CIPS POSITIONS ON PRACTICE

PURCHASING AND SUPPLY MANAGEMENT: SUSTAINABLE PROCUREMENT

INTRODUCTION

The CIPS' practice documents are written as a statement in time. They are a collection of views on good practice within a particular subject area and are intended to provide direction on good practice with some guidance for context and interest. The reader is encouraged to use the CIPS practice documents for their own purposes, such as writing policy statements, guidance or procedures. This particular practice statement has been written primarily for the benefit of full-time purchasing and supply management professionals, but can be used by anyone associated with, or interested in, purchasing and supply management (P&SM).

This document is about sustainable procurement.

DEFINITION

Sustainable procurement can be defined as “A process whereby organisations meet their needs for goods, services, construction works and utilities in a way that achieves value for money on a whole-life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst remaining with the carrying capacity of the environment”. This definition of sustainable procurement is based on one approved by CIPS.\(^1\)

BACKGROUND

Sustainability has been a growing issue on the mainstream agenda for both private and public sector organisations. Its rise to prominence as a subject began in the 1970’s and 80’s. This was generally as a response to environmentalism and was highlighted by the UN, particularly in the Brundtland Commission’s 1987 report.\(^2\)

In the decades following the commission, numerous high profile incidents maintained the prominence of sustainability as an idea, such as the use of sweat shops in supply chains and the increasing concerns over global warming.\(^3\)

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\(^1\) Adapted after consultation with the focus group on sustainable procurement. CIPS were a contributor working on the sustainability definition with the UK Government’s Sustainable Procurement Task Force.


Reporting in 2006, CIPS were active members of the Sustainable Procurement Task Force and support the recommendations detailed in their report ‘Procuring the Future’, and the principles therein.

EXPLANATION

Due to the high profile nature of the issue of sustainability as an issue, CIPS believes that sustainable procurement represents a significant opportunity for the P&SM Professional to raise the profile of procurement and to demonstrate leadership in a key strategic area to their organisations.

CIPS strongly believes that sustainable procurement is a powerful driver for delivering improved economic, environmental and social outcomes, and believes that sustainable procurement underpins the achievement of cost effective, leading practice procurement. It does this by generating value for money and gaining efficiencies within and between organisations.

For instance, sustainable procurement emphasises the need for increasing resource productivity. Organisations that take this approach may well make long term savings due to the reduced quantities of materials they will need to purchase.

It may be that such an approach needs an initial outlay, however, and a strong business case will have to be made to the relevant parties within the organisation. CIPS believes that procurement is central to delivering an organisation’s corporate commitments on sustainability at an operational level because of the reliance on high levels of purchased goods and services, and so P&SM professionals should take the lead in developing sustainable business solutions.

However, CIPS also believes that P&SM professionals can only deliver sustainable procurement with on-going engagement and collaboration with internal stakeholders, budget holders and key suppliers to reach the most effective solutions.

In order to convince these interest groups it will be necessary to demonstrate a whole life costing approach to procurement, rather than selecting on purchase price alone. To do this it is necessary to consider initial costs (such as design, construction and installation, purchase or leasing, fees and charges) and future operating costs (such as rent, rates, inspection, energy and utilities use, maintenance, repair, disposal, security, replacements / renewals, dismantling, and management). Potential losses of revenue should also be considered (when a machine is out of use due to maintenance, for example). CIPS believes that applying a whole-life cost approach will provide greater value for money and reduce the need for resources, ensuring greater sustainability.

Resource productivity and other aspects of sustainable procurement can also be made more effective with little initial outlay by targeting specific parts of the purchasing cycle. CIPS believes that P&SM professionals will need to focus on demand management (i.e. stimulating the demand, estimating its volume, and planning the production accordingly) and optimising specifications (i.e. specifying resource efficient products such as products incorporating recycled content) in order to successfully provide the value-for-money benefits of sustainable procurement.

However, while particular areas of the purchasing cycle should be highlighted, CIPS believes that optimum business benefits from sustainable procurement are realised by integrating sustainability throughout the procurement decision making process. For example, risks to sustainability (i.e. risk of loss of supply chain, child labour, hazardous materials etc.) should be targeted at an early stage to ensure they can be mitigated as much as possible. Another example is of key performance indicators and targets associated with sustainability which can be written into the contract with the supplier and reviewed at regular intervals to ensure that the supplier is acting sustainably.

In order for P&SM professionals to have sufficient knowledge of sustainability to be able to integrate practices into their procurement, CIPS believes that they should be effectively trained. Due to the frequently developing practices in sustainability, P&SM professionals with existing knowledge should ensure that they update and maintain their education in this area. CIPS will support this through activities aimed at developing and communicating the art and science of sustainable procurement.

CONCLUSION

CIPS believes that P&SM professionals trained in sustainability are well placed to support organisations in delivering their sustainable procurement objectives and take the lead in promoting sustainability to the organisation.

CIPS continues to encourage P&SM professionals to ensure that all supply chain dealings meet the highest standards of governance and transparency and should be aligned with the CIPS Code of Professional Ethics\(^5\) and the conventions of the ILO (International Labour Movement)\(^6\) in order to ensure high levels of sustainability.


\(^6\) [http://www.ilo.org/ilolex/english/subjectE.htm#s02](http://www.ilo.org/ilolex/english/subjectE.htm#s02)