

Guidance for Leadership in Sustainable Purchasing v2.0

Chapter1 Background

Overview: The Case for Guidance

The Opportunity: Institutional purchasers send a powerful economic signal.

Sustainable purchasing enables institutional purchasers to advance a sustainable future by leveraging their market influence. Annual government purchasing in the United States represents \$2.5 trillion (15% of total U.S. Gross Domestic Product) in demand for goods and services. Institutional purchasing by business-to-consumer service providers (e.g., hotels, hospitals, financial institutions, airlines, universities, schools, etc.) represents an additional \$7.5 trillion in demand for goods and services. Combined, those governmental and institutional sectors account for \$10 trillion in demand. Overall, institutional purchasing represents an estimated two-thirds of U.S. economic demand. For these organizations, the environmental impacts associated with their purchasing are typically four to nine times greater than their direct, operational impacts.

The Challenge: A lack of standardization inhibits leadership action.

Organizations face a fundamental challenge in pursuing sustainable purchasing: namely, the lack of standardization in how sustainable purchasing is de-fined, guided, measured, and rewarded. Individual organizations create and communicate different definitions and metrics for what constitutes “sustainable.” As a result, suppliers receive mixed signals regarding how they can demonstrate a commitment to providing sustainable products and services.

The Solution: A shared program provides a framework for leadership action.

The SPLC proposes a two-part solution to the above challenges:

- Create a multi-stakeholder community of collaborators to identify and evaluate best available guidance for organizations engaged in sustainable purchasing.
- Develop an integrated program that guides, measures, and recognizes leadership in sustainable purchasing, enabling organizations in a wide variety of sectors and regions to send clear, consistent market signals defining and measuring sustainability.

These actions will help advance an organization's pursuit of sustainability and the long-term health and stability of our shared global economy. This guide is one component of the Council's integrated program of support for institutional leadership in sustainable purchasing.

About This Guidance

Guiding Principles

This *Guidance* is based on five [Principles for Leadership in Sustainable Purchasing](#) developed by the Council's members. The principles define what it means to be a responsible—principled—actor, as an organization and within the marketplace.

According to the *Principles*, a leader in sustainable purchasing demonstrates:

- **Understanding.** Understanding the relevant environmental, social, and economic impacts of its purchasing.
- **Commitment.** Taking responsibility for the relevant environmental, social, and economic impacts of its purchasing by committing to an action plan.
- **Results.** Delivering on its commitment to improve the relevant environmental, social, and economic impacts of its purchasing.
- **Innovation.** Actively promoting internal and external innovation that advances a positive future.
- **Transparency.** Soliciting and disclosing information that supports a marketplace of innovation.

Download the full [Principles for Leadership in Sustainable Purchasing](#) document for more detail, including examples of representative actions for each principle, definitions for key terms, and interpretation instructions for various stakeholders.

The Principles outline a framework for exploring and implementing a strategic sustainable purchasing process, which are operationalized within this *Guidance*. Each chapter explores the principles in the context of particular purchasing processes and categories. For example, the purchasing category guidance in Chapter 4 explains ways that an organization can promote innovation in categories where definitive solutions to significant environmental, social, and economic impacts are lacking.



TIP

Prioritization = Leadership

Embedded in the [Principles for Leadership in Sustainable Purchasing](#) is recognition of the **vital role of prioritization in leadership**. The Principles begin with **understanding**, because *understanding enables prioritization*. Once an organization understands its most significant purchasing impacts, it can confidently identify, prioritize, and action plan *the best*

solutions to those impacts. By **committing** to strategic action plans that address the most relevant (prioritized) impacts within its purchasing, the organization can efficiently and effectively deliver **results**. Each chapter of this *Guidance* provides a practical framework for conducting prioritization in the specific context of sustainable purchasing.

TIP

Why Innovation?

Habitual purchasing practices represent the single largest barrier to realizing a more sustainable industrial economy. Unless we innovate the way we buy and what we buy we will continue to reproduce the social, environmental, and economic impacts that we experience in our industrial economy today. Challenging status quo thinking, practices, and products is critical to advancing a prosperous, socially just, and sustainable future.

Institutional purchasers therefore have an opportunity to exercise sustainable purchasing leadership via innovation:

- 1) externally, by using their market influence to promote and encourage innovation in the marketplace; and
- 2) organizationally, by supporting staff in continuously innovating their organization's processes and purchasing practices to create better outcomes for the organization, society, and the planet.

TIP

Leading on Transparency

Obtaining greater visibility into the upstream and downstream impacts of goods and services allows all organizations in a supply chain to better manage their risks and catalyze innovation in the places where it would do the most good. Transparency is also a building block for collaboration and/or healthy competition that motivates organizations to demonstrate social, environmental, and economic leadership. Finally, transparency can increase trust with consumers, who are increasingly demanding more information regarding the environmental, social, and economic impacts of their purchases and the companies supplying products and services.

Achieving greater supply chain transparency requires better information sharing between supply chain and marketplace actors. There are many challenges to improving information sharing, such as determining what needs to be shared, who is responsible for providing it, who owns it, how to protect confidentiality and intellectual property, and so on. SPLC's *Principles* recognize that sustainable purchasing *leaders* are those who persist in spite of those challenges, working collaboratively to solicit and disclose the information that enables buyers, suppliers, and consumers to make more sustainable decisions.

Structure of the Document

This Guidance is intended as a comprehensive handbook for organizations seeking to exercise leadership in sustainable purchasing. Because not all organizations will be starting from the same place, the *Guidance* supports iteratively growing sustainable purchasing efforts over time into a comprehensive [Sustainable Purchasing Program](#) that ultimately enables an organization to take meaningful responsibility for *all significant environmental, social, and economic consequences* of its spending. Only by doing that, can an organization demonstrate genuine leadership. (Further reading: [Why is a Program necessary?](#))



The document is organized in four chapters, which together provide a framework for the cross-functional collaboration necessary to build a highly effective Sustainable Purchasing Program.

- **Chapter 1** provides an overview of sustainable purchasing and the strategic opportunity that it represents.
- **Chapter 2** Helps sustainable purchasing “champions” build strategic and leadership-capable Sustainable Purchasing Programs within their organizations.
- **Chapter 3** describes a continuous improvement process that cross-functional teams can employ to develop strategies for achieving specific environmental, social, and economic performance goals.
- **Chapter 4** offers guidance on how to apply this strategic thinking for specific categories of purchasing that may be priorities for a wide variety of organizations.

Overall, these chapters are designed to give an organization the basic building blocks to pursue and achieve leadership in sustainable purchasing.

Benefits of Sustainable Purchasing

Implementing an effective, integrated plan for sustainable purchasing has a business case. It can assist purchasing organizations in accomplishing the following:

- + Save money
- + Reduce disruption risk
- + Improve vendor relationships
- + Promote more resilient supply chains
- + Build better customer relationships
- + Increase employee satisfaction and retention

[More about the benefits of sustainable purchasing in Chapter 2.](#)

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