

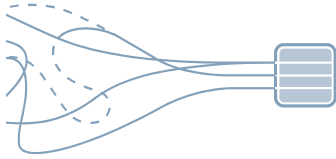
Turning Green:

The four quadrants of the green procurement movement



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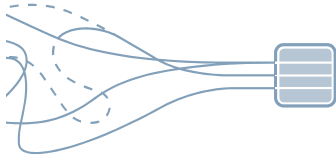


Green procurement is not just a fad where organizations arbitrarily decide that they want to become more sustainable. Although there are some companies that want their customers to perceive that they are making sustainable decisions but are not really doing so, there are many companies that are shifting their purchasing culture towards buying green. There are obvious ways that companies begin the green procurement journey: they buy less bottled water; they install recycling programs in the cafeteria; they eliminate Styrofoam containers, etc. These are all effective ways to promote saving the environment, but many companies are also embarking on strategic procurement shifts within their organizations. These shifts in procurement strategy might include determining specific criteria to make more sustainable buying decisions, tracking and measuring specific environmental indicators and collaborating with existing business partners to reduce their carbon footprint. Green procurement, if done correctly, can be a competitive advantage for those organizations that implement the business model properly.

This paper will discuss the four quadrants of the green procurement movement and discuss the characteristics of each one (see Figure 1 below). It will also discuss the link between financial results and the use of effective green decision-making criteria. If you and your organization are considering embarking on the green procurement journey, this paper will help you start off in the right direction.

The green procurement matrix

Different organizations take different approaches to implementing a green procurement strategy. Some spend time and effort to ensure that their strategy is comprehensive and effective while others just want to say that they are environmentally friendly. I have created a chart showing four quadrants to group the progress and results of a company's movement towards effective green procurement.



Four quadrants of Green procurement



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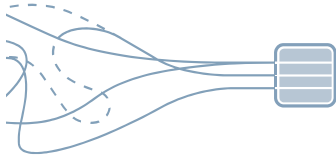
Figure 1: The four quadrants of green procurement

Quadrant 1: Dipping your toe in the water

Organizations that are dipping their toes in the green procurement waters are usually getting poor financial results and are using ineffective green criteria. These companies either want to become more environmentally friendly and do not know how or just want to market themselves as a green company. These companies might implement initiatives such as reimbursement for public transit expense for employees, elimination of bottled water in their offices and better recycling projects within the organization. They are likely getting some financial benefits, but are not taking an organizational approach to green procurement and sustainability. They likely have a small committee that suggests small and easy changes for the organization.

Quadrant 2: Spinning your wheels

Organizations that are seeing poor financial results but are using many green criteria are spinning their wheels because they are stuck in the green procurement mud. Although they are using criteria to make greener buying decisions, the criteria that they are using are ineffective and/or being used at inappropriate times. These companies might be looking to purchase goods from certified green suppliers, but in



commodity areas where green products are not readily available so they are paying a premium for those products. Examples of this may be purchasing sustainable office equipment or paying a premium for waste management services. Easier ways to reduce the environmental impact of their business would be to use less paper by only printing essential documents and reducing the amount of waste that comes out of the organization. These companies have the right motivation in mind, but they are putting environmental considerations ahead of business success. It does not matter how sustainable the business becomes if the business is no longer financially viable.

Quadrant 3: Just plain lucky

There are some companies that are just plain lucky when it comes to achieving positive financial results from green procurement. These companies do not have a green procurement strategy in mind nor do they use many green procurement criteria, but they achieve financial benefits and increased sustainability. Usually financial savings motivate these companies with sustainability being an unknown, yet positive, byproduct. These companies may reduce fuel usage or power consumption in order to cut costs, but the environmental considerations were not initially considered.

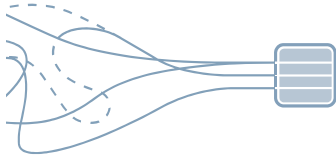
Quadrant 4: Walking the walk

Companies in the top right quadrant have a clear green procurement strategy and have implemented effective green buying criteria. As a result, these companies are reaping significant financial benefits through reductions in power costs, fuel costs, waste, as well as gaining process and system efficiencies. These companies are thought leaders in their industries and are the driving forces behind changes in the way suppliers perform their services and deliver their products. They recognize sustainable certifications, they are affiliated with leading associations and they share best practices with their peers. Companies that are in this quadrant are known for their environmental initiatives as a result of their actions and their corporate attitude towards sustainability.

Optimizing the link

The link between positive financial results and effective green criteria is sometimes difficult to decipher. The companies that are having the most success in achieving benefits from green procurement have made sustainability a core element of their organization's procurement strategy. I have included a few characteristics of those organizations that are achieving success with their green procurement strategies:

- They have an engaged Executive team supporting the initiative;
- Their green procurement strategy aligns with their company objectives and desired business outcomes;
- They regularly communicate their green strategy to suppliers and business partners, it has become part of their daily business operations;



- They have moved, or are moving, towards a total cost of ownership model and a life cycle management approach.

The commonality in the characteristics of successful green initiatives is that the strategy becomes a part of the daily operations of the company. Sustainable criteria are included in buying decisions, the organization works with business partners to improve sustainability, there are clear environmental measures used to track performance and environmental language is included in corporate documents and communications. These companies are seeing tangible savings on their bottom lines in areas such as:

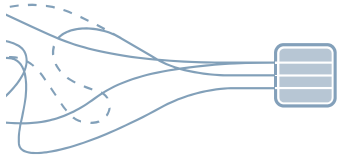
- Waste cost reduction through more efficient manufacturing operations;
- Fuel cost reduction through optimization of distribution networks;
- Energy and water cost reduction through more efficient use of power and resources;
- Packaging cost reduction through design of more efficient packaging sizes;
- Manufacturing cost reduction through better product design.

Final thoughts

As you can see from my thoughts above, most of the benefits from green procurement come through the implementation of more efficient operations. The implementation of these efficiencies leads to financial benefits as well as is better for the environment. In order to gain the required support and success, a green procurement strategy must be economically viable and offer better value for money for the organization. One might say that when embarking on a green procurement initiative, becoming more environmentally friendly is only a byproduct. The main motivation is to have more efficient operations and increase company profits. Reducing carbon footprints and helping to save the environment is a great byproduct, though.

About the author

Andrew Miller is the President of ACM Consulting Inc, a company that helps high performance organizations increase profit by aligning processes, people and technology. For more than a decade, he has helped existing and startup businesses improve their results. He has consulted for many public and private sector organizations on improving procurement results and teaches a two-day program in procurement best practices through various Canadian business schools. He has been featured in the *Globe and Mail* Canadian national daily newspaper, magazines such as *Supplier Global Resource*, *Promotion Products Business*, and *Counselor* as well as the *Society for Human Resource Management* consultant's forum. His articles and views have been published in *Canadian Transportation & Logistics* magazine, commercial books *Getting started in Consulting* by Alan Weiss and



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Outsourcing Transactions: A Practical Guide by John Beardwood and C. Ian Kyer and *Project Times* magazine. Andrew can be reached at andrew@acmconsulting.ca.