What is Sustainable Procurement?

Sustainable procurement, also known as green procurement or sustainable purchasing, occurs when a company adopts and integrates corporate social responsibility (CSR) principles into the procurement processes and decisions while also ensuring they meet company requirements. It goes hand-in-hand with ethical procurement, which involves making sure an organization is handling all procurement processes and procedures with ethics in mind. The key difference is that sustainable procurement goes beyond the organization itself to determine how procurement practices affect the environment, society, and the economy alongside price and quality.

Implementing sustainable procurement in your organization integrates requirements, specifications, and criteria that are compatible with protecting the environment and society. It goes beyond not using child labor in developing countries or hazardous materials that can damage the environment and people’s health. It considers a business’ impact on economic development, natural resources, greenhouse gas and climate change, and overall environmental impacts, as well as social impacts.

https://www.purchasecontrol.com/blog/sustainable-procurement/
Why Invest in Sustainable Procurement?

The main reason companies opt to invest in developing sustainable procurement practices are:

**Risk Reduction**

Risk is associated with all vendors an organization chooses to partner with. However, relationships with suppliers who engage in bad practices, such as using child labor or contributing heavily to local pollution, may have a financial impact on brand value.

There’s also risk associated with the economic cost of sustainable procurement disruptions, such as noncompliance with industry environmental regulations.

Investing sustainable procurement practices ensures you only work with suppliers who are also doing their part in terms of CSR and keeps your organization in compliance with environmental regulations.

**Cost Reduction**

Organizations of all sizes need to be able to save money and reduce costs wherever possible. Saving money allows them to invest more back into the business which allows them to scale and earn higher profits. Sustainable procurement practices help with reducing the total cost of ownership through reduced energy costs, reduced consumption, reduced overspecification, and reduced environmental and social compliance costs. Data from the World Economic Forum shows sustainable procurement practices can reduce procurement costs by nine to 16%.

**Revenue Growth**

Because sustainable procurement focuses on giving back to society and the environment, it can bring in additional revenue in a number of ways, such as the innovation of eco-friendly products and services, price increases for premium products and services, and income from recycling programs.

According to the World Economic Forum, engaging in sustainable procurement practices provides businesses with a 15 to 30% measurable increase in brand equity, which fosters revenue growth. According to a study from Oxford University, 90% of studies on the cost of capital show companies who use sustainability standards lowers the cost of capital for companies.

“Sustainable procurement not only benefits the environment and society, but it also offers a number of benefits to any organization that’s willing to implement its practices.”

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Sustainable Procurement Benefits

Future-Proofing

When companies take the time to develop strategies for and policies around sustainable procurement, they are working to future-proof themselves against scarcity in supply, while also giving themselves the ability to support demand in emerging markets.

Enhanced Customer Perception

With sustainable procurement comes an enhanced consumer perception. When customers feel good about what you’re doing as a company, they feel better about supporting your business. Your brand image will improve which can lead to more customers and revenue. Take for instance how major retailer Target recently launched a chemical safety and transparency policy across all operations, or how Ralph Lorgen developed sustainable sourcing guidelines for wood-based fabrics.

Improved Risk Management

Adopting this approach minimizes risk in an organization’s business practices. Many environmental impacts – adverse weather events and natural disasters, for instance, don’t happen in your production center, but instead affect various areas throughout your supply chain. By using suppliers that are focused on sustainable practices you can reduce environmental risk on your business significantly.

Improved Regulatory Compliance

In industries where there are a number of environmental and social legislation and regulation to address, sustainable procurement goes a long way toward achieving and maintaining compliance.

Better Cost Control

By looking at the total cost of ownership, or whole life costing, of the products and services you buy for your business, you gain more control over costs in general.

Reduced Overhead Costs

By focusing on sustainability when and where possible, you’ll be able to reduce overhead costs. By opting for energy-saving products and services, you can lower your utility bills. Offering employees a flexible vacation system to improve working conditions, you’ll be able to save money in terms of staffing costs because you’ll likely see reduced absenteeism and turnover – both of which are potentially costly to organizations.
Competitive Advantage

Compared to other companies in your industry who are not using sustainable supply chain management, you have a competitive advantage. Between the money you save, the enhanced customer perception, and the reduced risk, you’re in a much better position to grow revenue and become an industry leader.

Create Markets for New Products and Services

Suppliers that understand your company’s vision and long-term plan will be better able to suggest changes to products and services that can help improve your operations and accomplish goals.

How to Adopt Sustainable Procurement Practices

After meeting with stakeholders and deciding this is the direction to take your business in, it’s time to develop your strategies and policies. This, of course, can mean not buying certain things at all, based on the ability to rent, reuse, and share resources. When making procurement decisions, consider whether something is a temporary use, and how often you’ll use it in the future before making a sourcing decision.

For products and services you must source, focus on finding suppliers who can meet your needs based on the new policies. You’ll need to compare your shortlisted suppliers based on policy evidence, how well they’ve complied to standards, and their legal history. Score your potential suppliers against sustainability measures specific to what it is you are seeking to procure. Consider total life cost, labor standards, raw materials, transport, manufacture, use, disposal, and wider social impacts. Give preference to those who provide sustainable products and choose their suppliers with sustainability in mind.

Instead of trying to handle all suppliers, products, and services at once, focus efforts on a smaller list of the goods and services that will make the most impact. This ensures you’ll have an effective collaboration between the procurement department and other areas of the business and align your sustainability measures with the broader business objectives.

Businesses in both the public sector and the private sector can benefit from building a sustainable supply chain. Though it may take time to implement fully to reap the benefits, it’s time to make a business case with anyone who has the decision making power to build a sustainable procurement policy.

Empower your business to implement sustainable procurement with PurchaseControl

Find Out How

https://www.purchasecontrol.com/blog/sustainable-procurement/
About PurchaseControl

PurchaseControl is cloud based procurement software for business spend management. We empower businesses by providing greater transparency and oversight into the purchasing process. With PurchaseControl, you have the flexibility to manage how spend actually happens instead of how you wish it would happen.

The entire PurchaseControl team has experience within a range of businesses, and as such, we bring a practical, holistic approach to purchasing. We understand what it takes to run a business and apply that knowledge to make PurchaseControl as effective as possible for all users.

Learn more at www.purchasecontrol.com

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