

Good planets are hard to buy

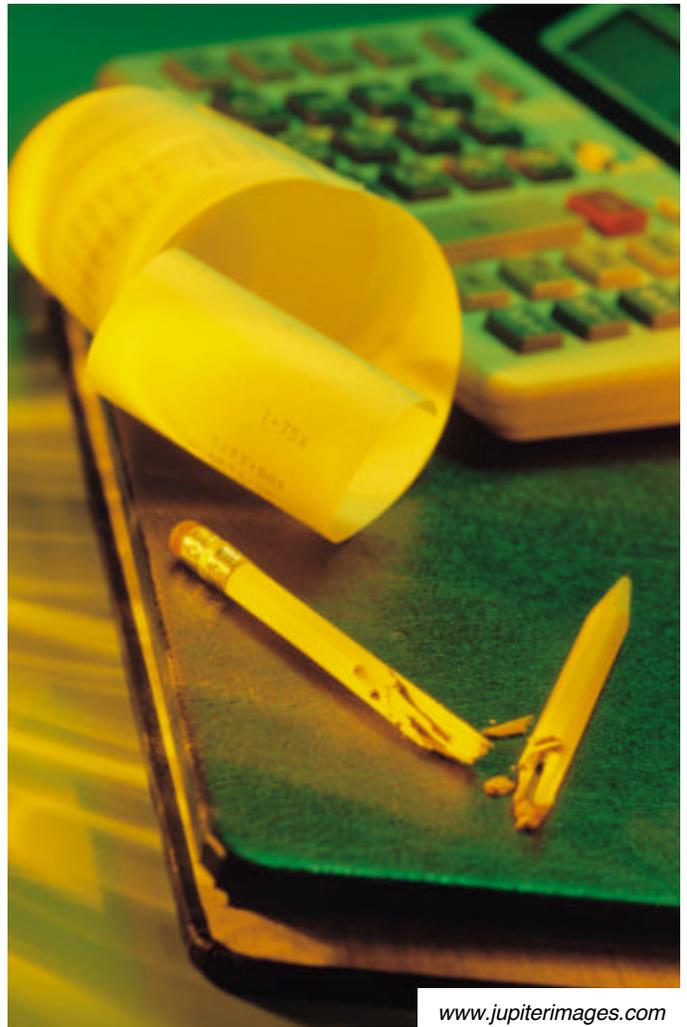
Your changing role as supply professionals

Excerpt: *Food, Finance and Philosophy: A Role for Supply Management in Corporate Social Responsibility*, Chapter Three, Larry Berglund, C.P.P., MBA

THIRTY YEARS AGO business was looking for leadership to address the environmental movement; supply management was not ready to take it on. Buyers were largely consumed in their zeal to drive down the incremental costs of whatever they had to buy for their respective organizations. Inflation was uppermost in the minds of most buyers. In fairness, the environmental interest was co-opted by advocates; the response from business was to ride it out and “they” would go away.

Eventually senior management hired strategists to find the middle ground to deal with the environmental issues in order to preserve profitability. The strategists were not from supply management. They were from the other business disciplines because supply management was not at the table for the discussions – this was too important an issue to leave with purchasing!

Subsequently the engineers and marketing crowd developed new specifications sent



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down to purchasing in the form of requisitions to be filled. Purchasing staff were not as up to speed on the environmental matters as they could have been and deferred to other disciplines for guidance. Environmental issues are now well established on corporate agendas and supply managers are effective at factoring in the environmental concerns when making supply decisions.

The rapidly emerging story today is about sustainability and corporate social responsibility. Where are organizations looking for answers? They are looking to supply management professionals. This recognizes and acknowledges the value that companies receive when supply professionals act responsively to the changing needs in the market.

This new role is a juxtaposition of the economic and environmental issues while meeting the expectations of stakeholders and customers. Using the analogy of the product life-cycle for a professional standing, this is the time for supply-minded individuals to re-brand themselves.

Retrospectively, in a few years, people will look back at this as the pivotal moment when supply professionals were asked to stand up or step aside. To affect change in business decisions involving the acquisition of goods, services and equipment, the cognitive task is to see sustainability as an outcome of pragmatism and sound judgement. That is the strategic imperative that supply managers must get their head around first. This puts them in control of their destiny.

Successfully implementing the change strategy is the managerial role for supply professionals. This requires making sustainability an inherent part of its decision-making responsibility. Interpreting the plethora of information and data surrounding sustainability and applying it to the values of the organization is the challenge. This includes:

- adapting to the on-going improvements in materials and production or manufacturing methods;
- researching leading practices;
- becoming subject matter experts;
- aligning outsourcing partners to ensure quality;
- quantifying the cost of carbon emissions;
- working with suppliers to meet ever-demanding expectations;
- working with NGOs to objectively progress towards common goals;
- not accepting the status quo;
- engaging with social enterprises to make a difference in the community;

- monitoring supplier performance globally;
- not losing sight of the importance of being cost-competitive;
- developing sustainability initiatives;
- acting as the internal sustainability resource;
- objectively reporting out on the results; and,
- sharing the knowledge gained with colleagues.

For the past 200 years, we have been practicing death by a 1,000 cuts when it comes to responsibly looking after the finite resources and our consumption of them. ...While we in Canada may be saying let's slow down and push ourselves away from the feast of affluence...others are saying to us "you step out of the line now because it's our turn to enjoy the spoils of our labour." They have certainly earned the right to say this; however, the kitchen is coming up short on supplies...

To affect change in business decisions involving the acquisition of goods, services and equipment, the cognitive task is to see sustainability as an outcome of pragmatism and sound judgement.

There is an analogy to the reverse mortgage at play here. As a society, we are drawing down the wealth that was created and are using it to enjoy a life style that is otherwise unaffordable without personal sacrifice. The attitude of *live for today because there may not be a tomorrow* has resulted in a self-fulfilling prophecy. There won't be enough left for those that follow "tomorrow." We enjoyed the meal, but we aren't going to pay the bill. We are putting it on credit for someone else to discharge the debt. ...The good news? This is changing – personally and in business.

...It turns out that economics and sustainability, or corporate social responsibilities, are not either-or decisions.

Businesses run on supply chains. The focus has been on developing the leanest and most efficient supply chain to drive down the costs or to increase the profitability. We have always trained people on the economic values, which are an outcome of commerce, and we have shown concern over 30 years for the environment. We are now adding the expectations of society on these two factors to create a sustainable value proposition.

Profits are as important as the means of attaining them. It is no longer acceptable to offload externality costs onto society – whether it is local or global ...Exploitive practices [are] still present today but [are] being challenged aggressively on many fronts.

...It turns out that economics and sustainability, or corporate social responsibilities, are not either-or decisions. We can try to have our cake and eat it too. But the recipe... needs to have a better mix of the economics, environmental and expectational ingredients in order to enjoy it tomorrow.

Business people are well aware of the difference between capital and operating budgets. Capital projects are investments aimed at efficiencies and we seek returns on these investments.

The optics on capital-related projects, be they public or private sector investments, requires the consideration of LEED and sustainable construction methods and furnishing in the design strategies. Architects and engineering firms can model the optional cost and forecast the

sustainability effects. Supply professional are involved with the costing exercises and the decisions, which are made in relation to the value proposition connecting the 3Es. (Chapter One: “Resources may be naturally occurring or synthetically produced but they are required to sustain us economically and environmentally, and must be made available by meeting the expectation of society. We will call these the 3Es.”)

Lesser attention has been paid to the maintenance, operating and repair (MOR) types of purchases. These decisions have primarily been made on short-term cost/benefit analyses. In many industries, these can account for a higher percentage of the budget than capital projects. Where capital projects occur with less frequency, operation buys occur daily over decades of operation. MOR buys are often made autonomously through the decentralized decisions of end users. This is an area where supply professionals need to devote their talent and engage end users in their organization to consider the options available to include sustainable products and services.

One of the key enablers of unacceptable practices occurs where the buyers of the goods or services have limited options or alternatives. In spite of knowing that the goods may not have been produced by acceptable standards, the buyer still needs to place an order. It's one thing to say that you shouldn't buy from any organization that does not meet your personal or corporate values, however, you still need to have access to the supplies that you need.

Supply professionals' key role is to first secure the goods and services required. The long-term strategy must include conducting market intelligence, seeking better options to address an expanded definition of the value proposition. Supply professionals should work with their supplier to develop new standards. 

Table 1: Supply Management – Sustainability Focus for Value

Source: page 38, *Food, Finance and Philosophy: A Role for Supply Management in Corporate Social Responsibility*

<p>Green products and services</p> <ul style="list-style-type: none"> Eliminate toxic materials Organics Sales and marketing focus Customer expectations Material substitution Material specifications Third party audits Technology 	<p>Socio/economic factors</p> <ul style="list-style-type: none"> Protect workers' health and safety Engage with social enterprises Provide opportunities to aboriginal sector Philanthropy and sponsorship Local sourcing Fair trade programs Societal expectations Wage disparity Telecommuting
<p>Carbon emission management</p> <ul style="list-style-type: none"> Reduce greenhouse gases Alternative energy sources Biodiesel fuels Retrofitting buildings Responsible travel programs Fleet management Infrastructure energy management 	<p>Resource conservation</p> <ul style="list-style-type: none"> Reduce consumption (water and natural resource materials) Assess alternative materials Sources of food Recycling programs LEED standards Lean manufacturing IT energy management Product life cycle

This article is an excerpt from *Food, Finance and Philosophy: A Role for Supply Management in Corporate Social Responsibility*, written by Larry Berglund. Larry has worked in public procurement for many years, most recently at the City of Vancouver and now as director of Supply Management, Business Operations, University of British Columbia. He is a champion of the increasing role for supply professionals, particularly in the area of green procurement, and for procurement professionals to assume those responsibilities. He says, "Good planets are hard to buy! Find out what you can do for your planet today." His book can be ordered through PayPal on Larry's blog: Larryberglund.wordpress.com