



THE EUROPEAN INSTITUTE
OF PURCHASING MANAGEMENT

Sustainable Development:
*is CSR constraint or opportunity
for Purchasing*

Archamps, 13 – 14 March 2008

AGENDA



Introduction

Part 1. Corporate Level of maturity

Part 2. Level of maturity in Purchasing

Part 3. Your opinion

Outlook

Introduction



Over the past decades, the purchasing function led or participated actively to each major breakthrough and evolutions in the industry landscape:

- Active promoting of **quality** standards & tools as mean to improve the supplier's management process.
- **Supply chain management:** By providing an overall upstream vision, purchasing is one of key actors of SCM/JIT implementation.
- With the emerging of **globalization**, companies began to seek ways of cutting their costs. Purchasing was incontestably the **main actor** of this revolution.
- **IT technologies** like EDI, ERP and the Internet were quickly adopted by purchasing to improve dramatically their efficiency and responsiveness.

Without contest the turning for corporate governance is nowadays around the Corporate Social Responsibility. Once again, purchasing function should be in position to get a strategic place.

Definition

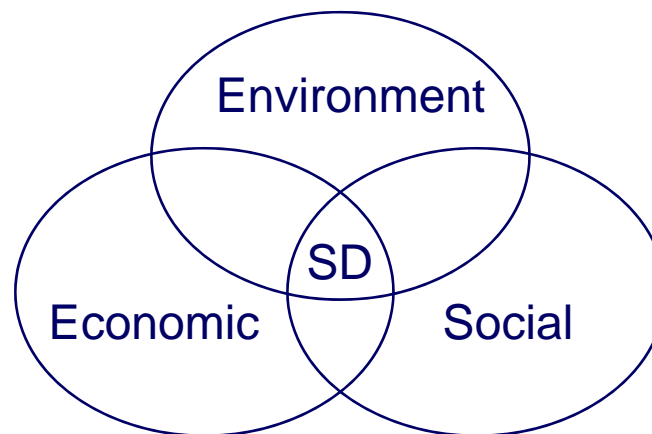
Sustainable Development - SD



SD - *“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”*

Brundtland Report 1987 report *“Our Common Future”*,

The 3 pillars of SD



The referential framework for CSR: The UN's Global Compact 10 Principles



Human rights

1. Business should support and respect the protection of internationally proclaimed Human Rights
2. Make sure that they are not complicit in human rights abuses

Labour standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
4. The elimination of all forms of forced and compulsory labour
5. The effective abolition of child labour

Environment

6. The elimination of discrimination in respect of employment and occupation
7. Businesses should support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies

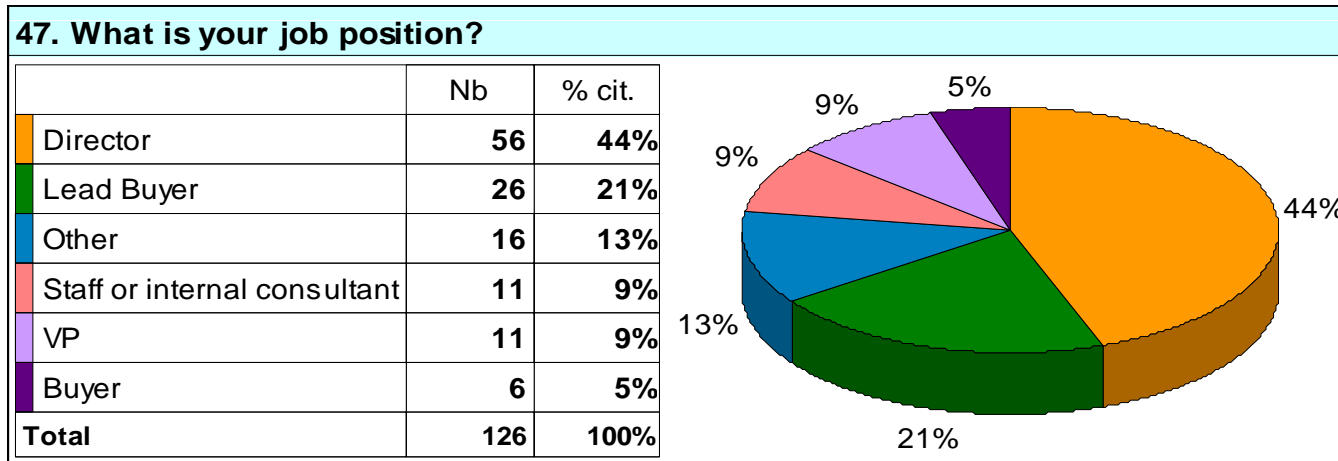
Anti-corruption

10. Businesses should work against all forms of corruption, including extortion and bribery

EIPM CSR survey – Survey sample



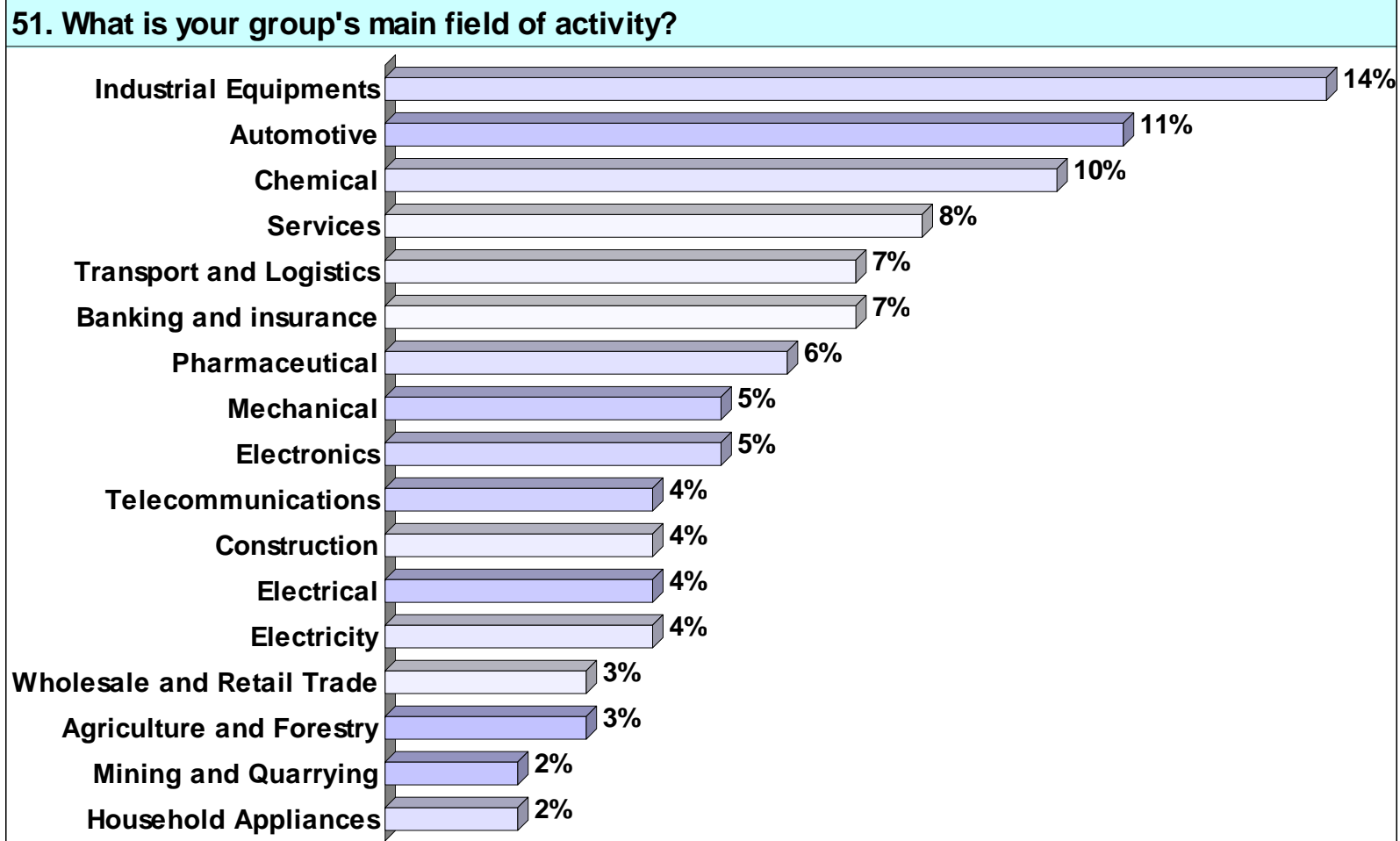
- 127 respondents
- Relevant sample: Few respondents belonging to the same company
- A majority of purchasing directors



EIPM CSR survey – Survey sample



Wide range of activities for companies surveyed (manly industry)

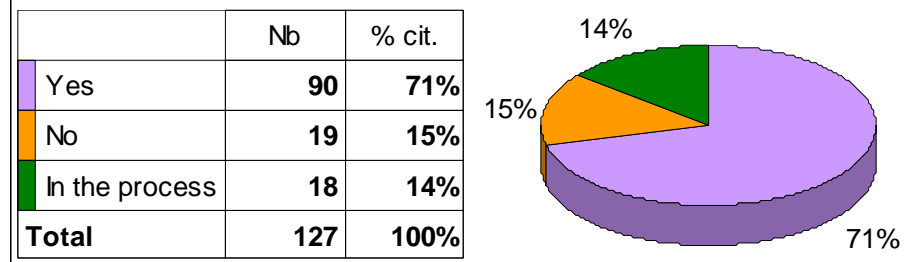


EIPM CSR survey – corporate level of maturity

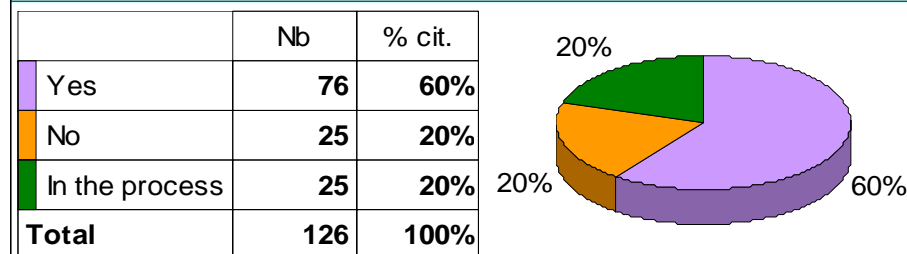


- A large majority of companies involved in the survey include CSR in their corporate objectives and have implemented a CSR program.

2. Has your company incorporated CSR in its corporate policy/objectives ?



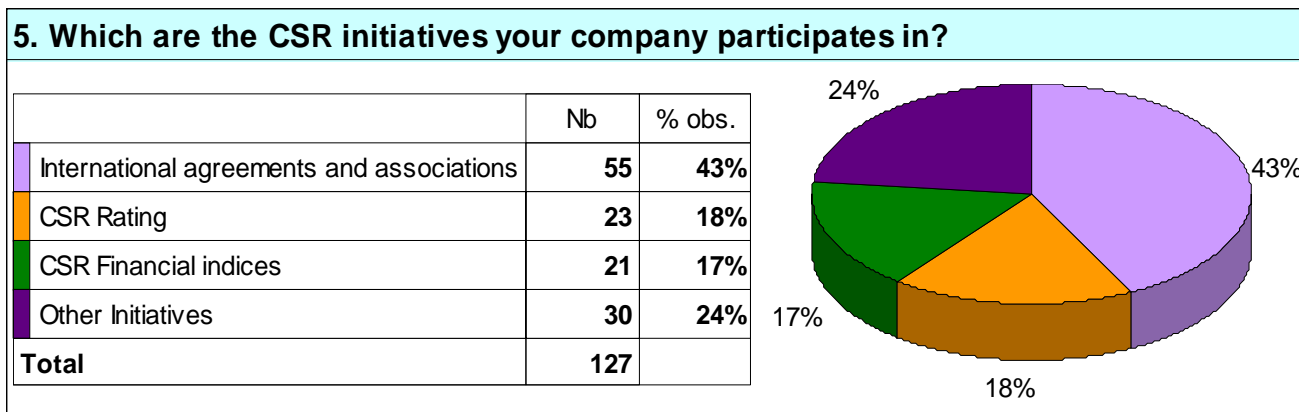
3. Has your company launched CSR program?



EIPM CSR survey – corporate level of maturity



- Companies are mainly involved in overall International agreements and association (Global Compact). Not really yet in CSR rating and financial indices

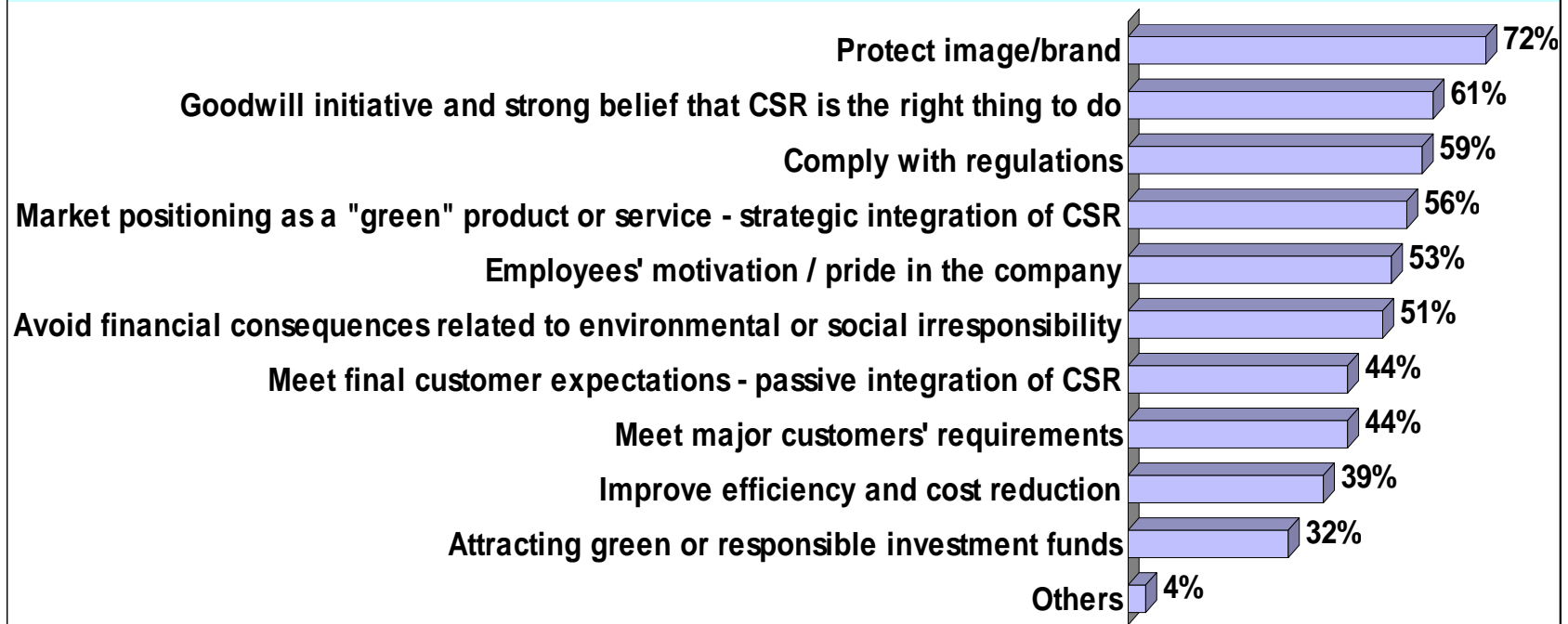


EIPM CSR survey – corporate level of maturity



- Despite a real awareness, CSR is considered first as a mean for protecting the corporate / brand image.

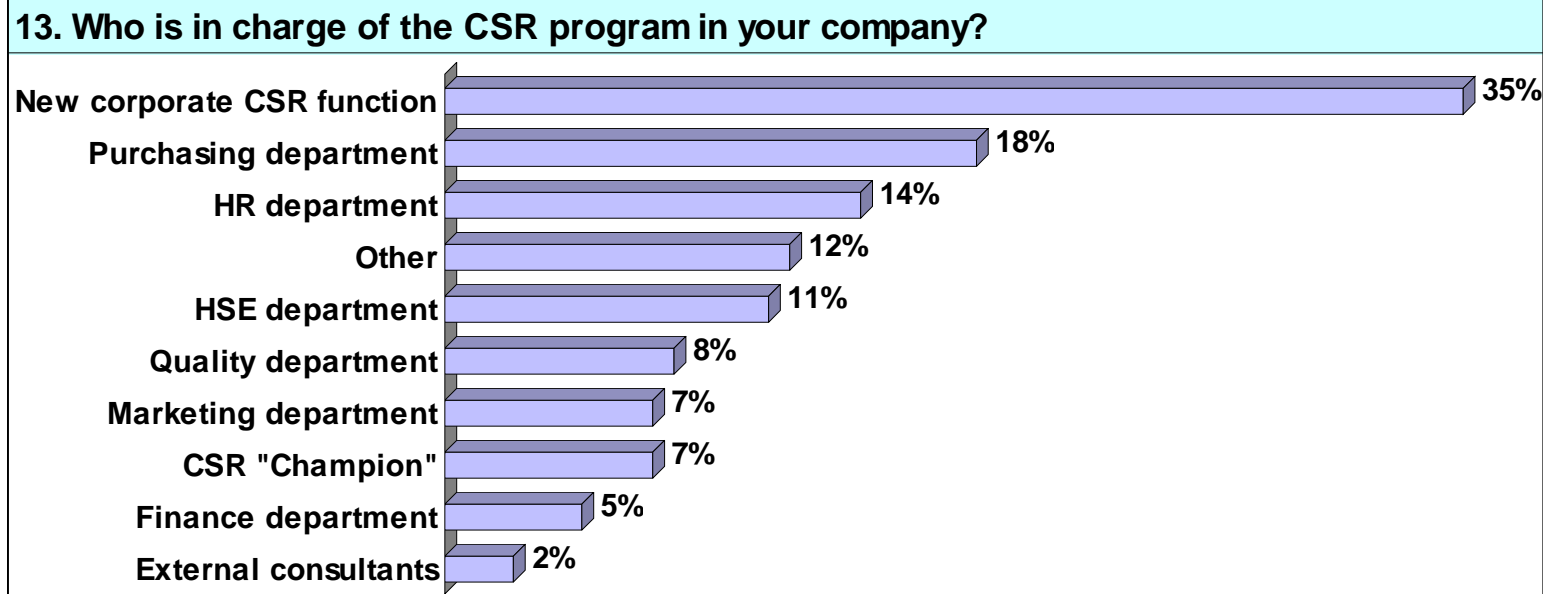
39. In your opinion, what are the real reasons that drove your organisation towards CSR?



EIPM CSR survey – corporate level of maturity



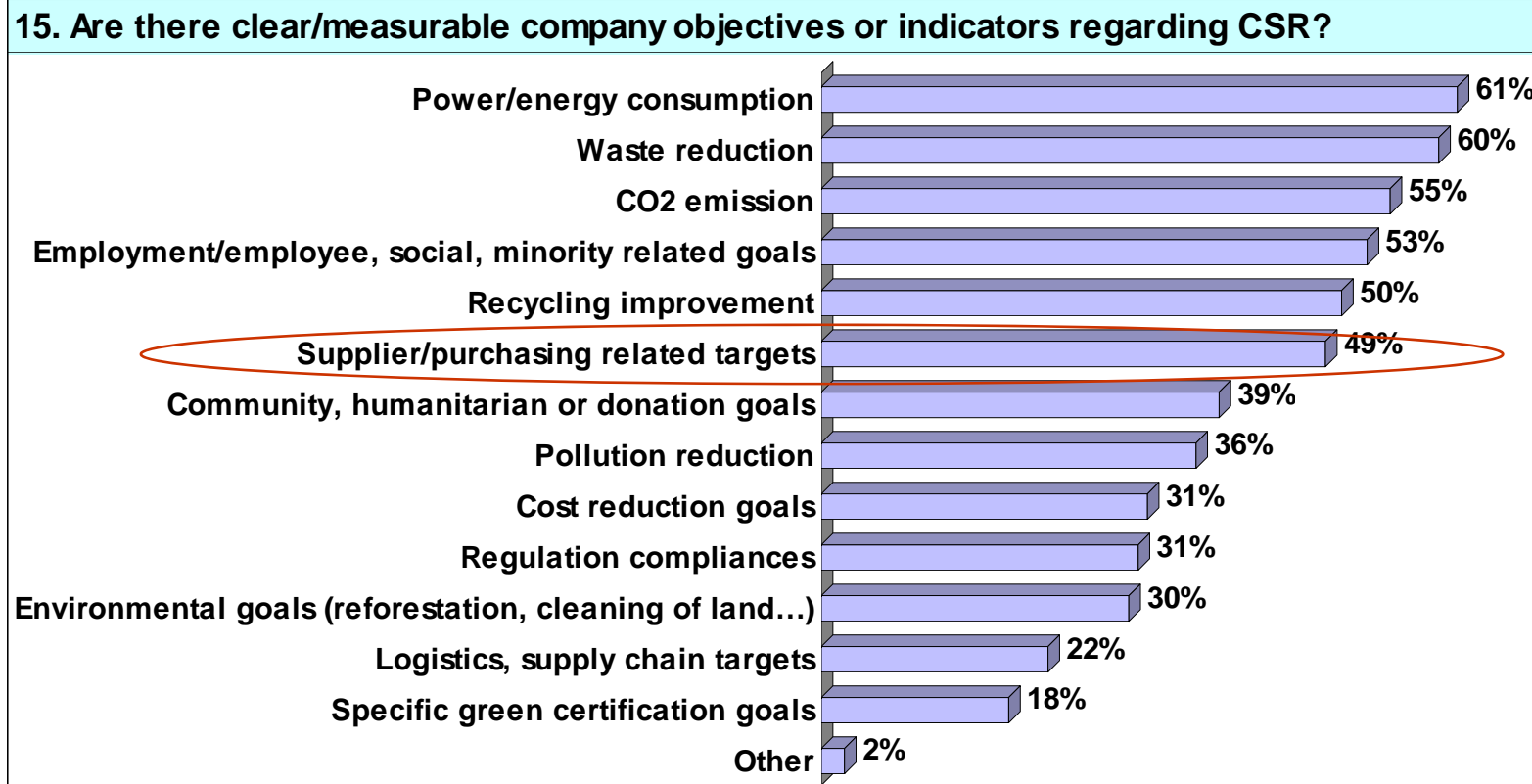
- Who leads the CSR ? No standard solution, but a new corporate function is emerging in many companies.
- Good opportunity for purchasing, leader for 18% of respondents.



EIPM CSR survey – corporate level of maturity



- Corporate indicators : Ahead: Indicators aligned with cost saving and environmental impact. Purchasing indicators are embedded in corporate dashboard for half of respondents.



Sum up part 1 - corporate level of maturity

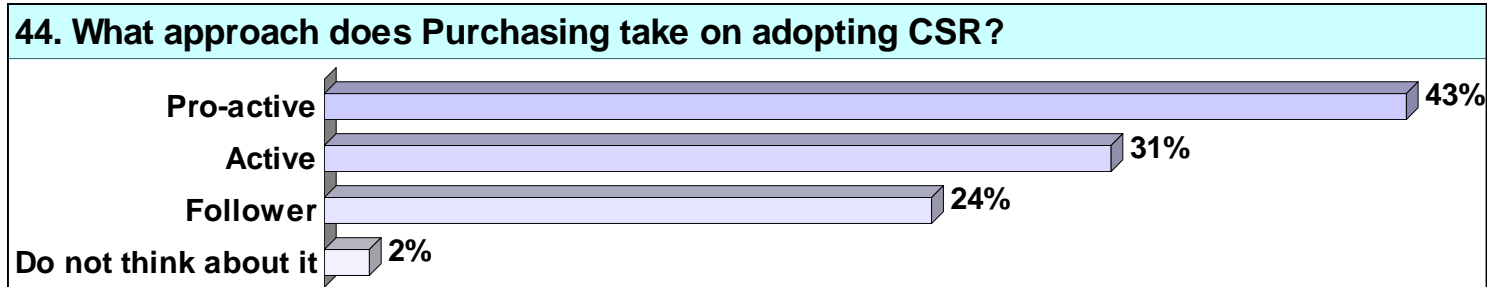
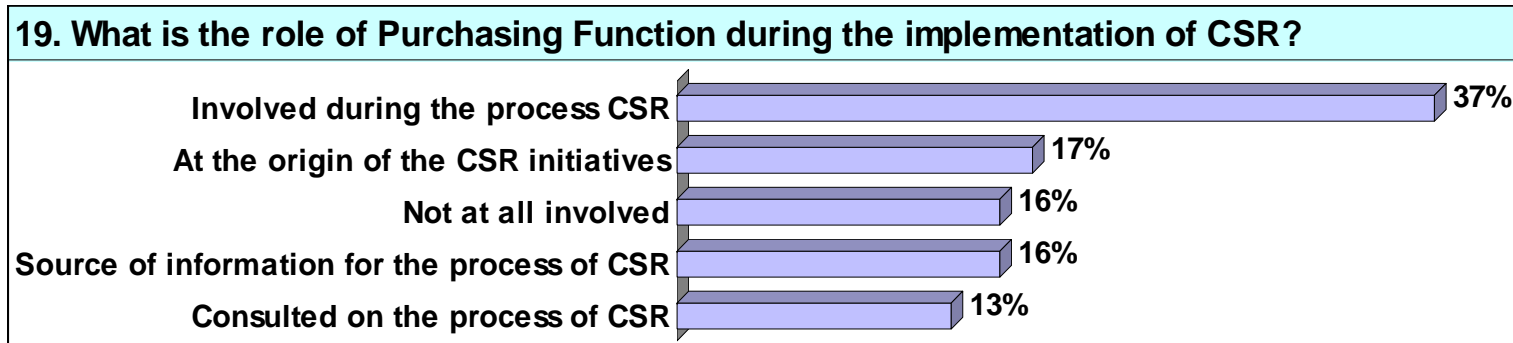


- CSR is nowadays largely considered as a fundamental of the corporate governance
- Companies display their involvement in CSR mainly by the commitment in overall International agreements and association (Global Compact). But such agreements reflect a wide variety of practices due to the absence of referential and external checking or audits
- CSR implementation: Despite the emerging of a new corporate function no traditional function is commonly owner of CSR. An opportunity for purchasing ?

EIPM CSR survey – Level of maturity in Purchasing



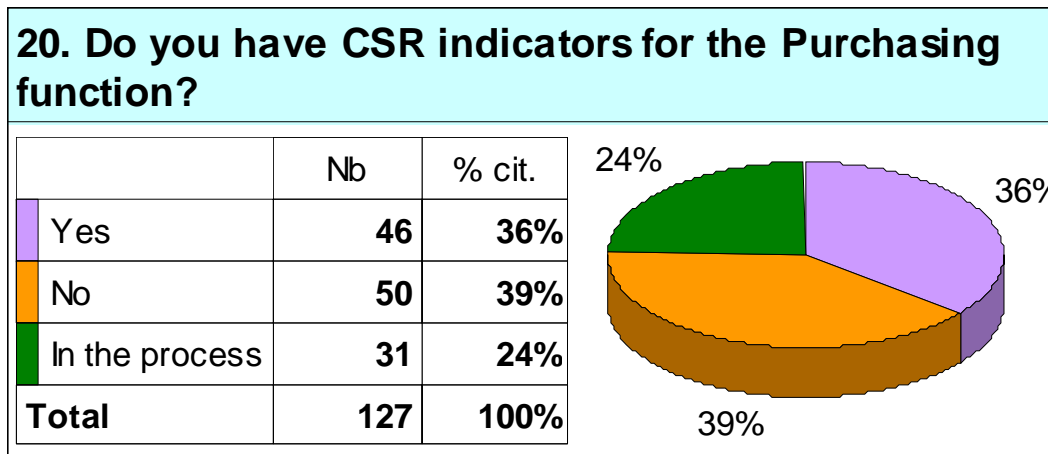
- Role of purchasing: Globally pro-active



EIPM CSR survey – Level of maturity in Purchasing



- Usage of CSR metrics not yet a standard as driver for purchasing management



EIPM CSR survey – Level of maturity in Purchasing



Indicators: Focused on supplier compliance.

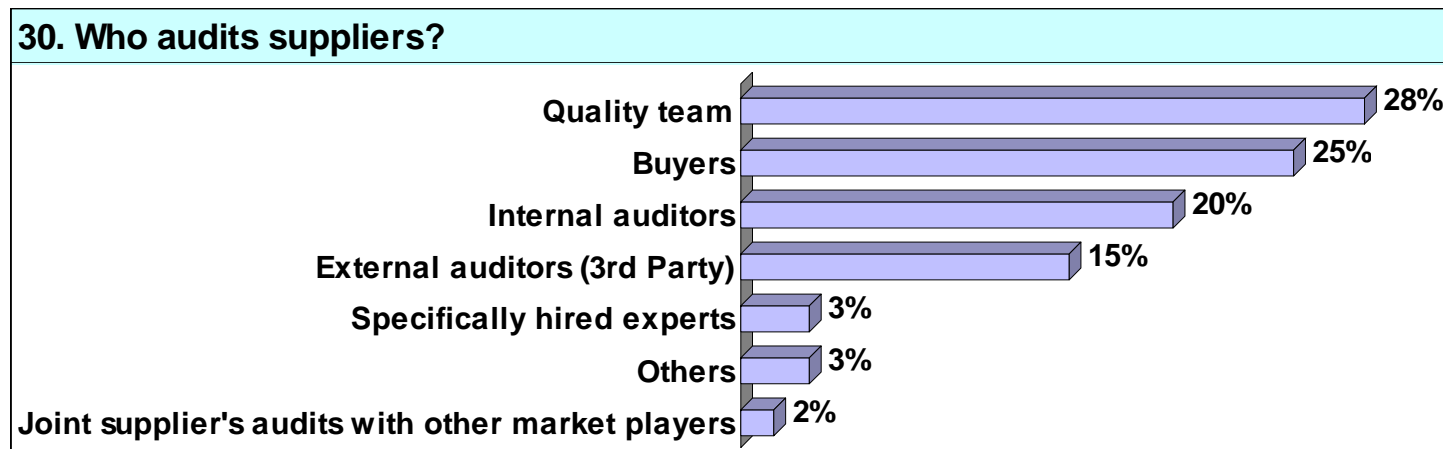
Low creativity for new metrics

21. Which are your indicators?		
	Nb	% obs.
% of suppliers audited	32	25%
% of suppliers who have signed a charter	29	23%
% of non compliant suppliers	19	15%
Num. or % of buyers trained in CSR or code of conduct	16	13%
level of CO2 emission in the supply chain	13	10%
Num. or % of suppliers selected to support social or environmental initiatives	12	9%
Number of work accidents involving suppliers	11	9%
Number of projects related to CSR with internal impact (cost savings, recycling, and reduced consumption)	11	9%
Direct or indirect savings due to greener solutions	10	8%
Other	9	7%
Respect of payment terms	8	6%
Number of accidents in the supplier premises	5	4%
Penalty payments due to non-compliance	4	3%
Number of projects with suppliers to improve CSR compliance	3	2%
Total	127	

EIPM CSR survey – Level of maturity in Purchasing



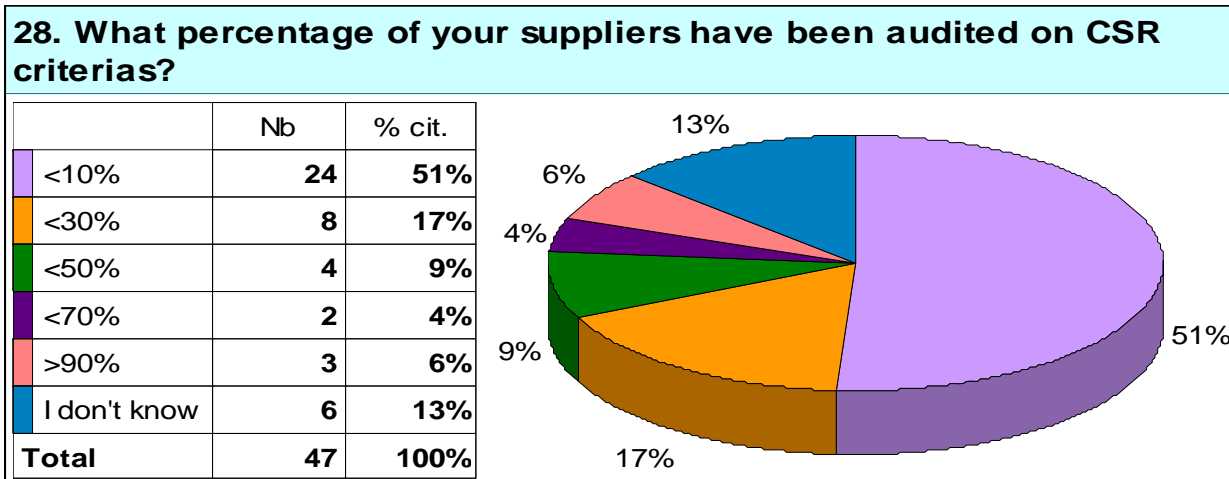
Audit: Despite their maturity in supplier auditing, only 25% of purchasing dep. perform CSR audits



EIPM CSR survey – Level of maturity in Purchasing



Audit : “Rate of Suppliers audited” ticked as the most frequently used indicator...In reality only few suppliers screened

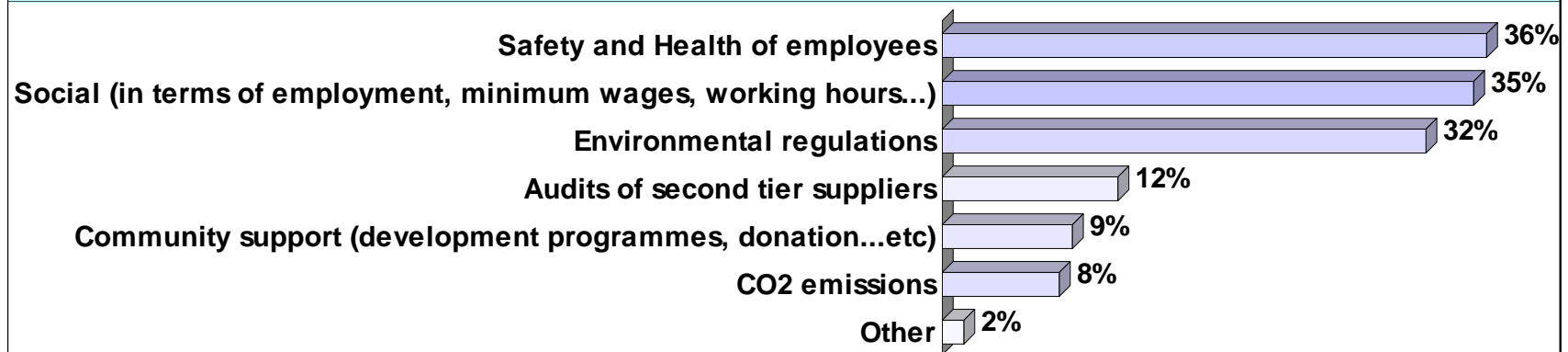


EIPM CSR survey – Level of maturity in Purchasing



Audit: Companies are internally focused on environmental criteria but checked mainly supplier's social issues

27. What sort of audits are those?



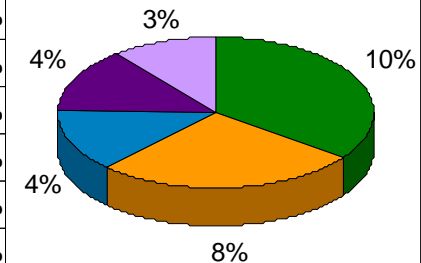
EIPM CSR survey – Level of maturity in Purchasing



Audit: External auditors for fairness and workload reasons.
But the supplier auditing remains a core process most of time.

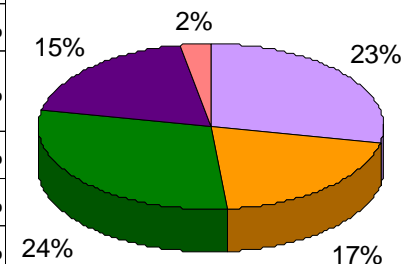
32. Why do you use external auditors?

	Nb	% obs.
Secure neutral opinion to suppliers and to our company	13	10%
Internal resource limitation (we would like to do it but no resources available)	10	8%
Others	5	4%
Lack of competence of internal resources	5	4%
Cost efficiency (it is cheaper using a 3rd party)	4	3%
Transferring the responsibility to a 3rd party in case of problems with suppliers	0	0%



34. Why do you do it internally?

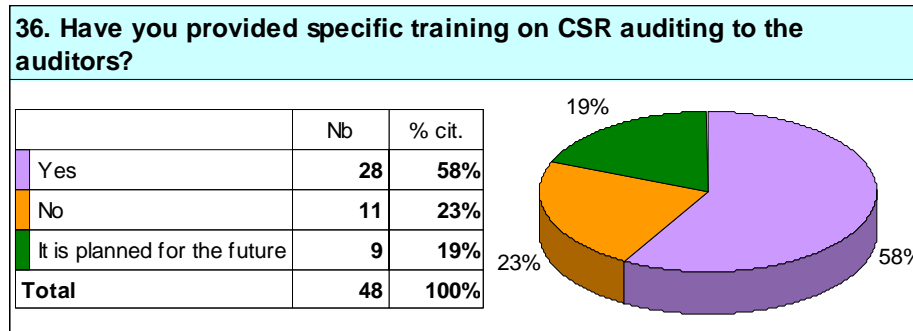
	Nb	% obs.
It should be part of our job and core competence	29	23%
It is a good opportunity to better know the supplier in terms of its cost structure or organisation	21	17%
It is part of the relationship management process	31	24%
To have full control of the process (risk or/and lack of trust on 3rd parties)	19	15%
Other	3	2%
Total	127	



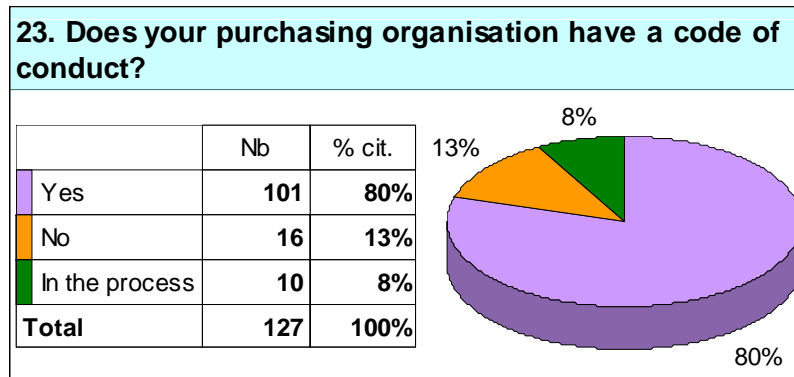
EIPM CSR survey – Level of maturity in Purchasing



CSR Audit : Deployment of specific trainings, not yet a standard



Code of conduct : A standard, but how about CSR items ?

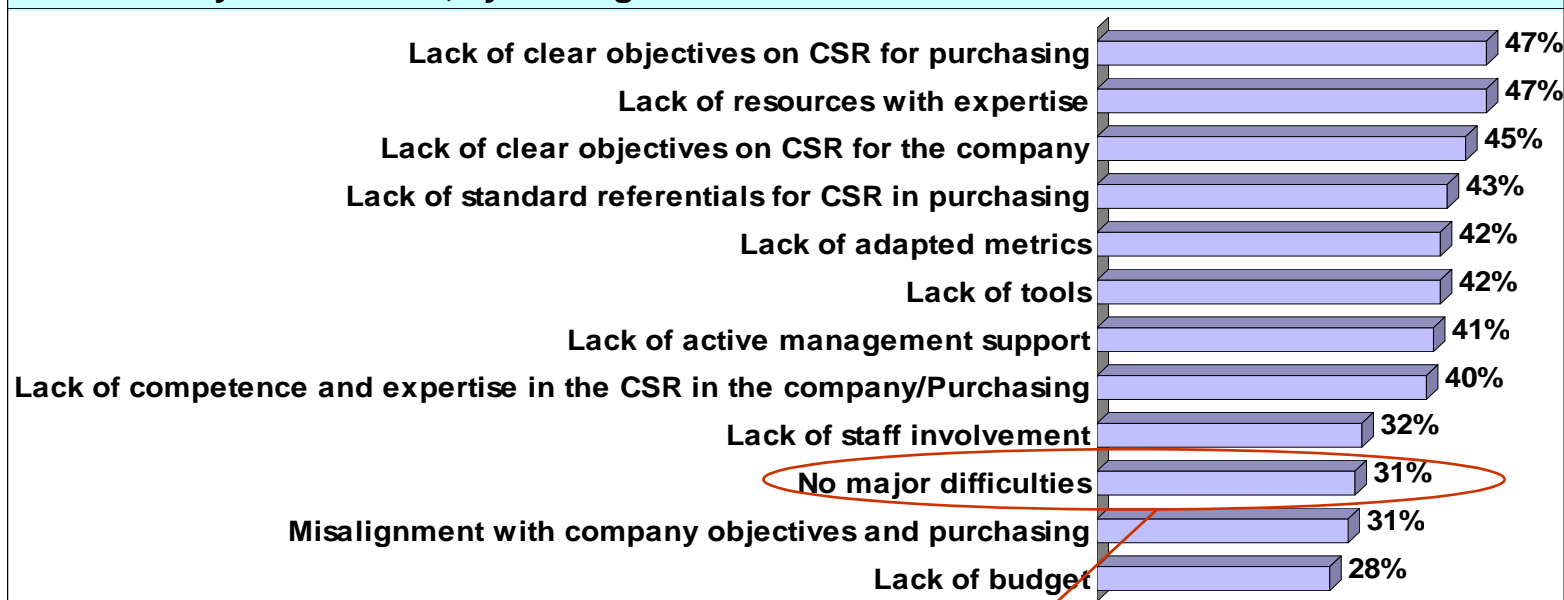


EIPM CSR survey – Level of maturity in Purchasing



CSR implementation looks like a steeple chase : a collection of obstacles

40. What are the main obstacles your company faces to fully implementing CSR in purchasing?
Please rank your selection, by starting from the most relevant



Selected in first rank by 17% of respondents

Sum up part 2 - Level of maturity in Purchasing



The purchasing function is really aware and rather proactive in CSR...But...

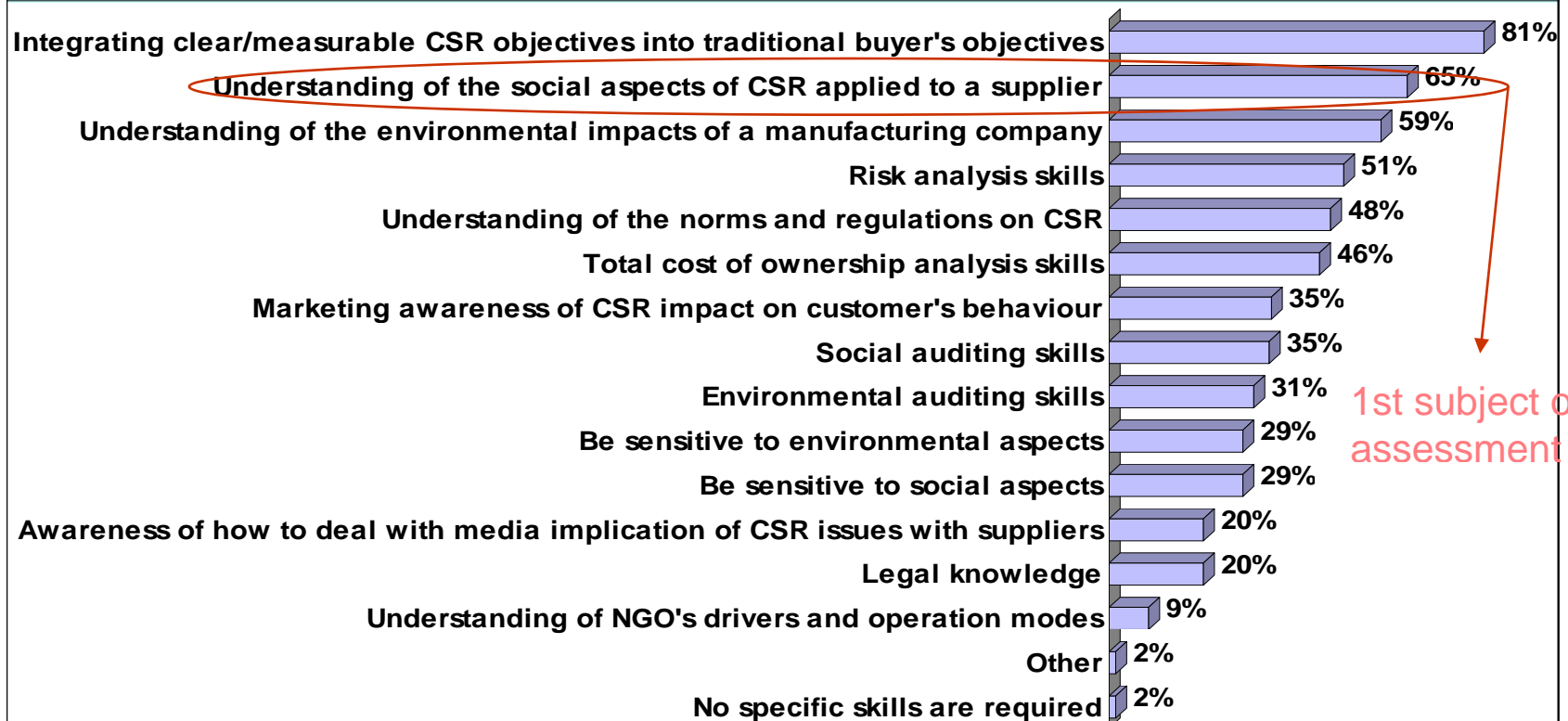
- Purchasing directors are facing with lack of dedicated competencies, referential and tools
- The adoption of standard and specific CSR indicators is not yet a frequent practice for the purchasing governance
- Despite their maturity in supplier auditing, only 25% of purchasing dep. perform CSR audits themselves. Few audits beyond the first tier
- Code of conduct is now a standard document in the majority of company but what about the content regarding equity for suppliers and link between day to day work and corporate CSR advert?

EIPM CSR survey - Your opinion



Opportunities for success : Mix of need in skills improvement and a “user guide”

37. What are the specific skills or characteristics you think necessary to successfully implement CSR in Purchasing?



1st subject of assessment !

EIPM CSR survey - Your opinion



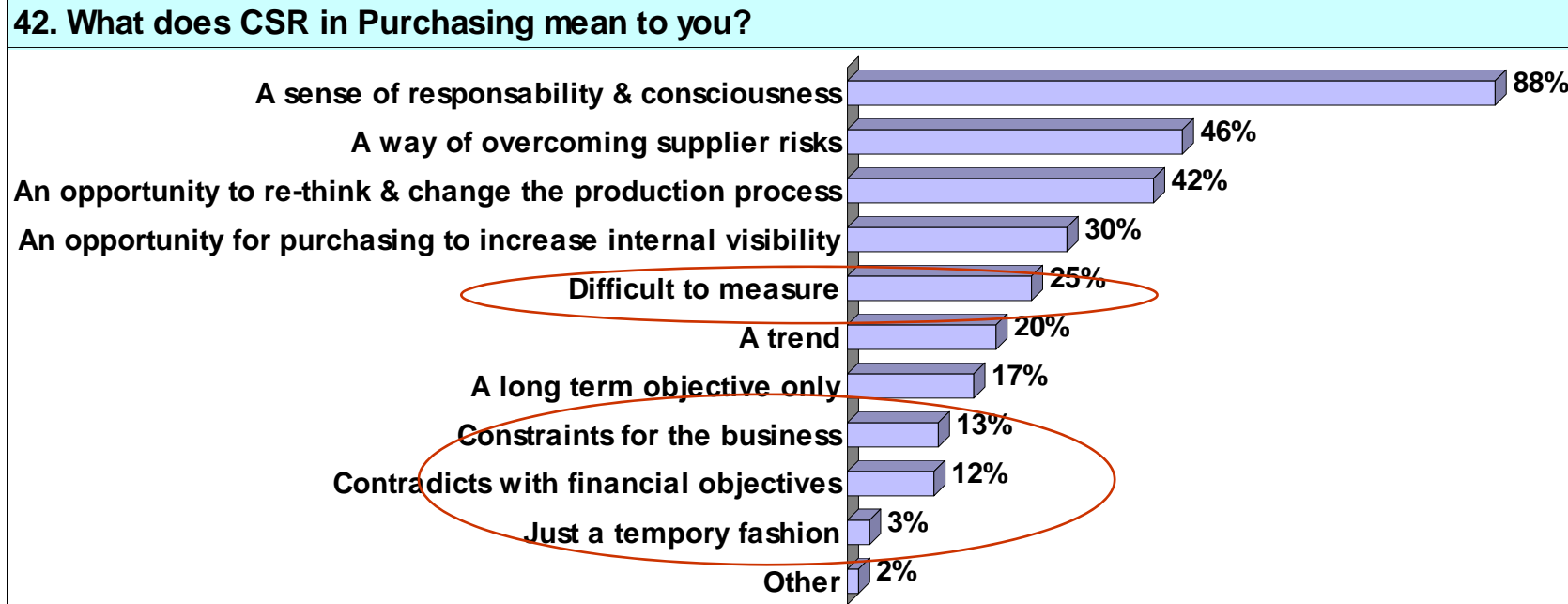
45. CSR had led your company to:

	Nb	% obs.
Modify your criteria for selecting suppliers	70	55%
Negotiate your contracts to include CSR clauses (eg : work conditions and environmental risks)	67	53%
Realise " GREEN " Purchasing processes, products and services (support community trade, recycling, support of eco-friendly brands, certified products, eco-designed)	49	39%
Purchase new services (recycling of waste, auditing service)	45	35%
Change in technology (more eco- friendly)	43	34%
Influence design and specifications to bring the CSR impact to the company	40	31%
Increase internal visibility and exposure	33	26%
Modify KPI's to fit CSR requirements	32	25%
Motivate my purchasing organisation	32	25%
Improve relationship with suppliers	31	24%
Develop new KPI's to measure buyer's performance in CSR	28	22%
Create a process/organisation where employees can provide feedback about any non respect of the company's code of conduct	27	21%
Provide technical support to suppliers to meet CSR requirements	26	20%
Create a process/organisation where suppliers can provide feedback about any breach of the company's code of conduct	21	17%
Change negotiation behaviour in terms of fairness or supplier respect	20	16%
Modify your logistics providers (rail or sea transport to substitute road transport,)	17	13%
Use local or small suppliers to promote development of the community they belong	15	12%
Improve reverse marketing - Have a better knowledge of products and innovative technologies	14	11%
Reach savings which were not initially foreseen	11	9%

EIPM CSR survey - Your opinion



In spite of difficulties, positive aspects overtake largely the **constraints**



EIPM CSR survey - Outlook



CSR, an opportunity for the Purchasing function:

- No one but Purchasing can influence quickly the market by selecting compliant suppliers.
- The part of corporate turnover handled by purchasing can be certified “green” quicker than the internal one.
- The capacity to perform supplier audits, risk analysis and benchmarks are clearly competencies within the purchasing scope.
- By their overall vision of upstream market, best practices, their network, purchasing directors should be able to influence corporate decisions.