

Are you sourcing any raw materials that are in short supply or are the subject of stakeholder concerns (such as palm oil)?

- **What are your relationships like with suppliers?**

Who are your key suppliers and what relationships do you have with them? Are there alternative suppliers you could use?

- **How do your suppliers interact with their suppliers?**

- o Do they have good working relationships?
- o Have they considered security of supply issues with their suppliers?
- o Have they set social and environmental standards for their own supply chains?

- **Could you do things differently?**

Could you do things more efficiently, with a lower environmental or social footprint?

- **Are there opportunities to collaborate?**

Can you work with others to solve an issue or realise a mutually beneficial opportunity? For example, competitors Sanford Ltd, Aotearoa Fisheries Ltd and Sealord collaborated with the New Zealand Government and scientists to develop [Precision Seafood Harvesting](#).



# STEP 3: ASSESS PRIORITIES

**Prioritise the issues for your business based on the risks and opportunities you have identified.**

Steps **1** and **2** will have given you a clear understanding of the risks and opportunities facing your business. Step 3 identifies which issues require immediate action.

We recommend using a risk matrix framework or a materiality ranking tool to manage this. If your organisation already has a framework in place we advise using this. If you don't have an existing framework, a template is available on the guide website to help you get started.

## ACTION POINTS

- **Understand what is material and relevant**  
Assess what is material and relevant for your business. Know what you control and what you can only influence.
- **Seek input and knowledge from others**  
Engage people from different departments within your organisation and those with different responsibilities. Key staff from your procurement, marketing and communication, compliance, strategy, and property and facilities teams can help assess the key risks and potential opportunities.
- **Have regular meetings**  
Meet regularly with key internal and external stakeholders to discuss their views on your current and future risks and opportunities.
- **Look outside your organisation**  
Research external sources of information, such as from trade associations and media reports.
- **Create a risk and opportunity matrix**  
Creating a risk and opportunity matrix will help you to prioritise actions. The risk and opportunity template on the guide website can help you with this.

## CONSIDER

- **Who do you need to talk to?**  
Think about who the key internal and external stakeholders are for your organisation.
- **Who are the associated suppliers and/or stakeholders?**
- **How secure is your supply?**  
Assess how secure your supply is of any critical products or services you procure. Do you have alternative supply options?
- **Can you control risks and opportunities?**  
The level of control your business has over risks and opportunities often has a strong correlation with the actions you have prioritised. If you do not have control can you influence or collaborate with others or could you switch suppliers?
- **What brings the greatest risk or benefit?**  
Which of the risks or opportunities you have identified have the potential to provide the greatest risk mitigation or benefit to your organisation?



## STEP 4: IDENTIFY SOLUTIONS

Identify the options for dealing with the most pressing issues.

Step 4 helps to bring together key risks and opportunities with potential solutions to aid the development of a project plan in [Step 5](#).

When considering solutions, it is important to consider whether a proposed option will impact aspects of your value chain – [upstream](#), [downstream](#) or both. Changes to one stage of your value chain may affect other points.

### ACTION POINTS

- **Encourage new ideas**

Holistic value chain thinking is often challenging. Have fun with it, explore fresh thoughts and new ways of doing things. Encourage people to raise their ideas, even if these don't fit with current business models and thinking.

- **Assess the possible solutions**

For each of the potential solutions assess:

- o All associated risks and opportunities.
- o If the solution fits with your current business direction and strategy.
- o Whether the solution is financially, technically and operationally feasible. Are there any compliance or other issues that need to be addressed?
- o Which stakeholders need to be made aware of activities even if they are not directly involved?
- o How quickly the solution needs to be implemented.

- **Collaboration and partnership opportunities**

Look for [collaboration](#) or partnership opportunities with stakeholders. For example, key suppliers, NGOs, produce users/recyclers.

### CONSIDER

- **What is your direction?**

Where does your business sit currently and where does it want to be? Are you compliance driven or market driven? Are you an engaged collaborator or are you looking to shape the future? The answer will help you decide which potential solutions fit with your business. Dr Jim Fava mentions this in his [interview](#).

- **Are you looking for quick wins or able to tackle hard issues?**

Do you need to find ways to increase buy-in in the short term or do you have the mandate to address some trickier issues?

- **What are all the possible positive and negative impacts?**

Consider the potential positive and negative impacts of the proposed solutions (environmental, social and financial).

- **What level of partnership or collaboration is needed?**

Is this with internal parties, external parties or both?

- **Are you addressing the symptom or the cause of the issue?**

- **How will you communicate?**

How are you going to engage or communicate with key stakeholders to involve them in finding proposed solutions? Preparing a communications plan at this stage can be useful.



## STEP 5: DEVELOP PROJECT PLAN

Introduce good planning when implementing change to lead better outcomes and successes.

Step 5 guides you through developing a project plan that addresses your key priorities and will help you to ingrain value chain thinking within your business in [Step 6](#).

Developing a detailed project plan should take into consideration:

- Scope
- Purpose and Aims
- Objectives
- Goals/Targets
- Risks
- Activity
- Milestones
- Timeline
- Budget
- Resources (including sponsors and delivery team)
- Responsibilities
- Partners
- Stakeholder (internal and external) and their engagement (reporting/discussion touch points)

### ACTION POINTS

- **Identify a senior sponsor in your business**  
This person should be able to help with support and peer-review as well as influencing and embedding initiatives.
- **Communications plan**  
Implement a communications plan to engage with stakeholders.
- **Explore new opportunities**  
Identify potential partners from within your value chain to collaborate with on exploring new opportunities, innovation or to help you achieve some of your goals/targets.

### CONSIDER

- **Are the aims and objectives achievable within the timeframes set?**
- **Are your goals/targets SMART (specific, measurable, achievable, realistic and time based)?**
- **Do you have enough resources?**  
Do you have enough resources to complete the actions identified within the timeframes or will you have to space actions out over a longer timeframe to achieve the goals/targets?
- **Are you addressing the risks and opportunities?**  
Does the plan address the material risks and opportunities you identified?
- **Do you have management level support?**
- **How can you get buy-in?**  
If a partnership or [collaboration](#) is beneficial, how could you obtain buy-in internally and externally for this?



## STEP 6: CREATE A NEW 'BUSINESS AS USUAL

**Create a successful sustainable value chain by changing your business culture so that this is integrated into normal business activities.**

Step 6 focuses on implementing the changes you have identified throughout the value chain process so that these actions become part of your normal business operations.

Business environments are continually changing and evolving so the six step tool should be revisited on a regular basis to ensure new risks and opportunities are identified and that the focus moves on from items that have already been addressed.

### ACTION POINTS

- **Consider organisational focus**  
Consider organisational focus which can deliver cultural change.
- **Communicate regularly with your internal stakeholders to keep them engaged**
- **Ensure ongoing support internally**  
Ensure you have the continued buy-in and support of management.
- **Learn from partners, collaborators and other stakeholders**  
Share these learnings internally to build expertise within your business.
- **Periodically assess progress on implementing your project plan**
- **Discuss progress with internal and external stakeholders**  
This will ensure any additional opportunities or risks are identified.

### CONSIDER

- **How important is organisational focus in meeting your targets/goals?**  
What is the best way to achieve this? Could external expert assistance be beneficial?
- **Are management still engaged with the project?**  
If not, how can you re-engage them?
- **What have you learnt so far?**  
How can you use any lessons to assist in future plans? How are you sharing this knowledge within your business and with other stakeholders?
- **What hurdles have you encountered?**  
How have you got past them? Can you use these learnings to assist in future plans?
- **Has anything changed?**  
Are there new opportunities or risks? Are there other products or services you could include in the scope?