



Green Supply Chain

What Price Sustainability in Procurement?

Searching for sustainability value drivers along the Green Procurement Excellence Evolution Curve with BrainNet
By Editorial Staff

Bonn — March 1, 2010 — Legal, social and ecological sustainability in procurement is crucial to the success and public acceptance of a company — at least in theory. But how willing are companies to invest in this sustainability, and how is it possible to guarantee effective and cost-efficient sustainability management?

BrainNet, a consultancy firm specializing in supply chain management, set out to analyze these questions at a "Green Procurement Day," which the firm hosted recently in partnership with the Supply Chain Management Institute (SMI) of the European Business School.

Corruption, child labor, pollution or contaminated pre-products: When incidents like these come to light, companies face enormous problems. Even healthy and successful businesses can be shaken to the foundations by draconian fines, the loss of trust of customers and employees, and the serious damage done to its image and brand.

Companies must account not only for their own actions, but also for the actions of their vendors. As a driving factor in external value creation, procurement is particularly affected by these risks, especially in the context of global supply chains. Ensuring legal, social and ecological sustainability is therefore a core procurement task. But how willing are companies to pay for all-embracing sustainability in procurement, and how is it possible to achieve effective and cost-efficient sustainability management?

How Much for Sustainability?

"While most people today accept the need for a sustainable value-added chain, the willingness to invest in ensuring this sustainability is still relatively low," says Sven Marlinghaus, partner and managing director of BrainNet. "Companies are afraid to pass on 'sustainability costs' to customers for fear of being overtaken by competitors or losing out on sales."

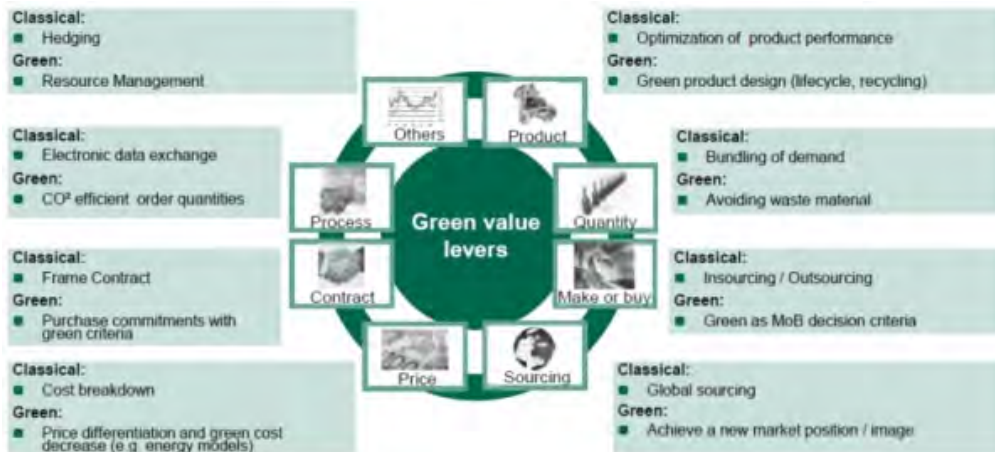
A recent study by SMI, also presented at the conference, came to a similar conclusion. It analyzes procurement managers' "willingness to pay" to avoid corruption and ensure social and ecological sustainability. The study revealed that one of the most important drivers of sustainability in procurement is not the much-vaunted training, but a functioning system of sanctions.

Bottom line: When non-sustainable procurement is not penalized through consistently applied sanctions, the even the best sustainability training, the most impressive sustainability Web site, and the most sophisticated sustainability strategy will be of little use.

Sustainability: Value Driver, Not Cost Driver

"Our studies show that procurement with an ecological and social conscience is not a cost factor, but a value factor," says Marlinghaus. "Companies that pursue a consistent approach to green and sustainable procurement receive an above-average return on capital deployed."

However, these successes do call for strategic modifications. To this end, BrainNet said it has developed a system that identifies eight key value levers:



Green Value Levers in Procurement (click image for larger graphic). Source: BrainNet, 2009: "Green and Sustainable Procurement: Drivers and Approaches."

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