

Win-Win Possibilities with Environmentally Preferable Purchasing

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OVERVIEW

- Challenges of Green Procurement
- Benefits
- Corporate Green Leadership
- Government Leaders and Initiatives
- Types of Sourcing Savings
- Available Resources

A recent survey from AMR Research finds that 70% of businesses polled are actively engaged in various environmental initiatives, motivated by consumer concern for global warming. Along with these corporate initiatives, government agencies are also paving the way with legislation and ordinances that require buyers to consider environmentally friendly products and services when making contract award decisions. However, going green does not mean increasing costs—organizations can be environmentally friendly, conserve resources, enhance public reputation, and reduce spending in the short and long-term. Such initiatives included as part of an overall sourcing strategy can in fact yield significant savings.



Many leading organizations see green procurement as a value-driver and important criteria for purchasing. According to a new survey from EyeForProcurement, a procurement news portal, more than 50% of companies have policies on greening their supply chain, and companies agree that green supply chains will continue to grow. Given that more than half of most organizations' total costs come from purchased goods and services, shifts in favor of "greener" procurement can significantly reduce a company's environmental footprint.

While not all organizations are willing or able to make immediate large-scale changes, such as introducing renewable energy sources, hybrid vehicles, or Chief Green Officers, most can begin to include environmentally preferable products (EPP) specifications in their contracts that have a reduced effect on human health and the environment. As we illustrate later in this article, many green purchasing decisions are justifiably cost-effective on their own.

Challenges of Green Procurement

As many procurement officials know, it's not easy being green. There are many challenges to sourcing environmentally friendly products. Some of these products are more expensive, difficult to find through current suppliers, or of limited availability. Even if the product is found, there is often insufficient internal organizational knowledge and support for purchasing them, or lack of familiarity with how to evaluate or create policies for cost-effective green purchasing decisions. However, an AMR Research study indicates that compliance is the catalyst for most corporate social responsibility (CSR) initiatives, and just 32% of CSR programs start at the most senior executive level. This indicates that

procurement officials may play an important role in identifying and implementing green changes.

Benefits

The motivations for green purchasing extend beyond environmental advocates and socially-conscious vendors. Benefits can be measured in terms of both cost savings and avoidance of penalties or risk, such as adopting practices that use fewer chemicals and increase employee safety and health.

Green purchasing can harvest hard-dollar savings, including the examples below:

- 1) State and federal tax breaks
- 2) Reduced maintenance and replacement costs due to equipment that is refurbished, or designed for durability and easy repairs
- 3) Lower cost manufacturing materials
- 4) Lower disposal costs due to less waste
- 5) Fewer purchased goods due to conserved resources

Other indirectly measured benefits include conservation image enhancement, improved community relationships, and increasing competitive advantage with consumers. In preparing a strategic green procurement policy, these potential benefits can be converted into measures for consideration and evaluation, supporting a consistent and strong policy.

Corporate Green Leadership

In the United States, headlines reflect increasing corporate leadership on new environmental policies from large brands. Retail industry giant Wal-Mart's Sustainability 360 program engages associates, suppliers, consumers and the community through different initiatives like its Zero Waste and 100% Renewable Energy programs. The company requires suppliers to reduce product packaging 5% by 2013, making stores 30% more efficient by 2012, increasing fleet efficiency 25% by 2010, and reducing solid waste from its U.S. stores 25% by 2008. By reducing waste, packaging, and energy use, these changes are expected to add up to millions in savings. In addition, Wal-Mart has also earned praise and recognition from some environmental advocates and media.

Other companies have similarly bold plans, often in the manufacturing process of their products. In 2007, Hewlett Packard reports it will eliminate 30,000 cubic feet of polystyrene computer packaging and more than six million pounds of PVC packaging from its inkjet printer business. Last year, Timberland began using water-based adhesives in place of solvent-based adhesives in more than eight million pairs of shoes, and tripled use of organic cotton. A clear shift in corporate decision making

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has emerged. Though the benefits of environmentally sound policies may have once been overlooked, they are now making headlines.

Government Leaders and Initiatives

Federal, state, and local agencies recognize the environmental and citizen approval benefits and have taken initiatives in supporting and encouraging environmentally preferable purchasing. Cities with respected, publicized environmental procurement programs span the map, including Austin, Texas; Phoenix, Arizona; and Seattle, Washington. The government agencies' activities listed below are worth highlighting.

- **Federal Government's Energy Star Program.** The program details energy-efficiency certification and standards for buildings and numerous consumer electronic products. Energy Star claims to have helped saved Americans \$14 billion on utility bills in 2006. The website (www.energystar.gov) provides specification language that can be incorporated into contracts.
- **King County, Washington's Environmental Purchasing Program.** This program yielded \$640,000 net savings for county agencies in 2006, through \$36 million environmentally preferable products. The county's website (www.metrokc.gov/procure/green) contains dozens of environmental purchasing bulletins, archives of annual purchasing reports since 1994, a model policy, and even sample contract language.
- **Portland, Washington's Sustainable Procurement Strategy.** Their plan is "an effort to spend public funds on goods and services that minimize negative environmental impacts, are fair and socially just, and make economic sense, now and in the long term." Their three-pronged strategy includes completing a review of three to five commodity areas annually, monitoring availability of sustainable/less toxic products, and designing and implementing an employee education program. Over time, the city aims to include more sustainability criteria in product solicitations. (www.portlandonline.com/omf/index.cfm?c=dhhdc).
- **Massachusetts's EnviroCalc Tool.** The State of Massachusetts received the National Association of State Chief Administrators (NASCA) award in 2007 for creating EnviroCalc, an environmental benefits and energy cost savings calculator for purchasers. The free spreadsheet-based tool allows procurement officials to evaluate and document the effectiveness of environmentally friendly products and services (www.mass.gov/epp).
- **Santa Monica, California's Purchasing Policy.** Low-toxicity cleaning product purchases have saved the city approximately 5% on annual cleaning product expenses and eliminated 3,200 pounds of hazardous materials annually.

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Types of Sourcing Savings

How can your organization or agency pursue savings through green purchasing? Though projects such as new construction projects may provide plenty of creative, cost-effective sourcing opportunities, green purchasing can easily be applied to existing product requirements. Alternative products are as varied as the diverse sourcing needs of organizations. The category lists below provide a sense of the wide scope of options in sourcing products.

- Office Supplies
 - Recycled paper products (e.g., copy and printer paper, lottery tickets, janitorial and hygienic products)
 - Remanufactured toner cartridges
 - Energy-efficient lighting (e.g., office lighting, exit signs, street lamps)
- Transportation
 - Fuel efficient or hybrid vehicles
 - Car fleet reduction
 - Ultra-low sulfur diesel
 - Biodiesel
 - Tire re-treading
- Indirect materials
 - Low-VOC asphalt cold-patch
 - Plastic lumber
 - Compost
 - Shredded wood-waste
- Finished products
 - Solar trash cans
- Remanufactured and refined products
 - Remanufactured furniture
 - Recycled plastic products (e.g., recycling bins, plastic container, traffic cones)
 - Remanufactured antifreeze
 - Re-refined motor oil

The creative choices for green procurement are shaped by the contract with the supplier as well as the types of goods or services purchased. The EPA suggests additional ideas, including stipulating product take-back options as a condition of buying new equipment; encouraging product stewardship by leasing equipment; and donating unwanted functional equipment in exchange for tax benefits.

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Available Resources

Fortunately, many resources exist for evaluating, modeling, and making cost-effective green purchasing decisions.

- **The Center for a New American Dream** offers searchable reference lists by policies, activities, and products; and archived conference call presentations on subjects related to reducing environmental impacts of purchasing decisions (www.newdream.org/procure).
- The **Responsible Purchasing Network**, a national network of procurement-related professionals dedicated to socially responsible and environmentally sustainable purchasing, is run by the Center for a New American Dream. The Network supplies downloadable reference guides to its members (www.responsiblepurchasing.org).
- The **Environmental Protection Agency's Environmentally Preferable Purchasing Program** produces an online database of over 520 environmental standards, guidelines, and vendors for 650 product and service categories (www.epa.gov/oppt/epp). They also offer case studies about environmentally preferable purchasing (www.epa.gov/epp/pubs/doccase.htm).
- **EnvironmentalLeader.com** is a portal for news and information about the environment. (www.environmentalleader.com/)

Many leading organizations realize that short-term changes in behavior and policies facilitate long-term customer retention and satisfaction, competitive advantage, and resource availability. Most organizations cannot appoint a Chief Green Officer or radically reverse their procurement strategy in the short-term. However, strategic sourcing through collaboration with experienced companies can assist with plans that use cost-effective environmental criteria in evaluating product purchases, helping secure short- and longer-term savings and the benefits that come with minimizing one's environmental footprint.

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About CGI's Spend Management Solutions Offerings

Founded in 1976, CGI is a leading business process and IT services provider with approximately 25,500 professionals operating in 100+ worldwide offices. Through our spend management practice, CGI has the deep capabilities and extensive service and technology offerings that support governments and corporations in enhancing their procurement operations, improving contracts, and achieving greater value.

CGI's spend management professionals are ready to serve as a consulting resource, solution provider, and strategic managed services partner to assist government decision-makers in the development, analysis, implementation and management of the public sector procurement solution that best fits their needs.

The below diagram highlights our full, end-to-end procurement solutions offering:



For more information, please visit our website (www.cgi.com/spendmanagement) or our newsletter (www.procurementinsight.com), or contact us at spendmanagement@cgi.com.

Corporate Profile

At CGI, we're in the business of satisfying clients. For 30 years, we've operated upon the principles of sharing in our clients' challenges and delivering quality services to solve them. A leading business process and IT services provider, CGI has approximately 25,500 professionals operating in 100+ worldwide offices, giving us close proximity to our clients. Through these offices, we offer local partnerships and a balanced blend of global delivery options to ensure that clients receive the combination of value and expertise they require. CGI defines success by exceeding expectations and helping clients achieve results.