



By Ann Klee

It All Starts With the Supply Chain

The world has become a neighborhood. Whether we're talking about diseases — a mosquito-borne illness, for example, that once was found only in East Africa is now in 31 U.S. states — or the environment, the biggest challenges that we face today are global issues. Climate change is the most obvious example, but by no means the only one.

The fact is that we live in a hyper-connected world where we can share information — accurate or not — immediately and unfiltered, and can see, say, or do almost anything in a nanosecond with one click. A single person behind a screen, or organization with an agenda, can start a revolution with one tweet. This hyper-connectivity is creating new expectations, and opportunities, for both governments and companies.

Change used to be driven by the political process — legislators drafting laws, agencies promulgating regulations. But that process has become dysfunctional, burdensome, and inconsistent — sometimes all three. In the United States, the current Congress is unable to agree on anything. In Australia, a carbon emissions tax was implemented to address climate change — until a new prime minister took office and led the effort to repeal it.

Now, the driving forces for change are, in many cases, increasingly non-traditional. The problems have evolved;

our approach to solving them must also evolve.

The challenge presented by a global supply chain is a good case in point.

GE, like most major companies, relies on suppliers as critical partners in the value chain. As our businesses have globalized, so too has our supply chain, including in locations where environment, health, safety, labor, human rights, and other practices can be problematic. We expect our suppliers to obey the laws that require them to treat workers fairly, provide a safe and healthy work environment, and protect environmental quality. But we also recognize the growing public expectation that companies like GE should also be accountable for its supply chain, if not for actual compliance, then at least for improving the environmental impact of its suppliers.

We are achieving significant results by working collaboratively with our suppliers. In one recent example, GE Lighting worked closely with a supplier in China to dramatically improve its energy efficiency at its manufacturing facility. Because we are also a manufacturer, we were able to help our supplier reduce its energy consumption by almost 70 percent, while quadrupling production, with annual savings for the supplier of over \$160,000.

We've learned that our efforts are most effective when we prioritize them based on risk and where our involvement can have the most impact. We've also learned to get results by collaborating with suppliers and other stakeholders. In most cases, working with governments, our business partners, and effective academic and nongovernmental organizations can achieve more than any of us can alone. These challenges, especially in some of the fastest-growing economies, are bigger than what any one organization — even one as big as GE — can address alone.

One of the biggest needs in growth markets is the development of local ex-

pertise to manage environment, health, and safety issues in the supply chain. For that reason, since 2006 the GE Foundation has supported the development of two EHS academies in China by the Institute for Sustainable Communities. These academies support students in efforts to meet and exceed expectations of multinational brands while contributing to future EHS standards.

Managing the supply chain is a global issue, but one that requires new approaches. Whether labor practices in China, conflict minerals in Africa, or resource efficiency globally, companies like GE, Walmart, Apple, and many others are moving beyond standard operating procedure and using non-traditional tools to help our supply chain to improve performance, respect human rights, and protect the environment.

There is no doubt that laws and regulations will always play a vital role in environmental protection. But the new reality is that responsible companies will drive positive change more quickly,

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more simply, and more effectively in other ways as well. Business and regulators should embrace collaboration. We need to place a premium on seeing

around corners to anticipate problems and solve them. We need to recognize that misinformation is now widely available virtually instantaneously. Therefore transparency is critical. Today, everyone is an entrepreneur, media outlet, and opinion leader. And we need to recognize the importance of harnessing talented people and the resources to drive the solutions to our complex global challenges.

Change is hard. The neighborhood isn't what it used to be. But that isn't a bad thing. If we seize the opportunity to lead the way, rather than simply try to catch up, then we can transform it. And that is exactly what we should be doing now.

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