

Case Study

Coca-Cola: Managing Global Natural Resources

As corporate supply chains grow ever more vast and global, smart business strategists must equip themselves to anticipate and manage an array of environmental and social impacts, dilemmas and trade-offs outside the company's direct footprint.

Unchaining Value, a report by SustainAbility, the UN Environment Programme, and the UN Global Compact, explores a variety of best practices, drawn from different sectors.

The report illustrates how multinationals like IKEA, Unilever and Hewlett-Packard are working with suppliers towards a shared understanding of the role of sustainability in supply chain management and the mutual value to be achieved.

Included in the report are several case studies that illustrate a range of benefits that companies – and their supply chain partners – can realise from a collaborative, proactive and sustainability-minded approach to management across the chain, such as improved engagement & communication, capacity building, efficiency improvement, resilience, and risk avoidance.



Case study Coca-Cola

Project Water resource strategy

Illustration Risk avoidance

Water scarcity poses significant risks to a company whose single biggest input is water. Following pressures in countries like India, Coca-Cola recognised how trends in water supply and use could pose financial, operational and reputational risks. The company launched its Global Water Initiative in 2004, with the aim of making the company 'water neutral' within its manufacturing and bottling operations.

The project began as an investigation into the state of global freshwater resources. Partnerships were established with a number of organisations, including the UN Development Programme (UNDP), United States Agency for International Development (USAID), CARE, World Wildlife Fund and many others. At the heart of the challenge was the need to develop a global approach that would also meet the unique needs of local situations and communities. The solutions proved to be a combination of risk management and value creation.

Coca-Cola initially conducted an in-depth survey of each of their plants in 20 regions and used the results to develop an innovative risk assessment framework. Six primary categories of risk were identified, for which monetary values were assigned. These values were built into a scenario planning tool that could be used by strategic planners at all levels of the company to drive investment decisions.

Cola-Cola then developed local water stewardship initiatives, engaging communities across its regions of operation. These were based on an assessment of local water dynamics and ranged from addressing water access and contamination to watershed protection and post-disaster water system rehabilitation. The company took an inclusive approach to engagement and invited both friends and critics to help explore the opportunities for improving sustainability practices across its entire supply chain.

Insights:

- Natural resources, however plentiful they may seem today, are excluded from supply chain management at any company's peril.
- Understanding the implications of natural resource inputs to a supply chain, be it grain or water, requires strategic knowledge and insight of that resource at a multitude of levels from global to local.
- Anticipating natural resource pinch-points requires considerable strategic foresight, possibly mapping trends and scenarios over decades and not just years or quarters.
- Constraints on resources will come from more than one sector or company, and collaboration across sectors, communities, experts and governments may be needed.