

The green gene

Why sustainability needs to be part of procurement's DNA

Words: **Simon Lipscomb, Sales & Marketing Director and Eleonore de Montjoye, Manager**

The idea that the responsibility of business extends beyond simply making profits, to managing their social and environmental impact, is not new. But changing attitudes and economic imperatives mean sustainability is no longer just a nice thing to do. Increasingly, it is the difference between winning and losing.

While a general sustainability policy is typically agreed by the C-suite as part of a CSR programme, to be impactful you need more than an external commitment; you need a plan. Learn more from three sustainability leaders.

Sustainability is simply good business sense

Customers are demanding businesses up the ante on sustainability. In particular, millennials are twice as likely to buy products from sustainable companies, according to Morgan Stanley's Institute for Sustainable Investing – with clear implications for future revenue and profits.

Investors are also demanding businesses take sustainability seriously. Blackrock, the world's

largest asset manager, has announced that sustainability will be at the centre of its investment strategy going forward. It is also planning to exit investments in companies with high sustainability-related risks.

Even Private Equity firms, not previously known for their focus on sustainability, are coming on board. 81% of Private Equity firms in a recent PWC survey said they report on ESG matters to their board at least once a year. 35% have in-house Responsible Investing teams.

Sustainability is also simply good business sense. In an Oxford University/Arabesque study, for example, companies managing ESG factors more effectively enjoyed better operational performance, better share price performance and cheaper cost of capital.

Procurement - the key ingredient

As businesses look to respond to these trends, many – even those with a deep commitment to sustainable practices – are struggling to fully unlock the opportunities within their organisations.

Becoming a more sustainable business requires a 'whole of business' approach. But there's a growing recognition that procurement has a central, and often overlooked, role to play.

"There's an extremely close correlation between procurement and sustainability," says Babcock International CPO and Chief Sustainability Officer, Juliet Sotnick. "Third party spend is often a significant percentage



**Juliet Sotnick, CPO and Chief Sustainability Officer
Babcock International**

¹ PWC Private Equity Responsible Investment Survey 2019

² Clark, Gordon L. and Feiner, Andreas and Viehs, Michael, From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance (March 5, 2015).



Colin Braidwood, Senior Sourcing Manager, Direct Line Group

of revenues – so your supply chain has a material impact on your environmental and social footprint.”

Sotnick’s view is echoed by Direct Line Group’s Senior Sourcing Manager, Colin Braidwood. “In many organisations supply chains represent a much bigger footprint, environmentally and socially, than you can find within the confines of the organisation. And the wider you go, the bigger the impacts can be.”

“Procurement is all about mitigating risks and identifying opportunities,” says Braidwood. “For example, your supply may extend back to overseas workers who have been injured in unsafe work environments. As well as mitigating these kinds of risks, procurement can unlock opportunities the business didn’t know existed – for example, replacing petroleum-based inks with vegetable oil-based alternatives.”

Leveraging your supply chain

Procurement is also key to unlocking the collective expertise and knowledge of your supply partners.

“We don’t have all the answers,” says Simon King, Director of Sustainability and Social Value at Mitie, “but one of our great strengths is working with a diverse supply chain. Combining their skills and knowledge with our own expertise has been a great way to bring innovation into our programme.”

The key is ensuring that suppliers understand what you’re trying to achieve. “Our suppliers are far more knowledgeable about their own products and services and how they can deliver in a sustainable way,” says Sotnick. “But we have a responsibility to provide information and insights and help them take the sustainability agenda on board.”

Drivers of success

How businesses approach sustainability will vary depending on their business model and the products and services they offer. But successful programmes typically share a number of characteristics.

“Sustainability can’t be something you do in addition to your normal work. It has to be simply part of the way you do business.”

Juliet Sotnick, CPO and Chief Sustainability Officer, Babcock International

Authenticity

“To succeed, sustainability has to be rolled into organisational values and cascaded down through all your business processes,” says Braidwood. “Sourcing activities need to align with your corporate sustainability strategy, and that strategy has to apply to every product being sourced.”

Sustainability activities need to be authentic to your organisation’s purpose and values, says Sotnick. “Sustainability can’t be something you do in addition to your normal work. It has to be simply part of the way you do business.”

Understanding where you can make the biggest impact

Sotnick, Braidwood and King all stress the importance of directing your resources where they can deliver the biggest gains. An infrastructure company, for example, may focus on reducing the significant carbon emissions resulting from concrete and steel production. A clothing company may focus on social issues such as fair pay and safe working environments.

At Efficio, the first step is working with clients to understand where their key opportunities lie. “Depending on the client, that might be reducing carbon, minimising waste, increasing locally-sourced components, or a combination of different things, says Efficio’s Sales and Marketing Director, Simon Lipscomb. “The next step is using our extensive analytical capabilities to quantify those opportunities – for example, a reduction in Scope 3 carbon emissions. Once specific opportunities and targets are agreed,



Simon King, Director of Sustainability and Social Value, Mitie

we deliver them through our expertise in procurement and supply chain transformation – for example, analysing demand levers or renegotiating contracts.”

“In our experience, sustainability doesn’t have to come at the expense of the bottom line. It all comes down to knowing what alternatives are in the market and how they can contribute to the client’s goals. Often, it’s possible to deliver more sustainable options that better meet the needs of the business while reducing costs overall.”

Measurement and reporting

Sotnick emphasises the importance of sustainability metrics that are meaningful to all stakeholders, including employees. “The only way we can succeed is if our people continue to support our goals. That’s why communicating how their actions are contributing to those goals is vital.”

Mitie’s Simon King agrees setting targets and measuring performance is critical – but not always easy. “Getting the information all in one place can be a challenge. So can breaking down group-wide information to client and contract level.” A key focus for Mitie has been establishing dashboards and reporting tools to ensure data is readily accessible to clients, staff and investors. Digital tools, such as Efficio’s eFlow platform, are helping to make the tracking and measurement of sustainability targets simpler and easier.

“You need to make sure you have a plan, not just a commitment.”

Simon King, Director of Sustainability and Social Value, Mitie

Clear policies and processes

“Achieving long-term outcomes requires clear policies and standards,” says Braidwood. “A good place to start is aligning with standards like the ISO Standard for Sustainable Procurement. It’s about focussing on the three Ps – policy, processes and people.

“Policies should clearly set out what you’re trying to create within your supply chain and the standards you want to maintain. You also need to be clear about how you’re embedding this within your RFI and RFP processes. And you need to ensure your people have the training and support to build this into their category planning, and know where to go for help.”

Have a plan

“You need to make sure you have a plan, not just a commitment,” says King. “That means setting specific targets and knowing what you have to do to reach them.”

Lipscomb says Efficio’s sustainable sourcing approach is underpinned by its proven strategic sourcing methodology.

“The same fundamental principles apply,” says Lipscomb, ensuring sustainability initiatives align with and support the client’s overall business goals; segmenting suppliers based on their potential impact on achieving those goals; and effective supplier relationship management to ensure progress towards agreed KPIs can be tracked and communicated.

“We also ensure clients’ procurement teams have the skills, knowledge and tools to deliver on the goals. In our experience, the best results are achieved when all of these elements are in place.”



Simon Lipscomb,
Sales and Marketing Director
Simon.Lipscomb@efficioconsulting.com

Aim high

Mitie’s Plan Zero commitment sets out a clear and ambitious goal to be net carbon zero by 2025. As the first facilities management company to make that commitment, Mitie is setting a real challenge to both themselves and the industry.

“It’s a bold plan, but you need to be bold because things are changing hugely,” says Mitie’s Simon King.

“The most important thing is to make the commitment. Because the right thing to do from a sustainability point of view is also the right thing to do from a business point of view.”

By putting procurement at the heart of that commitment and measuring the results, Efficio believes clients can unlock more opportunities and achieve consistently better results.



Eleonore de Montjoye, Manager
Eleonore.deMontjoye@efficioconsulting.com

To find out more about sustainable procurement, visit our [Sustainability Improvement](#) service page.

Efficio is the world’s largest procurement consultancy, operating across the globe from its 11 offices in EMEA and North America. We help organisations reduce costs, develop and implement their digital procurement strategies and upskill their procurement teams so that they can realise higher savings, faster and more sustainably – delivering greater value to the business over the longer term.

We support blue chip multinationals, private equity companies and SME clients around the world to deliver increased value from procurement.