



Reshaping Corporate Approaches to Sustainable Sourcing

BSR Workshop Summary Notes

March 26, 2013 | Paris

About BSR

BSR works with its global network of more than 250 member companies to build a just and sustainable world. From its offices in Asia, Europe, and North and South America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Visit www.bsr.org for more information about BSR's more than 20 years of leadership in sustainability.

Attendees

Representatives from companies:

Bestseller, C&A, Disney, Etam, Kappahl Sverige, Maersk, Novo Nordisk, Pentland, PPR, Sanofi, Sodexo, and Tesco

Representatives from stakeholders and service providers:

The Better Work Programme, BSR, The Church of Sweden, EcoVadis, Oddo Securities, United Nations Environment Programme, and Wilbury Stratton

Summary

This document provides a summary of the highlights and key takeaways of this BSR workshop aimed at procurement and sustainable procurement professionals, which discussed how to embed sustainability into procurement.

Overall, for sustainable procurement and sustainable supply chain professionals, let's consider the following key takeaways on how to better integrate sustainability into core procurement functions:

- » **Be bold; move from incremental improvements to transformations.**
Sustainable procurement is critical to business success, and companies need to be stronger in accelerating change and willing to make the big leaps necessary.
- » **Experiment with new ideas and approaches.**
At the same time, we need more experimentation on a micro-level. Case studies and conversations showed that companies are trying new things and moving away from accepted thinking. Others should replicate these ideas and have the courage to try untested ideas.
- » **Demonstrate how procurement is a strategic part of the business.**
Procurement can be a source of innovation, and companies need to promote the value of procurement and place it alongside marketing, manufacturing, R&D, and design, while encouraging better coordination among departments.
- » **Be an example of forward thinking and strong leadership.**
Businesses should assess whether they want to be leaders in this space and take on new thinking and actions. They should also be willing to talk about both successes and lessons learned.
- » **Develop more robust tools and data to engage buyers and investors.**
Two key audiences are continually missing from the discussion: buyers and investors. Companies need both hard data and appealing tools to engage these audiences.

Stakeholders believe that leadership means moving from *incremental improvement* to *transformation* of supply chain design and management.

Session 1. Setting the scene: Stakeholder expectations and engagement and their effects on internal sustainable sourcing practices

Four stakeholders led the first session, with Cecile Oger of BSR facilitating:

- » **Dan Rees**, Executive Director, The Better Work Programme (by phone)
- » **James Lomax**, Agri-Food Programme Officer, UN Environment Programme
- » **Sarah Nordbrand**, Head of Corporate Engagement, The Church of Sweden
- » **Jean-Philippe Desmartin**, Senior Analyst, Head of ESG Research, Oddo Securities

The panel of stakeholders provided interesting insights to set the scene for the discussion during the rest of the day.

1. The issues that stakeholders care about are not going away, and stakeholders recognize that procurement is the connection between business strategy and the reality on the ground in sourcing countries.

- » By and large, **company actions up until now have not been working**. Many businesses are still stuck in the monitoring phase. Companies need to move from monitoring and verifying what suppliers are saying to becoming more proactive.
- » **Stakeholders want sustainable procurement to become mainstream**. As with quality 40 to 50 years ago, sustainable procurement will become mainstream when people realize that the cost of being sustainable is *less* than the cost of not doing so.

2. Stakeholders expect strong leadership, and leadership means moving from *incremental improvement* to *transformation* of supply chain design and management. Leaders can:

- » Stop apologizing, be bold, and be more demanding of the kind of partnerships they want.
- » Move away from top-down approaches. Look at multi-stakeholder initiatives that are rooted locally, and become more impact-oriented.
- » Move toward partnerships, creating incentives for every step in the supply chain.
- » Create a stronger environment for businesses to compete sustainably through better demands for government regulation; voluntary action is not enough.
- » Build resilient supply chains, map risks, and test best practices.

3. Investors have a key role to play; they need to be more engaged and have better information.

- » Investors need to move away from **short-term financial targets**.
- » Investors are not asking **the right questions about sustainable sourcing**. They should ask: Do you have a long-term relationship with suppliers? Do you pay your suppliers regularly? Do you know your supply chain? How is it organized? Are you familiar with your suppliers beyond the first tier?
- » Investors **need information** regarding the supply chains of the companies they are evaluating. A lack of information *is* information, and there is a risk that failing to gather this data will impact the value of a company and investment decisions.

Find the people who have the potential and the will to change things in the company. Motivate them through storytelling, as well as metrics and data.

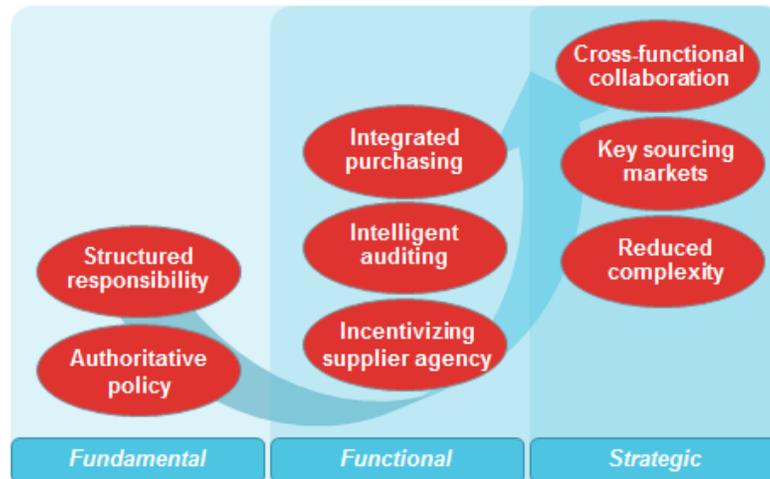
Session 2. Internal organization and processes for moving beyond supply chain compliance toward capacity building

Three stakeholders led the second session:

- » **Rufus Bullough**, Global Practice Lead, Wilbury Stratton
- » **Tara Norton**, Director, BSR
- » **Pierre-François Thaler**, Managing Director, EcoVadis

EMERGING THEMES FOR INTERNAL BEST PRACTICES

BSR presented a review of emerging best practices. Overall, leading businesses are making three kinds of changes:



- » **Fundamental:** The fundamentals of any sustainable procurement approach are **roles and responsibilities**. Getting this right is not a given. Leading companies have established authoritative sustainability policies that their own teams must adhere to or face severe consequences. These companies also integrate responsibility for sustainability into procurement roles.
- » **Functional:** Businesses are making significant functional changes: ensuring that sustainability is **well integrated into all procurement processes**; moving from broad auditing programs to **more intelligent auditing programs**; and putting programs in place **that encourage suppliers to act more sustainably**, such as providing access to investment, making suppliers subject to less frequent audits based on good performance, and offering longer-term relationships.
- » **Strategic:** What is arguably the most exciting area of developments recognizes that **procurement is a strategic area of the business**. Companies are looking for ways to reduce complexity in their supply chains, which ties in nicely with improving sustainability practices; they are putting strategies in place in key sourcing markets; and they are taking new views on incenting cross-functional collaboration.

TRENDS IN ORGANIZATIONAL STRUCTURE

Rufus Bullough presented his viewpoint as a recruiter on some key themes in regard to trends in organizational structure, which can be helpful when looking to embed sustainability into procurement.

The CEO plays a key role in driving sustainability in an organization, including in procurement.

- » For certain companies (e.g., Unilever), the CEO could almost be perceived as the chief sustainability officer, and a lot of candidates want to work for the company that “gets it” because no matter how good you are, if the CEO is not behind you, you will not get anywhere.
- » Overall, there need to be clear strategies that are supported from the top.

A strong communications strategy helps a sustainability program to engage staff.

- » The element of **storytelling gives meaning** to aspects of sustainability initiatives that may not fit into meaningful metrics. This story has to have a strong connection with the brand, with what the company does at its core, and has to integrate sustainability into the company psyche.
- » **Examples** of companies and their respective strategies include Unilever: Sustainable Living Plan, Interface: Mission Zero, and Kingfisher: Net Positive.

Identify the change leaders within the company, and engage them.

- » Find the people who have the potential and the will to change things in the company. Motivate them through storytelling, as well as metrics and data.

KEY FINDINGS FROM THE HEC/ECOVADIS SUSTAINABLE PROCUREMENT BAROMETER

Pierre-François Thaler presented key findings from the [2011 HEC/EcoVadis Sustainable Procurement Barometer](#), a definitive study that looks into how sustainability is embedded into procurement.

- » **Sustainable procurement is a way to rebrand the procurement function.** Procurement teams generally do not have the best reputation internally. They implement internal procedures, and externally they are putting pressure on suppliers to reduce prices. Sustainable procurement might help attract the best talent.
- » An emerging topic is that of **total cost models**, which include sustainability life-cycle analyses. Considering the results of such models can help to justify sustainable procurement.
- » **The biggest challenge is contradictory objectives.** Eighty percent of companies still require procurement functions to report on short-term performance, which does not allow for total cost analysis.
- » Sustainable procurement is generally seen from the perspective of risk management, but advanced companies are starting to take a **more opportunity-driven approach**, offering rewards for sustainable procurement: e.g., supplier rewards programs where top-performing suppliers get preferred supplier status and priority for new business.
- » All companies report that they are interested in supply chain sustainability, but the difference between top-performing companies and those who are just doing the minimum is a question of **change management, communication, and support from top management.**

The first and most important priority to focus on is **identifying the tools, processes, and people** that will make sustainable procurement take hold in your company.

Individual presentations are available upon request. Please contact [Tara Norton](#) if you are interested.

Session 3. Case study presentations: Practical tools for buyers, including scorecards, management systems, and innovative training programs

Four company participants presented case studies during the third session:

- » **Anne Senez**, Head of Methodology & Risk Management, Sanofi: Risk mapping and responsible procurement program
- » **Alain Renard**, Unit Leader Environmental Chemist, C&A: Integrating externalized and hidden costs into the real price of goods when making purchasing decisions
- » **Baptiste Cassan-Barnel**, PPR: Using EP&L to gain insight into your supply chain
- » **Annemette N. Johansen**, Responsible Sourcing Manager, Novo Nordisk (in absentiae): Impacting buyer practices through tailored training and e-learning

The presentations demonstrated how companies are thinking differently about sustainable procurement and described the successes and challenges they are facing.

KEY TAKEAWAYS

The following is a summary of the key takeaways common to the presentations:

- » The first and most important thing to focus on is **identifying the tools, processes, and people that will make sustainable procurement take hold** in your company.
- » To make sustainable procurement take hold in a company, you must **enroll buyers. Target and tailor trainings** to the individual situations of buyers. Different types of training may be used to achieve different results. Relevant case-based training works well, and businesses should look to increment and develop new models of training as buyers become ready for more information.
- » **Look at how to move from a traditional buyer-supplier relationship to a partnership relationship.** There are examples of suppliers taking on additional costs to ensure better standards if they are able to understand the importance and if there is a business case.
- » **Make the sustainability information you are providing your business robust and financial.** Encourage total cost (true cost) analysis as much as possible in procurement decisions. The [Environmental Profit & Loss Account](#) (EP&L) from PPR is an exciting example of how a company is considering the environmental impacts of its products in financial terms. It is a great tool for understanding the supply chain and engaging buyers and investors.
- » **Think about the structure of your supply chain;** success may be dependent on vertical integration and reducing the complexity of the supply chain.