



SHOULD SUSTAINABILITY REMAIN ON THE PROCUREMENT AGENDA?

Abstract

The economic crisis brought about by the COVID-19 pandemic has forced several companies to shelve their sustainability initiatives. This paper examines the relevancy of sustainable procurement practices in a post-pandemic world.

Until COVID-19 struck, most businesses collaborating closely with suppliers to reduce carbon footprint and environmental impact were reporting commendable cost savings and other commercial benefits. Resultantly, the number of sustainability-engaged firms kept rising and procurement industry bodies such as ISM and CIPS included sustainability modules in their certifications to inculcate awareness within the profession.

Unfortunately, with the pandemic pushing economies to all-time lows, the pressing priorities for businesses today have changed due to unprecedented challenges including broken supply chains, disrupted cash cycles, and the widespread shift to home offices. Now, as firms are beginning the task of expediting recovery, sustainable practices are finding rare mention within the list of changed strategic priorities.



An existential dilemma to sustainability

Owing to the losses caused due to the sudden outbreak of the virus, expedite recovery has surfaced as the fulcrum for all the industry sectors. Hence, to ensure the survival of industries reeling under the virus' impact, several regulatory regimes too are paying less attention towards environmental sustainability. For instance, the US Environmental Protection Agency has relaxed pollution enforcement until further notice, while many states have reversed their ban on plastic bag usage. Industries are following the cue; for example, some mining sites are reconsidering fossil fuels over renewable energy for their operations. Although these measures may aid expedited recoveries, they can potentially shelve the trend towards sustainable procurement that took time to gather steam.

Yet, it is not that enterprises are outrightly

pushing sustainable procurement off the table. Rather, the avoidance appears momentary considering that factors like high initial costs, lack of expertise, and complex legal frameworks make sustainable procurement unaffordable and impractical at the moment. One major hurdle among stakeholders is the lack of awareness and understanding about sustainable procurement practices which causes implementation delays. Also, difficulties in standardizing policies across the global supplier base make the paperwork for supplier certifications tedious and deters suppliers from supporting sustainability initiatives.

Thus, even though commitments to sustainable procurement grew 81% over the last three years, most companies - nearly 66% - have been following these practices from a compliance standpoint

only. This approach has kept these companies away from incentives like performance improvements, and limited them from adopting innovative solutions.

Fortunately, the good part is that despite these challenges, some companies determined to adopt sustainable procurement have worked around the hurdles. They have charted proper plans and policies to estimate the implementation, involve all necessary stakeholders, and realized the positive impact of sustainable procurement despite regulatory compliances. Thus, Unilever have not only sustainably procured raw materials from certified suppliers but have also worked with them to improve their policies. Moreover, it has also implemented supplier qualification tools to assess all the products and services it procures against its own sustainability policies.

The opportunity in the current crisis

While the pandemic has exposed the weakness of many organizations in terms of management and preparedness, it has also highlighted, as many scientists believe, the extent of devastation climate change can cause. Therefore, taking sustainable procurement practices forward will undoubtedly ensure stronger resilience during any future crisis. In fact, it is interesting that despite the current turbulence, stocks of companies having better sustainability credentials have performed better than the rest.

Among the many benefits of sustainable procurement are:

- **Cost reduction:** Some procurement organizations have reported nearly 12% cost savings with strategic 'green' sourcing while also improving revenues and creating brand value. For instance, PepsiCo's carbon management strategy has reported over \$60 million through energy savings and 16% reduction in per-unit energy use across its beverage plants.
- **Innovation:** Sustainability always encourages innovation. For instance, embracing technological advancements not only helped organizations reduce their carbon footprint through lesser cross-border travel and office-commutes but also ensure uninterrupted operation through remote working during the current crisis. Similarly, block chain technology for online invoices can not only help with reducing the growing heap of paper invoices for every procurement but also with accelerated deliveries.
- **Risk reduction:** In accordance with environmental changes and rising consumer demand for sustainable solutions, sustainable procurement helps minimize organization risk, including but not limited to financial, legal, moral/ethical, supply security, price vitality and reputation. Verifying suppliers for their eco-friendly packaging policies, delivery methods, and relevant green accreditations can help in reducing risk further in case of any future crisis.



Sectors that can leverage sustainable procurement



Construction:

With nearly 40% of the world's total carbon emission contributed by buildings, it is more necessary than choice for the construction sector to reduce environmental impact. Incorporating sustainable procurement such as opting for technology laced services, leveraging renewable sources, incorporating waste management, and recycling can offer lifelong project benefits and significant cost savings on the utility and maintenance fronts.



Energy-efficient products:

With governments across the world realizing the need for more environmental consciousness, many are likely to mandate sustainable procurement of high-impact electrical products. The increased sale of products such as energy-efficient lights, refrigerators, and air conditioners can significantly reduce greenhouse gas emission levels and benefit society at large through energy consumption cost savings.



Banking and finance:

Since most banking and finance systems rely on IT products and advances, today's crisis is a golden opportunity for the sector to correct its reputation of being a generous e-waste contributor. Even though the current situation demands an increased use of IT, the sector can benefit through procuring products only from sustainability certified third-parties. A notable example is Deutsche bank's Green Supply Chain Initiative.



Aviation:

With bans on both domestic and international travel across the world, the aviation sector has been affected the most and incurred unbearable losses. Henceforth, a sustainability-based approach would not only help the industry recover but also make it more resilient. Cues can be taken from Air France-KLM with its sustainable strategy for purchasing a range of services starting from products and services, to fuel and onboard catering products, and which includes code compliance and online assessments of suppliers.

Conclusion

With brands like Victoria's Secret and Zara declaring insolvency and Starbucks shutting 400 outlets across the world, businesses are expected to implement immediate relief measures to ensure survival. Practically, we are still in the middle of the pandemic, therefore it will be too early to believe that companies

have irrevocably retracted sustainable procurement from their priority list.

However, commitments from leaders like JLL, BP, Finnair, Barclays and Samsonite to follow sustainable procurement and keep their carbon-neutral operations unaltered restore faith in the power of sustainability. Such firms have truly realized the pool of

benefits that sustainable procurement has to offer. Considering that enterprises have experienced the benefits of sustainable procurement practices in the past, it would be interesting to see how fast they become widespread business imperatives once again.

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