

'Greener' procurement

THIS ARTICLE IS A COMPILATION of two posts at <http://procureinsights.wordpress.com> on the factors that influence real adoption of sustainability initiatives in the private and public sectors.

The EcoMarkets 2007 Survey is an ongoing research initiative – spearheaded by TerraChoice Environmental Marketing in collaboration with the North American Commission for Environmental Cooperation and the Center for a New American Dream – monitoring 'green' procurement practice within the B2B and B2G communities.

The survey results were based upon 692 respondents from an invited pool of 10,500 procurement professionals – a 6.6 percent response rate. The respondents' organizations account for more than \$5 billion in combined annual spend.

In EcoMarkets 2007, 91 percent indicated that they consider green factors at least occasionally; practical adoption is relatively low – a contradiction between perceived level of importance and actual practice.

The survey concluded that:

- ... environmental factors are increasingly incorporated into purchasing considerations; the translation of policy to practice is mixed and incomplete.
- the three most important factors that influence purchases are product performance, durability and price. Environment is a lower priority.
- 60 percent of respondents report that they will not pay a price premium for environmentally preferred products."

So, what will elevate green procurement from a nice to do "boutique" status to a more meaningful (and essential) element of a sound purchasing strategy?

The survey indicated that the majority of government departments or agencies in Canada and the United States have instituted a green purchasing policy and concluded that this is a clear indication that "governments are making the effort to lead by example."

Governments have historically demonstrated a proclivity for fueling environmentally inspired change.

Take, for example, the Province of Ontario's energy efficient lighting program of the early 90s. To reduce energy consumption, Ontario offered to subsidize the majority of the transition/upgrade costs for businesses that converted from standard compact florescent lighting to energy efficient lighting. The rate of conversion skyrocketed as immediate savings were realized with the first electric bill. Unexpectedly, the subsidies also stimulated revenue opportunities for the companies selling and installing the new fixtures.

Almost 15 years later, the EcoMarkets 2007 survey reflects the continuing enthusiasm for programs like Ontario's. Responses indicated that "energy conservation programs are 3x more common than green electricity purchasing programs."

The survey also says, "being green won't be enough to win customers." Both direct and indirect savings must be clearly demonstrated and easily understood by the purchaser, which leads to another question: Are environmental considerations truly the central element of recently emerging green programs, or are they an advantageous, politically correct by-product of an existing strategy that is linked to more "traditional" motives?

While the EcoMarkets 2007 Survey provides a look into a purchaser's mindset, the attitude and actions of vendors requires consideration to answer the "motive" question.

In a *Computerworld* article (July 2007) titled "Green IT: Marketing ploy or new tech," Bruce Hoard introduced the term "greenwashing." Referencing comments from a Greg Schulz interview (Schulz is the founder and senior analyst at Minnesota-based StorageIO Group), Hoard reports Schulz's assertion that recent 'green' IT efforts have less to do with the environment and more to do with a vendor's bank roll. One example Schulz gave was a manufacturer's claim that their new, 'green' storage technology can cut data center power and cooling costs by 50 percent. Schulz believes this is "simply a shift to another technology," touted as being a 'green' initiative.

While Schulz believes that "virtualization can help reduce the number of servers," he questions whether it actually translates into meaningful, bottom line savings. Is this the real issue with going 'green' – the absence of tangible and verifiable data?

Referring to Ontario's successful energy efficient lighting program, one wonders, "Would the high level of adoption by the business community have been the same without the substantial subsidy

Lots of talk, little traction. This sums up today, but pressure continues to push buyers and sellers towards 'greener' products.

from the government?" Certainly, if the same businesses that opted into the program had refused to change from traditional lighting fixtures, the savings would not have been realized.

Even for products long associated with 'green' programs, such as paper and cleaning supplies, traction has and continues to be an issue. The EcoMarkets 2007 Survey found that while "...90 percent of Canadian organizations have a paper re-use and/or recycling program," the existence of paper purchasing programs are still uncommon.

Recently an environmental advocate, made a statement to me, which I believe strikes at the heart of the issue; "Of course, the gains based on sustainability will not be enjoyed by the same companies as today, which profit from carbon extraction and emission. Industries like wind power, nuclear, solar etc. will benefit from a 'carbon constrained' world. Others will lose while spending millions on disinformation campaigns and lobbying to preserve their profits and discourage competing technologies."

The elements that drive corporate decision making can, and do, change based upon financial imperatives and the realities that drive them. ~~~

Editor Note: As the EcoMarket Survey showed, governments can influence the market to create "greener" procurement practices (*Summit* March-April 2008, "Furniture goes green"). For example, EU member states are coordinating their demand (see Procura* article on page 4).



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