

# Sustainable Procurement



Most large organisations have adopted some aspects of good sustainable procurement practices (CIPS: Sustainable procurement).



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### Introduction

The factors that should be considered by sustainable procurement include non-renewable material use, manufacture and production methods, logistics, recycling options, disposal and supplier capabilities. At the macro level, sustainable procurement can deliver better economic, environmental and social outcomes. These macro level issues also need to be considered while analysing the impact of sustainable procurement on the purchasing and supply chain environment: economic impact of sustainability refers to corporate governance, ethical trading and payment on time; environmental impact may include biodiversity, climate change and carbon footprints factors; and social impact incorporates diversity and human rights (CIPS: Sustainable Procurement). At the micro/organisational level, sustainable procurement can generate value for money and raise efficiencies within organisations (e.g. by managing supply risks and augmenting resource productivity levels) and lead to cost effective procurement (CIPS: Sustainable procurement; Improvement and Development Agency, 2003; Thomson and Jackson, 2007).

Sustainability in an organisation can be captured across three levels: legal requirements, cost and waste reduction and mitigation of risks, protection of brand and reputation (CIPS: Sustainable procurement). Organisations can also use sustainability initiatives to increase employee involvement and participation, and change certain practices embedded in organisational culture (Boxall and Macky, 2009; Improvement and Development Agency, 2003; Thomson and Jackson, 2007; Vandenberg et al., 1999).

Some organisations do not treat ideas of sustainable procurement with careful consideration and fail to comprehend the way sustainable procurement practices can modify or align with existing procurement practices. Ideally, these should be integrated into an approach that encourages lifecycle systems management (Monczka et al., 2009).

Legislation increasingly acts as a driver for adopting culture and practices supporting sustainable procurement in organisations (CIPS: Sustainable procurement). Underpinning this core legislation are various regulations and directives, such as the Waste, Electrical and Electronic (WEEE) Directive, a Waste Framework Directive and the regulations governing the registration, evaluation, authorisation and restriction of chemicals (REACH).

### Definition

Sustainable procurement as "a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment" (Department for Environment, Food and Rural Affairs, 2006).

### Successful application

Implementing sustainable procurement is not an easy task. At the same time, it is making an impact or at least starting the process achievable. Thus, sustainability can be incorporated into different elements of the whole procurement process (e.g. defining needs, evaluating options, design and specifying, supplier selection, tender evaluation, post-contract management and supplier development). For example, a company can consider energy efficient products, which often have an increased capital cost but which are offset by lower operating costs (Improvement and Development Agency, 2003).

### Steps to successful application

1. Adopt a sustainable procurement policy: establish the role of procurement professionals and buyers, adopt the standards or targets showing what will and will not be bought and agree on the techniques to be used (e.g. whole life costing, risk assessment).
2. Challenge current culture within the company.
3. Publish the sustainable procurement policy as a clear commitment to action and ensure that senior figures visibly pursue this policy and demonstrate their commitment to real action and change.
4. Develop a dialogue with suppliers: discuss with suppliers the possibility of a more sustainable version of current purchases (e.g. furniture with a higher recycled content). For new procurements, include sustainability in the basic specification.

*Improvement and Development Agency (2003); Senge (2010)*

### Hints and tips

Senior management must understand the true business case for sustainable procurement. It might be difficult to achieve buy-in from lower level employees if the people at the top are not serious about sustainability (Hughes and Day, 2011).

Central to making sustainable procurement work is motivating suppliers to offer more sustainable products. Buyers and users should start to define functional performance specifications (including sustainability), rather than just the technical specifications of known products (Improvement and Development Agency, 2003).

It is important to give suppliers advance warning about any changes in the product and component requirements if these are caused by new organisational sustainable procurement practices (Improvement and Development Agency, 2003).

Implementing sustainable procurement practices will require extensive discussions with major stakeholders identified along the supply chain, for example customers, suppliers, managers, employees, government, banking and financial institutions, shareholders (Burnes, 2009).

### Potential advantages

- Sustainable procurement approaches can demonstrate P&SM's value to the organisation and raise corporate image in the market (Lysons and Farrington, 2006).
- Sustainable procurement can reduce waste and improve resource efficiency, ensuring that costs are minimised and processes are more efficient (Thomson and Jackson, 2007).
- Sustainable procurement is associated with lower degrees of business risk under certain circumstances (Thomson and Jackson, 2007).

### Potential disadvantages

- Achieving sustainable procurement can be difficult for companies that do not adopt a lifecycle systems approach which can maximise value, transparency and sustainability and reduce costs and risks at every stage of the value chain (Supply Management, 2008).
- There is a risk that sustainable procurement may be perceived as an option for larger organisations who have the necessary financial, human and other resources to invest in sustainable practices (Adams and McNicholas, 2007).
- Additional time and resources need to be continuously invested in aligning internal sustainable procurement practices and those of suppliers with changing legislative requirements.

This is particularly critical for organisations operating large and complex supply chains spanning various countries where legislation and de facto working practices vary to the home country of business (Department for Environment, Food and Rural Affairs, 2006; Improvement and Development Agency, 2003).

### Performance monitoring

- Benchmarking: comparing company practices (e.g. ethical sourcing, or corporate social responsibility) with best-in-class performance (Hughes and Day, 2011).
- Perceptions of those external to the organisation (Hughes and Day, 2011).
- Business alignment and stakeholder engagement: need to be measured to achieve a clear linkage between business strategy, goals and sustainable procurement initiatives (Hughes and Day, 2011).

### Case studies

- Premier Farnell, a global electronics distributor with an annual turnover of £833m, worked closely with NGO Action Sustainability to develop sustainable procurement policies for its huge supply network. Action Sustainability convinced the company of the many business opportunities to be seized (e.g. first mover advantage and the chance to build new commercial relationships). Procurement is now central to delivering the company's ambitions (CIPS: Managing the Storm and Beyond).
- The sustainable food procurement in the east of England, aimed at enabling Local Education Authorities (LEAs) caterers to source more sustainable produce for schools meals locally, helped LEAs creating new supply chains for regional meat and defining new contract clauses. The project helped participants achieve a £150,000 increase in meat for school dinners sourced in the region and bought locally and a likelihood of a further £600,000 worth of local meat going into hospital food (Sustainable Procurement Information Network: Sustainable food procurement in the East of England).
- In 2006 the Gateshead Council won the Energy Saving Trust's 'Fleet Hero Award' as the transport department's recognition of the Council's drive towards sustainable development. The Council was rewarded for introducing 20% bio-fuel to a tenth of all their vehicles, for training drivers in fuel efficiency and for allocating them jobs closer to their homes, which in combination led to £77,000 savings in the first year (Sustainable Procurement Information Network: Gateshead Council introduce Bio-diesel).

### Further Resources/Reading

#### Web

[The Environment Agency - Sustainable procurement](#)

[Commission for a Sustainable London 2012.](#)

[West Midlands: SME and sustainable procurement.](#)

[Industry Council for Packaging and the Environment.](#)

[Non-profit organisation promoting sustainable procurement.](#)



### Books

Sustainable Supply Chain Management: Practical Ideas for Moving Towards Best Practice ISBN 978-3642120220

Purchasing and Supply Chain Management ISBN 978-0273694380

Sustainable Strategic Management ISBN 978-0765611314

Purchasing and Supply Chain Management: Analysis, Strategy, Planning and Practice ISBN 978-1408018965

Principles of Supply Chain Management: A Balanced Approach ISBN 978-0324657913

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## Video

Sustainable procurement metrics  
<https://www.youtube.com/watch?v=1TFkAm852Jg>

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