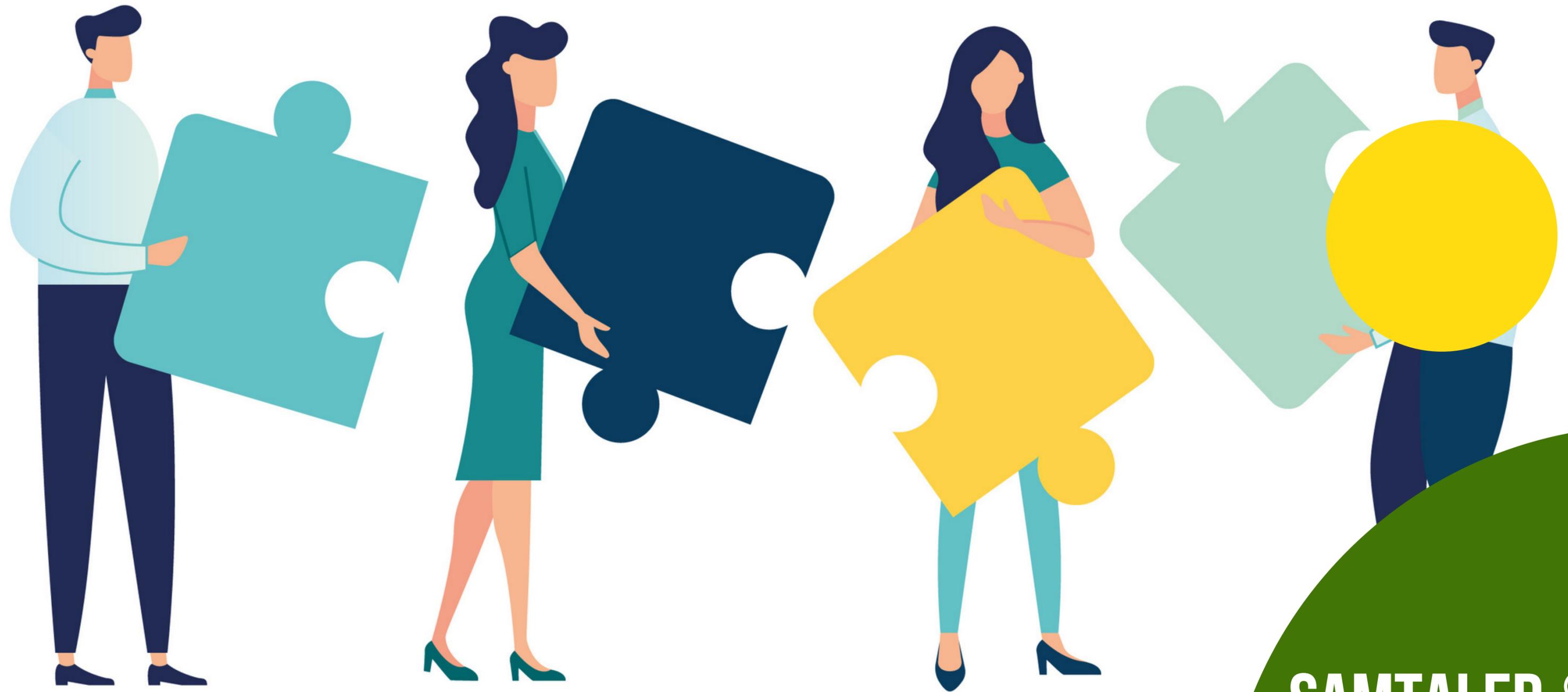


9 ways ESG professionals and procurement teams can work together to ensure supply chains are creating social value



Step by Step



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Step 1

Agree what's important

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

The procurement functions of most large companies are already doing a lot of 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

Look at who you are 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. One of the best examples we've seen is Blue Light Commercial's excellent Social Value Planning Tool which has lots of ideas for things you could ask suppliers about.

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 procurement would need resources?) but there are lots of effective 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 be focused 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 fairly 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 to suppliers what you expect from them.

Step 4

Include specific criteria in contracts

Don't just rely on your code of conduct to ensure your suppliers are delivering your priorities. Include specific questions in your tenders and clauses in your contracts to help you differentiate from potential suppliers and ensure you only buy from companies who 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 any barriers which might prevent smaller or local businesses bidding for them.

Step 6

Set diversity targets

In Australia, the public sector mandates a certain number of suppliers must be indigenous owned, while in America there is a drive to support businesses owned by minority groups. SAP have committed to 5x5x25 - making 5% of spending with social enterprises and another 5% with diverse suppliers by 2025 - something Frank Omare explained to us (and encourages others to copy) in more detail earlier in the year.

Step 7

Support the SME's in your supply chain

It's not just about buying from them. You can also help them thrive. Companies like Sodexo and BAE do a huge amount to support to the small companies in their supply chains (click on links for more) and at Samtaler our own (female-owned, military spouse-run) business was given a huge boost after we won a two-year contract with a multinational company which gave us the financial investment we needed to grow our company. There's a huge amount you can do to stimulate and support the smaller companies in your supply chain and help them thrive. This UN guide identifies ways companies can support their SME suppliers to be more sustainable for example and there are a huge number of creative ways to do so from providing finance to professional skills development, resource sharing and even just being understanding of the challenges that small businesses face when faced with the gargantuan, complexity of doing business with very 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, local firms to enter new markets. Not advertising contract opportunities openly or restricting tender processes to pre-determined frameworks of suppliers means not only are you preventing local areas feeling the economic benefits of your investments, you're also driving up costs and increasing risk. As Frank Omare from SAP, told us, local chains bring 'local expertise, local knowledge and shorten the lead time for various products and services at the same time as having a positive social impact.' A result that has mutually beneficial written all over it.

Step 9

Help procurement see suppliers as stakeholders

For this approach to work it requires a transformation of the relationship between supplier and customer into that of a partnership. You need to view the relationship as 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 in order to be able to carry out your purpose as a business, it is in effect, much greater than the sum of its parts. Your supply chain carries risks and can create opportunities for your business and it's important that you are listening and learning from suppliers as you are buying from them. Scott Collins highlighted the importance of this describing the best performances he'd witnessed coming as a result of closer relationships between the customer and the supplier, and an understanding that achieving value is a two-way process, benefitting both sides.



Contact us

linzi@samtaler.co.uk

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