

In pursuit of responsible procurement

by Barbara Allen

FROM THE PRIVATE SECTOR point of view, the debate about ethics in purchasing takes two sides. On the one hand, procurement is purely an economic exercise; ethical and discretionary considerations should not be included in purchasing decisions. On the other hand, social issues can be just as important as market factors in determining long run success, and thus deserve the same analysis that has been devoted in the past to the market environment. Interestingly this debate is not about the ethics at all, but the factors contributing to the success and profitability of the firm.

From a public sector point of view, many would argue that the lack of a "bottom line" and cultural differences make ethical purchasing and social responsibility non-negotiable. It is not hard to argue that government should be the leader in ethical purchasing. The "its too expensive" and "it's not my problem" excuses do not go very far. Certainly government's concerns go beyond narrow economic, technical and legal requirements of servicing the public.

There are troublesome issues for government with respect to purchasing in a socially responsible manner. For example, the short-termism of budgeting often takes priority over the environment or society. The sustainability conundrum is not "are we doing things as efficiently as possible" but, "are we doing the *right* things as efficiently as possible."

Government traditional accounting methods, risk averseness and, short pay back periods on projects can make strategic, ethical purchasing difficult. Governments generally require long-term financial stability in suppliers. It is often difficult for start-ups to enter the government market or for companies with alternative business models to win business. From government's perspective the reasons for ethical purchasing are consistent with government values, but what about sup-

pliers? Do suppliers have a greater chance of supplying to government if they are "sustainable" and purchasing ethically themselves, but their solutions cost more? Sustainable behaviour will sometimes result in net costs to firms, especially SMEs (small- and medium-size enterprises), which they therefore cannot be expected to take on voluntarily.

It is nearly impossible to capture the impact of purchasing in a socially responsible manner. Improved health and well being through ethical purchasing is not easily measurable. Do improved customer satisfaction numbers demonstrate ethical purchasing, or perhaps reductions in carbon-dioxide emissions? Whole life costing has been suggested as an improved way to capture changes through social responsible purchasing but further attention and value to qualitative data will be increasingly important as well. Decisions about ethical purchasing have to be seen in longer context than normal decisions about purchasing.

The growth of Fairtrade (www.fairtrade.net) and campaigns such as "Make Poverty History" have increased public awareness of the challenges of global trade. Brands that have been targeted have suffered damage to their reputations; investors ask whether the brand is doing enough to protect reputations. Nike and Wal-Mart have experienced consumer backlash in recent years as well as other high profile corporations. Responses are slowly emerging. In February 2006, U2 star Bono launched Red, a fashion label that will sell ethically sourced products and give a portion of its revenues to fight Aids in Africa. Gap, Giorgio Armani and Converse are among the first big brands to sign up.

Various Canadian jurisdictions are working towards "No Sweat" purchasing policies (**Ed. Note: Vancouver has adopted this type of policy**). The Manitoba New Democratic Party has adopted resolutions pushing for a prov-

incial "No Sweat" purchasing policy. Toronto City Council has strongly endorsed the idea of becoming a "No Sweat" city. Councillors voted unanimously in support of a resolution calling on the city to "enact a purchasing policy requiring the purchase of garments, uniforms, or other apparel items from "No Sweat" manufacturers." The aim of the "No Sweat" policies is to improve working conditions in the garment industry by requiring city suppliers to respect international labour standards and local labour laws.

As an international supplier, Canada is being criticized for its lack of socially responsible policies. For example Canadian military goods that are refurbished or used in manufacturing in another country do not require a Canadian permit (export control) for transfer to their final destination. In recent years, Canadian CH-135 helicopters were refurbished in the US before being shipped to Columbia. Under Canadian regulations, the point of manufacture or substantial overhaul is accepted as the final destination, even though the final point for military use is a third country.

The increased level of concern over purchasing in a socially responsible manner makes ethical supply chain issues a key factor in purchasing decisions. Both purchasers and suppliers are faced with challenges. Two things need to happen. We need to develop the core competencies of supply chain professionals to include ethical considerations in purchasing and we also need to develop the capacity of the supply base, and work with suppliers across the board to ensure improvements are made. *~*

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