

# HOW TO MAKE SUSTAINABLE PROCUREMENT HAPPEN

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Sustainable Procurement

Jonathan O’Brien, CEO of Positive Purchasing, author, and global procurement thought leader, outlines an effective approach to creating a road map for embedding a sustainable procurement initiative in your business.

I am not going to catalogue all the reasons why embedding effective sustainability in an organization is so vital. For the purposes of this piece I’m assuming you know this and want to either start a sustainable procurement initiative or, at least, take what you have already achieved to the next level.

Implementing effective and efficient sustainability within an organization and specifically its Supply Value Chain Network (SVCN) is a big deal. Maybe one of the biggest and most complex initiatives a company will undertake and certainly, in the long term, the most important.

To do this you need a plan. The one I use is 5P as it provides a practical, tried, tested and scalable framework and governance model (Figure 1). Take some time to look at it and how it flows, then read on.

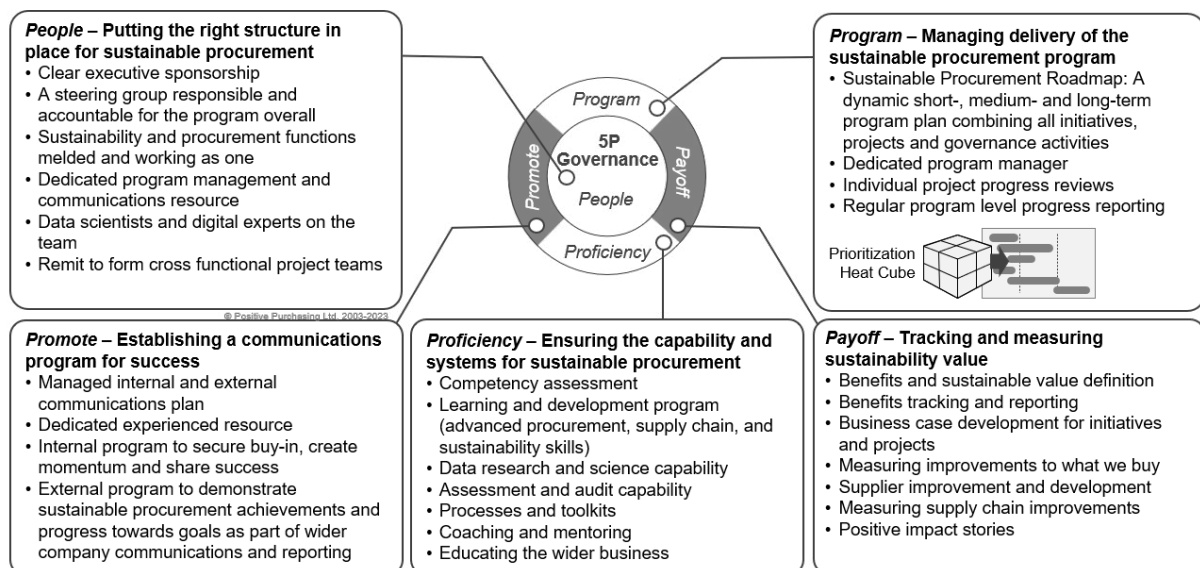
## HOW IT BEGINS

Most organizations are on a sustainability journey to a greater or lesser degree. Many choose to escalate their commitment and charge a key individual to undertake a study of how this can be achieved, then deliver a report in the form of a business case (which is no small job).

A vital part of this study/business case is not only to assess the likely costs, but also to detail the benefits to the business that sustainable procurement will deliver and where possible, allocate a financial value.

These should include “hard” values such as cost savings gained from improved efficiency and accelerated innovation, revenue gains from enhanced pricing, increased distribution, access to new markets and greater customer demand.

“Soft” benefits should also be identified and evaluated, such as enhanced brand equity, increased employee satisfaction driving better productivity and reduced staff turnover. Also, enhanced customer and stakeholder perceived brand value and overall positive interest.



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Figure1 - 5P Governance Model

Once presented, there can generally be one of three broad outcomes:

1. Sticker shock at the scale and scope of change involved and especially the potential costs.

This can result in the decision to postpone such an initiative, but implement some additional low cost, low involvement practices in the interim. A simplified 5P plan gives a good framework of how to approach this.

2. A collective sharp intake of breath in the boardroom at the scale and scope, together with acceptance that, though there must inevitably be significant costs, there will also be savings and an opportunity to fast track innovation. Frequently there is also appreciation of the value of mitigating the reputational risks of not embracing sustainability. Add to this the fact that implementing sustainable practices and processes will eventually become a legislated necessity, and the argument to move to more sustainable procurement becomes increasingly compelling.

Typically, the board will deliberate for a short while then set a budget and timescale below that, identified and recommended in the study. This will come with a request for recommendations on what can be achieved for the reduced budget, together with any estimated cost savings and revenue upside benefits. Following further deliberation, a budget is usually agreed.

The 5P tool is most effective in this scenario.

3. Less typically, the board decides on committing to be a leader in sustainability as an enterprise-wide initiative and realizes the brand benefits that it affords. It then awards sufficient funding and resources to make this happen.

Happy days – reach for the 5P model!

## THE “COST WOBBLE” AND HOW TO PREVENT IT

If your organization is focused on tight financial control and relatively short-term performance, then cost can be a showstopper. The compelling proposition to support a sustainability business case inevitably has two main areas of focus:

### 1. Mitigating Risk

- Reputational damage from exposure of poor sustainability practices.
- Negative brand impact from competitor sustainability innovations.
- Loss of market share to competitors with a more sustainable proposition.
- Avoiding the necessity of enforced and accelerated (and expensive) remedial sustainability catch-up due to new legislation.

### 2. Maximizing Opportunity

- Savings from improved efficiency and reduced waste.
- Accelerated innovation both internally and from the SVCN.
- Enhanced brand equity.
- Potential opportunity to benefit from premium pricing.
- Improved employee satisfaction, productivity, and retention.

## SIMPLICITY IS KEY

Bitter experience has taught me that the trick to creating an effective plan is to keep it as simple as possible. Easy for me to say I know, but exercising the discipline of boiling everything down to the essence of what it is and what is needed to make it happen, pays dividends in the end (and there will be ample opportunity for overcomplication at the implementation stage!).

Another crucial factor is that all key individuals have a real ownership stake in, and a common picture in their minds of, what it is and why it is important (and can articulate this in a 2-minute elevator pitch).

So, let’s assume the business need and the budget are established. What you need now is a plan and the right people.

## PEOPLE

Sustainable procurement, like any major enterprise-wide initiative, requires the right organizational structure.

One model that is proving effective sees the formation of a sustainability function, comprised of individuals with exceptional knowledge and related experience, working as one cross-functional team. This must be across procurement and the supply chain, through manufacturing and production to distribution, and ultimately, communications and data.

It is unlikely that you will have those with the right skills and experience already within your organization, so you will need to source them externally, or at least supplement existing talent. If this is the case, but you don’t want to look outside, it is possible to upskill senior managers with a degree of appropriate knowledge and relevant management ability.

A game-changing initiative like this must already have board sponsorship and will need an executive, board-level leader. This can be augmented by a compact senior steering group specifically responsible for sustainability within the SVCN.

You’ll need a Programme Manager to deliver the day-to-day project management, supported by a Communications Manager who is the voice of the project, ensuring visibility, alignment and continued buy-in.

## PLAN

An organization's Sustainable Procurement road map must be dynamic. It must be regularly reviewed and updated in line with results and the learning it drives, together with changes in the business, the market and local and evolving customer attitudes.

Crucially, your road map should be kept simple and created (and therefore owned) by the key individuals. It is powerful when used to communicate, illustrate and promote wider understanding, generating acceptance and buy-in from wider communities including your SVCN, stakeholders and even shareholders.

Workshopping with the key individuals is a good way to achieve this, with the output being a plan in PowerPoint or Excel. A road map can then be built with plans for each of the goals and initiatives identified in the workshop. These should be more detailed and granular for short term activities (12-18 months) but can be more top line for medium and long-term horizons (as things may change as you learn more). Your high-level goals and specific targets will define each workstream in the road map and within these are the detailed initiatives and projects needed to achieve the goals.

## PAYOFF

Your plan will detail what you are aiming to achieve. You will need to decide what to measure to be able to quantify the level of benefit gained, the relative success of your programme so far, and what you need going forward.

So, start with what you need to know, then decide how you are going to measure it in a way that yields actionable results. Frequently, you will need to measure entirely new elements and require members of your SVCN to do the same.

Broadly there are two main types of measures:

1. Mainly internal hard measures that help quantify the performance of the program, evaluate the contribution to the business, and help you manage any course correction and future development planning.
2. Mostly external measures that tell you how the SVCN is performing, the impact on softer measures of brand equity, employee satisfaction, customer and stakeholder reaction, and how the program is contributing to the wider sustainability environment.

When deciding on the shape of your measurement system, a good place to start is with the "Nirvana Solution." In other words, in an ideal world where everything is quantifiable and cost no object, what would you measure and why. Then get as near to this as you can, given what you can measure and afford.

It is important you include measures for those elements that you want to talk about in the final 'P' – 'Promote'.

Ensure you track the metrics you will need to support the stories that you want to tell to demonstrate the success of the programme. Together with the hard results, this will help to build further commitment, buy-in and ownership (and secure the next round of funding).

## PROFICIENCY

Proficiency is all about making sure you have the right people with the appropriate skills and knowledge, all with the same picture in their head, doing the right things at the right time. They need to be equipped with the right tools to measure the right things, then share the right information, and all the time be happy doing it because they are empowered and supported.

Easy for me to say - but that is the gold standard and to achieve it you will need:

- Ongoing competency assessment.
- A learning and development program which not only trains key internal audiences in advanced procurement, supply chain and sustainability skills, but ensures key members of your Procurement Supply Chain Network have the required level of knowledge and information.
- Data research and science capability.
- The support (and comfort) of effective processes and toolkits.
- Coaching and mentoring to ensure alignment, engagement and empowerment.
- A program that shares the sustainability success story via targeted communications and education amongst the wider business and external audiences.

## PROMOTE

The last point about sharing stories is key.

Even those organizations who do a good job of driving real sustainability progress right across their entire procurement landscape, frequently do a poor job of communicating and merchandising the positive outcomes.

Telling the right story to the right person in the right way is vital to ensuring:

- Continued executive buy-in and support.
- Maximum positive brand equity enhancement is derived and maintained.
- The SVCN remains engaged, supportive and committed.
- Consumer/customer awareness is earned and managed.
- Optimal awareness amongst wider internal audiences to ensure employee benefits are realized.
- Key stakeholders are informed and engaged.
- Target influencers are informed and offered an opportunity to engage.

## CHANGE IS COMING WHETHER WE LIKE IT OR NOT

In her speech to the 2019 UN Climate Action Summit, Greta Thunberg told World Leaders that they were not only failing, but that the World was waking up and that changes were coming, whether they liked it or not.

Greta spearheaded a movement that told an uncomfortable truth, not only to power, but to the World in general and especially to youth. Now, powered by an ever-growing groundswell of public opinion driven by the likes of David Attenborough, Al Gore, King Charles III and Leonardo Di Caprio; plus further legions of celebrities and opinion formers of every stripe, greater legislative change is happening and will only accelerate.

Mark Carney, ex-governor of the Bank of England, tells us that rising sea levels will threaten assets to the value of 20-25 percent of global GDP by the end of the century.

Here's the thing, you have a choice. Either get ahead of the wave and integrate sustainability into the core of your corporate values, practices, processes and actions, or get swamped when the perfect storm of public and commercial opinion, supply chain vulnerability, raw material scarcity and accelerating legislation hit you like a tsunami.

So be more Greta.

This insight article is adapted from the book [Sustainable Procurement: A Practical Guide to Corporate Social Responsibility in the Supply Chain](#) by Jonathan O'Brien ©2023 and reproduced by permission of Kogan Page Ltd.

*Sustainable Procurement* details the why, what and how of embedding sustainability in an enterprise-wide procurement function from horizon to horizon.

## REFERENCES

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