



**THE EUROPEAN INSTITUTE**  
OF PURCHASING MANAGEMENT

# Sustainable Development: *is CSR a constraint or an opportunity for Purchasing?*

*Archamps, 13-14 March 2008*

# The EIPM's Workshop Concept



- Provide a forum to exchange experiences, thoughts and challenges faced by the Purchasing Community
- Set the scene for further developments to meet the Purchasing Community needs:
  - Conferences
  - Frameworks and tools
  - Training
  - White papers

# Expectations for this workshop



- What Purchasing is doing about CSR?
- How to manage CSR initiatives in Purchasing?
- How companies manage the risks on CSR with suppliers?
- How to “value” CSR initiatives?
- What are the skills required to incorporate CSR into Purchasing?
- What are the challenges companies are facing in this area?
- ...



# Our journey...

# Definition

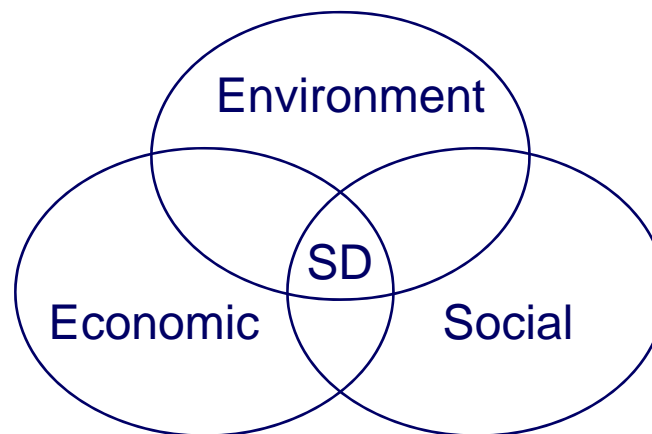
## Sustainable Development - SD



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



# Definition

## Corporate Social Responsibility - CSR



*CSR is the implementation of SD in companies*

*“CSR is defined as a concept whereby companies **integrate social and environmental concerns in their business operations** and in their interaction with their stakeholders **on a voluntary basis**, as they are increasingly aware that responsible behavior **leads to sustainable business success.**”*

*EU Green Paper on CSR*

# 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

# Introduction what CEO's think about CSR

Source: McKinsey survey 2007 of 391 CEO's whose companies participate in the UN Global Compact

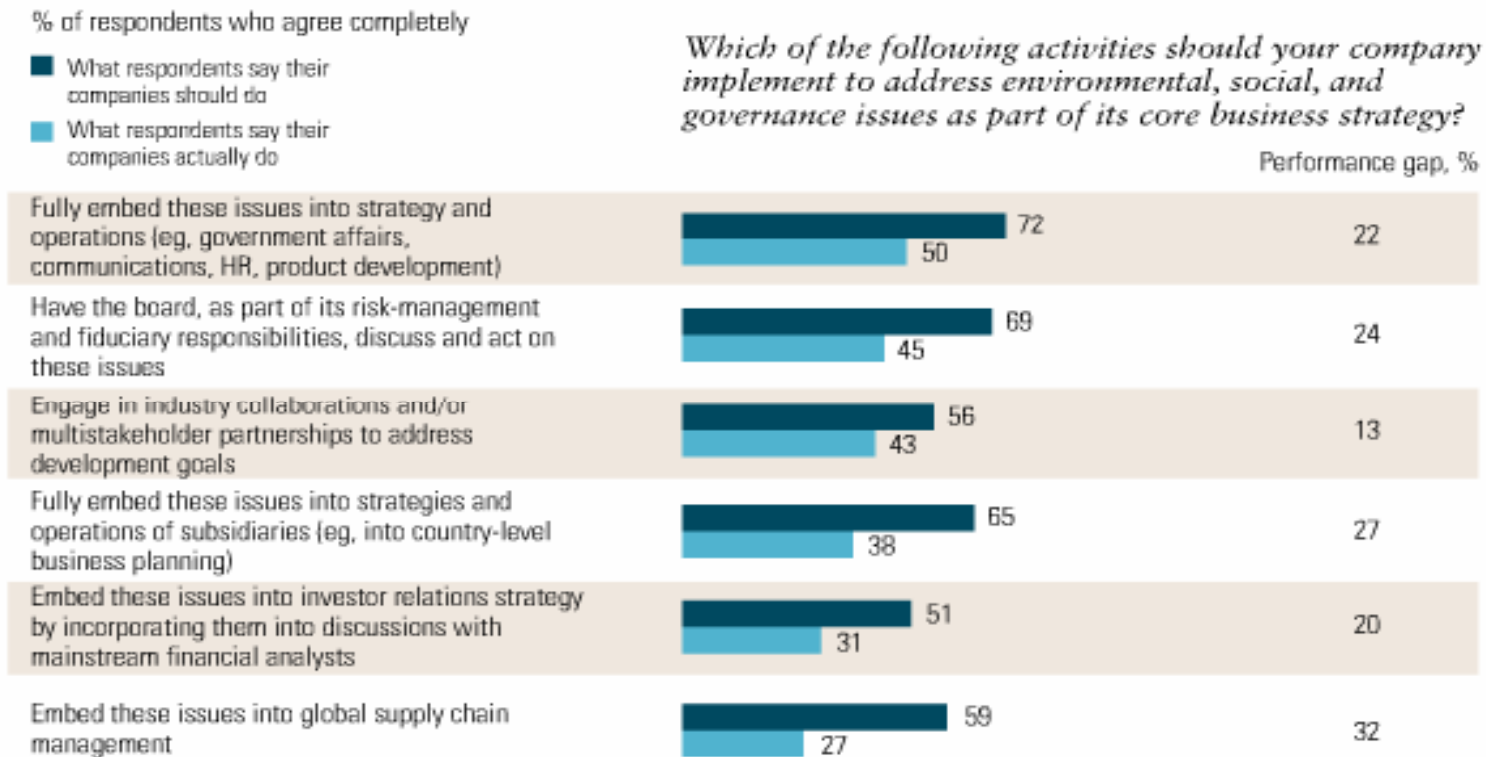


- « ...90% of companies are doing more than they did five years ago to incorporate environmental, social, and governance issues into their core strategies... »
- « ...while pressure from employees, consumers, and other stakeholders plays an important part in this trend, some CEOs see the new demands as opportunities to gain a competitive advantage and to address global problems at the same time. »
- « CEOs observed that satisfying the shareholders is no longer good enough: consumers will punish companies that don't fulfill their public responsibilities, causing their market shares to decline. Socially irresponsible business practices could also make it harder for companies to attract and retain talented people. »

# ...and about Supply Chain and Purchasing...



« they also understand... the challenges that include the difficulty of managing supply chains across countries with different regulations and norms for corporate social responsibility »

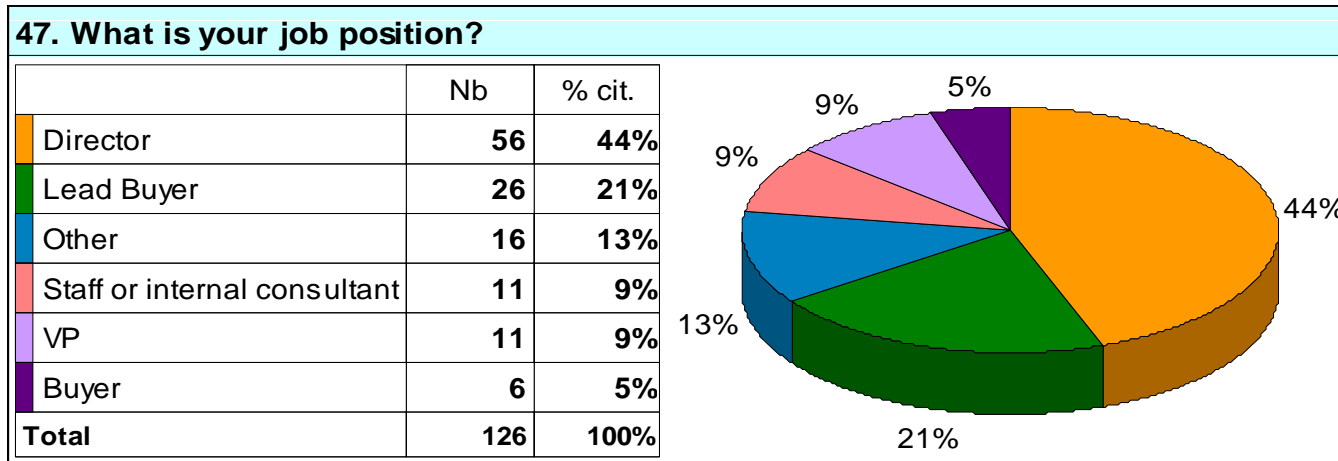


Source: Feb 2007 McKinsey survey of 391 CEOs whose companies participate in UN Global Compact

# EIPM CSR survey – Survey sample



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

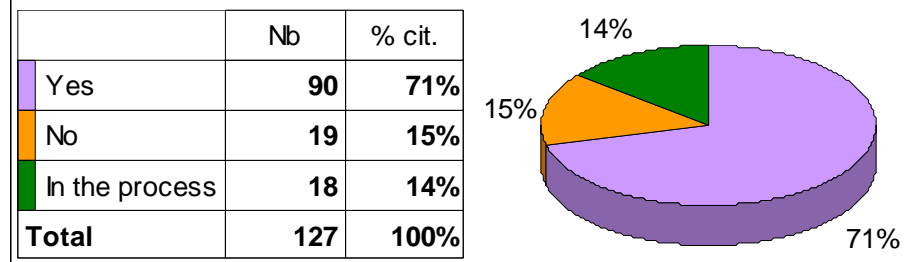


# EIPM CSR survey – corporate level of maturity

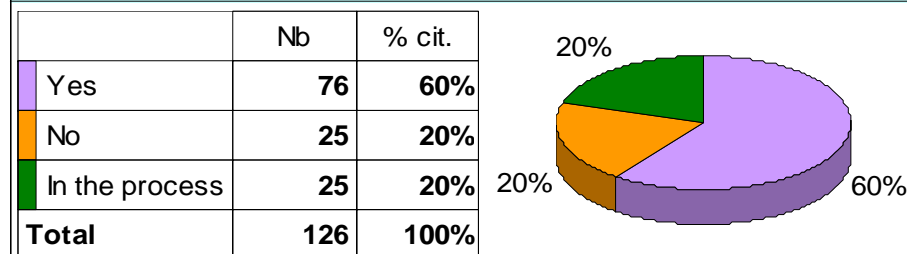


- A large majority of companies involved in the survey include CSR in their corporate objectives and have implemented a CSR program.

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



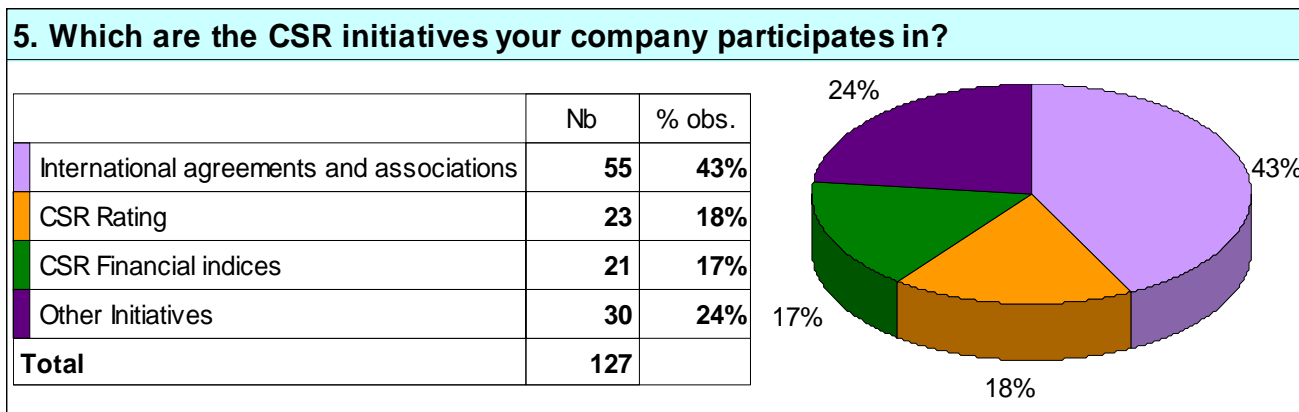
## 3. Has your company launched CSR program?



# 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



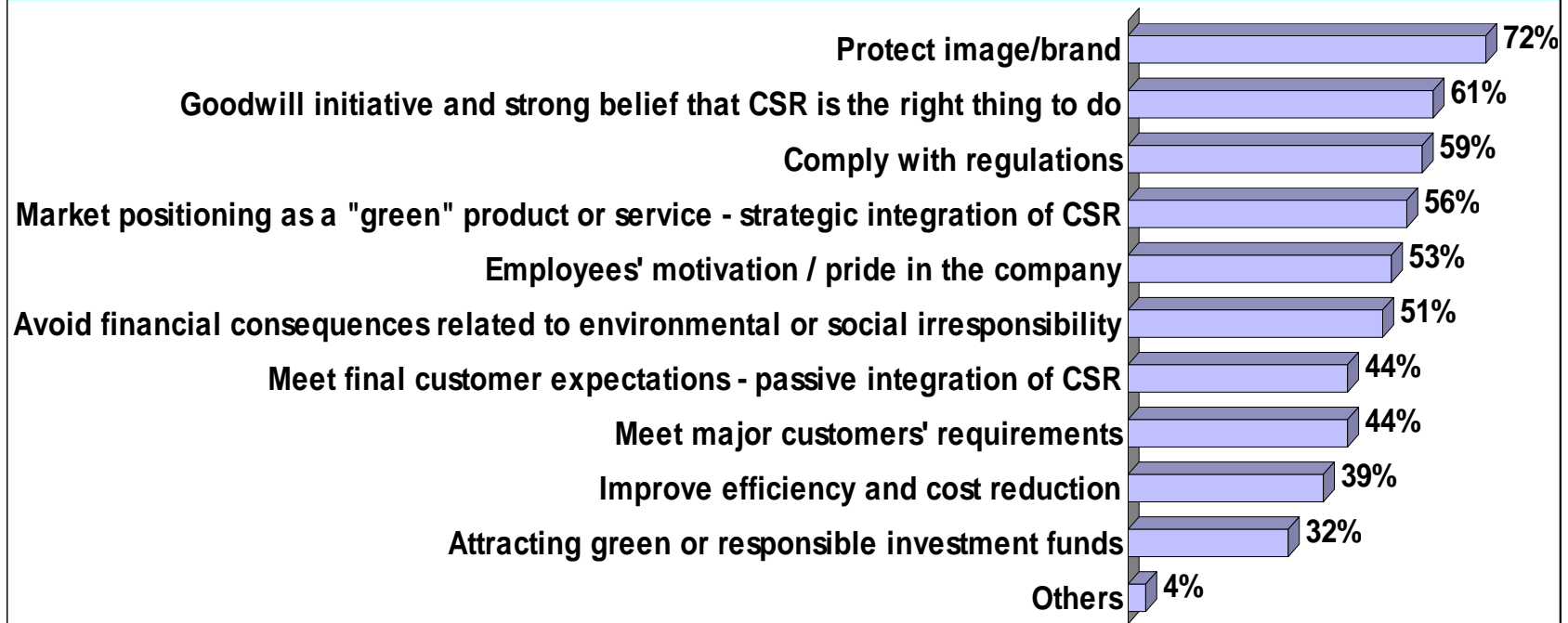
From the McKinsey survey – « fewer than one-fifth of the CEOs we surveyed believe that financial markets account for the way a company approaches environmental, social, and governance issues when they value it »

# EIPM CSR survey – corporate level of maturity



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

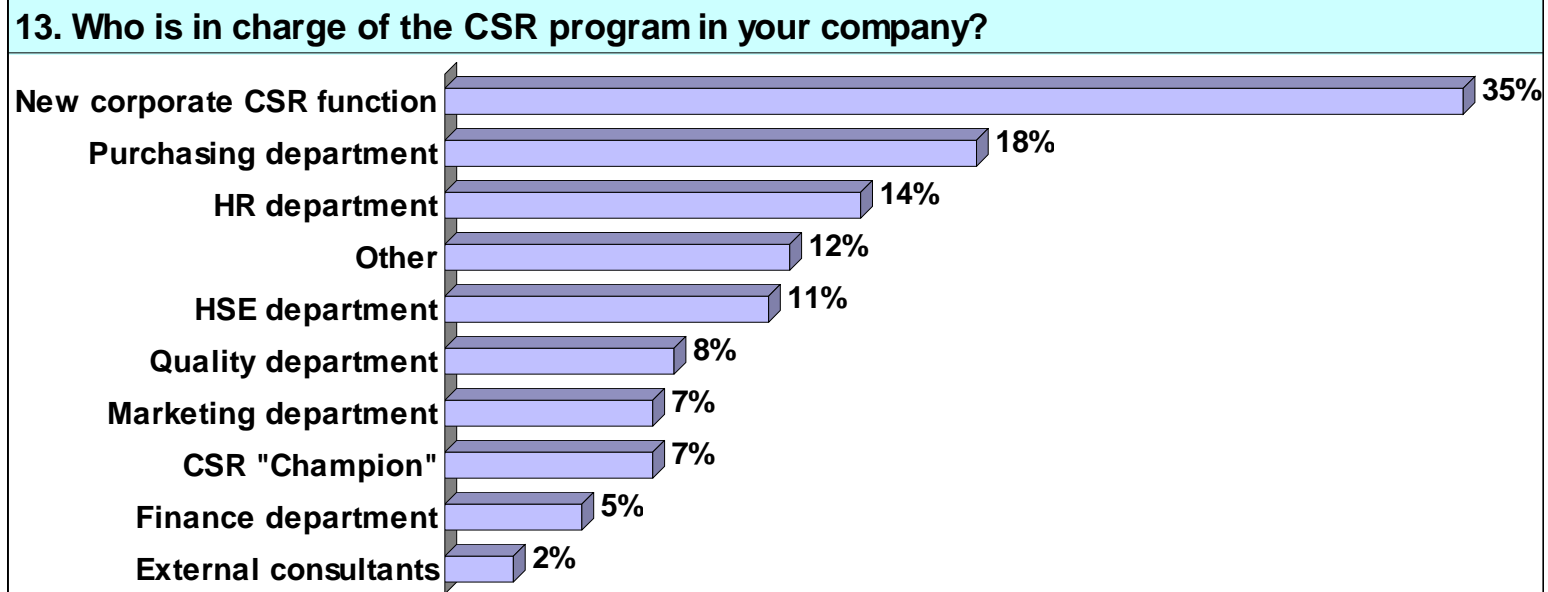
## 39. In your opinion, what are the real reasons that drove your organisation towards CSR?



# EIPM CSR survey – corporate level of maturity



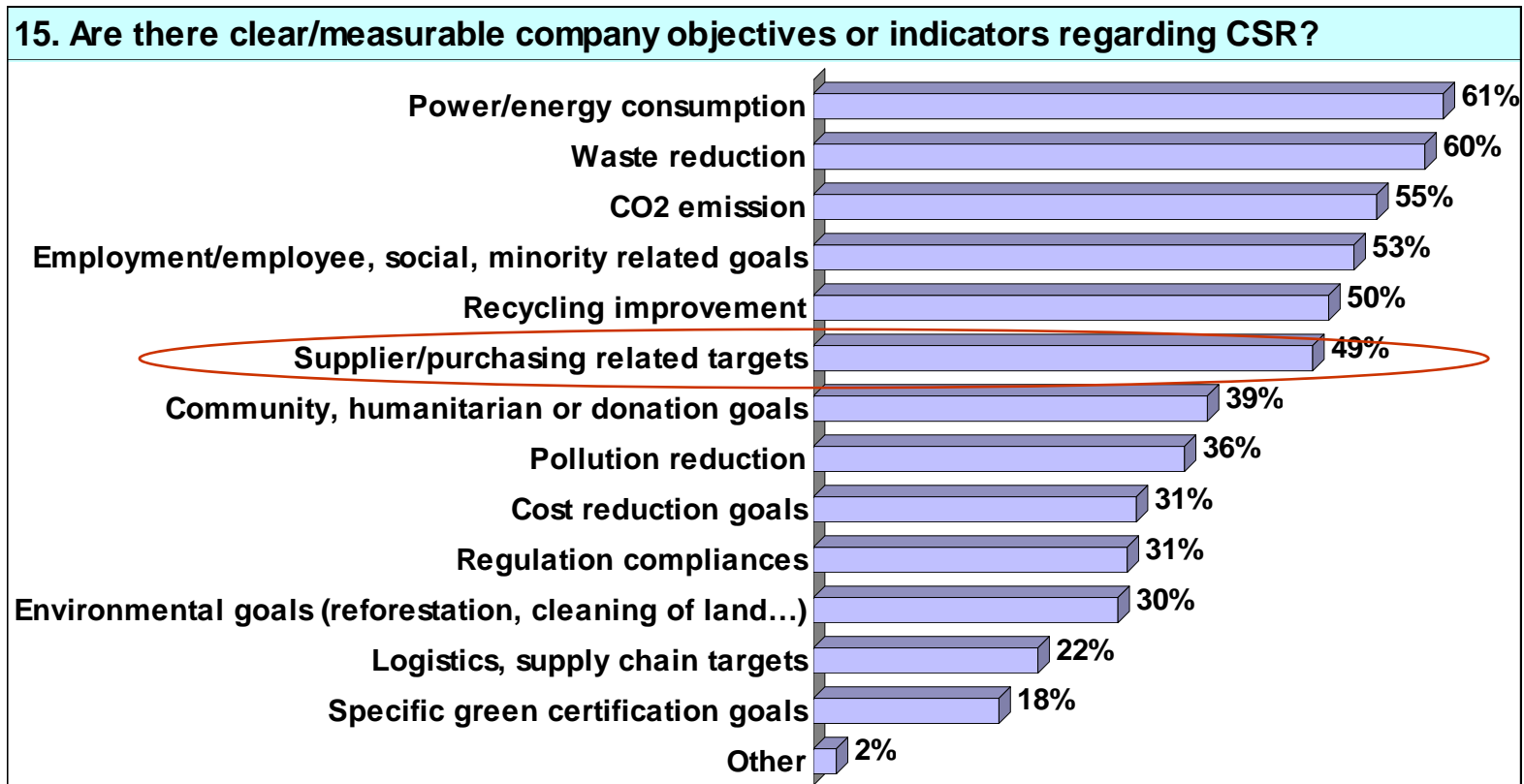
- Who leads the CSR ? No standard solution, but a new corporate function is emerging in many companies.
- Good opportunity for purchasing, leader for 18% of respondents.



# EIPM CSR survey – corporate level of maturity



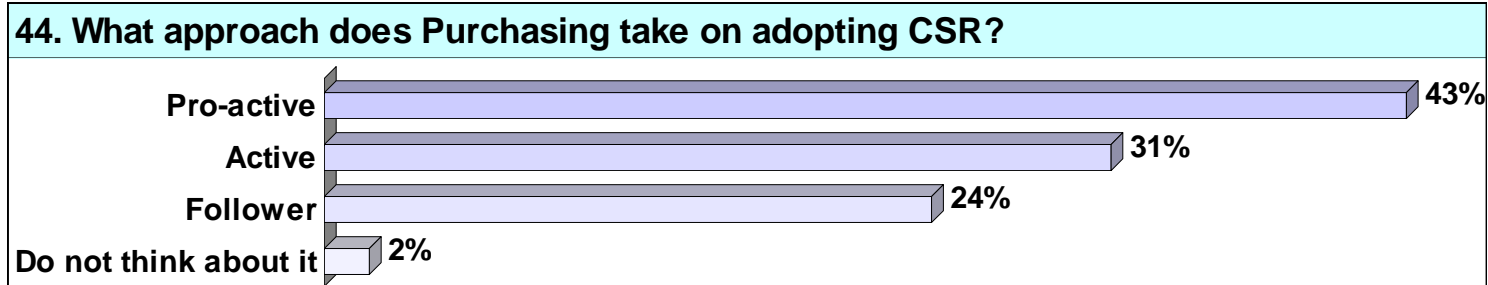
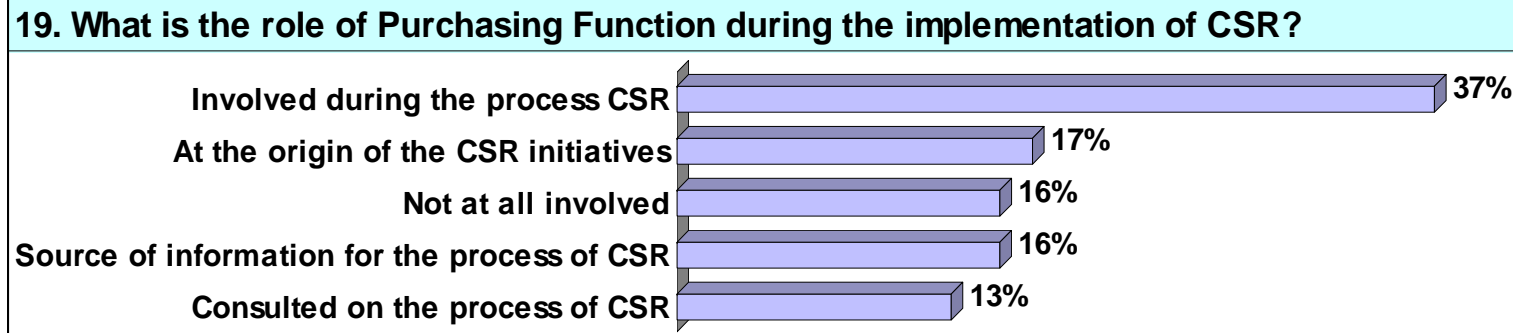
- Corporate indicators : Purchasing indicators are embedded in corporate dashboard for half of respondents.



# EIPM CSR survey – Level of maturity in Purchasing



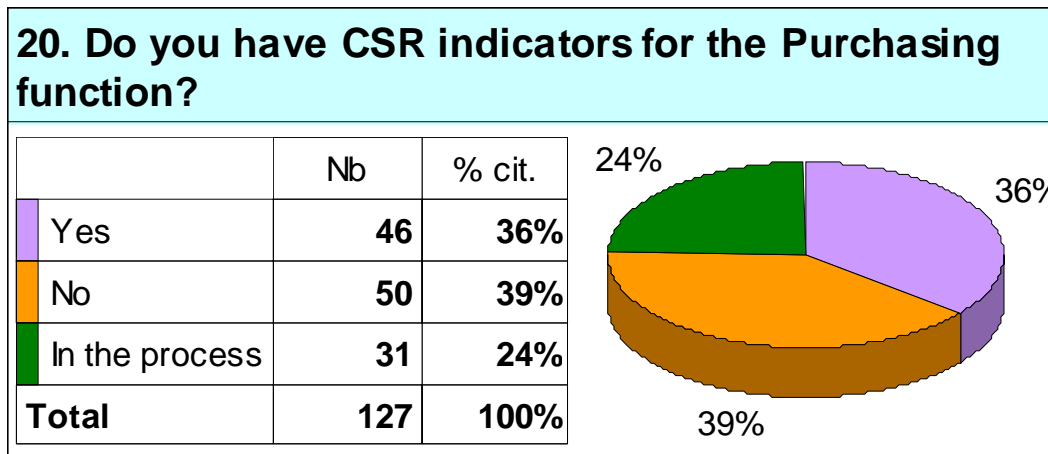
- Role of purchasing: Globally pro-active



# EIPM CSR survey – Level of maturity in Purchasing



- Although Purchasing is actively involved 50% does not have CSR indicators in place for Purchasing



# EIPM CSR survey – Level of maturity in Purchasing



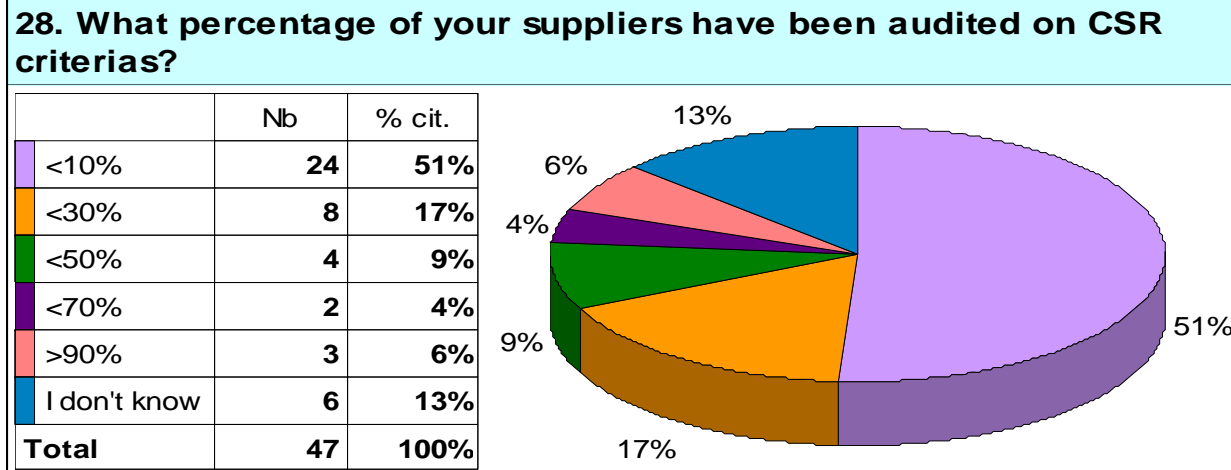
Most used indicators are related to supplier audits and charter signature... process rather than results

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%
<b>Total</b>	<b>127</b>	

# EIPM CSR survey – Level of maturity in Purchasing



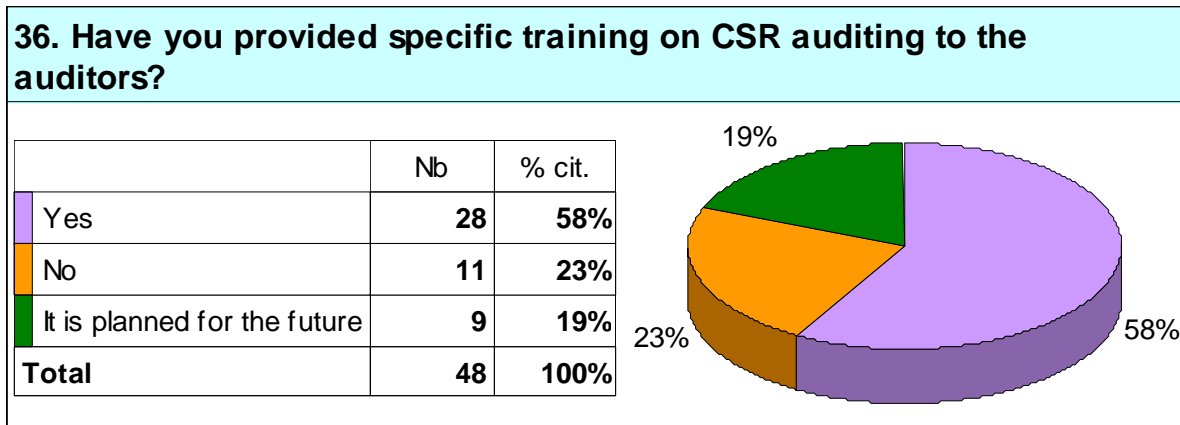
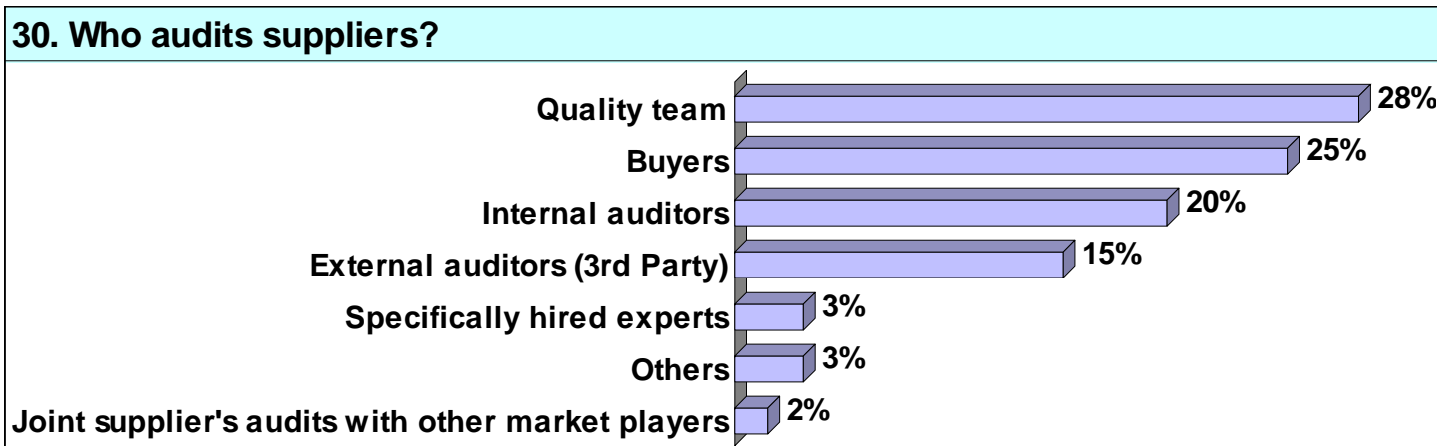
Supplier audit is the most used indicator yet only few suppliers have been audited



# EIPM CSR survey – Level of maturity in Purchasing



Audit: only 25% of purchasing dep. perform CSR audits



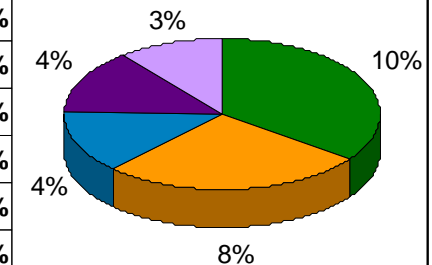
# EIPM CSR survey – Level of maturity in Purchasing



For the ~20% of audits conducted by external resources, the reason is for neutrality and lack of internal resources

## 32. Why do you use external auditors?

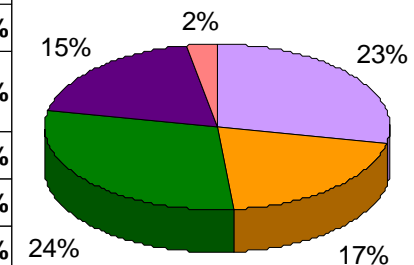
	Nb	% obs.
Secure neutral opinion to suppliers and to our company	13	10%
Internal resource limitation (we would like to do it but no resources available)	10	8%
Others	5	4%
Lack of competence of internal resources	5	4%
Cost efficiency (it is cheaper using a 3rd party)	4	3%
Transferring the responsibility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



Yet the supplier auditing remains a core process most of time.

## 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%
<b>Total</b>	<b>127</b>	

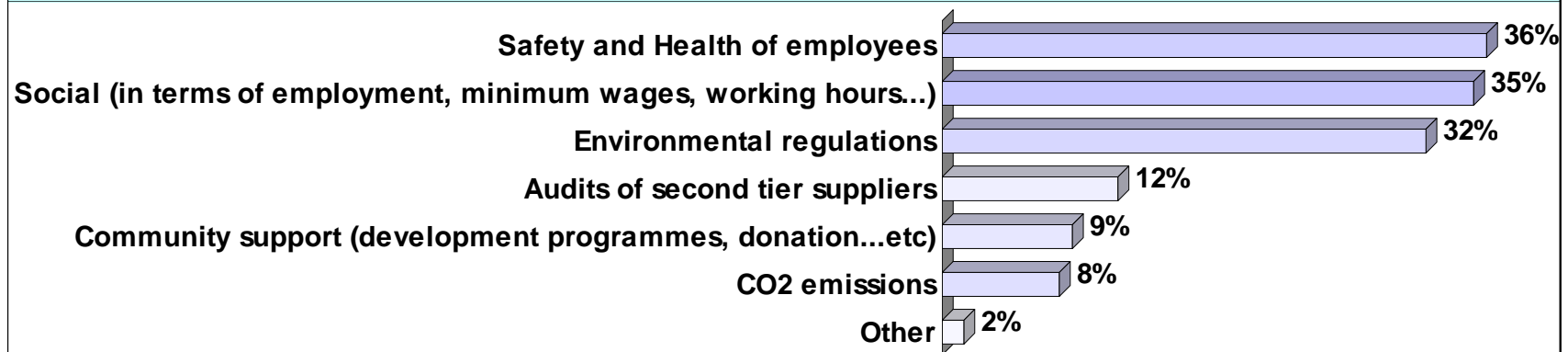


# EIPM CSR survey – Level of maturity in Purchasing



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

## 27. What sort of audits are those?

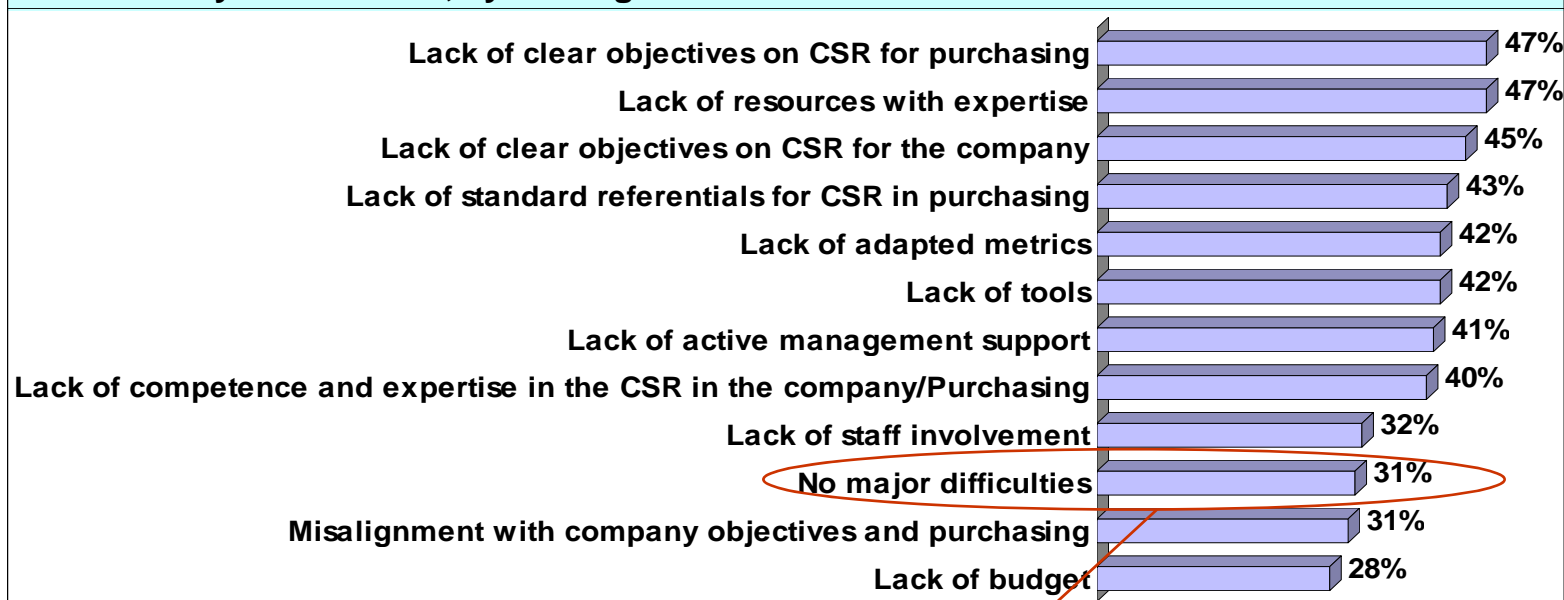


# EIPM CSR survey – Level of maturity in Purchasing



## CSR implementation looks like 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

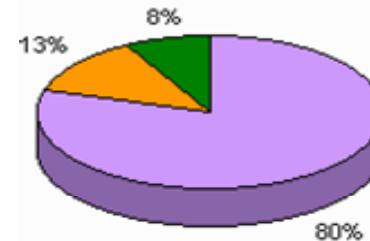
# EIPM CSR survey – Level of maturity in Purchasing



## Code of conduct is largely adopted in Purchasing

23. Does your purchasing organisation have a code of conduct?

	Nb	% cit.
Yes	101	80%
No	16	13%
In the process	10	8%
<b>Total</b>	<b>127</b>	<b>100%</b>



But only half of the companies have trained the buyers on the Code of Conduct

24. Has your company provided buyers with training sessions or seminars on the code of conduct?

	Nb	% cit.
Yes	53	53%
No	30	30%
In the process	17	17%
<b>Total</b>	<b>100</b>	<b>100%</b>



# Sum up - Level of maturity in Purchasing



The purchasing function is rather proactive in CSR...but...

- Purchasing directors are facing a lack of dedicated competencies, referential and tools
- The adoption of standard and specific CSR indicators is not yet a frequent practice for purchasing governance
- Only 25% of purchasing dep. perform CSR audits themselves although is considered as part of the job.  
But what about the competences of buyers to make social and environmental audits?
- How far shall the audit go down the supply chain? Today not too far!
- Code of conduct is now a standard document in the majority of companies but do they really “walk the talk” ?

# EIPM CSR survey - Your opinion



- Major changes are “process” related to supplier selection and negotiation
- For 50% of the cases CSR led to Green projects... which are not reflected in the Purchasing CSR related KPI's
- Only 25% believes it provided more visibility for Purchasing and developed the supplier relationship

## 45. CSR had led your company to:

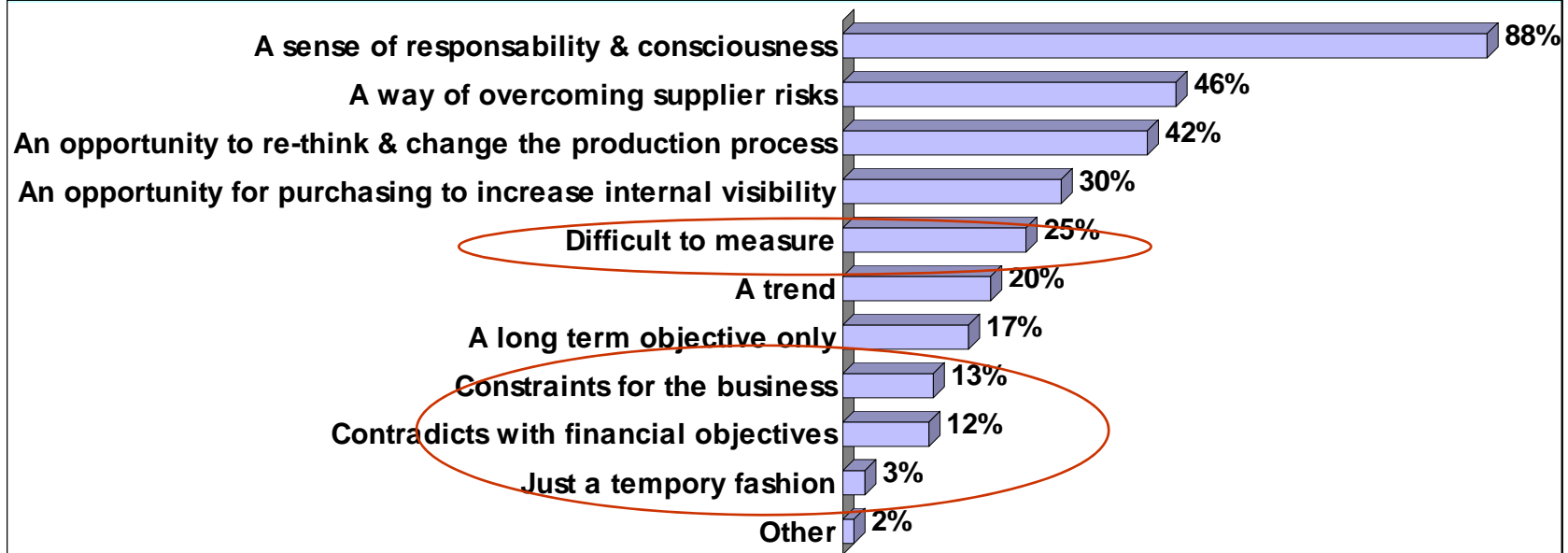
	Nb	% obs.
Modify your criteria for selecting suppliers	70	55%
Negotiate your contracts to include CSR clauses (eg : work conditions and environmental risks)	67	53%
Realise " GREEN " Purchasing processes , products and services (support community trade , recycling, support of eco-friendly brands , certified 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%

# EIPM CSR survey - Your opinion



In spite of difficulties, positive aspects overtake largely the constraints

## 42. What does CSR in Purchasing mean to you?



# CSR and Purchasing



- CSR is definitely part of the business environment... many companies they have done it but not necessarily named it!
- CSR and Purchasing cannot be separated
- Purchasing has a major opportunity to take the lead and increase visibility



# **Let's start our journey towards CSR and Purchasing...**