‘Specifically with the supply chain, the important thing is to mentor the supply chain from the top. And they can obviously mentor us from the other end, through customers who are in different industries.’

Product steward, telecommunication equipment manufacturer

Having established that the supply chain management function plays an increasingly important role in a financial sense, this chapter will ask whether its growing importance and increasingly strategic outlook can be matched by an equally striking contribution to environmental protection. Market-based environmental initiatives often focus on the consumer and advocate a form of green marketing (Peattie, 2001; Polonsky and Rosenberger, 2001), yet consumer spending is dwarfed by industrial buying. In the mid-1990s, UK consumers spent an estimated £400 billion annually, whereas purchasing by private-sector companies amounted to more than £750 billion¹ (Green et al., 1996). A focus on corporate buying and supply chain management hence provides an important complement to an environmental protection perspective that centres around the green consumer.

In terms of striving for sustainable development it is important to consider both the production and consumption patterns of an organisation (Welford et al., 1998). In other words, a comprehensive account of an organisation’s environmental impact requires attention to its supply network. The supply chain management function is thus of critical importance to the organisation’s overall response to environmental challenges. In a wider sense, environmental initiatives in the supply chain raise the question of whether the market can be used to bring...
about environmental improvements. This has clear implications for the
debate as to whether market or state regulation is best suited to bringing
about social change. Against this background, this chapter will first
explore theoretical perspectives for greener supply. The second part will
then present empirical evidence from areas that are related to environ-
mental initiatives in manufacturing companies.

**Conceptualising greener supply**

The supply chain of a manufacturing organisation has a deep and
extraordinarily varied environmental impact. Such an impact arises not
only from raw material and component purchases, supplier manufac-
turing processes or logistics arrangements, but can also include final
product disposal and even the siting of supplier plants. Given the strategic
importance and scale of organisational buying, a range of possibilities
for environmental initiatives exists in the supply chain. These begin
with the product, component or raw material to be purchased, where the
buying company could stipulate minimum standards that the purchased
product has to fulfil. For example, a paper-maker can insist the woodpulp
it buys conforms to recognised standards of forest management rather
than being made from clear-cutting an entire forest; or an electronics
company can require its suppliers to avoid certain harmful heavy metals
in the supplied products. Other product-based environmental initiatives
can aim at by-products of supplied input, such as recycling packaging
or reducing waste.

Where an environmentally friendlier product is readily available, as
is the case with recycled office paper or biodegradable cleaning materials,
the environmental signal is transmitted via the market, and the relation-
ship between buyer and supplier remains at arm’s length. There are
important environmental consequences in the more beneficial effects
of the greener product as well as the financial incentive for the greener
manufacturer, although this kind of signal is weak and may overlap
with, or be cancelled out by, non-environmental buying decisions (New
et al., 2000). Where an alternative product is not readily available on the
market, the buying company can undertake supplier development
activities to encourage and enable a potentially satisfactory supplier to
meet the buying company’s environmental requirements. The decision
to buy the greener alternative or to develop the supplier to meet the
required environmental threshold may furthermore demonstrate to
employees that the organisation takes the environment seriously and
spark additional personal initiatives. Greener supply can also operate in