

Delivering sustainability through responsible procurement

White Paper

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FOREWORD

SALLY GUYER (GLOBAL CEO, WORLD COMMERCE & CONTRACTING)



Sustainability has become increasingly critical for organisations to remain relevant and competitive in today's world. The global turmoil that we have been experiencing over the last few years has only served to reinforce the importance of this topic. Virtually all the world's largest companies now issue a sustainability report and set goals with science-based carbon targets. On the social side of the sustainability agenda, companies have been expanding diversity and inclusion efforts and speaking out on societal issues they used to avoid.

Yet translating ambition and commitment into reality is not a simple task.

Sustainability is a complex subject and solutions are neither straightforward nor easily embedded as many WorldCC members are acutely well aware.

Expenditure on third party goods and services can be seen as a logical place to start; it is certainly feasible to address many aspects of sustainability directly through our contracts and the governance procedures we have in place with our suppliers. In sharing common sustainability goals, we can stipulate requirements about what should be delivered, where it should be sourced from and how we are going to design and manage the contract and governance framework to enable appropriate visibility and adherence on both sides to the commitments made.

Sustainable or responsible procurement or contracting are terms that are widely referenced today – the terms can mean different things to different organisations and even to departments within the same organisation, which makes aligning on overall objectives critical.

This White Paper explains how and why organisations can struggle to make an impact with their responsible procurement and contracting efforts and what they can do to transform the outcomes that they achieve. It highlights the importance of collaborative working, effective relationship management, things that we at WorldCC have been promoting globally for many years now.

It also announces the launch of an exciting new Diagnostic, developed by Ken Cole in collaboration with sustainability and change management experts and run on the platform designed and built by New Information Paradigms. This Diagnostic allows organisations to self-assess how well their organisation is prepared and organised to undertake responsible procurement as it applies to the original 1987 sustainability goals.

I have read the White Paper and tested the Diagnostic. It is fully consistent with WorldCC's vision and values. I am so grateful to Ken for his continued commitment to support people working in procurement and contract management through the development of incredibly valuable tools such as this. Together we can change the world, one contract at a time.

Best wishes,

Sally

As Global CEO of one of the world's fastest growing non-profits, Sally's mission is to inspire and support the World Commerce & Contracting (WorldCC) team and global community to collectively drive recognition and excellence in Commercial and Contract Management.

She is an experienced and accomplished commercial and contracts management professional, holding senior commercial positions at a range of corporate and multi-national organizations. Her focus is on the creation of positive and successful business relationships, constantly striving to ensure that businesses realize their true potential and value.

In 2019 Sally was invited to become Chair of the Board for the Open Contracting Partnership (OCP) and in 2021 she was appointed Professor in Practice in Strategy and Innovation at the University of Durham Business School.

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1. ABOUT THIS WHITE PAPER

Sustainability¹ is a complex issue that creates a sense of urgency for individuals, communities and organisations. It features in the priorities, aspirations and values of organisations across the world and touches upon so many areas of our everyday lives.

Yet understanding what sustainability means and how its diverse policy components fit together can be very difficult to grasp. The many interrelationships present challenges, such as:

- how components fit together and interact with each other
- how and why some components can conflict with each other
- which components matter most
- where scarce resources are best deployed to deliver the most benefits
- how outcomes achieved can be measured effectively
- how sustainability can be incorporated into core business activities while retaining profitability
- how customers, local communities and individuals can be inspired to engage
- who should own and lead the work on the overall agenda

Two ways organisations can make an immediate difference is by:

- changing behaviours - such as their approach to business travel, waste disposal, recycling, use of resources and energy consumption
- rethinking procurement policies - the how/what/when/where/why and from whom of buying. This is better known as 'responsible procurement'

Responsible² procurement is also a complex subject. There are different perspectives as to what constitutes 'responsible' and even more opinions on the scope of 'procurement' itself. No two organisations will have identical views, let alone operate in the same way, which makes essential collaboration both within and across different sectors as well as outcome measurement very difficult to achieve. The one thing that everyone can agree on, regardless of their view as to what constitutes procurement, is that it is a key aspect of a universal commercial cycle covering four macro stages:

- needs definition and planning
- commercial research and market engagement
- supplier selection and contract award
- contract & relationship management

Some organisations, such as Waitrose³, have had a long-standing involvement in responsible procurement and sourcing with dedicated teams working closely with key organisations in their supply chains for over

¹ Sustainability was defined by the UN in 1987 as "meeting the needs of the present without compromising the ability of future generations to meet their own needs."

² It is sometimes referred to as 'sustainable' procurement.

³ Waitrose has recently announced that it is removing best before dates on 500 fresh food items to help to reduce the estimated 4.5 million tonnes of edible food thrown away each year (Waste & Resources Action Programme).

twenty years. They have made demonstrable progress in this time and have acted as a benchmark to others. Yet many organisations are only recent⁴ converts due to factors such as consumer/market pressure, investor demands and even legislative changes. Closer scrutiny suggests that this is creating a significant gap between stated intent and actual outcomes achieved. Saying you are committed to responsible procurement is easy, taking actions that make a real difference is far more difficult. This is because few have understood:

- its full scope
- where to focus available resources to derive the most environmental, social and financial benefits
- the cultural and behavioural changes required internally and externally to make it a success
- how business processes, contract standing orders and reporting systems need to be modernised
- the scale of resource needed to deliver tangible and measurable outcomes
- how to manage a cross cutting activity in a verticalised/siloed organisation
- why they are doing it in the first place

The prime focus for many is currently on achieving Net Zero⁵, in part because this attracts most media⁶ interest and it is supported by lucrative funding streams. Yet based on the 1987 UN sustainability principles alone, this is only a small aspect of this diverse subject.

This short white paper is specific in what it seeks to do. Its focus is exclusively on responsible procurement and is designed to help organisations engage with the subject in a structured and coherent way. It does this by:

- Restating what constitutes sustainability, based on the original 1987 UNESCO principles⁷ which drive much of today's agenda
- Setting out a structured approach to understanding what is meant by 'responsible procurement'⁸
- Introducing an easy-to-use tool which allows organisational self-assessment as to how well prepared they are to carrying out responsible procurement
- Setting out some simple 'do's for starting your responsible procurement journey

In summary, this is about helping organisations to engage confidently and effectively with the whole responsible procurement agenda. It does not address the specifics of the individual policy strands that constitute responsible procurement.

⁴ Some organisations have sought to tackle specific elements of sustainability during this time, such as using local businesses or creating social value in contracts – the latter is a legal requirement for the UK public sector.

⁵ A target of completely negating the amount of greenhouse gases produced by human activity, to be achieved by reducing emissions and implementing methods of absorbing carbon dioxide from the atmosphere.

⁶ The recent COP26 UN climate summit in Glasgow has provided much of the impetus.

⁷ Sustainable development was described by the 1987 Brundtland Commission Report and is the overarching paradigm of the United Nations.

⁸ Specifically, as it applies to commissioning, procurement and contract management.

2. SUSTAINABILITY IN CONTEXT

Much of today's thinking about sustainability originates from the *1987 UN Brundtland Commission*. The starting point for any organisation is the ability to distinguish between sustainable development and sustainability. Sustainable development⁹ is “*meeting the needs of the present without compromising the ability of future generations to meet their own needs*”. This distinction is an important one as sustainable development is a long-term goal (i.e., a more sustainable world), while sustainability refers to how we seek to achieve it, in the case of responsible procurement, through the services and goods that we acquire.

The UN Commission identified four interrelated development strands for implementing sustainable development. These are Societal, Environment, Culture and Economy. They provide a useful read across to the many sustainability policies (e.g., social value, upcycling, economic regeneration) that exist today. They also offer a logical structure in which to define the critical success factors that will help to determine and measure the pace and extent of progress.

The Local Government Association (LGA) published a detailed toolkit¹⁰ which attempts to capture the sustainability agenda as it applies to procurement. It is a comprehensive and professionally researched 253 page document and is highly commended reading. Although its length may deter some readers, it contains important messages, particularly how responsible procurement will contribute to the advancement of the broader sustainability agenda. One such message is how the different strands of the sustainability agenda map onto English local government policy priorities - see *Diagram 1*.



Diagram 1 – Sustainability diagram for the LGA Toolkit (outer ring at Appendix 1 for readability)

⁹ Brundtland definition.

¹⁰ Sustainable procurement – delivering local economic, social and environmental priorities – A toolkit for commissioners, procurement practitioners and contract managers. October 2021.

By way of explanation:

- the outer (blue) ring shows the relevant *1987 UN goals*
- the orange ring is the topic specific guidance included in LGA toolkit by its authors¹¹
- the purple ring shows the National Themes Outcomes and Measures (TOMs) framework¹² used for achieving social value
- the centre ring states the generic sector vision and priorities

Studying the diagram highlights some important messages to consider when looking at sustainability, such as the need to:

- Recognise that the sustainability goals and the policies required to achieve them, are organisationally cross-cutting. They are likely to have multiple owners and will rarely be the responsibility of one person or department. This applies equally to responsible procurement
- Understand the overlaps and inter-dependencies between the different goals, many of which may not be obvious
- Understand the social, environmental and financial benefits that can be accrued for each goal and how the organisation is best positioned to accrue them, if at all
- Identify and manage potential conflicts¹³ between the various goals
- Find the necessary resources to implement policies and oversee outcome realisation
- Develop the specialised expertise and knowledge

Other useful documents that also relate sustainability to procurement include:

- **Sustainable Procurement – Guidance (ISO 20400)**¹⁴
- **Public Sector Procurement – Generic Guidance**¹⁵
- **International Framework for Reporting**¹⁶ - published by The International Integrated Reporting Council (IIRC)
- **Sustainable Procurement Flexible Framework**¹⁷ - published by the Department for Environment, Food and Rural Affairs (DEFRA) in 2014

They also provide specific standards and potential reporting guides for organisations wishing to engage with responsible procurement.

The DEFRA framework sets out five factors which should be evaluated for responsible procurement ranging from Level 1 – Foundation to Level 5 – Lead. While some obvious limitations soon become apparent, it provides a good basis for organisational self-assessment. This framework is used extensively by the Scottish Government, yet unbelievably the guidance and spreadsheet has largely been forgotten elsewhere, as it is to be found in the National Archives¹⁸.

¹¹ Phillip Duddell and Barbara Morton of [Sustainable Procurement Ltd.](#)

¹² These can be obtained from the Social Value Portal.

¹³ There are numerous examples of how good intentions pursuing one goal have had unintended and detrimental impact on another.

¹⁴ This is published under license by the ISO First edition 2017-04 Reference ISO 20400:2017(E)

¹⁵ BS! 2019 ISBN 9780539025163.

¹⁶ [13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf \(integratedreporting.org\) Published in December 2013](#)

¹⁷ [Sustainable procurement tools - GOV.UK \(www.gov.uk\)](#)

¹⁸ It is still possible to download them at no cost.

3. A STRUCTURED APPROACH TO RESPONSIBLE PROCUREMENT

Many organisations have realised that 'Procurement' in its broadest sense is a logical area in which to engage with the sustainability agenda. This is because:

- bought in services, systems and goods are usually the second largest outgoing of an organisation behind staff costs
- it has the greatest potential to exert influence, change external behaviours and make a positive impact in the wider community
- it has the potential to bring greater consistency in sustainability policies, not just in reducing CO2 emissions, but also in promoting important areas such as economic regeneration, supporting the local economy, encouraging community engagement and ownership
- a lot of research has already been undertaken on standards, outcome measurement and reporting

This has led to the use of the term 'responsible procurement' and in some cases 'sustainable procurement'

However, this subject is not as straightforward as it appears for many reasons including:

- the terms 'responsible' and 'procurement' can often mean different things to individuals, departments and key stakeholders in the same organisation
- supply chains are global, complex and often lack transparency; therefore simply getting your suppliers to do the work will be problematic¹⁹
- markets in which services and goods are sought vary widely meaning that there can be no 'one size fits all' solutions to fulfilling any of the UN goals or indeed reporting on outcomes achieved
- good quality, easily accessible third-party expenditure data on which to base decisions can still be very hard to access²⁰
- existing employees will require new skills and knowledge sets to support this work, such as relational and collaborative contracting and influencing/negotiation

There is a key message here. Simply following existing approaches to commissioning, procurement and contract management will see outcomes either fall short of expectations or simply not materialise at all. This is because procurement is only a small part of the overall acquisition process. Readers will be aware of the macro stages of the commercial cycle (see Diagram 2).

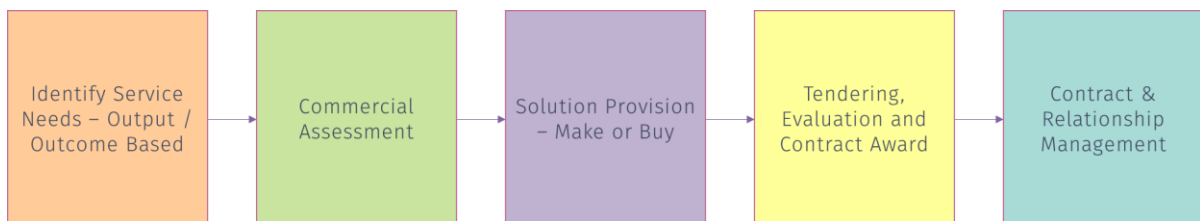


Diagram 2 – The Commercial Cycle

¹⁹ 2022 research by World Commerce & Contracting found that 74% of supply chain professionals have no visibility beyond tier 1.

²⁰ 2022 research by World Commerce & Contracting found that contract data was located in an average of 24 systems.

‘Sustainability’ needs to be considered, defined and planned at the outset when specifications are being prepared, commercial research undertaken and contracts²¹ are being designed. The procurement process of going to market, while very important, is often influenced by assumptions and choices made at earlier stages and reflected in the appointment of the contractor. Thinking about sustainability for the first time when going to market is too little, too late and often leads to a culture of box ticking and target setting. Then there is the matter of contract & relationship management. It is at this point that outcomes are fulfilled and effective measurement is undertaken, yet this remains the weakest performance area for so many organisations both private and public.

Headlines, such as *Supply Management*²² “It’s easy being green.... when you empower procurement to lead on sustainability” are not just inaccurate but counterproductive. Simply demanding more from suppliers and contractors by seeking legal guarantees and imposing generic targets, measures and reporting is destined to fail. They are facing the same challenges and issues with understanding the complexity of sustainability as everyone else.

This is really a transformation project in many ways as success with responsible procurement in terms of value creation is dependent on:

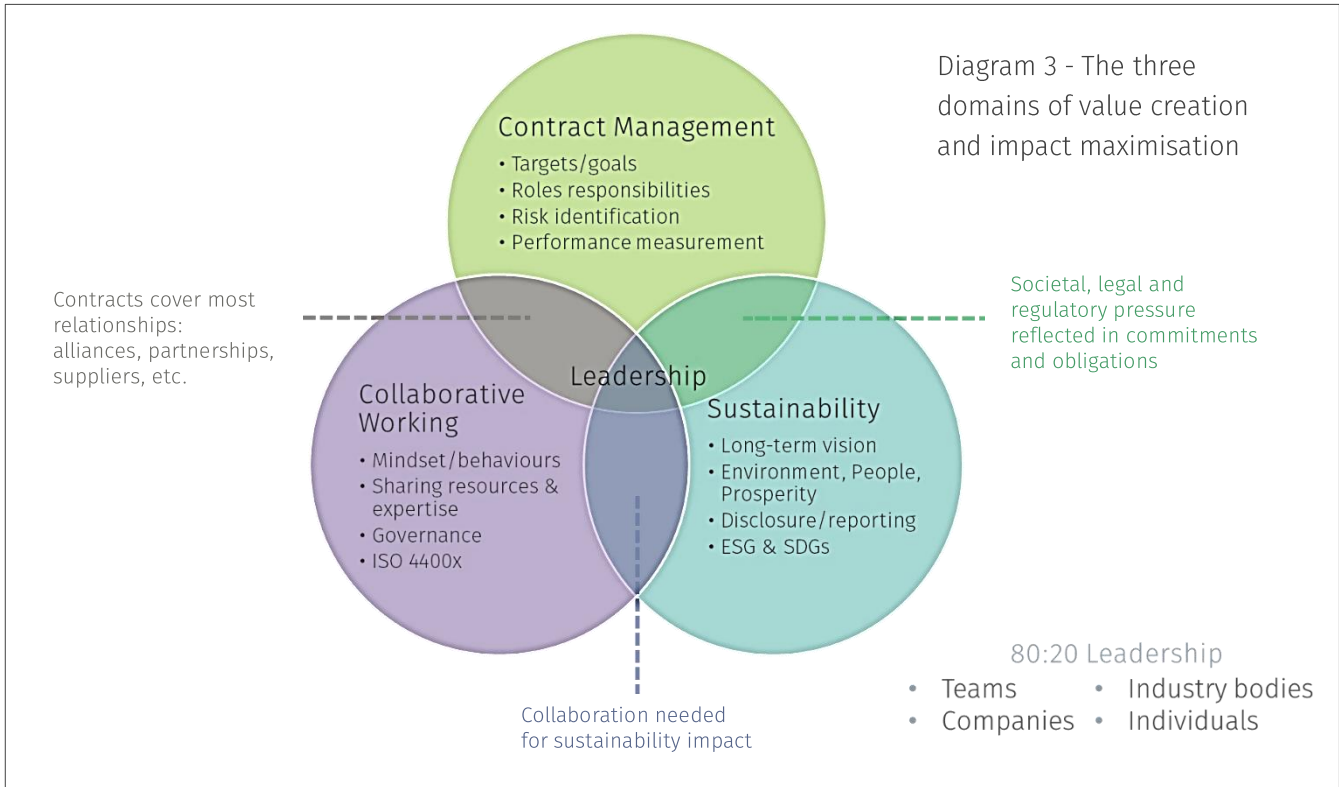
- Recognising that achieving meaningful results is highly dependent on having a successful contract & commercial function in place
- Developing the collaborative working arrangements and shared contracts will be needed to engage and shape diverse and complex markets and promote greater innovation
- improving relationship management capability with the aim of shared working with contractors in contract fulfilment, risk management and problem solving
- Acknowledging that different sectors have different expenditure and contract portfolios (e.g., between local government and the NHS) – as with many things, there is no one size fits all
- Understanding that real success with sustainability comes from bottom up working and ownership not from top-down reporting and targets

Diagram 3²³ demonstrates how sustainability is conclusively linked to contract management and collaborative working capability. Value creation happens at the point of overlap between each of these three domains. Where all three domains intersect is where industry standards bodies (e.g., ISO), professional organisations (e.g., World Commerce & Contracting) and sector advocates (e.g. Local Government Association) need to provide leadership and act as a catalyst for bringing about this change.

²¹ Contracts should be designed with commercial as well as legal clauses and this process must start long before market engagement is undertaken.

²² April – June 2022, Volume 27, Issue 2.

²³ This diagram was developed by Diagnostic providers [New Information Paradigms](#), and first shown at the WorldCC VIBE Summit in September 2022.



The challenge for organisations that are serious about sustainability and in particular responsible procurement is to identify and make the changes needed to understand and exploit the value creation opportunities. Centralised target setting and reporting will perpetuate rigidity and reinforce the many cultural and organisational barriers that are prominent, particularly in the UK public sector.

4. THE RESPONSIBLE PROCUREMENT DIAGNOSTIC

The four UN sustainability development strands listed in section 2 provide us with a useful framework for deciding where to focus scarce resources. They also provide a means of determining “the things that matter” or critical success factors when it comes to implementing responsible procurement. We call these **Value Codes** and we have listed what we believe are the high-level ones governing responsible procurement in Appendix 2.

Value Codes can then be grouped into a **Diagnostic**²⁴. Unlike survey questions, which are typically used to collect information into a central point, Value Codes contain evaluation statements setting out levels of maturity. Multiple respondents are asked to score each Value Code based on their own individual perspective and experience. Organisations determine what their goals are for each Value Code, i.e., ‘*what good looks like*’, and can use overall responses to better understand how prepared and organised they currently are while using the evaluation statements to determine a plan of action.

Value Codes evolve and are added to, accommodating changing current events, revised expectations or the general need for continuous improvement.

Our **Responsible Procurement Diagnostic**²⁵ is a capability assessment which allows an organisation’s key stakeholders (including tier 1 suppliers) to self-assess against the thirty Value Code evaluation statements representing the responsible procurement critical success factors (see Appendix 2).

Diagrams 4 to 6 give a flavour of what the Diagnostic looks like.

Sphere of influence				
The extent to which the sphere of influence in responsible procurement is understood and managed.				
1 - Not at All	2 - Initiated	3 - Partially Deployed	4 - Deployed	5 - Embedded
Sphere of influence when carrying out commissioning, procurement and contract management is neither understood nor managed.	Some departments and individuals have started to consider their sphere of influence when carrying out commissioning, procurement and contract management.	The organisation is fully aware of its sphere of influence when carrying out commissioning, procurement and contract management. Actions to increase and/or leverage it are under consideration.	The organisation works to ensure that its sphere of influence is maximised to help achieve its desired outcomes. This will include shared contracts, and joint working with other like-minded organisations to maximise leverage and ability to change policy and behaviours.	Increasing the sphere of influence for sustainability is an integral part of all commissioning, procurement and contract management decision making. The organisation works collaboratively with like-minded organisations and sector partners to ensure maximum leverage is available together with sharing of information and knowledge.

Diagram 4 – Example of a Value Code with progressive statements representing maturity. Each respondent decides where their organisation sits based on their understanding, knowledge and perspective.

²⁴ The 2018 LGA National Procurement Strategy provided an excellent example of what a modern diagnostic looks like. A copy of the findings report can be found [here](#).

²⁵ This Diagnostic is run on the platform built and owned by [New Information Paradigms](#). This platform has been used to deliver a wide range of Diagnostics including those supporting the LGA’s National Procurement Strategy.

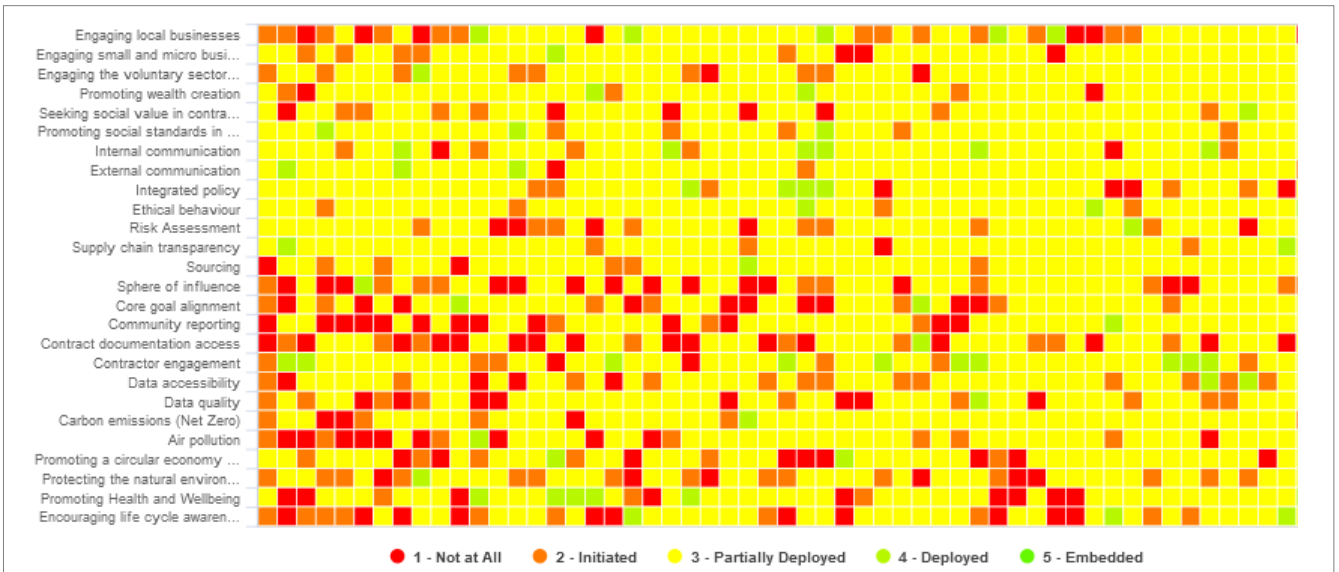


Diagram 5 – Example of the distribution of respondents’ responses. Inadequate communications, silo working and geographical location contribute to diverse responses.

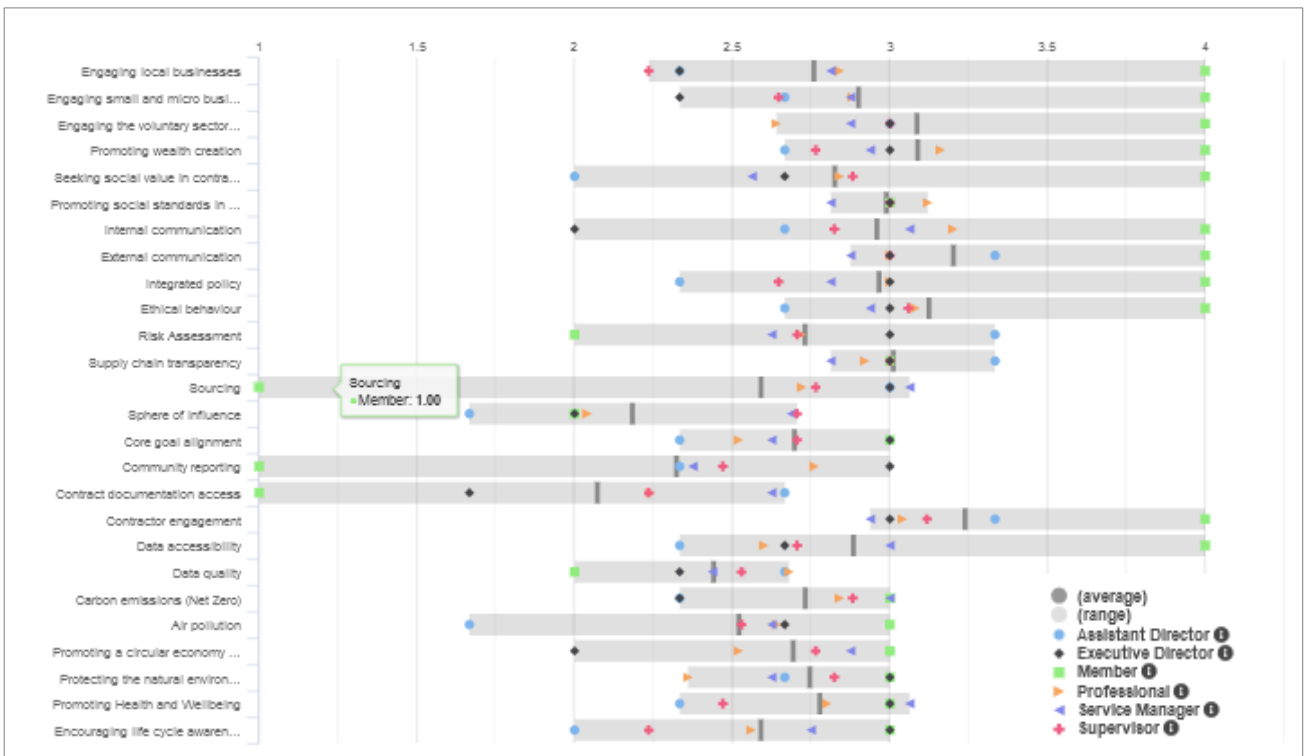


Diagram 6 –Showing the gap in perception between different job levels in the same organisation (similar reports can be created showing departmental differences).

Once the Diagnostic is completed and the results are analysed and assessed, the responsible procurement journey can confidently start. Value Codes can be enhanced in different ways, including:

- creating what is known as status modes²⁶, planning, performance, audit and compliance etc. These can be introduced once an organisation matures and has action plans for success in place
- selecting specific groups of value codes according to things such as cultural values, business priorities, sphere of influence
- differentiating between ‘enablers’ and specific ‘activities’
- sharing diagnostics with business partners and key contractors – remember the World Commerce & Contracting finding that 74% of supply chain professionals have no visibility beyond tier 1

In summary, the **Responsible Procurement Diagnostic** allows you to validate your capabilities before making public commitments to meeting targets or fulfilling a specific goal. This in turn:

- increases confidence in your ability to make and deliver sustainability commitments
- safeguards your reputation for achieving outcomes
- allows coherence and consistency with communications and messaging
- improves resource planning and priority setting
- allows you to track your year-on-year progress and benchmark against other councils if you so wish
- provides you with evidence-based reports
- avoids responsible procurement being seen as a ‘box ticking’ or public relations exercise

²⁶ These modes are captured in ISO 11000.

5. STARTING YOUR RESPONSIBLE PROCUREMENT JOURNEY

Lessons to be learned from the turbulent economic, political and social landscape of the last three years are still emerging. Many pre 2020 assumptions, conventions and approaches are no longer reliable meaning that organisations are having to change along with behavioural norms. The pressure to act sustainably, to conserve global resources and protect our environment has never been greater. Yet at the same time businesses and consumers globally are having to deal with high inflation, energy shortages, rising debt levels and supply chain disruption.

The ability to develop and exploit opportunities for value creation is illustrated in the domain overlaps in Diagram 3 and is dependent on progress in three areas:

- **Contract design** – rethinking the way organisations plan, specify and source their services and products
- **Contract & relationship management** – proactively managing contracts, building strong relationships and shared approaches to risk management and problem resolution
- **Collaborative working** – sharing contracts, creating joint negotiation teams, shaping markets and increasing the sphere of influence

Knowledge Management (capturing knowledge, exchanging information and learning and encouraging a shared approach to problem solving) is critical to the success of all three.

These are the same levers that organisations need to deal with inflationary pressures, shortages and elimination of waste in their current and future contracts.

If you are serious about responsible procurement then:

- Make your procurement and contract rules ‘enablers’ allowing for closer working relationships from the outset, recognising the need for fairness, transparency and probity
- Look at contracts as business assets that need managing, not just legal documents
- Invest in people, give them the skills to design modern outcome-based specifications, engage in relational contracting and negotiate effectively
- Join up responsibility for all sustainability strands so that they are owned by one senior person
- Change attitudes to your key contractors, and see them as delivery partners not legal necessities
- Set local targets determined by local community needs and customer priorities – ‘command and control targets’ centralised targets are unworkable and counter-productive to sustainability
- Encourage bottom-up thinking, including promoting community owned sustainability initiatives – motivating rather than mandating
- Run the **Responsible Procurement Diagnostic** to check how well positioned you are to make a difference

Good luck, and remember we are there to help you all the way.

Find out more at: www.sps-consultancy.co.uk/resp-proc

APPENDIX 1 – UN SUSTAINABILITY GOALS (OUTER RING)



SUSTAINABLE DEVELOPMENT GOALS

APPENDIX 2 - RESPONSIBLE PROCUREMENT VALUE CODES

Economic	Engaging local businesses
	Engaging small and micro businesses
	Engaging the voluntary sector (including social enterprises)
	Promoting wealth creation
Social	Awareness and promotion of social value
	Promoting social standards in contracts
	Seeking social value in contracts
	Achieving social value benefits in contracts
	Measuring and reporting on social value outcomes in contracts
	Cross sector collaboration
Cultural	Internal communication
	External communication
	Integrated policy
	Ethical behaviour
	Risk Assessment
	Supply chain transparency
	Sourcing
	Sphere of influence
	Core goal alignment
	Community reporting
	Contract documentation access
	Contractor engagement
	Data accessibility
	Data quality
Environmental	Carbon emissions (Net Zero)
	Air pollution
	Promoting a circular economy (e.g. upcycling)
	Protecting the natural environment
	Promoting Health and Wellbeing
	Encouraging life cycle awareness and opportunities