Tech-Clarity

making the value of technology clear

Tech-Clarity Perspective:

Product Environmental Compliance

Sustainable Processes to Reduce Compliance Cost and Risk

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Executive Overview

Manufacturers today are under pressure to comply with an increasingly complex array of product-focused regulations. After exerting tremendous effort to comply with the European Union's RoHS mandate, they now face additional environmental compliance requirements to address REACH, WEEE, numerous local versions of RoHS, customer-specific requirements, company "green" policies, and more. Manufacturers need to comply with this tangle of legislation to ensure business continuity and reduce risk. This helps the environment, but it's also just good business because it protects revenue streams and mitigates potential losses from stopped shipments, fines, or brand damage.

Manufacturers have to comply to keep their market share, but to maintain profitability they also have to do it in a cost effective way, particularly in current economic conditions. Previous compliance benchmarks uncovered wide ranges in the total cost for companies to comply with regulatory demands. To better understand how some companies are able to achieve compliance at a significantly lower cost than others, Tech-Clarity surveyed product environmental compliance leaders from over 300 companies and interviewed several leading manufacturers. The study found developing and supporting compliant products using sustainable processes and enterprise solutions significantly reduces the cost of compliance.

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RoHS has now been joined by REACH as the most commonly reported environmental regulation impacting products (79%). While some manufacturers took a project-based approach to RoHS, others chose a programmatic approach to address compliance across regulations. Those that took a project focus versus a process-oriented approach have learned that addressing regulations one by one consumes scarce resources that could be better put to use developing new, innovative products. Particularly today, as companies have to do more with less, leading companies are taking a more systematic approach to product compliance. Brute force is not the answer, particularly in obtaining supplier data which appears as the most common challenge in achieving product compliance (52%).

The research concludes that the key elements of a sustainable approach include:

- Compiling a common set of product environmental performance requirements
- Gaining a better understanding of the substances that make up components
- Automating the analysis and monitoring of product structures and composition against requirements
- Documenting proof of compliance electronically

About the Research

Tech-Clarity gathered and analyzed 331 responses to a web-based survey on product compliance. Survey responses were gathered by direct mail and online posting through partners including Greentech Media and Green SupplyLine. Tech-Clarity also interviewed compliance leaders from three leading manufacturers in order to share their environmental product compliance experience and knowledge.

The majority of the respondents were manager, director level, or VP (56%), with additional responses from the executive level (10%) and individual contributors (27%) among others.

Many of the respondents (47%) were from smaller companies less than $250 million, 16% between $250 million and $1 billion, 11% between $1 billion and $5 billion, and 9% greater than $5billion. 17% did not disclose their company size. All company sizes were reported in US dollar equivalent.

The responding companies were a good representation of the manufacturing industries, including High-tech and Electronics (51%), Consumer Products (33%), Aerospace and Defense (26%), Automotive and Transportation (22%), Machinery and Industrial (26%), and others. Note that these numbers add up to greater than 100% because some companies indicated that they are active in more than one industry.

The respondents reported doing business globally, with most companies doing business in the North America (88%), over half doing business in Western Europe (53%), almost half doing business in the Asia-Pacific regions (44%), and about one-quarter doing business in Latin America (27%) and Eastern Europe (25%). Few companies were doing business in Africa (8%).

Respondents included manufacturers as well as service providers and software companies, but only those responses from manufacturers were included in the analysis. The majority of companies (70%) indicated that they were from manufacturing companies.

About the Author

Jim Brown is the President and founder of Tech-Clarity, an independent research and consulting firm that specializes in exposing the true business value of software technology and services. Jim has over 20 years of experience in application software for the manufacturing industries, with a broad background including roles in industry, management consulting, the software industry and research spanning enterprise applications such as PLM, ERP, SCM and others. Jim has conducted numerous studies on how best practices and enterprise software can be leveraged to improve product environmental compliance

Jim is an experienced researcher, author and public speaker and enjoys the opportunity to speak at conferences or anywhere that he can engage with people that are passionate about improving business performance through software technology.

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