



# Sustainable procurement gains speed

## Buyers should take advantage of new opportunities in CSR

Over the past several months I've been searching for significant signs that the procurement profession is getting serious about sustainability. I've found some global corporations with a well-rooted commitment to corporate social responsibility, but I'd suggest most purchasing departments are just starting to think about what sustainability means and how it impacts their work. However, I see the day in the not-too-distant future where it will be a key component of a procurement manager's job.

For the world's largest companies, corporate social responsibility (CSR) is now an intrinsic part of the way they do business. In a 2008 survey, KPMG found for these companies, CSR reporting is becoming "as commonplace as financial reporting."

It also found 75 per cent of the global 250 companies surveyed have a CSR strategy with defined objectives; most have a supply chain code of conduct; and almost two-thirds disclose information about climate and supply chain risks.

It's just a matter of time before all businesses will follow suit in order to compete, KPMG concluded.

### New opportunity for buyers

Another driver behind sustainability is management consulting firms, which are starting to see the business opportunity in helping organizations green their supply chains.

KPMG published a report last year recommending "next steps" for the procurement profession. Two areas caught my attention. The first was the belief procurement has the opportunity to win a seat at the strategy table by aligning itself with business priorities. The second had to do with purchasers' new involvement in sustainability.

Last year, Arthur D. Little did a

study titled "Green Purchasing Power." It takes another interesting view. According to the study, as the sustainability agenda in business and government grows, it puts more pressure on the chief purchasing officer (CPO).

Essentially, the authors noted a CEO's duty is to protect and manage the organization's risks and reputation, its response to stakeholders, and to build value for the company—all areas that are both impacted by sustainability and significantly touched by the procurement function.

While the CEO is accountable for these areas, when it comes to decisions on procurement, he or she delegates responsibility to the CPO.

These two reports strongly suggest that if procurement is simply focused on purchasing materials, as opposed to using sustainability to drive innovation and value through the organization, it's missing a tremendous chance to play a key role at the strategy table.

### Government leadership

The public sector remains a leader in sustainable procurement, particularly in Europe, Australia, and Japan, though there are some excellent examples in North America, such as the University of British Columbia.

Governments recognize their huge market power means they must deliver broader objectives through procurement. For instance, they can shift the market towards energy efficiency. Or stimulate supply chains to develop new products with environmental specifications. Or even create demand for recycled products.

North America en masse is probably five to 10 years behind other regions, such as Europe, but we'll see the same level of commitment and leadership here as we've seen in other countries. If governments are making better



social and environmental choices, it will encourage citizens and businesses to follow their lead.

### A powerful mechanism for change

Depending on the business type, anywhere between 20 to 60 per cent of an organization's expenditures run through procurement.

Governments around the world spend around six to 10 per cent of their gross domestic product (GDP) on goods and services, which in Canada alone, is estimated to be about \$100 billion. This level of spending is a tremendous leverage point to facilitate change, particularly around sustainability.

When organizations start requesting specific social and environmental standards in the products and services they buy, they create markets for those products and services. This ultimately drives our economy to support social, ethical, and environmental priorities.

The biggest reason sustainability purchasing will become commonplace is there are a plethora of examples of how CSR improves efficiency, reduces waste and emissions, and ultimately, allows procurement to find savings. **b2b**

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