

Building a Business Case for Sustainable Procurement: A 5-Step Guide



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Overview

Pressures and demands around sustainability and transparency are growing, and the supply chain is perhaps the largest risk, and also the biggest -- albeit unwieldy - - lever of opportunity for becoming a more sustainable business. The question is, how do you get it going? Launching or accelerating a sustainable supply chain/responsible purchasing initiative with a large company's procurement team is a challenge for even the most visionary and passionate.

Fortunately, there are already many companies forging a path towards this transformation, as well as a growing number of surveys, studies and supporting research. This five-step guide summarizes the key tips including quantifying the business case, competitive elements, internal signals, stakeholder demands and internal momentum building. This guide is intended to inspire and provoke your thinking, so you can make the most convincing case possible for your boss, your team and your company to launch on the sustainable procurement journey. Ready? Let's go!

1. Build and quantify your business case

How big is your supply footprint? Supply chain represents 50% to 70% of the sustainability footprint (including environmental, labor practices and ethics) of most major global companies. First, calculate this 'footprint' statistic in your company. This may require doing some spend analysis. Next, compare how it aligns with your company's overall sustainability goals and statements, and calculate an initial quantitative indicator of the

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scope of impact, and how well aligned it is with your company's values. From here, build out a more detailed case.

Quantify your case. Several studies and white papers are available that help quantify the business case for sustainable procurement. The most common benefits and ROI are found in these areas: cost savings, risk reduction, brand and reputation protection and new value creation opportunities.

- [Beyond Supply Chains – Empowering Value Chains](#), a study from the World Economic Forum, describes results such as a revenue increase of 5%-20%, cost reductions of 9%-16% and a boost in brand value between 15%-30% in companies engaging in sustainable supply.
- The **Value of Sustainable Procurement Practices** study by EcoVadis, INSEAD and PWC examines the quantitative business case for investing in a sustainable procurement initiative. Results range from 5-times payback for cost reductions to 85-times payback in new category revenue. [Click here to get this paper from our library.](#)
- This paper by Oxford-Arabesque, [From Shareholder to Stakeholder](#), is a 'study of studies' detailing broad and consistent support of **improvement in stock performance** and access to capital for sustainability in general, and identifies supply chain as a critical factor.

Strategic alignment. Examine these studies in the context of your company's vision and business strategy, and look for growth opportunities not only with existing product lines, but also seek out potential strategic, long-term upside through innovating with suppliers on new product categories, or supporting a brand transformation.

2. Peer pressure: benchmark your industry & competitors

A wealth of information is available online showing the growth in sustainable procurement as a priority, and the advancement of these practices. Your competitors are doing it. Your larger suppliers are doing it. Your customers are doing it. How does your company fit into this new reality? Here are some resources and tips:

The [Ceres Gaining Ground 2014 report](#) contains a great overview as well as numerous case examples of this **increase in focus on sustainable supply chain initiatives** among the

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world's global companies. For instance, it shows 58% of companies have a supplier code of conduct as of 2014, (up from 43% in 2012). This trend points to almost 75% by 2016.

EcoVadis published the paper *Time to Measure Value Creation: Sustainable Procurement Benchmark* ([also here in our library](#)), done in collaboration with HEC business school which surveyed 133 global corporations. This provides a solid foundation of statistics on objectives and drivers for sustainable procurement, as well as other details such as **91% are integrating sustainability criteria in supplier selection** and similar stats on its use in RFPs, SRM systems, internal buyer evaluation criteria, organizational structures and more.

Look at your competitor's websites, and find their annual reports on CSR, and some may also have specific reports on sustainable procurement. What have they implemented? What goals and targets have they set? How mature is their program? What metrics are they reporting on? Are they reporting on supply base coverage (e.g. % of spend that have been assessed, signed a Code of Conduct, audited, etc.). Good examples are Heineken, Nestle, Alcatel-lucent, Bayer.

Industry associations can be great resources: Look for **industry initiatives** your sector that are addressing sustainable procurement. Some examples are [Together for Sustainability](#) (chemicals), [GeSI-ETASC](#) (telecom), [EICC](#) (ITC), [railsponsible](#) (rail), [AIAG](#) (automotive). Look for similar efforts in your industry as they often provide industry-specific business case data, and also set expectations and drive standards that can help build your case.

Another resource to look at are public indices such as Vigeo, FTSE4good, Corporate Knights, and probably the most prominent [DJSI World Book](#). Identify who are the top performers in your sector. What are their scores on supply chain, risk management, ethics, and environment? Do you have a key competitor who is a 'supersector leader'? There may also be other indices and lists that your competitors are receiving recognition. This visibility - or lack thereof - can help you create a compelling case for your management team.

3. Look for internal alert signals

This [Zurich Insurance study](#) summarizes some startling statistics on supply chain risks where major corporations have an **85% chance of at least one supply disruption** in the next 12 months. CSR-related risks are squarely in the top five. How has your company fared

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in the past few years? Research and identify key events or incidents related to CSR in your supply chain. Collaborate with procurement, EHS and legal/compliance teams to get the data. You may find some prominent incidents, or the 'alert signals' that may indicate risk of future events that could impact your brand, interrupt supply, delay delivery, or have other negative business consequences. Consider how these might be prevented or mitigated with a robust sustainable procurement and supplier monitoring system.

You can also look for examples of supply chain incidents in your competitors, as examples of incidents you want to avoid. Also look for FOMO (fear of missing out): determine what new categories and opportunities you are missing out that your competitors are succeeding with, and that depend on a sustainable supply base.

Also be on the lookout for success stories related to suppliers and sustainability such as supplier awards for sustainability.

4. Consider your customers' sustainability requirements

Your customers' needs are likely shifting, too, toward demanding transparency on sustainability. Visit your key customers' websites and look for "Sustainable Procurement" or "Responsible Sourcing" section. What are their new requirements related to CSR and sustainability? Talk to your sales and CSR teams: Get a copy of the latest survey questionnaire requests from your customers, and look at what it covers such as Environment, fair labor practices, ethics – does it also include supply chain? Most large corporations are explicitly asking their suppliers to engage their suppliers to gain multi-tier visibility. Find where the demands are most present, as they may be more prevalent in certain sectors or geographies.

5. Recruit champions and early adopters to collaborate with you

You are probably not alone in your company to have this vision. Seek out colleagues whom you can rally to help. One obvious place to look is in the Corporate Responsibility and ESG function. Or, ideally you can find a colleague on the procurement team who may share your passion: For example those with an interest to protect the planet from global warming and environmental degradation, or defending human rights. Could they help you run a pilot project to demonstrate value to top management?

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Connect with the product marketing teams in your more progressive business units, and look for those who are leading the development of new products or categories around sustainable themes. They often have customer research demonstrating the demand for transparency does not stop at the loading dock; they may help you articulate the commercial drivers for a sustainable procurement program.

Get Started!

The final element in building your case for launching a program is often the hardest: Creating a sense of urgency. Since sustainability is such a strategic topic, and addresses how your company will do business in 5, 10 or 20 years, there is a temptation to put off the project. Don't let this happen. The leaders who pioneered into sustainable procurement and have advanced programs are reaping profit and innovation benefits because they took action years ago. Those benefits only come with a mature sustainable procurement capability that takes years to build. The longer you wait, the further behind your company will become, and the harder it will be to catch up. This message is simple: Start now!

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EcoVadis is the sustainability rating platform for supply chains, spanning 150 sectors and 110 countries, trusted by Global-500 enterprises like Verizon, Nestle, Johnson & Johnson, Nokia, Bayer and 120 others. EcoVadis Scorecards make it easy to understand, track and improve suppliers' environmental, social and ethical performance, fostering transparency and innovation between trading partners.

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