

THE STATE OF SUSTAINABLE PROCUREMENT IN DENMARK: FIRST RESULTS FROM THE CBS SUSTAINABLE PROCUREMENT OBSERVATORY

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DANSK RESUMÉ

Copenhagen Business School har i løbet af den seneste tid arbejdet på et forskningsprojekt om bæredygtigt indkøb.

I denne artikel får du indblik i de første resultater fra undersøgelsen og bliver klogere på, hvor langt fremme danske virksomheder egentlig er med at implementere bæredygtige indkøb.

/Redaktionen

INTRODUCTION

Denmark is frequently ranked at the top in international surveys. We are in the top-10 most innovative countries on the Global Innovation Index, and Vestas and Chr. Hansen are the world's two most sustainable corporations according to Corporate Knights 2022. Ørsted and Novozymes feature in the top 50 (respectively, number 7 and 35).

We could therefore also expect Danish companies to be leading the world in sustainable procurement, setting examples for the world to follow. However, sustainability rankings pay little attention to procurement and sourcing practices. So, how advanced are Danish companies really in implementing sustainable procurement?

This is the background for the foundation of the Copenhagen Business School's newly established Sustainable Procurement Observatory. This is part of a wider CBS sustainable procurement initiative that aims to make a positive impact on sustainable procurement practices in Denmark by researching and assisting Danish companies in their implementation of sustainable procurement practices.¹

In this article we share the results from our first exploratory survey of sustainable procurement practices used by our Observatory members. By sustainable procurement we refer to "the pursuit of sustainable development objectives through the purchasing and supply process, incorporating social, environmental and economic aspects" (Walker and Brammer, 2012).

In other words, we consider all three pillars of sustainability (social, environmental and economic), which need to be addressed simultaneously so that environmental and social sustainability are no longer treated as less important add-ons or something nice to have but as must-haves and the new normal. As a baseline, sustainable procurement is about ensuring compliance with regulations – and there are many sustainable procurement and supply chain regulations and more will come in the (near) future. But we urge companies to go beyond considering sustainable procurement purely as compliance and risk management and think of it as an opportuni-

Sustainable Procurement Observatory

- The CBS Sustainable Procurement Observatory surveys and monitors the state of sustainable procurement in Denmark.
- Data to be collected from procurement professionals; target is 100 senior procurement professionals representing different sectors: private/public, manufacturing/service.
- Network members agree to support the project by completing 2-3 short questionnaires (10-15 questions) per year and take part in events.
- Over 70 senior procurement professionals have already signed up to date.

ty for value creation (Figure 1). Our vision is that, in this transformative era, sustainable procurement must become core procurement (Johnsen et al., 2018).

METHOD

We draw from the first round of data collection that we have carried out as part of the Sustainable Procurement Observatory. The participants represent a wide selection of Danish companies from a range of manufacturing industries, trans-

FIGURE 1. Sustainable procurement thinking: from risk management to value creation

Risk Management

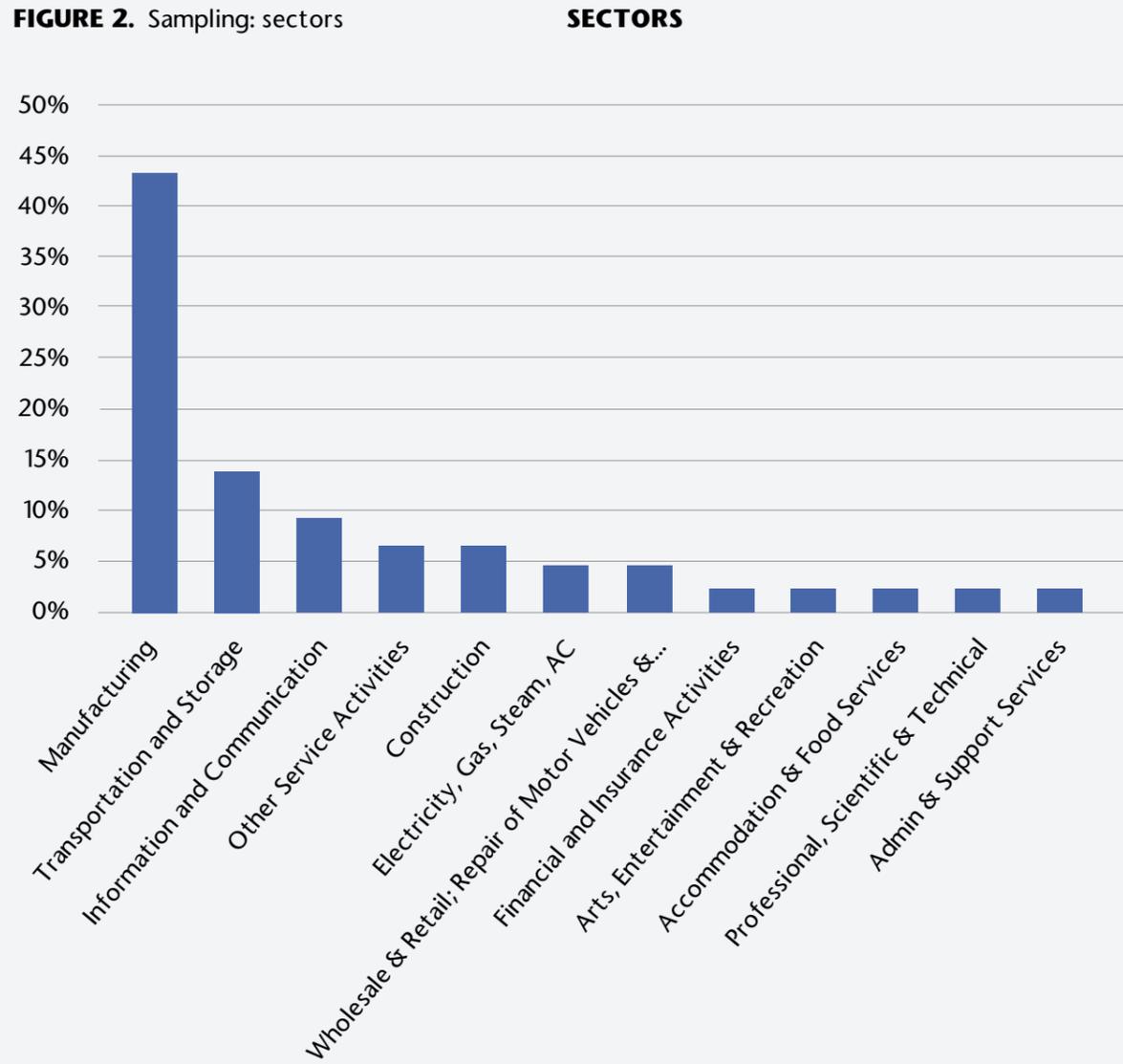
- Our main objective is profit, but we must act legally
- Compliance
- We don't want to be exposed in the media



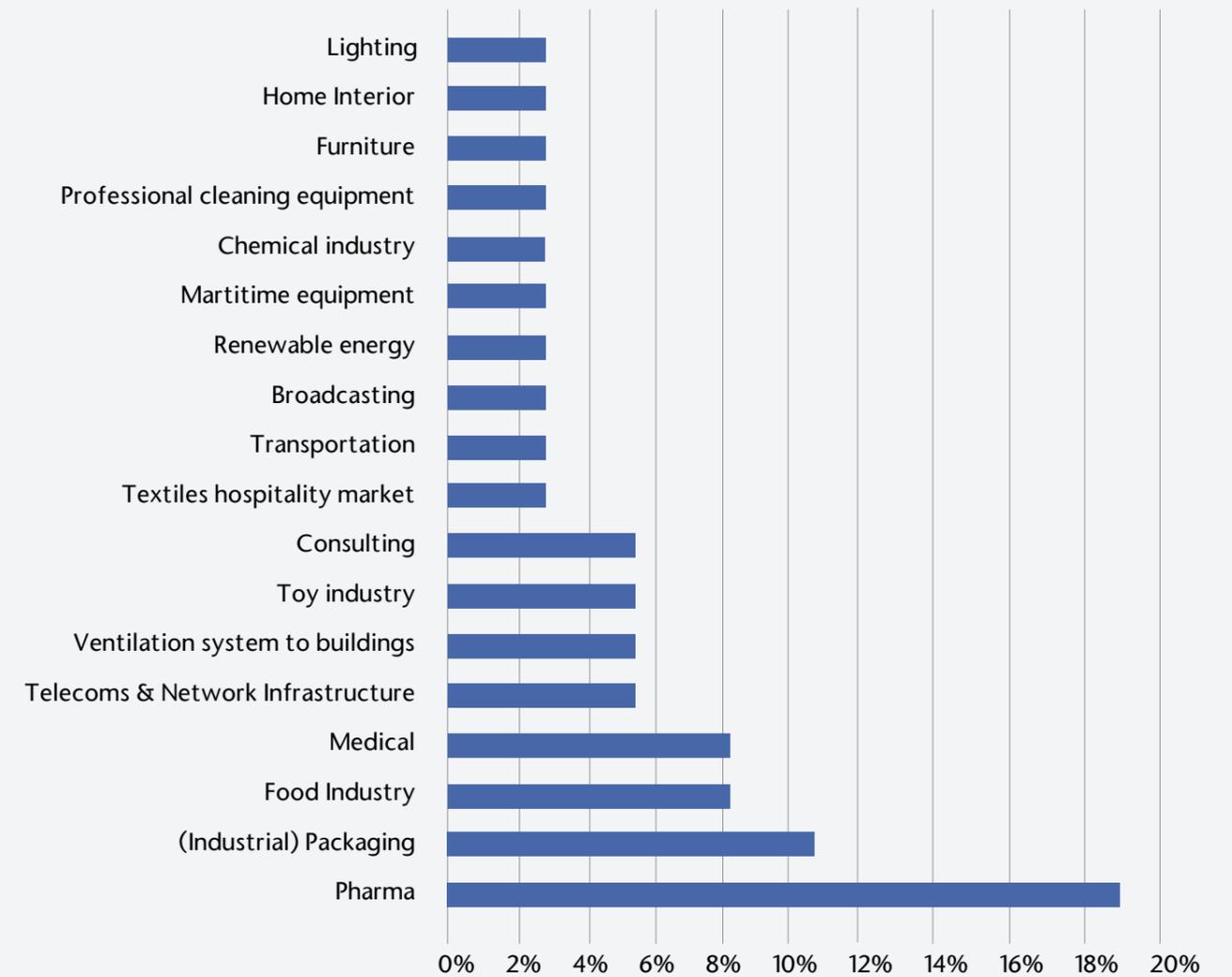
Value Creation

- We want to put sustainability before profit
- Societal value instead of company value
- We want to change our business model to create value through sustainability

FIGURE 2. Sampling: sectors



MANUFACTURING SECTOR BREAKDOWN



port and warehousing, information and communication, construction and so on.

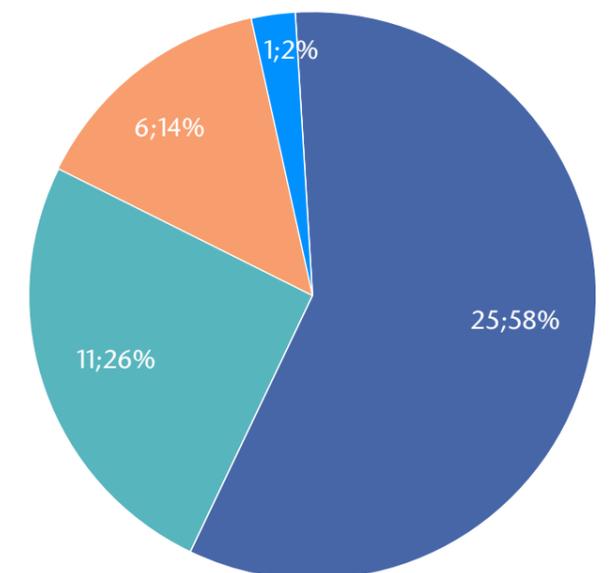
For this first round, we set out to explore how some common sustainable procurement practices are used in Danish companies. We were able to obtain complete answers from 43 senior procurement professionals, which at this initial stage of the Observatory development is a very good turnout. Figure 2 shows the breakdown of the sample: given the relatively small sample, which we have at this early stage, we would caution about generalising from these initial results.

EXPLORATORY SURVEY RESULTS

Supplier selection

As shown in Figure 3, the vast majority of the Danish companies in our survey have codes of conduct in place as part of the supplier selection process. This is not surprising as findings from international research also shows that codes of conduct are widely in use. In many ways, codes of conduct are a baseline to clearly communicate expectations to current and new suppliers but also to own employees and other stakeholders.

FIGURE 3. For supplier selection we rely on our sustainability related codes of conduct



Our results show that certifications are used more sparingly: about 2/3 of the companies rely on certifications for supplier selections frequently or occasionally.

Ongoing supplier monitoring

For the ongoing monitoring of supplier sustainability compliance, companies typically rely on so-called self-assessment questionnaires to be filled by suppliers or supplier audits. Based on sustainability standards, such as the Global Reporting Initiative (GRI), questionnaires are seen as a relatively quick way to reach a large number of suppliers. On their own, they cannot guarantee compliance as the company does not have control over what suppliers answer or even who fills in the questionnaire.

Supplier audits can be used on their own or to follow up on suspected non-compliance, for example, from questionnaires. Audits clearly require much more effort and investment, and although they potentially allow in-depth scrutinising, suppliers may try to hide non-compliance issues such as workers being paid below minimum wage.

Our results indicate that about 2/3 of Danish companies rely on questionnaires *frequently or occasionally* and 1/2 audit suppliers *frequently or occasionally* (Figure 4). We would expect that all the large companies in our sample would at least

make occasional use of these methods to show evidence of due diligence, since they have more resources at their disposal. But even in this group we see roughly 30% never or only rarely applying the relatively low-cost method of supplier questionnaires. On a positive note, we see questionnaires and even audits performed by companies of all sizes, indicating that even auditing can be conducted with potentially limited resources. It should also be considered that on-site audits were, of course, difficult if not impossible to conduct during the corona crisis.

Development and training: suppliers and internal

Ongoing supplier monitoring is an essential step towards ensuring supplier compliance, but on their own these activities are insufficient. Research shows that monitoring needs to be followed-up with developmental activities that help suppliers to eliminate their non-compliance. In fact, supplier development programmes focused on sustainability are often used to follow up or ‘rectify’ non-compliance – helping suppliers to understand why sustainable practices are important and helping them to develop new

ways and processes. These training activities are sometimes referred to as ‘mentoring’ (Meqdadi et al, 2020), because an important part of this kind of supplier development is the mentality shift to help suppliers understand the need for sustainable behaviour.

Unfortunately, our findings indicate that very few Danish companies in our survey take this kind of follow-up action. Supplier development – basically training programmes with suppliers – require a lot of investment and dedicated knowledge-based resources. Nevertheless, we expected that at least more than 1/4 would either *frequently or occasionally* do this (Figure 5).

In comparison, our results reveal that Danish companies dedicate a bit more resources to their internal sustainable procurement training. However, it’s still only 14% that organise frequent internal sustainable procurement training. This is rather surprising considering that procurement professionals are rarely trained or experienced in sustainable procurement. Our own research from EU-funded Project PERISCOPE (Beske-Jansen et al., 2022) indicates that new skills and competences are needed for procurement to lift the challenge of sustainable procurement, so training of procurement employees is important.²

Collaborative green projects

Moving beyond a compliance approach to try to create value from a sustainable business model requires development of new sustainable products or service solutions. This might involve developing new products (or packaging) based on circular economy thinking that use taking-back, recycling or refurbishing the company’s own products. This will likely require collaboration with suppliers to benefit from their expertise.

We therefore asked about joint projects with suppliers to develop green technology or green product solutions, but 1/2 of the companies *rarely or never* have such joint projects. We see two

FIGURE 5. Supplier development for sustainability

We invest in training programmes to help our suppliers to improve their sustainability practices

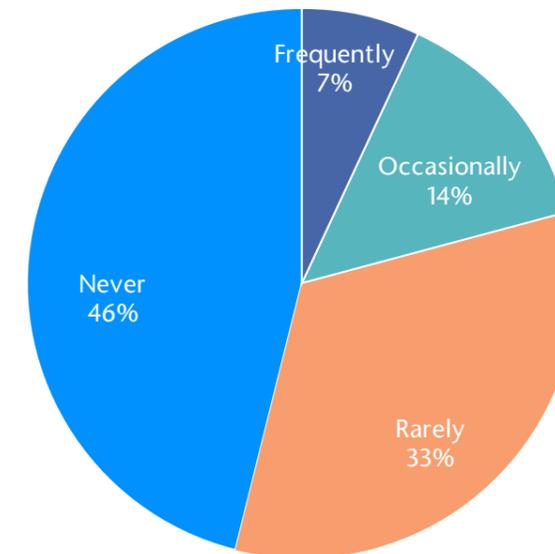


FIGURE 6. Internal sustainable procurement training

We organise sustainable procurement training in our company

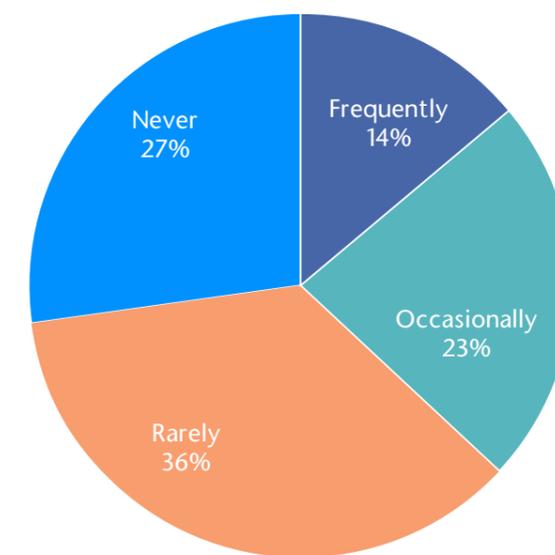
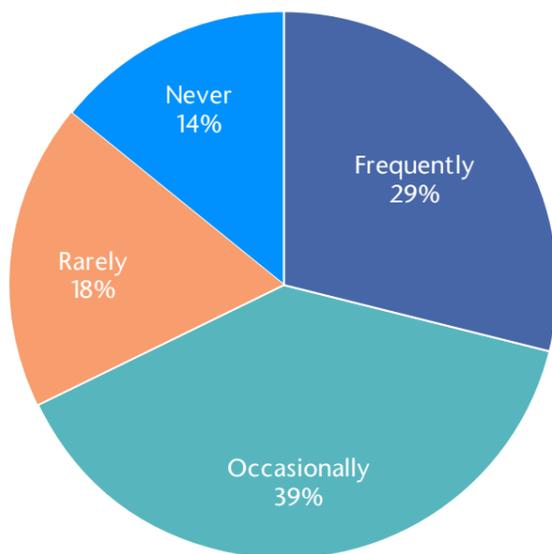
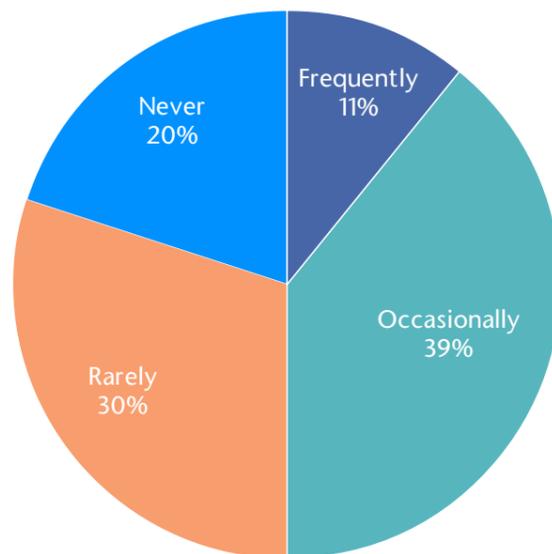


FIGURE 4. The use of supplier questionnaires and audits

We send questionnaires to our suppliers to monitor their sustainability compliance



We use on-site auditing at our suppliers to monitor their sustainability compliance



²Project PERISCOPE (Purchasing Education and Research with an Innovative Sustainability Scope). Funded by EU Erasmus +, Project PERISCOPE aims to prepare students in acquiring future Sustainability Purchasing and Supply Management (PSM) competences towards innovation. See: <http://eu-periscope.essca.fr/>

factors influencing these answers: 1) companies simply may not have any green projects or 2) projects are internal or involve other external partners but not suppliers. In our view, however, supplier collaboration is a missed opportunity since their knowledge and expertise on materials and technologies is invaluable for developing sustainable products.

Finally, we asked about collaboration with stakeholders, which can refer to many different kinds of organisations, including NGOs, platform providers (for example, EvoVadis or Sedex). The question was deliberately kept very broad so collaboration could relate to different aspects of sustainable procurement.

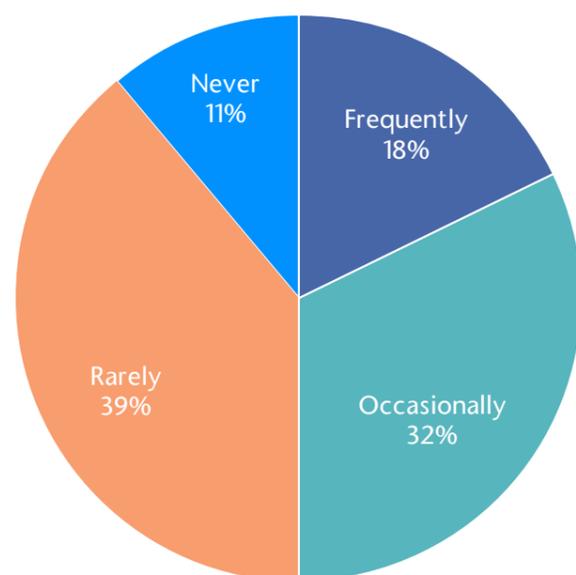
A little over half of the respondents *rarely or never* collaborate with stakeholders which could be a missed opportunity as stakeholders can provide much needed expertise and improve legitimacy (or credibility).

CONCLUSION

In this article we have reported on the results from the first survey by the CBS Sustainable

FIGURE 7. Joint green development project with suppliers

We have joint projects with suppliers to develop green technology or green product solutions



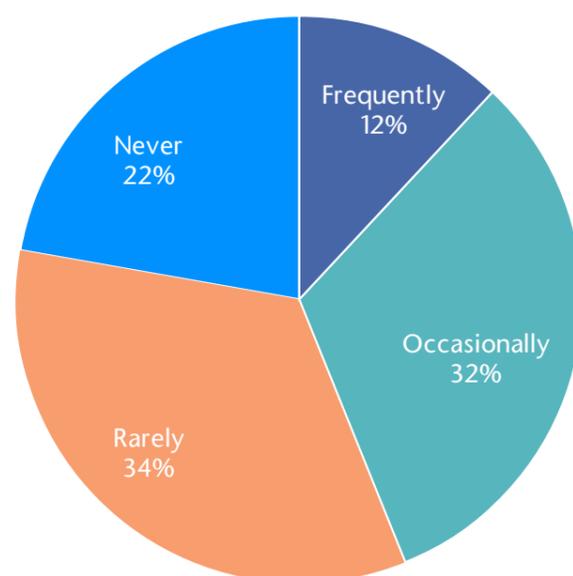
Procurement Observatory. We deliberately designed a very exploratory survey based around a set of sustainable procurement practices. We intend to dig further into specific themes and practices in the surveys and workshops planned ahead.

Based on the level of interest generated by the CBS Sustainable Procurement Initiative – and within our Observatory – there is clearly both an awareness and a desire to push the sustainable procurement agenda. Yet, our initial results give food for thought: many Danish companies appear to be engaging in a range of sustainable procurement activities, but many companies don't seem to go beyond the basics.

In our view, this is a real opportunity, and necessity, and we hope to play our part in working with Danish companies to raise the awareness of sustainable procurement and the many ways in which this can be implemented. We also hope that we can contribute to a shift in how companies think about sustainability: rather than a necessary evil, it is an opportunity for value creation./

FIGURE 8. Stakeholder collaboration

We collaborate with stakeholders such as non-governmental organisations (NGOs) as part of our sustainable procurement efforts



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Vil du være en del af CBS's Sustainable Procurement Observatory?

Vil du vide mere om, hvordan din virksomheds bæredygtige indkøbspraksis er i forhold til andre virksomheder og få inspiration til, hvordan du kan implementere bæredygtige indkøb?

Good news: Det er stadig muligt at tilslutte sig CBS's Sustainable Procurement Observatory, og det er helt gratis at sidde med i netværket!

Vi søger løbende ledende indkøbsspecialister, som vil støtte vores observatorie ved at udfylde 2-3 korte årlige (og fortrolige) spørgeskemaer og deltage i 1-2 årlige workshops.

Det er en betingelse, at du sidder i en procurement-relateret stilling for din virksomhed, så du kan svare på, hvordan din virksomhed håndterer sustainable procurement.

Vores workshops giver mulighed for at diskutere problemstillinger med vores team samt andre ledende indkøbsfolk og lære om de seneste resultater fra vores løbende undersøgelser. Resultaterne vil desuden blive publiceret i blandt andet DILFaktuelt og andre faglige tidsskrifter. Du og din virksomhed vil derudover modtage en årlig observationsrapport. Al kommunikation foregår på engelsk.

For at melde dig til skal du blot sende en e-mail til: cmp.om@cbs.dk
The CBS Sustainable Procurement Initiative Team

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