

Sustainable Procurement:

Driving Exponential Impact Across the Supply Chain

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Executive Summary

Sustainable procurement is a must today. Customers expect it. Regulators demand it. Employees and investors want it. And considering the exponential impact procurement has the potential to make globally – it's the right thing to do.

But that doesn't mean it's easy.

While there are countless examples of procurement teams driving truly remarkable sustainability outcomes across the world, our latest research shows that most procurement teams are still getting started and only scratching the surface of what's possible. And virtually all organizations have significant room to improve.

We need to get moving. The time to accelerate performance and impact is right now. There's a groundswell of momentum for sustainability programs across the world, and procurement is uniquely positioned to take advantage and lead the charge.

This report, sponsored by [Ivalua](#), dives into the state of sustainable procurement globally, how sustainability leaders think and operate, and what procurement teams need to know to improve performance and accelerate their path to success.

A few takeaways from the research jump out right away:

1. The trade-off battle is over. For years, conversations around being sustainable or going green have focused on trade-offs – i.e., how much will this cost? Today, the social and business return – which includes brand reputation improvements, increased sales and reduced risk – far outweigh any incremental costs.
2. The motivation for sustainability has changed. While the business benefits are clear (more on that later), the top two motivators for investing in supply chain sustainability today are to make a positive impact on the environment and society.
3. Similarly, the primary pressure to improve is internal. While customers and investors are having their say, over half of the procurement and supply chain leaders surveyed say their primary reason for investing in sustainability is simply to do what's right.
4. Supplier collaboration is critical to success. It's simply impossible to drive positive sustainability outcomes without monitoring and engaging your supply base.
5. When it comes to sustainable procurement best practices – and the ROI they generate – the companies with advanced programs are thinking and operating differently than everyone else, presenting a great opportunity to learn what's already working.

Read on to learn more.

Tania Seary
Founder, Procurious



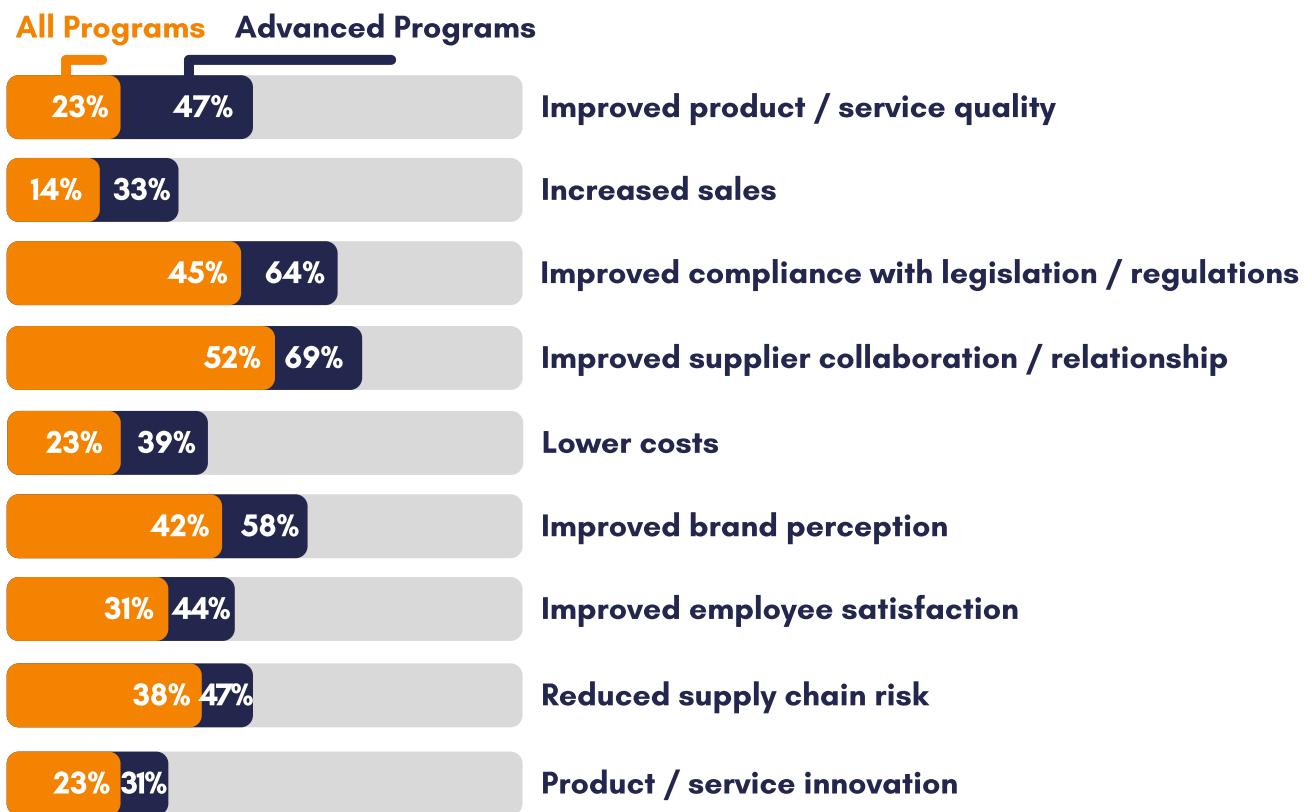
Sustainable Procurement Delivers, but Adoption and Maturity Levels Remain Low

Procurious and Ivalua teamed up to survey over 470 procurement and supply chain professionals around the globe to understand sustainable procurement maturity levels, best practices and motivators.

The most important takeaway from the research: companies with advanced sustainable procurement programs realize greater ROI across the board compared to their peers. This includes lower costs, increased sales, higher levels of innovation, reduced supply chain risk, and more.

The below chart compares the ROI reported by survey respondents with advanced programs versus the full survey field. Overall, the top three areas in which procurement leaders experience sustainability-driven improvements are in supplier collaboration and relationships, compliance, and brand reputation.

The ROI of Sustainable Procurement



2x Procurement leaders with advanced programs are more than 2x likely to report an increase in sales and improved product and service quality.

Despite the ROI, overall sustainable procurement adoption and progress remains low across the world. Of those surveyed by Procurious:

- 23% have not yet started or invested in supply chain sustainability
- 39% say they are just starting out
- 22% report having an established program
- 15% report having an advanced program

The research classifies **established programs** as those that actively monitor the sustainability performance for the majority of their strategic suppliers. The research considers **advanced programs** as those that actively monitor and collaborate with suppliers to improve performance and increase impact.



An incredible 62% of organisations have not yet invested in supply chain sustainability or are just starting out. This is an alarming number considering the advantages that sustainable procurement delivers, and the urgent and broad movement toward a more socially-conscious and sustainable marketplace.

The Sustainable Procurement Journey Starts with Supplier Monitoring and Engagement

Increasing supply base visibility and engagement are critical first steps in building a sustainable supply chain. However, just 15% of organisations surveyed are monitoring sustainability performance for over 75% of their tier-one suppliers. More than half (55%) are only monitoring 25% or less of their base. This number drops to less than 3% for sub-tier suppliers.

The first step – establishing visibility – is always the most difficult. In this case, it’s also the most important. Procurement can’t set targets, identify gaps and put improvement plans in place if they lack visibility. Visibility shortfalls also impact supplier engagement.

This is a critical gap to close. Procurious found that collaborating directly with suppliers to change and improve is the top strategy for measurably improving sustainability performance. Similarly, when asked what permanent or structural changes respondents believe would improve performance and impact of their supply chain sustainability programs, 50% said investing in a supplier collaboration platform or expanding SRM capabilities.

The challenges with visibility and engagement grow in complexity as procurement goes deeper into the supply chain. Today, the majority of organizations surveyed are monitoring the sustainability performance of less than 5% of their sub-tier suppliers. The biggest challenge here – according to 66% of respondents – is, no surprise, a lack of visibility. The other top two challenges associated with managing sub-tier suppliers is an over emphasis on costs, and an inability to collaborate and engage.

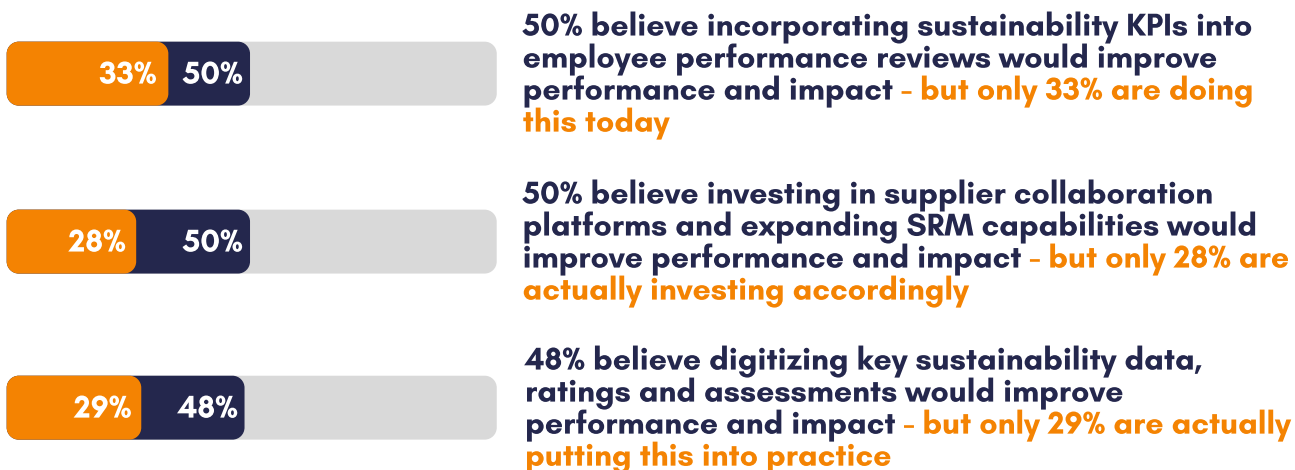
How to Drive Change Across the Supply Chain

As mentioned above, the top strategy for elevating performance is collaborating directly with suppliers to change and improve sustainability practices. Following this, the top three strategies that have had a measurable and meaningful impact on sustainability performance over the past twelve months are:



Interestingly, companies with advanced programs had a slightly different take. According to this group, the top three strategies for driving meaningful and measurable impact are collaborating directly with suppliers, leveraging technology to monitor sustainability risk, news and events (ranked #2 by advanced companies vs. #4 for everyone else), and mandating current suppliers complete sustainability assessments (ranked #3 vs #5).

We also asked respondents about the structural changes **they believe** would improve the impact of their programs - and which ones they are **actually planning to or already implementing**. The takeaway: There's a disconnect between ideal strategies and actual implementation.



Advanced organizations were over 20% more likely to see investing in supplier collaboration platforms as a key strategy.

As for the C-suite respondents, 50% said sharing supplier sustainability intelligence and ratings with peers and competitors was a key strategy, compared to 20% of everyone else. Given the vast number of approaches and techniques, where and how should companies start or accelerate their journey?

Lance Younger, CEO and Founder of ProcureTech, recommends that those still in the early stages of implementation should “think big, start small and move fast.” Younger recommends procurement “target areas with the highest ROI aligned to overall business objectives. To maximize impact, anticipate how you will scale your sustainability initiatives in this decade.”

On the visibility challenge, Younger says procurement leaders should think practically.

“ Define areas where you truly need and can have visibility. For example, where quality data exists that you can meaningfully act on. Then, understand the cost/benefit of gaining that visibility. ”
Lance Younger, CEO and Founder of ProcureTech



Essential Technology and Talent Considerations

Enabling technology is essential for effective supply chain management. When it comes to sustainability programs, there are several areas where technology helps procurement be successful.



Naturally, people play a big role as well. To drive performance, leaders must be clear about goals, expectations and metrics for success, and incentivize accordingly. Nearly 60% of C-suite executives surveyed believe inserting sustainability KPIs into employee performance reviews is an important strategy for improving performance.

“ You need to make sustainability a priority everywhere. Everyone needs to be onboard – executives, managers, suppliers and of course, your employees. Baking sustainable procurement KPIs into company, departmental and individual goals is a great way to show the company and your team you are serious about driving change.

Executives should be clear about their priorities, then incentivize and empower procurement to lead the charge.

Alex Saric, CMO, Ivalua



Procurement: Your Time, Your Responsibility

Wherever you are in your sustainability journey today, the time to advance and elevate your program is right now. Everyone is paying attention – executives, investors, employees, customers, and more.

Procurement is uniquely positioned to lead and drive impact through the supply base. The onus – and responsibility – is on us. So speak up, align your internal team, and get the resources, technology and people you need to be successful.

Enter The Heart of Procurement

Procurious is an online business network for the new generation of procurement and supply chain professionals. Join Procurious if you want to:



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- Advance your career
- Network with peers, thought leaders and decision makers
- Develop skills through online trainings

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About Ivalua

Ivalua's Spend Management platform provides the automation to free time for strategic activities. The insights to make better, faster decisions. And the connections to collaborate with suppliers and internal stakeholders. All in one place. With rapid deployment of best-in-class capabilities and unmatched flexibility to meet the needs of tomorrow. Because we believe leaders shouldn't have to compromise when it comes to their technology.



Survey Demographics



473 total respondents



Survey responses were collected by Procurious and Ivalua in April & May 2021

Position



C-suite or above

Director or Manager

Specialist or Coordinator

By Function



Procurement

Supply Chain

Consulting, Strategy & Transportation



Africa: 11%
Asia-Pacific: 28%
Europe: 32%
North America: 24%
South America: 4%

