

# **Environmental Pressures, Programs And the Environmental Procurement Policy**

## *Trust, Conflict, Reputation, Opportunity*

### **Why an Environmental Procurement Policy?**

Facing public questions and challenges about the impacts of their business practices on the environment give corporations good reasons and opportunities to examine the economic bottom line and possible efficiencies related to their supply chain and business practices. Clearly if a corporation is caught up in public trust issues over environmental impacts related to its reputation and brand, if it doesn't address the challenge, someone else will, and it is better to be proactive. A procurement policy is one place where a corporation can respond, particularly if market campaigner concerns relate to its supply chain and sourcing of raw materials.

This Horizons article describes the environmental procurement policy as one tool in the toolbox to help manage corporate reputation and brand image, to take advantage of opportunities to make a positive impact on the environment through the supply chain, and to manage conflict surrounding environmental impacts.

For many businesses, even service industries, opportunities and conflicts may arise virtually anywhere along the supply chain of goods and services where there are real or perceived environmental impacts from a company's policies, practices or procedures. There are many reasons for developing robust procurement policies, but in this paper we focus on the special case of its use as a strategic tool to position a company with respect to environmental impacts and to manage any related public conflict.

### **How Campaigns Work**

The circumstances that drive a company's decision to implement an environmental procurement policy are likely external pressures beyond price, quality and service. The drivers might be NGOs, customers, or government policy, but regardless of the vector, the source in virtually every case is some part of the environmental movement. A typical scenario might involve an environmental campaign on a downstream industrial customer (manufacturer, big box, bank, cataloger, retailer, etc).

How a company is selected: The environmental campaigners' target selection criteria generally include:

- relevance their environmental goals
- the ability to create leverage
- national brand and reputation (creates knee jerk vulnerability)
- storefronts (for demonstrations)
- publicly owned (company boards to harass)
- multiple catalogues or other print material (presence to attack)

- appeal to younger generation (to recruit activists)

How they get a company's attention: Environmental campaigners are able to elicit responses because they threaten campaigns that will:

- tarnish the company's brands with negative advertising and boycotts;
- undercut their corporate reputation with public pressure from concerned environmentalists and civic leaders;
- disrupt consumers' shopping experiences with demonstrations; and
- undermine shareholder confidence, often targeting visible corporate leaders and board members with smear campaigns.

The purpose of the campaign, however, is not necessarily to change the targeted company; rather it is also to transform the business practices of companies in the target company's supply chain. The target company's role is to pass the campaigner's demands back through the supply chain, threatening suppliers with a loss of business if they fail to respond.

The cases in which these threats have been carried out are well enough known that most targeted companies believe that they must respond to the campaign activists' demands.

### **Market Campaigners' Purpose and Goals**

Marketplace campaigns that lead to procurement policies are fundamentally about environmental impacts along the supply chain of raw material or product sourcing. Environmental groups are not monolithic. Each has a niche in the competition for foundation and donor dollars, and so each has a unique set of products and services, environmental causes and goals, that they sell to society. The environmental community does coordinate and cooperate, and which group has the lead on a certain issue or "special place" is well understood and usually respected. Large environmental organizations, however, cover a broad range of issues, and are often catalysts for change in more than one industrial sector or one geographical location.

Natural resource sectors have been a primary target of campaigners--forestry, fish, agriculture, fossil fuels, mining, etc. For these, campaigner demands, and the goals they hope to achieve by changing corporate practices include protecting endangered ecosystems and places, biodiversity, wildlife, wetlands, and genetic richness, but often bring in issues like climate change, pollution, recycling, health, water, and so forth. Some campaign organizations focus on transforming an industry; others focus on protecting endangered ecosystems; others focus on resource use, still others on curbing emissions and effluents of all sorts, and those who focus on perceived negative impacts on society (labor, indigenous people, etc).

Any company in an industrial sector's supply chain, whether up stream or down, which impacts a campaign organization's area of concern, or which can provide economic leverage on the sector, is fair game. Thus campaigners have targeted the catalogue industry, retail chains, fast food, big boxes, publishers, banks, as a very broad swath of business and industry have been swept up in environmental conflict in the marketplace.

## **Responding to Campaign Threats: The Environmental Procurement Policy**

The process of developing a procurement policy frequently yields multiple benefits:

- cost savings from the intense examination of practices and searches for alternatives;
- internal efficiencies;
- resolution of public trust issues;
- improvements in morale from articulating worthy environmental goals;
- enhanced public reputation; and
- opportunities to communicate and possibly differentiate in the marketplace.

Procurement policies should not be undertaken lightly. Adopting an environmental policy casually as a prophylactic measure will likely have little impact, and there are cases where such action has actually put a company behind. The effort must be compelling and is best viewed as an opportunity to improve environmental impacts and achieve a host of benefits internal to the company by working with the supply chain. While each case has its own specific strategies and tactics, general critical questions that must be part of the process are described below:

- Determine the seriousness of the opportunity.
  - Consider potential impacts on brands and markets
- Do homework.
  - Talk with suppliers and other stakeholders.
  - Don't work with stakeholders you don't trust (or, don't expect all stakeholders to operate with the same rational or ethical standards.
  - Vet fully with customers and critical allies.
- Assess vulnerabilities—do an environmental scan.
- Determine whether action should and can be taken to enhance or preserve the company's reputation or mission, and what the action should be?
  - Agree on the problem.
  - Clearly define objectives.
  - Clearly define measures of success.
  - Understand costs and benefits.
  - Do your research!
- Determine if corporate environmental and/or procurement policies are a helpful or necessary component to an effective solution.
  - If so, don't consider policies you can't implement.

- Stay consistent with your corporate values and culture, or commit what it takes to implement company wide change.
- Consider the value of partnerships.
- Understand the rules of engagement.
  - Be sure you have adequate intelligence to understand the goals, strategies and tactics of the campaigners specifically, and the ENGO community in general, so that your programs and negotiations are lean and effective.
  - Be careful not to over-promise to the activists.
  - Be sure that your agreements will stick.
- Remember, change takes time.
  - Most important: do your research!

### **Developing an Environmental Procurement Policy**

What are the key elements of an environmental procurement policy? Any company undertaking such a policy should understand that to be most effective, the elements must include both substance and process. In each area below, there are opportunities for companies to identify areas for “continuous improvement” and to commit to measure and report performance.

Substance:

1. Sourcing
  - Is the source sustainable?
  - Can environmental impacts be changed?
  - What commitments can you make in this regard?
2. Certifying the sourcing
  - Can the source be proven sustainable?
  - Can environmental impacts be measured?
  - What commitments can you make in this regard?
3. Conservation and protection
  - Of natural resource environments
4. Performance of the supply chain
  - Recovery and utilization
  - Recycling
  - Energy savings

Emissions  
Distance  
Environmental impacts  
Health and safety

Process:

5. Third party partners  
    ENGOS  
    Other Stakeholders
6. Transparency: Monitoring and Public Reporting
7. Promotion and Follow Through
8. Legal

### **Conclusion**

The market campaigners and their successful application of their marketplace model are now well into their second decade, and have developed sophisticated tools and skills that have enhanced their effectiveness. The campaigns have largely focused on natural resource based sectors. Given the focus of their work for in these sectors, Phoenix Strategic Solutions has helped many Fortune 500 companies develop the programs and policies to take advantage of opportunities to enhance their brands and reputations, ensure trust throughout the supply chain, and improve effectiveness on public policy advocacy.

If a company determines that an environmental procurement policy is a necessary component of its environmental program, it is critically important to understand the costs and benefits throughout the supply chain, and to insure that the policy can become part of the company's corporate values and culture. It is almost always not an easy or simple process, and is not simply a matter of forcing suppliers to meet campaigner demands. But done well, the benefits of a procurement policy can be significant as it will:

- Maintain the quantity of supply;
- Improve internal company pride and morale;
- Improve efficiencies in sourcing and the operation of the supply chain;
- Answer activists' demands;
- Maintain or improve the cost structure; and
- Differentiate the company as a protector of the environment.

Becoming a campaign target may be a blessing in disguise, and the results of the experience can be positive. It gives a corporation good reason and opportunity to examine the economic bottom line and possible efficiencies related to social and environmental impacts.