

THE UNIVERSITY OF SOUTHERN CALIFORNIA
Marshall School of Business
DSO 505 (16298) – Sustainable Supply Chains MSGSCM – Fall 2014

Time:	Wednesdays, 5:00-8:00 pm	Room:	BRI202
Instructor:	Dr. Greys SOŠIĆ	Office:	Bridge Hall 401E
E-mail:	sosic@marshall.usc.edu	Telephone:	(213) 821-3632
Office hours:	Wednesday, 2:00-3:00 pm		
Skype hours:	Thursday, 3:00-4:00 pm and by request (sosic.dso)		

COURSE SCOPE AND OBJECTIVES

Environmental issues and sustainability efforts can open many opportunities for businesses—product innovation can lead to first-mover advantage, environmental product differentiation can open new markets, green sourcing and waste reduction can reduce operating cost, etc. At the same time, they can present significant challenges—governments and communities are imposing higher standards on pollution, resource exploitation, etc.

This course aims to provide students with an understanding of the sustainability challenges and opportunities facing supply chains today. We will look at some of the factors that are contributing to the adoption of sustainability strategies, such as legislations that are penalizing negative environmental and social impacts, and society's expectations of business in terms of health, human rights, and the environment. The supply chains today cannot be concerned only with creating shareholder value; their performance is also measured in terms of social, environmental and economic impact. The main topics covered in the course are:

- ❖ Sustainability concepts and frameworks
- ❖ Sustainable design of products
- ❖ Closed-loop supply chains
- ❖ Supplier management
- ❖ Facilities management
- ❖ Renewable energy
- ❖ Facilities and locations decisions
- ❖ Transportation decisions
- ❖ Strategic sustainability implementation.

The class format includes lectures, case discussions, and movie clips.

COURSE MATERIALS

Required: *Course Reader* (CR) – Package of cases and readings available at USC bookstore. In the syllabus, a number such as CR#5 refers to 5th article in sequence in the course reader.

Digital version of the course reader can be purchased at.... TBD

Handouts (HO): Handouts posted on the Blackboard.

Recommended:

- ❖ *Cradle to Cradle: Remaking the Way We Make Things* by W. McDonough, M. Braungart, Noth Point Press, 2002.

- ❖ *The Responsible Company* by Y. Chouinard and V. Stanley, Patagonia Books, 2012.
 - ❖ *Reinventing Fire: Bold Business Solutions for the New Energy Era*, by A. Lovins, Chelsea Green Publishing, 2011.
 - ❖ *Green to Gold: How Smart Companies Use Environmental Strategy to Innovate, Create Value, and Build Competitive Advantage* by D.C. Esty, A.S. Winston, Yale University Press, 2006.
 - ❖ *Earth, Inc.: Using Nature's Rules to Build Sustainable Profits*, G. Unruh, HBP, 2010.
 - ❖ *The Ecology of Commerce: A Declaration of Sustainability* by P. Hawken, Harper Paperbacks, 2010.
 - ❖ *Natural Capitalism* by P. Hawken, A. Lovins, L.H. Lovins, Little, Brown and Company, 2008.
- ... and many others... You can also look at a number of journals, such as *Science*, *Nature*, etc.

COURSE POLICIES

The course will be broadcasted live, and the recordings will be posted online 90 min after the class ends. You can access both by going to the website TBD

This course uses cases for discussion of issues and illustration of approaches. Active participation in class is important throughout the course. If you are watching live, you can share your comments with class; if you watch the recordings, you can email me your thought before or after class, or you can contact me through Skype.

GRADING

Group case reports (2)	40%
Individual submissions (5 out of 7)	10 %
Test	40%
Class participation	10%

GROUP CASE REPORTS

Please form teams of up four persons within the first two weeks; you will be working in these teams for the case write-ups. You should use the “Group” option on the Blackboard to join one of the teams.

The cases are to be discussed within your team and you will submit (as a team) a written report. This Syllabus provides some suggested questions that you should address in your analysis. Each team is required to submit a report on two case studies (Cook Composites in week 3, and Harvest in week 5). Case write-ups should be at most 4 pages and single-spaced (11 or 12 point font), with appendices attached (not included in the number of pages). They should be submitted on-line through the Blackboard.

Imagine that you, as a consultant, have to study an organization, to identify the main issues it faces, and to propose a set of recommendations. Your written report should begin with an executive summary, about half page long, summarizing the most important problems and your recommendations. The rest of the report should be organized as follows:

1. Brief description of the company and its environment
2. Brief description of the problems and issues to be addressed (the questions in the syllabus related to the specific case should guide you in identifying those issues).
3. Recommendations and implementation plan.
4. Analysis that discusses why the recommendations will solve the problems identified.

You may choose to organize the report differently; however, please ensure that the above aspects are

covered and the report is well organized with clear section and sub-section headers. Please avoid repetition of case facts and long expositions (remember the page limit)! Consider what you believe are the most important factors (and why). General solutions to specific problems will get you little credit. Both quantitative and qualitative analysis is important. Creativity in analysis and suggestions that are grounded in case facts will be given high credit. Please state any assumptions made clearly.

GROUP ASSIGNMENT EVALUATION

Team assignments provide a valuable learning experience – how to work effectively and efficiently in groups, learning from others, and honing your ability to communicate to others. Although your team's grade depends on each member's efforts, some students can be tempted to let others carry their load. In order to provide an incentive for all students to make maximum contributions to the study group, you will be asked to grade each team member's contributions. Your group grades will be adjusted to obtain an individual grade based on feedback about performance provided by other members of the group (see the group assessment forms posted on the Blackboard). If you do not submit your group assessment form, it is assumed that you have assigned a rating of 100% to all your group members. The forms can be submitted in person or via e-mail, but no later than Wednesday of Week 8.

INDIVIDUAL (SHORT) SUBMISSIONS

In addition to the cases for which you are required to submit group reports, we will be discussing other cases and articles. You should be prepared for class, and this Syllabus provides some suggested questions that you should address. For the individual submissions, please prepare a short write-up answering the question(s) listed on p. 5, and submit it through the Blackboard before the class. The objective of this short submission is to ensure that you prepare the case. For that reason, no late submissions will be accepted.

Submissions should be in the form of a Word document, between one-half and one page long, font 10-12, 1.5 spacing, typed. As long as your answer shows that you have given sufficient thought to the analysis, you will get full credit. Note that this in general requires answers that are longer than one sentence (as mentioned above, at least half page).

Each submission is worth up to 2 points, and the maximum number of points you can obtain for individual submissions is 10. If your total exceeds 10 points, it can improve your participation grade (note that in this case, each additional submission does not increase your participation by 2 points).

TEST

The test is scheduled for week 8. The questions will have several formats: multiple choice/single answer, multiple choice/multiple answers, short answer/essay, and problems. The exam will be taken on the Blackboard and you will have a 24 hour window to complete it.

If there are extenuating circumstances that prevent you from taking the test, you must discuss the reason with me before the time of the test. You will not be given a make-up test unless you obtain a permission from me in advance. In addition, you must be able to document the extenuating circumstance. If you miss the test due to a medical emergency that can be documented and verified, then a make-up test will be given. Otherwise, a grade of zero will be given for the missed test. Note that a make-up test cannot be taken before the actual test date!

CLASS PARTICIPATION

Class participation requires that you do the assigned readings, analyze the cases based on the questions given and participate actively in class. I prefer substantive comments based on good analysis rather than brief, general comments that add little to the discussion and learning. Be prepared to defend your suggestions or solutions!

If you are reluctant to talk in class or if you are not physically/remotely attending, but would like to show your preparation, please provide me with your analysis/comments through email. This may include material related to the topics covered in class from your work experience, from additional articles/videos that you have found, etc. You can also contact me through Skype, either by using the reserved time slot or, if it does not work for you, by arranging an alternative time window.

GETTING HELP

If you have questions about any aspect of the course, you can always talk to me. You can contact me through email or through Skype; if you cannot make my office hours, you can contact me and we can arrange for an alternative time.

RETURN OF PAPERS AND EXAMS

Graded work will be posted on the Blackboard. Disputes over graded material should be brought to my attention as soon as possible.

NOTICE ON ACADEMIC INTEGRITY

The use of unauthorized material, communication with fellow students during an examination, attempting to benefit from the work of another student, and similar behavior that defeats the intent of an examination or other class work is unacceptable to the University. It is often difficult to distinguish between a culpable act and inadvertent behavior resulting from the nervous tensions accompanying examinations. Where a clear violation has occurred, however, the instructor may disqualify the student's work as unacceptable and assign a failing mark on the paper.

Academic dishonesty includes: (*Faculty Handbook*, 1994: 21-22):

- Examination behavior - any use of external assistance during an examination shall be considered academically dishonest unless expressly permitted by the teacher.
- Plagiarism - the appropriation and subsequent passing off of another's ideas or words as one's own. If the words or ideas of another are used, acknowledgment of the original source must be made through recognized referencing practices.
- Other types of academic dishonesty - submitting a paper written by or obtained from another, using a paper in more than one class without the teacher's express permission, obtaining a copy of an examination in advance without the knowledge and consent of the teacher, changing academic records outside of normal procedures and/or petitions, using another person to complete homework assignments without the knowledge or consent of the teacher.

FOR STUDENTS WITH DISABILITIES

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m. - 5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776.

Course plan at a glance (tentative)

Week	Topic	Readings	Submission
1	Introduction – What is sustainability? Sustainable supply chains	Green supply chains (CR#1)	
2	Carbon footprint Green sourcing Design for environment	Starbucks (CR#2)	Short #1 –Carbon footprint calculation (p.6, under Week 2) Short #2 – Starbucks (q.2)
3	Design for environment End-of-life management	Cook Composites (CR#3)	Group #1 – Cook Composites
4	Facility location and transportation Sustainable transportation Facilities - Green building	Fiji (CR#4) Genzyme Center (CR#5)	Short #3 – Fiji (q.2) Short #4 – Genzyme (q.3)
5	Renewable energy End-of-life management and energy generation	REI (CR#6) Harvest A, B (CR#7, #8)	Group #2 – Harvest Short #5 – REI(q.2)
6	How to measure sustainability?	Frog's Leap (CR#9)	Short #6 – Frog's Leap (q.3)
7	Bringing it together	Nike (CR#10)	Short #7 –Nike (q.6)

Detailed course plan

Week 1 Introduction--What is sustainability?; Sustainable supply chains

Readings:

- *Green Supply Chains* (UV #2048)

Discussion Questions:

1. Many supply chain managers see sustainability as a constraint; how might it be an opportunity?
2. What are the benefits for a supply chain of being environmentally responsible?
3. What challenges in implementing environmental policies are supply chains facing?

Week 2 Supply management; Design for environment; Cradle to cradle

Readings:

- *Starbucks Corporation: Building a Sustainable Supply Chain* (Stanford case #GS-54)

Discussion Questions:

1. What are the main issues that Starbucks faced with its supply base in 2005? How did it approach this problem?
2. What are the main benefits from C.A.F.E. for Starbucks? For its suppliers?
3. What are the main challenges in implementation of C.A.F.E.?

❖ **Carbon footprint assignment:** Go to the Carbon Footprint Calculator webpage (<http://www.carbonfootprint.com/calculator.aspx>), calculate your carbon footprint, and submit your results through the Blackboard. What contributes the most to your personal carbon footprint? Were you surprised with any of the resulting carbon emissions?

Week 3 Design for environment; End-of-life management

Readings:

- *Cook Composites and Polymers Co.* (HBS #9-608-055)

Discussion Questions:

CCP faces three options for addressing its rinse styrene waste stream:

- (a) Continue business as usual, sending its rinse styrene to cement kilns;
 - (b) Sell its rinse styrene on a waste exchange; or
 - (c) Proceed with developing the concrete coating that uses its rinse styrene (BPS).
1. What criteria should Mike Gromacki consider when deciding whether to pursue the waste exchange or the concrete-coating by-product? If you were Mike, what would you recommend to management to address its rinse styrene waste stream?
 2. Compared to business as usual, how would selling rinse styrene to a waste exchange or producing the concrete coating by-product affect the production of gel coats?
 3. Compared to business as usual, what are the financial implications of selling rinse styrene to a waste exchange or of producing the concrete coating by-product?
 4. Compared to business as usual, how would you evaluate the relative environmental impact of producing the concrete coating by-product? When considering carbon dioxide (CO₂) emissions, consider the impacts system-wide (that is, not just at CCP's factory). What tradeoffs are involved? For each pound of rinse styrene diverted from cement kilns to create concrete coatings, by how much do CO₂ emissions rise or fall? Assume that CCP's sales of concrete coatings would substitute for sales by other concrete coating producers (that is, CCP's sales would not alter the total sales quantity in the concrete coatings market).

➤ Case study report on Cook Composites due at the beginning of classWeek 4 Facility location and transportation; Sustainable transportation; Facilities - Green building**Readings:**

- *Fiji Water : Carbon Negative?* (HBS #9-611-049)

Discussion Questions:

1. When the Resnicks acquired FIJI water in 2005, the bottled water industry was very crowded. Yet, FIJI water soon became the bestselling imported bottled water in the United States. What accounts for FIJI Water's success?
2. *What is greenwashing, and why do companies engage in greenwashing? How do you know when a claim is greenwashing?*
3. In light of the lawsuit, what should FIJI Water do? Should it amend its carbon negative strategy?
4. Suppose FIJI Water hired you to develop a negotiation strategy to use with the Fijian government. What strategy would you recommend?

- *Genzyme Center (A)* (HBS #9-610-008)

Discussion Questions:

1. If you were a major stakeholder at Genzyme, what would you think of Genzyme's interest in green building?
2. If you were Rick Mattilla, would you recommend that Genzyme make the additional investments required to enable Genzyme Center to achieve LEED Platinum status? Why or why not?
3. *If Genzyme decided to make the investment to achieve LEED Platinum status, what decision criteria should guide the decision of which features to select? Based on these criteria, which green features would you chose?*
4. Looking ahead to other building projects, what green building policy should Genzyme adopt? Should the policy differ for offices, labs, and manufacturing sites? Should the company adopt the same policy globally?

Week 5 Renewable energy: End-of-life management and energy generation**Readings:**

- *REI's Solar Energy Program* (Stanford case # BE17)

Discussion Questions:

1. Do you agree with the analytical approach taken by REI in evaluating Phase 2 solar installations? Refer to Exhibit 5 and the spreadsheet shown in Exhibit 6.
2. *Which economic assumptions are the most crucial in REI's financial assessment of potential new solar installations?*
3. If you disagree with parts of REI's approach as embodied in the spreadsheet in Exhibit 6, submit a modified IRR calculation that incorporates your recommended changes (If you agree with all parts of REI's approach, provide clear justifications for each part.) Perform this analysis for a store in California. Use marginal tax rates of 35% for federal and 8.8% for state. For depreciation in California, use a 200% declining balance method over 12 years (with straight line for the last 6 years. The percentage depreciation for years 1-6 is: 16.67, 13.89, 11.57, 9.65, 8.04, and 6.70. Depreciation for years 7-12 is 5.58% per year).

- *Harvest: Organic Waste Recycling with Energy Recovery (A),(B)* (HBS # 9-611-033, 9-611-034)

Discussion Questions:

1. Use the (A) case to draw a basic process flow for Harvest. What are the revenue streams? What are the costs? (For simplicity, for equipment cost, use straight line depreciation over the number of years the equipment lasts).
2. What is the key profitability driver in this business? Use this profitability driver to calculate the condition under which the business will be profitable.
3. How does preprocessing or source separation change the process flow?
4. What criteria would you use to decide between building a pre-processing facility and working with waste clients to do source separation? How does the profitability calculation change?
5. Would you recommend building the pre-processing facility or working with waste clients to do source separation?

➤ **Case study report on Harvest due at the beginning of class**

Week 6 How to measure sustainability?

Readings:

- *Frog's Leap Winery in 2011—The Sustainability Agenda* (NA0170)

Discussion Questions:

1. What's going on at Frog's Leap Winery? Have its efforts to become sustainable been thus far successful?
2. How would you measure the company's efforts to become sustainable?
3. *Is Frog's Leap a socially responsible business? How does it stack up against its wine industry peers? Benchmark Frog's Leap against one winery of your choice using the following benchmarks:*
 - o Market Share
 - o Perceived Product or Service Quality
 - o Customer Loyalty/Retention
 - o Customer/Segment Profitability
 - o Relative Price
 - o Customer or Segment Lifecycle Value
 - o Environmental Concern and Sustainability*and rate companies as High, Medium, or Low (5-3-1). Provide justification for each rating.*
4. Evaluate Frog's Leap strategy. Use financial ratios (from exhibits 4, 5, and 6) and VRIO analysis to support your evaluation. What is working well, and what can be improved?
5. What should their sustainability action plan for the next 10-20 years contain? Consider actions that are short-medium-long-term in nature.

Week 7 Bringing it together

Readings:

- *Nike: Sustainability and Labor Practices 1998-2013* (Stanford case # IB-106)

Discussion Questions:

1. How did Nike's sustainability strategy evolve through time?
2. Describe Nike's sustainability efforts in sourcing and supply management.
3. Describe Nike's efforts in DfE.
4. Describe Nike's sustainability efforts in location selection.
5. Describe Nike's sustainability efforts in energy use.
6. *How did Nike measure its sustainability efforts?*