

CPSP

**CERTIFIED PROCUREMENT AND SUPPLY
PROFESSIONAL OF KENYA**

PART III

SUSTAINABLE PROCUREMENT

STUDY TEXT

SAMPLE WORK

SUSTAINABLE PROCUREMENT

Introduction

This module is intended to equip the trainee with knowledge, skills and attitudes that will enable him/her apply sustainability issues in procurement.

General Objectives

At the end of the module the trainee should able to:

- a) Demonstrate an understanding of terms used in sustainable procurement
- b) Explain sustainability concept and identify key sustainability trends in procurement.
- c) Implement sustainable procurement policy
- d) Explain green procurement, its enablers and drivers
- e) Appropriately respond to emerging issues and trends in sustainable procurement

PI3.1.01 Introduction to sustainable procurement

Competence

The trainee should have the ability to apply sustainable procurement techniques

Content

Theory

1. Definition of terms used in Sustainable Procurement
2. Importance of sustainability
3. Theories of sustainability
4. Principles of Sustainable Procurement
5. Approaches to Sustainable Procurement
 - i. Sustainable good standards
 - ii. Sustainable good policies

Practice

1. Discussion of principles of sustainable procurement.

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PL3.1.02 Technology development & sustainable innovations

Competence

The trainee should have the ability to demonstrate an understanding of the technology development and sustainable innovations.

Content

Theory

1. Definition of key terms used in technology development and sustainable innovations.
2. Technology Life Cycle
3. Technology Perception
4. Dynamics of sustainable procurement
5. Conceptual problems in technology development and sustainable innovations.
6. Bill of Rights for the planet
7. Applications of Sustainable Innovations

Practice

1. Discussion of technology and sustainable innovation principles in procurement.

PL3.1.03 Sustainable trends and influences of sustainable procurement

Competence

The trainee should have the ability to recognize the sustainable trends in procurement and illustrate the different influences to sustainable procurement

Content

Theory

1. Overview of trends in sustainable procurement
2. Corporate Sustainability Strategies
3. Sectors of Industry and Sustainable Supply Chains
4. Standards for sustainable procurement
5. Influences of Sustainable Procurement
6. Green Manufacturing Process
7. Renewable and Non-renewable sources of Energy

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Practice

1. Discussion of sustainable trends and influences in procurement.

PL3.1.04 Drivers and enablers of green procurement

Competence

The trainee should have the ability to demonstrate an understanding of concept of green procurement.

Content

Theory

1. Definition of terms used in green procurement
2. Challenges of green procurement
3. Steps to implement a green procurement program
4. Supply positioning for green procurement

Practice

1. Discussion of challenges in green procurement.

PL3.1.05 Sustainable procurement policy

Competence

The trainee should have the ability to develop a sustainable procurement policy in the organization.

Content

Theory

1. Documents used in a sustainable procurement environment
 - i. Request for Proposal (RFP)
 - ii. Request for Quotation (RFQ)
 - iii. Request for Information (RFI)
 - iv. Offers
2. Sustainable procurement policy
3. Structure of a sustainable procurement policy document

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Practice

1. Development of a sustainable procurement policy document for a given organization

PL3.1.06 Balanced score card and sustainability

Competence

The trainee should have the ability to apply balanced score card to support sustainability

Content

Theory

1. Definition of balanced score card
2. Contents of a balanced score card
3. Sustainability programmes and their benefits in supply chain management.

Practice

1. Development of a balanced score card to support sustainable procurement

PL3.1.07 Green procurement audits in an organization

Competence

The trainee should have the ability to demonstrate how to support a green procurement and auditing exercise.

Content

Theory

1. Supporting green procurement and auditing in organisations
2. Implementing a green procurement program
3. Green procurement auditing

Practice

1. Demonstration on how to conduct a green procurement auditing exercise

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PL3.1.08 Performance measurement of sustainable procurement

Competence

The trainee should have the ability to undertake performance measurement of sustainability

Content

Theory

1. Performance Measurement of Sustainable procurement
2. Issues in Sustainable Procurement
3. Key Performance Indicators (KPI) of Sustainable Procurement

Practice

1. Apply Key Performance Indicators to measure sustainable procurement.

PL3.1.08 Emerging issues and trends in sustainable procurement

Competence

The trainee should have the ability to appropriately respond to emerging issues and trends in Sustainable Procurement.

Content

Theory

1. Emerging issues and trends in Sustainable Procurement
2. Challenges and opportunities posed, by the emerging issues and trends in Sustainable Procurement
3. Coping with and adopting to emerging issues and trends in Sustainable Procurement.

Practice

1. Discussion of the challenges and opportunities posed by the emerging issues and trends in Sustainable Procurement.

SAMPLE WORK

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TOPIC 1

INTRODUCTION TO SUSTAINABLE PROCUREMENT

DEFINITION OF TERMS USED IN SUSTAINABLE PROCUREMENT

Sustainable Procurement is a —process of acquiring goods, works and services from a supplier that provides the optimum combination of whole life costs and benefits to meet the customer's requirements. It is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy, while minimizing damage to the environment.

Sustainable procurement builds on the traditional procurement practice which it seeks to extend through the adoption of sustainability principles. Procurement is defined as acquisition of goods, works and/or services from the supplier (this may be an individual or organization). The procurement process is viewed as involving sourcing (planning: needs identification and assessment, supplier selection) contracting, monitoring and evaluation, and expediting; Sustainable procurement means taking into account economic, environmental and social impacts in buying choices. This includes optimizing price, quality, availability ...but also environmental life-cycle impact and social impacts linked to product/service's origin.

IMPORTANCE OF SUSTAINABILITY

In both private and public sectors, there is increasing pressure from customers, clients, government and the public to put sustainable procurement into practice. Organizations practicing sustainable procurement meet their needs for goods, services, utilities and works not on a private cost-benefit analysis, but with a view to maximizing net benefits for themselves and the wider world. In so doing they must incorporate extrinsic cost considerations into decisions alongside the conventional procurement criteria of price and quality. These considerations are typically divided thus: Environmental, Economic and Social. The important areas of environmental concerns are; more efficient use of raw materials in manufacturing operations, pollution and waste, and energy savings.

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Sustainability helps an organisation to:

- control costs by adopting a wider approach to whole life costing
- Improve internal and external standards through performance assessments.
- Comply with environmental and social legislation
- Manage risk and reputation
- Build a sustainable supply chain for the future
- Involve the local business community

Additional benefits include:

- Compliance with national and international sustainability standards and regulations
- To have a better understanding of risks in the supply chain
- contributes to the sustainable organisational strategy
- Better commercial/economic decisions from understanding of issues that impact on the procurement decision (whole life cycle)
- potential benefits in a long term relationship, innovation, better materials, alternatives, technical advice, emerging technologies
- better quality of purchasing staff with more satisfying goals and improved performance
- Education of suppliers
- More effective evaluation of proposals and bids

Drivers to sustainable procurement

The main drivers towards achieving sustainable procurement are:

- Effective organization wide policies to ensure that everyone is aware of the strategy
- Training and guidance to help all of those involved in procurement to understand sustainable procurement and whole life costing;
- Regular audits and monitoring to assess where your organization is in the context of sustainable procurement and where you could make further progress in this area
- Commitment to sustainable development as an organizational policy
- supporting and educating suppliers/creating markets
- linking up with other organizations to learn from their experience
- pooling procurement by forming procurement consortium where relevant

THEORIES OF SUSTAINABILITY

1. Institutional Theory

It describes how external influence from the government, media and public associations impact organizational behaviour and decision-making and how such pressure gradually creates institutional rules. Organisations seek survival and legitimacy by conforming to critical institutional rules which stem from coercive, mimetic and normative isomorphic drivers. Coercive isomorphism explains how government regulators with who the organization is connected to influences the organisation's response to pressure exerted. Mimetic isomorphism occurs in when organisations imitate other successful and legitimate organisations in the industry to reduce cognitive uncertainty.

In normative isomorphism, organisations that comply with standards, legislation and societal norms are secured against the possible consequences of environmental and social misconduct, including penalties, protests, campaigns and sanctions.

Institutional pressures can influence businesses and supply chains to adopt more socially and environmentally responsible practices. These stem from state regulations, industrial self-regulation, monitoring organisations for example NGOs, institutional investors and the media, business publications and education, trade or employer associations and formal processes of stakeholder engagement.

2. Stakeholder Theory

Stakeholders can be classified as primary or secondary. This presents a classification based on the dimensions of power, urgency and legitimacy to help unpack stakeholder saliency. With regard to these three attributes, the spectrum of stakeholders starts with definitive stakeholders on one side and ends with non-stakeholders on the other side.

Stakeholders can influence organisations to follow specific actions, including sustainability initiatives and voluntary integration of sustainability into business operations. Organisations are compelled to satisfy the interests of their primary stakeholders to ensure the viability of their business operations. Central to the stakeholder theory interpretation is that these demands and expectations of stakeholders should be considered as an input for implementing and managing sustainable supply chains. This explains how the sustainability commitment of stakeholders can be the primary driver for the adoption of sustainability practices at the supply chain level.

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Poor environmental performance leads to poor company's relationship with its stakeholders. This will affect the firm's reputation and shareholders will suffer financial losses on their investments if a firm is found liable to environmental damage and this is due to stakeholders such as customers shunning the concerned firm.

3. Resource Based Theory (RBT)

The RBT suggests how valuable, rare and inimitable resources can become as the basis for competitive advantage of firms. The natural resource-based view of organisations, highlights the sustainability risks and opportunities, and discusses how environmentally and socially sustainable economic activities can build competitiveness for organisations. Sustainability initiatives such as environmentally friendly production lines can lead to long-term sustained competitive advantage for firms.

From an organisational perspective, the resources including assets, capabilities, competencies, processes and know-how are necessary to implement strategies and improve competitiveness both at the firm and the supply chain levels. The effective utilisation and sharing of resources and capabilities between the supply chain entities, as posited by more recent RBT thought can be seen as a competitive advantage that enhances the implementation of sustainable practices across the supply chain.

PRINCIPLES OF SUSTAINABLE PROCUREMENT

1. Encourage innovation

The process should encourage innovation related to more sustainable goods, works and services, through effective market research and use of outcome specifications.

2. Develop a competitive, sustainable supply chain

There should be emphasis on maintaining or improving the competitive market. For example, if a supplier with lower sustainability capacity is selected for other commercial or technical reasons, they should be required to develop a programme of work to improve during the contract. This will improve the pool of competitive suppliers who can deliver sustainable outcomes.

3. Full and fair opportunity

Local procurement, minority businesses, SMEs etc. are often significant stakeholder priorities and should be supported through the supply chain where appropriate. However, this needs to be set in the context of full and fair opportunity and not positive discrimination.

4. Manage demand

Demand management should be key to the standard. The most sustainable way to procure is not to buy at all or to keep demand to a minimum by operating the business more efficiently. There needs to be an organisational link between procurer and user of goods, works and services.

5. Compliance with applicable international, national, state and local Laws

Recognition that local customs, traditions and practices may differ, but expect as a minimum that suppliers comply with local, national and international laws, including all environmental, health and safety, and labor laws. Suppliers should support International Labor Organisation core conventions on labor standards.

6. Health and safety

A healthy and safe working environment must be provided for all employees, in accordance with international standards and laws. This includes making sure that adequate facilities, training and access to safety information are provided. All applicable policies, procedures and guidelines must be adhered to e.g. suppliers that handle, transport or dispose hazardous materials, or the dispose of electronic equipment, must confirm that they understand their obligations. They must also confirm that they have management processes and controls in place, and where applicable, agree to be fully responsible for any liability resulting from their actions.

7. Forced labor and Child labour

Suppliers must not use forced, bonded or compulsory labor and employees must be free to leave their employment after reasonable notice. Employees must not be required to lodge deposits, money or papers with their employer.

Child labor should not be tolerated in the supply chain.

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- No one should be employed who is below the legal minimum age for employment
- Children (below the age of 18) must not be employed for any hazardous work or work that is inconsistent with their personal development

8. Environmental impacts

Organisations should understand environmental impacts and risks. They should work to reduce these impacts and promote environmentally-friendly policies. This should cover:

- Waste and disposal
- Improved efficiency for using finite or scarce resources such as energy, water and raw materials
- Protecting biodiversity
- CO₂, methane and other gases, as well as other relevant factors impacting climate change
- Environmental impacts such as noise, water and ground pollution
- Management, operational and technical controls to minimise the release of harmful emissions into the environment

APPROACHES TO SUSTAINABLE PROCUREMENT

i) Sustainable good standards

Procurement is essentially how you manage the flow of goods and services among internal and external customers. The challenge is to be sure that procurement doesn't drain your business and some of the best standards include:

1. Improve the way you buy i.e. manage your acquisitions systematically through a clear administrative process that outlines the rules of buying.
2. Conduct a spend analysis. Have a detailed review of how you spend for the effective procurement. Ensure to look at all factors that affect price such as cost of raw materials, inventory costs, taxes, transport expenses (inbound & outbound), supplier charges, payment terms and 3rd party cost.
3. Conduct a demand analysis i.e. that means that you will need to not only focus on costs but also quantity. Why stock items on inventory that you are not going to use for the next 6 months.

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4. Reduce supply complexity by buying standard parts, goods and services. Establish strategic partnership with fewer suppliers. Your supply partners should be able to appreciate and value your business and be more flexible when it comes to adapting your needs.
5. Evaluate your suppliers
6. Train your employees on procurement
7. Invest in technology

ii) Sustainable good policies

The policies are meant to ensure however implement our environmental policies when processing work, goods and services. Supplier requires full consideration of environmental economic and social impact as well as financial and performance implications of procurement. Some principles/policies may include:

1. Best value
2. Legal implications- award of procurement must be non-discriminatory.
3. Environmental standards- consider the whole life and environmental impact of the product.
4. Reduce greenhouse gas emissions- explore opportunities for local sourcing of materials and use energy efficient goods.
5. Corporate Social Responsibility- this describes a wide range of obligations than an organisation has towards stakeholders. It is the commitment to systematic consideration of the environmental, social and cultural aspects of an organisation's operations.

SAMPLE WORK

TOPIC 2

TECHNOLOGY DEVELOPMENT & SUSTAINABLE INNOVATION

DEFINITION OF KEY TERMS USED IN TECHNOLOGY DEVELOPMENT AND SUSTAINABLE INNOVATIONS

Sustainable Innovation

This is the successful exploitation of new ideas which further social, environmental and economic sustainability objectives.

A number of innovative solutions in product design, production processes and supply chain management are being demanded to meet sustainability challenges, resources depletion, climate change, entrenched poverty & sustainability.

It is important to realize that innovation is design, procurement practices, does not necessarily involve brand new ideas.

Innovation is about the development, integration, diffusion, adoption and commercialization of ideas.

Many best procurement techniques are intended actively to stimulate innovation in the supply chain. These may include:

- i. Early Supplier Involvement (ESI) and partnering.
- ii. Supplier development and best practice sharing.
- iii. Innovation councils or cross functional innovation steering groups.
- iv. Forward commitment planning (FCP)

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