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**9 ways ESG and
procurement can ensure
supply chains are creating
social value**



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Step 1

AGREE WHAT'S IMPORTANT

Before you start, it's essential to be clear about what's important to your organisation – and that these priorities are agreed upon collectively.

The procurement functions of most large companies are already doing much work in this area, but they may not have realised how much their objectives overlap and align with yours. Talk them through your social value/sustainability strategy and get them to talk you through theirs. Focus on what's most important to your business and remember to be reasonable - don't ask suppliers to do things you aren't doing yourself.

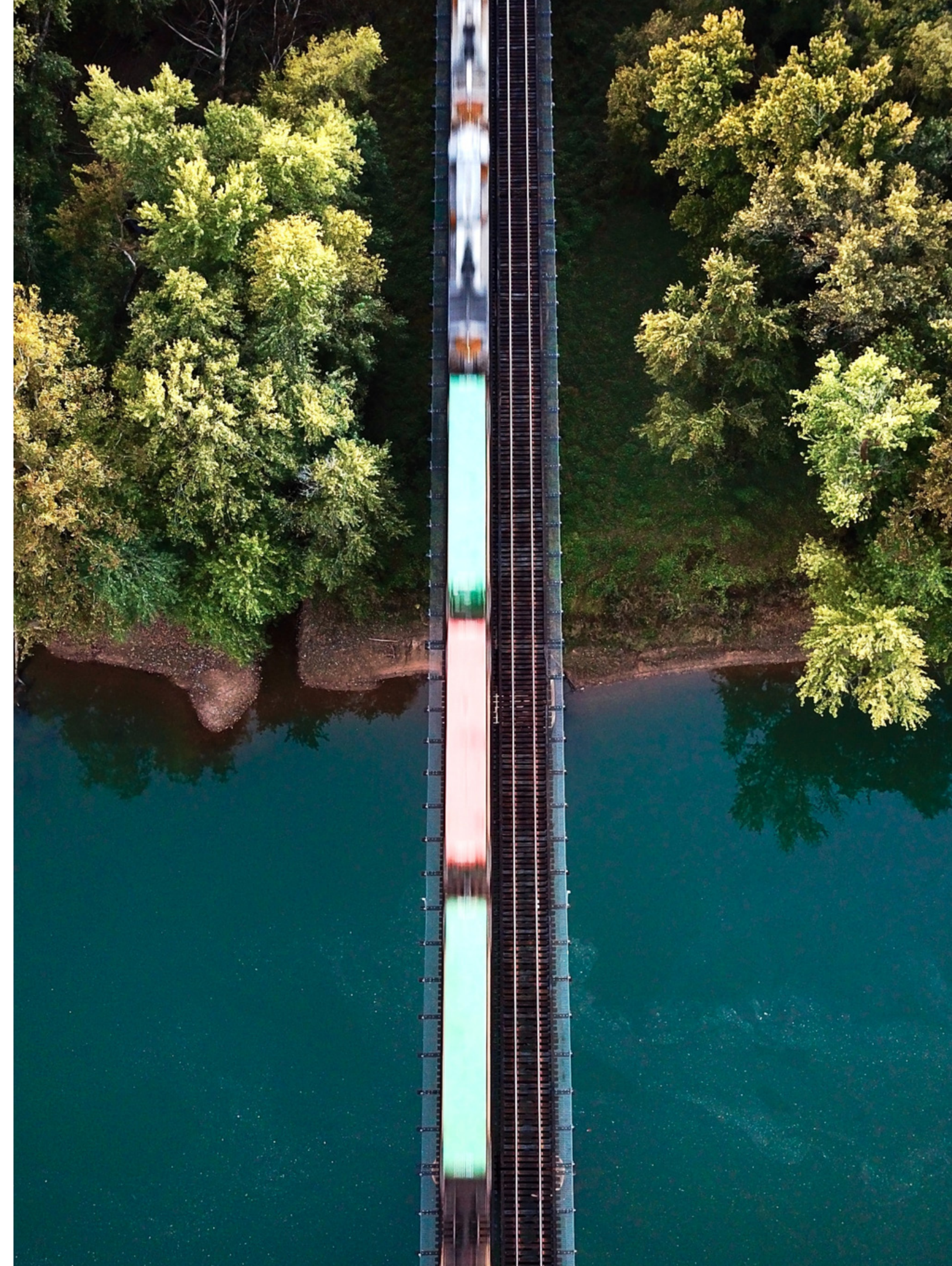


Step 2

WHO ARE YOU CURRENTLY BUYING FROM

Who are your suppliers? What do they sell? How many people do they employ? Where are they located? Don't try and find everything out at once. Keep it simple, decide what's important to you and start small. Look at what information your system currently captures and go from there. Blue Light Commercial's excellent Social Value Planning Tool is one of the best examples, which has many ideas for things you could ask suppliers.

One of the things companies struggle with is how to do this retrospectively when there are thousands of companies on their supply chain. There's no doubt it's time-consuming (remember we said the procurement would need resources?), but there are lots of practical ways you can engage with suppliers, from electronic surveys to events, communication campaigns and desk-based research.



Step 3

REVIEW YOUR COMPANY'S SUPPLIER CODE OF CONDUCT

It will likely focus on ensuring suppliers comply with your legislative obligations rather than looking at the potential opportunities for value creation. Does it reflect your corporate sustainability/social value strategy? Most supplier codes of conduct are pretty robust; the challenge is that they are rarely enforced. What guidance is available to support its implementation, and what are the consequences if it's ignored? The UK Government's code of conduct for its suppliers is a good starting point, but it's light on detail. Think about practical examples of what each point means for you – once you know what good looks like for you, it will be easier to explain what you expect from suppliers.



Step 4

INCLUDE SPECIFIC CRITERIA IN CONTRACTS

Don't just rely on your code of conduct to ensure your suppliers are delivering your priorities. Instead, include specific questions in your contract tenders and clauses to help you differentiate from potential suppliers. Then, make sure you only buy from companies that can help you deliver on your priorities.

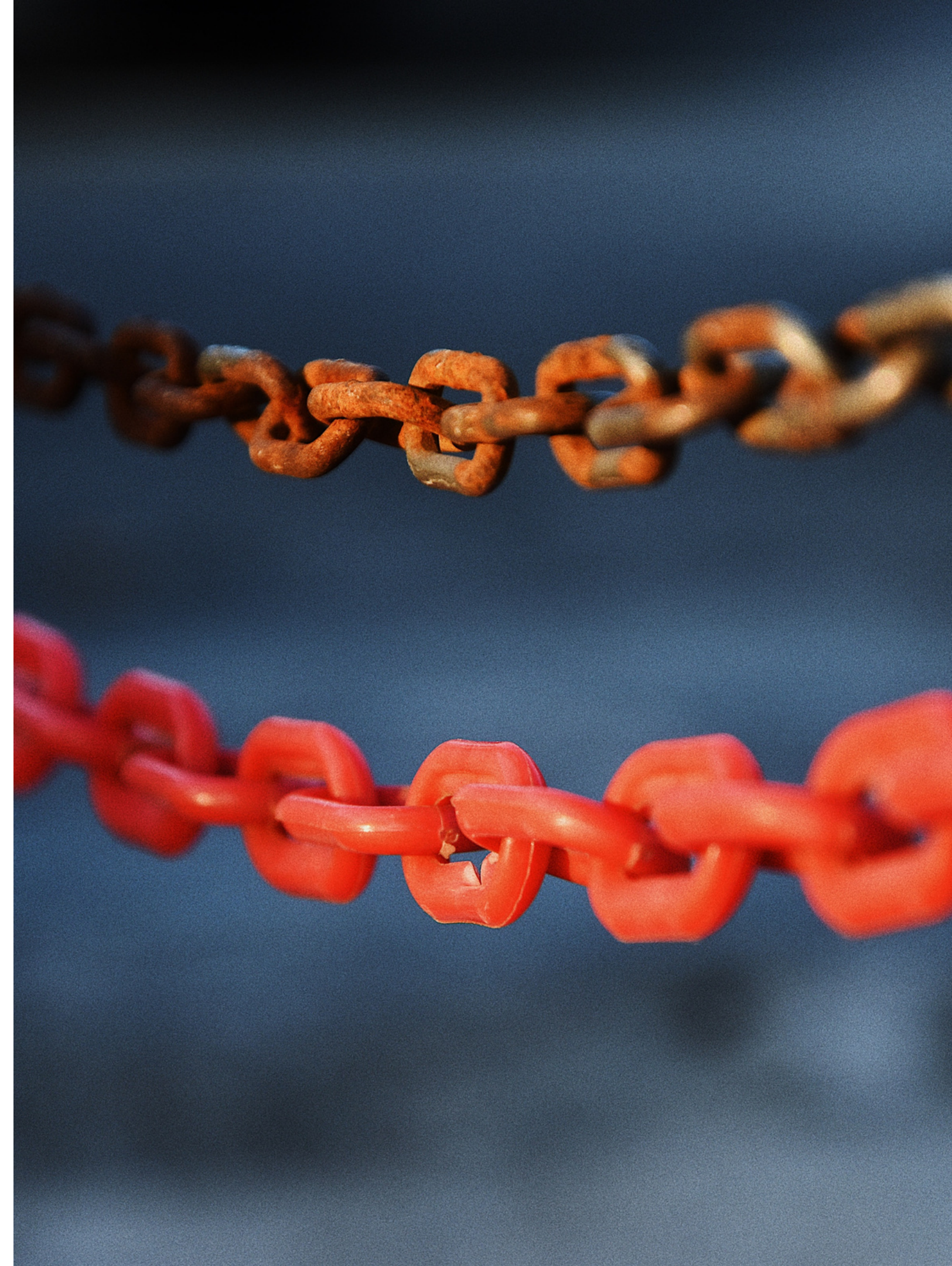
The most important thing is to make sure whatever suppliers commit to during the tender process is mandated by clauses in the contract. We've seen too many examples where the client thought social value was being delivered only to find out it wasn't because it wasn't included in the contract.



Step 5

BROADEN THE DIVERSITY OF YOUR SUPPLY CHAINS

Encourage more diverse businesses into your supply chain by targeted advertising of contract opportunities. Breaking opportunities into smaller lots and going out of your way to remove barriers preventing smaller or local businesses from bidding for them.



Step 6

SET DIVERSITY TARGETS

In Australia, the public sector mandates that a certain number of suppliers be indigenous-owned. In America, there is a drive to support businesses owned by minority groups. For example, SAP has committed to 5x5x25 - making 5% of spending with social enterprises and another 5% with diverse suppliers by 2025.



Step 7

SUPPORT THE SME BUSINESSES IN YOUR SUPPLY CHAIN

It's not just about buying from them. You can also help them thrive. You can do a considerable amount to stimulate and support the smaller companies in your supply chain and help them succeed. For example, providing finance for professional skills development. Resource sharing and understanding the challenges that small businesses face when faced with the enormous complexity of doing business with large companies. And, in another familiar theme, make sure to pay your suppliers within 30 days.



Step 8

SEEK NEW SUPPLIERS AND RELY LESS ON FRAMEWORKS

Procurement professionals love frameworks because they make their lives easier, but they also make it incredibly difficult for regional, smaller, and local firms to enter new markets. Not advertising contract opportunities openly or restricting tender processes to pre-determined frameworks of suppliers. This means that you are not only preventing local areas from feeling the economic benefits of your investments but also driving up costs and increasing risk. As Frank Omare from SAP told us, “local chains bring local expertise and local knowledge and shorten the lead time for various products and services simultaneously, having a positive social impact.”



Step 9

HELP PROCUREMENT SEE SUPPLIERS AS STAKEHOLDERS

For this approach to work, it requires transforming the relationship between supplier and customer into that of a partnership. You need to view the relationship as a symbiotic relationship rather than benevolent. That can be strange for many procurement departments who are used to saying, 'here's a hoop; if you want the business, you have to jump through it. While your supply chain is essentially just the other companies you buy products or services from to be able to carry out your business purpose, it is much greater than the sum of its parts. Your supply chain carries risks and can create opportunities for your business. It's vital that you listen and learn from suppliers as you are buying from them.



How we can help

If you have a question about social value or want to learn how we can support your business, please get in touch.

Our expert team understand the challenges you're facing and are ready and waiting to help support you on your social value journey.

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