



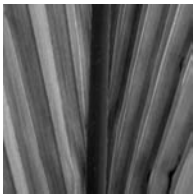
Leadership and accountability

LEADERSHIP AND ACCOUNTABILITY				
Success factors for managing responsible purchasing	Why our findings indicate this is important	What acting responsibly delivers	Effect of responsible purchasing practices	Case studies and relevant references
<p>What the best are trying to achieve “To integrate responsible sourcing practices into our mainstream procurement processes as quickly as possible. To work on a priority basis to understand our impact and the impact of those we work with in the supply chain and take action to change and improve where we can do better.”</p>	<ul style="list-style-type: none"> • Strong co-ordination and leadership is needed to implement change since purchasing is a multifunctional process and consideration of social, labour and environmental performance in procurement is challenging, especially in long, complex supply chains. • Social, labour and environmental performance needs to be embedded within the organisations’ core procurement process and not managed as separately, ensuring that those who indirectly affect outcomes, for example product development, logistics, marketing and finance are fully engaged. • Accountability for developing and implementing policies and standards have to be clearly assigned. • Changes to existing working practices must be managed to overcome problems. 	<ul style="list-style-type: none"> • Buyers lead in sourcing responsibly. • Clear accountability helps reconcile differing priorities and fulfil them in sourcing. • Cross functional co-ordination is effective. • Standards are clearly reflected in practices. • Social, labour and environmental standards are core buying issues. • Business and social, labour and environmental performance improves more quickly. • Sending clear and strong messages backed by actions will win support in the buying community 	<ul style="list-style-type: none"> • Executive sponsorship. Visible commitment. • Procurement as a recognised professional discipline. • Resources with the right level of skill and seniority to lead this agenda across the organisation and its supply chains. • Procurement held to account for delivering social, labour and environmental performance improvement in the external supply chain. 	<ul style="list-style-type: none"> • BT • Treatt plc



Knowledge and the consequences of buying actions

KNOWLEDGE AND THE CONSEQUENCES OF BUYING ACTIONS				
Success factors for managing responsible purchasing	Why our findings indicate this is important	What acting responsibly delivers	Effect of responsible purchasing practices	Case studies and relevant references
<p>What the best are trying to achieve “To deeply understand the impact of what we do. To use knowledge as a source of competitive advantage and to be alert to events in the supply chain which might indicate a need to improve or that tell us that our standards and aspirations may be at risk.”</p>	<ul style="list-style-type: none"> • The buying organisation may not be aware of the consequences of its sourcing practices. • Traditional management information systems may be inadequate. • The trend towards the transfer of operational management to others (e.g. tier one suppliers, category managers, outsource providers or agents) reduces transparency and distances the buying organisation from the market and its own supply chain. • Simultaneous increases in supply chain complexity magnify risks. • Traditional risk management techniques do not adequately address the social, economic or environmental threats the organisation itself poses through its supply chains. • A lack of knowledge inhibits the organisation's ability to learn and develop better techniques and practices. 	<ul style="list-style-type: none"> • Knowledge and greater awareness <ul style="list-style-type: none"> • reduces operational, financial and reputational risk. • increases the likelihood, scale, impact of cost savings and other supply chain benefits • helps the buying organisation identify and protect vulnerable parts of the supply chain. • benefits all procurement and is a source of competitive advantage. • harnesses purchasers' and colleagues' commitment to responsible purchasing. 	<ul style="list-style-type: none"> • Diverse management of the supply chain by category, product or geography. • Training for employees in supplier facing departments is based on company agreed standards and best practice. • Awareness of the distribution of cost in the supply chain. • Explicit discussion between supplier and buyer on prices and compliance costs. • Feedback, learning and information sharing across the supply chain and with external stakeholders (including NGOs, government and trade unions) is used to revise practices to achieve high standards. • Recognise the role of external stakeholders in achieving desired standards. e.g. ensure that workers at supplier sites are educated about their rights. 	<ul style="list-style-type: none"> • Barclays • Gap • Auditing does not shield buying organisations from reputational damage.



Managing conflicting priorities what the best are trying to achieve

MANAGING CONFLICTING PRIORITIES WHAT THE BEST ARE TRYING TO ACHIEVE				
Success factors for managing responsible purchasing	Why our findings indicate this is important	What acting responsibly delivers	Effect of responsible purchasing practices	Case studies and relevant references
<p>What the best are trying to achieve “To ensure that progress implementing better sourcing practices is not jeopardised by other pressures and that our collective actions are consistent in terms of their impact on the supply chain and the standards we aspire to achieve”</p>	<ul style="list-style-type: none"> • Procurement resources are scarce and thus operational issues predominate. Despite good intentions at an executive level necessary change will not be implemented. • Conflicting priorities or the disjointed actions and communication of those who are managing the supply chain significantly impair its performance, particularly when sourcing across linguistic and cultural divides. • Suppliers have to respond to changing demand patterns which purchasers could plan better. • Conflicting priorities put the most vulnerable external supply chain resources at greater risk. 	<ul style="list-style-type: none"> • Clarity of standards expected in supply chain, enabled by purchasing practices mean that: <ul style="list-style-type: none"> • Suppliers can plan with confidence that purchasing company will not change orders and thus match capacity and resources to demand. • More stable demand reduces the need for short term contract or temporary labour that is potentially less skilled and more exploitable. 	<ul style="list-style-type: none"> • Standards and the method of working with suppliers to achieve them, are shared throughout the supply chain. • Measurement and reward systems for achieving standards are consistent to eliminate conflicting actions. • Lead times, pricing, delivery and payment dates are agreed with the supplier allowing for social, labour and environmental needs. • Risk and vulnerability assessments improve decision making and mitigate the negative effects of internal conflicts. • Pro-active learning by analysing root-causes if conflicts do occur. 	<ul style="list-style-type: none"> • L’Oréal • External Supply Chain Problems Often Arise from Within the Buying Organisation : Insight Investment/Acona Research Finding “Buying Your Way Into Trouble”



Thinking and acting beyond short term horizons

THINKING AND ACTING BEYOND SHORT TERM HORIZONS				
Success factors for managing responsible purchasing	Why our findings indicate this is important	What acting responsibly delivers	Effect of responsible purchasing practices	Case studies and relevant references
<p>What the best are trying to achieve “To ensure there is a clear framework for each expenditure area within which the best sourcing solutions can be developed to address business priorities now and in the future. To thoroughly consider and embed social, labour and environmental performance requirements and chart a direction over time that has the support of the business as a whole.”</p>	<ul style="list-style-type: none"> Implementing responsible sourcing practices requires concerted, consistent action over a long period. With only short term horizons, buyers may focus on immediate deliverables (cost, inventory, speed of response) at the expense of strategic objectives, like innovation that support the organisation’s longer term goals. A longer perspective allows other stakeholders and suppliers to co-ordinate their actions accordingly. This creates more lasting and better results e.g. suppliers can make investments knowing that they can recoup their funds through ongoing sales over a stated time period. Sudden actions create risk, because others in the supply chain cannot anticipate them. This affects vulnerable resources, such as labour, as sudden increases in demand require casual workers unprotected by contracts. This damages trust and confidence. 	<ul style="list-style-type: none"> More considered and consistent actions will deliver more lasting results. Sourcing strategies will benefit from the consideration and input of others. Better co-ordination will result in less waste and better performance from a more efficient supply chain. Increased supplier involvement and dialogue will create an opportunity to capture extra value and supply chain innovation that otherwise might be lost. 	<ul style="list-style-type: none"> Sourcing strategies exist for key expenditure areas. There is independent scrutiny and endorsement of sourcing strategies and their effectiveness to help build trust and confidence. Supplier relationship need to be linked to the future objectives of the sourcing strategy. Strong connectivity between internal and external relationships. Communicate supply chain performance against the desired social, labour and environmental standards and problem issues, to facilitate collaborative problem solving. 	<ul style="list-style-type: none"> Organic pig supplier to Tesco General Motors



Managing relationships in the supply chain

MANAGING RELATIONSHIPS IN THE SUPPLY CHAIN				
Success factors for managing responsible purchasing	Why our findings indicate this is important	What acting responsibly delivers	Effect of responsible purchasing practices	Case studies and relevant references
<p>What the best are trying to achieve</p> <p>“To recognise and value relationships. To manage them individually and collectively over time to maximise their contribution to our organisation. To ensure that where the relationship is between others in the supply chain we influence good practice to the extent we possibly can.”</p>	<ul style="list-style-type: none"> • Suppliers’ outputs and relations with others are crucial to the success of the whole supply chain. Select appropriate size and capability of suppliers to meet business needs. Inappropriate supplier selection or significant changes to order may result in unreasonable pressure on workers to meet higher demands than envisioned. • Supplier confidence, co-ordination and trust will be damaged if relationships are not managed effectively, meaning social, labour and environmental standards are less likely to be met. • Access to market knowledge, learning and innovation may be lost. • Poor relationship management practices across the supply chain impede the flow of information and limit the influence of the buyer. • A lack of clear contractual agreements between organisations or between an organisation and its employees increases the risk of exploitation of the weakest party. 	<ul style="list-style-type: none"> • Closer relationships deliver lower costs and better supply chain performance. • Well managed relationships strengthen the flow of information and knowledge. This fosters innovation and improves productivity. • Suppliers are more likely to repeat good practice on the buyer’s behalf within the supply chain, thereby increasing the buyer’s reach and impact. • The level of exposure and risk to vulnerable resources will be reduced. 	<ul style="list-style-type: none"> • Relationship management frameworks that co-ordinate the actions, messages and targets of all internal stakeholders and build trust. • Relationships managed consistently at the right level of seniority. • Significant improvements at supplier’s sites are achieved within a reasonable period. • Suppliers encouraged to work with local stakeholders to meet standards in a locally appropriate and sustainable manner. • Linking sourcing strategies, supplier relationship management and supplier development to ensure those actions are directed towards delivering longer term objectives. Training on standards is offered to suppliers as appropriate. 	<ul style="list-style-type: none"> • Flamingo • SAB Miller



Responsible use of power in the supply chain

RESPONSIBLE USE OF POWER IN THE SUPPLY CHAIN				
Success factors for managing responsible purchasing	Why our findings indicate this is important	What acting responsibly delivers	Effect of responsible purchasing practices	Case studies and relevant references
<p>What the best are trying to achieve “To recognise that exercising power can have positive as well as negative consequences. To make sure that power is exercised responsibly and that all reasonable steps are taken to identify and enhance social, economic and environmental performance in the supply chain that might be vulnerable to its effects.”</p>	<ul style="list-style-type: none"> • Use of power in asymmetric situations creates vulnerability and the risk of exploitation. • Governance in this area is limited and the effects are complex and often manifest themselves elsewhere in the supply chain so the consequences are not necessarily clear to the buyer. • It is a widely used technique underpinning many buying strategies. • Protection from the irresponsible use of power or its effects elsewhere in the supply chain may not be mitigated by standard methods of protection, e.g. contracts or compliance with standards, legal or regulatory frameworks. 	<ul style="list-style-type: none"> • Reducing risk by better management and awareness of the negative effects of power in asymmetrical relationships. • Better protection of vulnerable resources. • Greater use of other, more innovative influencing strategies. • Reduced risk of quality or supply disruption. • Less chance of legal or regulatory intervention. • Better supplier relationships 	<ul style="list-style-type: none"> • Effective governance of sourcing strategies and supply chains. Understanding of how power is used. • Understanding of the whole supply chain and points of vulnerability. • Using power to achieve social, labour and environmental standards, through good relationships. • Effective supply chain feedback, control and audit frameworks to assess the impact of practices, initiate new ways of working and learn from conflict. Specific projects to deal with intractable problems. • Strong risk management practices. 	<ul style="list-style-type: none"> • Brakes • Alfa Laval • Suppliers invest more in innovation for customers they have a good working relationship with than for major customers which have a lower ‘Working Relations Index’ score • Competition Commission