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The Supply Chain Resiliency-Sustainability Connection

New report shows how sustainability is becoming a core focus for procurement organizations worldwide.

Sustainability was important to organizations and procurement teams before the global COVID-19 pandemic, and has now become an even bigger imperative for most in 2021. With consumers, governments and business partners all demanding that companies pay more attention to the size of their carbon footprints, procurement is helping those organizations meet those demands and achieve their sustainability goals.

In their new "Sustainable Procurement Barometer 2021" report, the Stanford Graduate School of Business and EcoVadis say that as a result of the pandemic, companies now realize that their sustainability practices contributed to the "resilience of their value chains" and helped them endure the COVID-19 crisis.

As a result, the emphasis on sustainability has increased. "Their focus is shifting more and more toward issues related to the environment, labor and human rights and diversity," the report states. "However, while supply chain objectives may be clear, achieving them remains a significant challenge for many companies."

Sustainability More Important than Low Cost

Delivering on corporate sustainability goals has become a key focus for executive teams, with 63% saying it is now "very important" for them, compared with 25% two years ago, according to the survey. Concurrently, reducing costs is now of lesser importance, with 36% of respondents saying this is critically important (versus 56% in 2019). Other key points uncovered by the report:

- Sustainability contributes to resilience, with 63% of buyers and 71% of suppliers stating that it helped them endure the COVID-19 crisis.
- 70% of sustainable procurement leaders view supply chain resilience as the desired outcome of their sustainable procurement initiatives.
- Only 7% of companies (buyers and suppliers) decreased their commitment to sustainable procurement despite the immense challenges of the COVID-19 pandemic.
- Still, 46% of suppliers see their large customers' (those with revenue of more than $1 billion) commitment to sustainability as "important only on paper."
- Mid-sized companies with between $100 million and $1 billion in annual revenues are solidly in the sustainable procurement game. "Though they typically use fewer tools due to their limited resources," the report states, "the benefits they realize are comparable to large enterprises."

Policies, Reporting and Goal-Setting

In assessing the practical implementation of sustainable procurement programs, Stanford and EcoVadis looked at how companies use policies, goals and reporting in their day-to-day work with suppliers. Here's what they learned:

- A supplier code of conduct remains the most commonly used policy, with 74% of companies stating they have one (versus the 64% that had one in 2019).
- Roughly half of the companies surveyed have a sustainable procurement policy (51%) and a specific contract clause relating to sustainability (47%). In 2019, just 38% of companies had such a policy in place.

- Half of the respondents conduct annual supplier evaluations (54%) and report internally on their sustainable procurement programs (56%).
- 24% of companies report externally on supplier sustainability performance.
- The most popular tools for supporting sustainable procurement are supplier self-assessment (52%), category/country risk evaluation models (41%), and supplier audit programs and corrective action plans (40%).

Building More Resilient Supply Chains

A relatively new addition to the executive agenda, sustainable procurement has grown exponentially in strategic importance, according to Stanford and EcoVadis. "Across regions and industries, leaders have increasingly come to recognize that the adoption of sustainable procurement practices yields a tangible competitive advantage," they write, "enabling organizations to more effectively mitigate risk and build resilient supply chains."

The question is, could we see an even stronger connection between supply chain resiliency and sustainability forming in the future? The report's authors think so, and point out that buyers are increasingly likely to "examine and evaluate sustainability practices throughout their engagement with suppliers, rather than focusing such scrutiny only at the initial supplier selection stage."

"Ultimately, the expansion of sustainable procurement practices seems set to continue to integrate sustainability into procurement practices to mitigate risk and navigate crises," the report concludes. "And, having endured the once-in-a-generation stress test of the COVID-19 crises, sustainable companies will be better prepared for the looming climate crisis."