

## **Sustainable organisational procurement - a progressive approach towards sustainable development**

**Suzanne Grob, Doctoral Candidate, Institute for Sustainable Futures, University of Technology, Sydney ([Suzanne.M.Grob@uts.edu.au](mailto:Suzanne.M.Grob@uts.edu.au)) &  
Ian McGregor, Lecturer, School of Management, University of Technology, Sydney  
([ian.m.mcgregor@uts.edu.au](mailto:ian.m.mcgregor@uts.edu.au)) - PO Box 123, Broadway, NSW 2007**

### **Abstract**

This paper examines the relationship between organisations and their ability to contribute to sustainable development through sustainable procurement. Organisations, particularly corporations and government command an increasingly powerful influence on the economy and society and are required to serve a wide range of stakeholders, including the community, shareholders, employees, customers and suppliers. In total, this sector has the potential to exercise substantial power because of the enormous value of its purchasing expenditure. The paper explores the progress of organisations towards sustainable procurement as part of moving towards becoming a sustainable organisation. To demonstrate this transition, the paper uses a framework based on the phase model of sustainability proposed in *Organizational Change for Corporate Sustainability* by Dunphy et al. This framework outlines six phases in a progression towards sustainable procurement (rejection, non-responsiveness, compliance, efficiency, strategic proactivity, sustainable organisation) as part of moving towards becoming a sustainable organisation.

### **1. Introduction**

Organisations, particularly corporations and governmental organisations command an increasingly powerful influence on the economy and society. These organisations have a wide range of stakeholders, usually including the community, employees, customers and suppliers and shareholders/owners in the case of for profit organisations. In order to progress towards Sustainable Development(SD), it is important that the activities of the organisational sector are ecologically and socially sustainable and it contributes towards the sustainability of the rest of society. In total, the organisational sector as a purchaser and producer has substantial power to assist or hinder progress towards SD. It is, however, recognised that progress towards SD by the organisational sector will not be sufficient for the major societal change and paradigm shift that is required to make significant progress towards sustainable development (Banerjee 2003; Milbrath 1994).

There are a wide range of organisations that carry out activities across the private, public and not-for-profit sectors. In the course of these activities, they use services and consume products and in many cases, also, produce products and deliver services. This paper looks at the phases of development of sustainable organisational procurement by organisations as part of their progress towards becoming a sustaining organization. The phases of development towards becoming a sustaining organisation are based on the phases in the development towards corporate sustainability outlined by Dunphy, Griffiths et al (2003) p23-25. There are clearly a large number of constraints on corporations moving towards corporate sustainability which are also discussed in a wide range literature (Block 2002.; Dunphy, Griffith & Benn 2003; Heal 1998; McGregor 2003)

## **2. Why organisations have to become sustainable**

Dr Gro Harlem Brundtland introduced the best-known definition of sustainable development into common lexicon in 1987. This is now widely accepted as the basis for any discussion of sustainable development. Brundtland defined it as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development 1987). This definition serves as a starting point for the concept of sustainable procurement to be introduced in this paper. In a similar vein, John Elkington, the founder of Sustainability reinforces this relationship between the discrete components of society, the economy and the environment in his definition of the triple bottom line. He proposes “sustainable development involves the simultaneous pursuit of economic prosperity, environmental quality and social equity... (Elkington 1997).” Others propose that sustainable development must ensure ecological sustainability as the overriding priority, “human society is totally constrained by the natural ecology of our planet. It requires integration of ecological thinking into all social and economic planning (State of the Environment Advisory Council 1996).”

Precisely defining Sustainable Development(SD) is not critical in the context of this paper as it is clear that the organisational sector (government, business and non-profit organisations) represents a large proportion of economic activity in most developed countries. Therefore in order to make significant progress towards SD, it is clearly important that the activities of organisations become ecologically and socially sustainable.

## **3. Transition towards sustainable procurement**

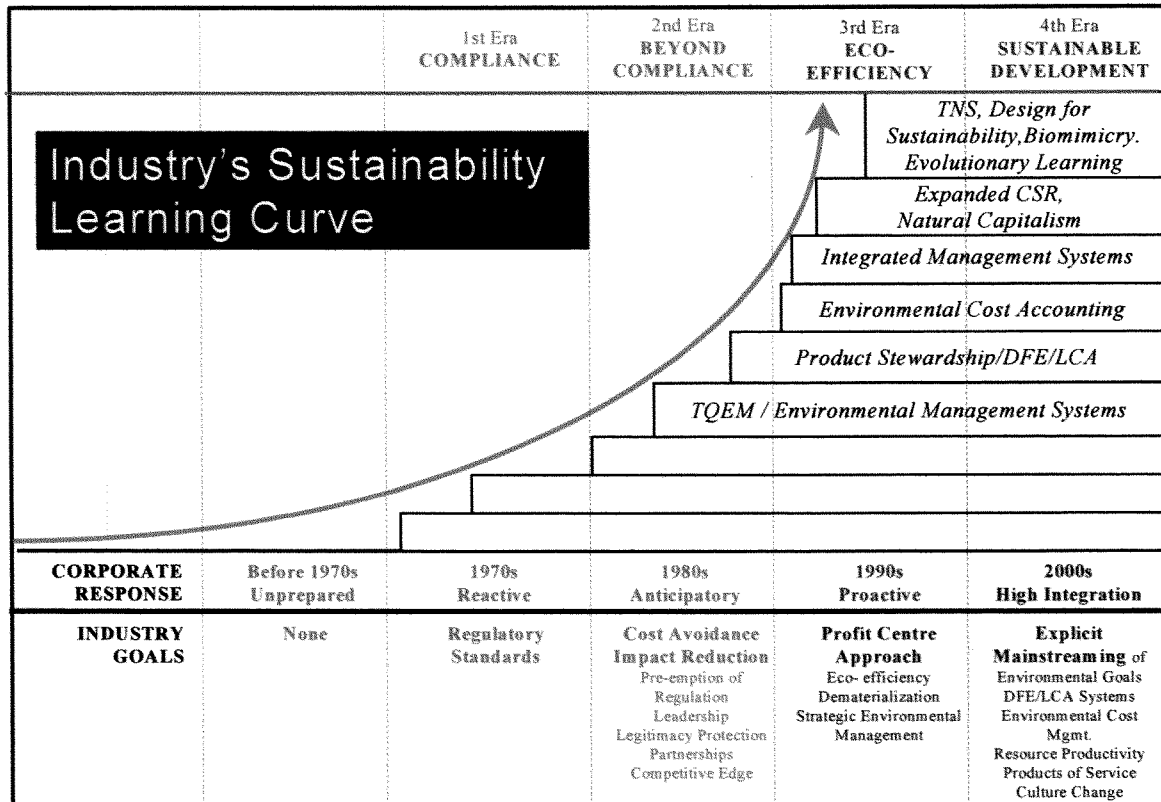
“Through their purchases governments, corporations, universities and other large institutions wield great influence over the future of our planet. Nearly every purchase an institution makes, from office paper to buildings has hidden costs for the natural environment and the world’s people (Mastny 2003).”

Procurement contributes to sustainability in terms of resource consumption and through the impacts of manufacturing, transport and disposal of products. The severity of these impacts is dependent on the type and quantity of raw materials used, either non-renewable or renewable, the efficiency of production methods and systems to reuse, recycle or dispose of goods once their usefulness has expired. These processes aggregate into multifaceted supply chains producing an astonishing range of consumption items either produced or procured by organisations. These activities have the potential to seriously damage the ability of the planet to perform its life-sustaining functions (Commoner 1972; Daly, Cobb & Cobb 1994; P Hawken, AB Lovins & H Lovins 1999). Organisational procurement activities, including product and service selection, influence resource consumption and at current rates the high income nations, like Australia, are placing the regenerative capacities of the earth in jeopardy (United Nations Commission on Sustainable Development 2003).

The role of purchasing and supply chain management is gaining increasing prominence in an organisation’s environmental management stretching beyond legislation, compliance and cost savings (Green, Morton & New 1998). This paper examines the role of purchasing and supply chain progression to include sustainable factors that mirror closely the journey towards organisational sustainability.

#### 4. Transition towards organisational sustainability

Nattrass and Altomare (1999) use the following diagram to illustrate industry's transition to sustainability. A similar transition path can be envisaged as being needed to facilitate the transition of all organisations to sustainability.



Source: The Natural Step for Business, Brian Nattrass & Mary Altomare

(B Nattrass & M Altomare 1999) p16

**Figure 1: Industry's Sustainability Learning Curve**

McIntosh (2002) identifies four types of corporate citizenship:

- Avoidance – often these businesses are involved in illicit activities;
- Compliance – most companies and corporations in the developed world;
- Discretionary – company seeks to argue that it “does no harm”;
- Pro-active – companies that see themselves as pro-active agents of positive social change.

Increased organisational sustainability is clearly a contributor to higher levels of corporate citizenship contributing to positive social change.

#### 5. Six phases in development towards organisational sustainability

Dunphy et al (2003) builds mainly on Nattrass's model in order to outline six phases in the development of corporate sustainability. These phases can be also be used to characterise progress towards organisational sustainability. These six phases are:

1. Rejection
2. Non-responsiveness

3. Compliance
4. Efficiency
5. Strategic proactivity
6. The sustainable organization

Each of these phases will be discussed briefly in the following sections as they provide a useful basis for examining the progression towards sustainable procurement. Any reader who wishes to review in more-depth the human and ecological characteristics for six stages should refer to Dunphy, Griffiths et al (2003), which covers the stages and possible approaches to progress through the stages in much more detail. The discussion of each stage is followed by a more in-depth discussion of how sustainable procurement may develop in an organisation in each of these phases.

## **6.0 Organisational and Procurement characteristics in each phase of sustainability**

### **6.1. Rejection**

#### **6.1.1. Key Organisational Characteristics – Human & Ecological Sustainability**

In some cases, organisations may not even meet the legislated requirements. Rejection, however, normally represents a minimal level of compliance with environmental and occupational health and safety legislation. It involves the organisation exploiting, as far as possible, its employees, sub-contractors and the natural environment. Community concerns are rejected outright and the organisation does not take any responsibility for its environmental impact (Dunphy, Griffiths & Benn 2003).

#### **6.1.2. Key Organisational Characteristics – Sustainable Procurement**

Procurement in this phase is characterized by a single focus - the financial bottom line. The purchasing function can vary enormously. In some organisations, it is maverick and decentralised with excessive repetition and little regard for cost saving or sustainability. In other organisations, it is very focused on cost minimisation of purchasing with little or no regard for other factors. It could be postulated that some organisations may deliberately attempt to circumvent their mandatory or legislative requirements in an attempt to save costs.

In these organisations, employees may have a commitment to sustainability and direct their buying along these paths, but this is not actively encouraged by the organisation, except when complemented by a significant cost savings. Neither organisational procurement, nor supply chain management are regarded as a strategic activities with abundant potential to contribute to savings, economies of production or reduce negative influence environmental impacts. In this phase the organisation's stakeholders and the community are not recognized as a significant component of the organisation's operating environment. The environmental and social implications of product selection, quantities of supplies used, raw materials used and of production techniques are not given consideration.

### **6.2. Non-Responsiveness**

#### **6.2.1. Key Organisational Characteristics – Human & Ecological Sustainability**

The narrow technical or financial focus of the organisation excludes significant consideration being given to the human or ecological sustainability. Employees are viewed as a resource cost to be minimized, social responsibility and community concerns are ignored and little

regard is given to environmental degradation resulting from the organisation's activities (Dunphy, Griffiths & Benn 2003).

#### *6.2.2. Key Organisational Characteristics – Sustainable Procurement*

In this phase the organisation is mindful of the mandatory requirements. It may be aware of the progress of other industry participants, but elects to ignore their stance. Supply chain management and procurement is focused on cost reduction and may often be characterised by duplication and ad hoc activities. There is no overarching organisational policy to guide decision making in procurement. Often in this phase, organisations are forced to implement systems and processes as a licensing requirement to manufacture or perform a service to the standards required by a regulator or a major customer.

### **6.3. Compliance**

#### *6.3.1. Key Organisational Characteristics – Human & Ecological Sustainability*

Compliance is undertaken as a risk reduction exercise for the organization, both in regard to community concerns and environmental issues. Employee relations are often characterised by benevolent paternalism (Dunphy, Griffiths & Benn 2003).

#### *6.3.2. Key Organisational Characteristics – Sustainable Procurement*

The Australian Compliance Institute defines compliance “as the provision of services that facilitate an organisation identifying and meeting its obligations whether they arise from:

- laws
- regulations
- contract
- industry standards, or
- internal policy” (The Australian Compliance Institute 2004).

This definition implies a minimum standard from which an organisation makes a commitment to pursue sustainability further and integrate it into its procurement operations. It is often initially a reactive response to external requirements, most commonly legislation. In this phase the organisation is internally focused on mitigating risk that could result in an unwarranted expense for the organisation. It is also seeking to avoid negative community opinion and stakeholder involvement, which could be disruptive to the organisation's activities.

Organisations develop compliance strategies, which are essentially reactive to legislation; however, a sustainability strategy involves a more proactive approach linked to competitive advantage (Ghobadian et al. 1995). A sustainability strategy seeks to go beyond the mandatory and the boundaries of the organisation. At this point, the organisation has not yet realised the potential savings to be gained from efficiency gains that can be achieving by moving beyond a compliance regime. Purchasing policies are centred on probity and equity. Frameworks such as International Standard Organisations (ISO) 9001 Quality Management Systems and Corporate Governance frameworks include a Code of Conduct for Employees setting out standards of probity and employee conduct and acceptable behaviour. This may include the provision that employees should not accept gifts from suppliers and rules in regard to behaviour in relation to suppliers' hospitality, entertainment etc.

Many organisations have formal mechanisms to ensure compliance. The Fosters Group monitors its operations through a Health Safety and Environmental Management System overlaid with a compliance system. This is overseen by the Compliance Committee, which receives reports detailing non-compliance matters. These processes to monitor compliance and to take responsibility for meeting the minimum legislative standards do not ensure compliance. In 2004, a NSW site was fined for breaching the *Protection of the Environment Operations Act 1997* relating to a spill of wastewater (The Foster's Group 2004).

In Australia, corporations are required to include details of breaches of environmental laws and licences in the Director's report of their annual reports under S299(1)(f) of the *Corporations Act 2001*. In a longitudinal study of Australia's top 100 companies since 1999, Bubna Litic found that:

"One noticeable change from the 1999 report was the inclusion by one company of its supplier policy and a number of companies had independent verification of their statements. The results from 2002 indicate a trend for companies to focus on their positive environmental commitment and it was rare for companies not to take the opportunity to report and focus on the positive aspects of their environmental performance" (Bubna-Litic 2004)

At the Australian Federal Government level, Australian departments and agencies are required to report on their sustainability performance as part of their Annual Reports. This reporting, mandated by S516A of the *Environment Protection and Biodiversity Conservation (EPBC) Act*, includes coverage of agency activities against the principles of SD.

Most medium to large organisations have a standalone procurement policy detailing procedures and delegations for purchasing. The NSW Procurement Policy binds the NSW public sector in the vast majority of its procurement activities for goods and services. This policy mandates that procurement is based on the value for money principle.

Federal and state level agencies are directed to purchase sustainably based on two policies: the Waste Reduction and Purchasing Policy and the Government Energy Management Policy. These policies have guidance notes and reporting regimes for recycled products and targets for the consumption of electricity from renewable resources.

In the United States, many purchasing policies were developed in response to the *Resource Conservation and Recovery Act (RCRA)* and Executive Order 13101 signed in September 1998 which called for an increase in the federal government's use of recycled-content and other environmentally preferable products. The first change was in buying recycled purchasing policies in the mid 1980s in American local government to address waste and reducing the need for more landfill sites. By 1998, 47 states and more than 500 local governments had adopted buy recycled policies (Case 2004).

## **6.4. Efficiency**

### **6.4.1. Key Organisational Characteristics – Ecological & Human Sustainability**

Teamwork among employees is encouraged and used to add value to the organisation's activities. Poor environmental practice is seen as an important source of avoidable cost. Community and environmental issues primarily addressed on a cost benefit basis for the organisation (Dunphy, Griffiths & Benn 2003).

#### *6.4.2. Key Organisational Characteristics – Sustainable Procurement*

This phase could equally be classified as compliance plus, where the organisation seeks to go beyond the mandatory to examine efficiencies leading to more effectiveness and cost savings.

Eco-efficiency is achieved by the delivery of competitively priced goods and services that satisfy human needs and contribute to quality of life, while progressively reducing ecological impacts and resource intensity throughout the life cycle, to a level at least in line with the Earth's estimated carrying capacity" (World Business Council for Sustainable Development 1992).

Many organisations have recognised value in supporting sustainability and have tracked their progress through various frameworks and systems. Several have found that it motivates their employees and makes these organisational practices more acceptable to shareholders (Michaelis 2003). Commonly used frameworks include the ISO 14001 Environmental Management Systems (EMS) series. In a study carried out on three different organisations, Darnell, Gallagher & Andrews (2001) concluded that implementing ISO 14001 had changed its operating structures, modified its input usage and adjusted its supplier and customer relationship. These frameworks require auditing and measurement systems. Following the implementation of these systems, this is often the first occasion an organisation becomes aware of its impacts on the environment in terms of corporate purchasing and supply chain management.

Australian Federal Government agencies are required to have developed and implemented an EMS by December 2002. They are also required to have at least one major site certified to ISO14001 or equivalent by December 2003 as part of the Greening of Government project. The second stream of this work is aimed at encouraging the consideration of relevant environmental policies, programs, costs and benefits when Australian Federal Government purchases are made. With \$16bn per year of purchasing, the Australian Government is a major consumer of goods and services. Currently, Australian Government procurement policy requires purchasers to take into account all relevant environmental policies, programs, costs and benefits when making purchasing decisions. (Australian Department of Environment and Heritage 2004b).

Since implementing an EMS the Department of the Environment and Heritage has achieved:

- A 20% reduction in total tenant light and power consumption from 2.1 million to 1.7 million kWh. We are approximately 44% below the Australian Government Energy Target of 10,000MJ/pp/annum.
- A reduction in CO<sub>2</sub> emissions associated with tenant light and power of 2,258 tonnes to 254 tonnes;
- A waste reduction and recycling rate of approximately 95%;
- A reduction in fleet transport CO<sub>2</sub> emissions by 9% (Australian Department of Environment and Heritage 2004a).

#### **6.5. Strategic proactivity**

##### *6.5.1. Key Organisational Characteristics – Ecological & Human Sustainability*

Intellectual and social capital is used to develop the organisation and achieve the desired organisational outcomes. The organisation views itself as a member of the community and

one of its major roles is seen as contributing to enhancing community well being. Proactive environmental strategies supporting ecological sustainability are pursued (Dunphy, Griffiths & Benn 2003).

#### *6.5.2. Key Organisational Characteristics – Sustainable Procurement*

In this phase the organisation is understood as an integral part of the community and its shareholders and stakeholders valued for their contribution to business outcomes. Institutions undertaking their own procurement can also identify an EMS as one method they use when buying products and services to meet their organisation's goals for reducing environmental impacts and moving towards more sustainable development. The European Union has developed a parallel system for its members titled the European Union Eco- Management and Auditing Scheme (EMAS).

In large institutions, procurement is routinely given prominence as a key strategic and operational activity. Systems and processes are documented and policies and directives are developed to guide activities and outcomes. Further, it is frequently managed by specialist staff and takes the form of a stand-alone department for an entire organisation or jurisdiction. This is a major advantage for setting sustainable criteria, as it is a centrally managed procurement function. The primary focus is often to gain reduction in prices through aggregated purchase of goods and services; it also has in many cases the market power to shift product preferences to more sustainable sources. The functional units of organisational sustainability and sustainable procurement and production have a relationship of mutual cooperation to advance sustainability.

#### *Supply Chains*

These certification systems frequently flow through supply chains as an endorsement or pre-requisite for a preferred supplier status. Examples of companies adopting this policy include Bristol Myers, Squibb, IBM and Xerox which all encourage suppliers to develop EMSs certified to ISO 14001 (Dunphy, Griffiths & Benn 2003).

#### *Reporting*

In this phase, organisations have progressed beyond measurement for compliance or efficiency reasons as it is regarded as an integrated business imperative. More detailed and rigorous reporting frameworks and corporate strategies are applied to procurement and resource usage. The Global Reporting Initiative (GRI) is an independent institution using a multi-stakeholder process to develop and disseminate globally applicable Sustainability Reporting Guidelines. The GRI is an official collaborating centre of the United Nations Environment Programme (UNEP) and works in cooperation with UN Secretary-General Kofi Annan's Global Compact. All these frameworks address supply chain environmental sensitivities, corporate procurement and corporate governance activities. The GRI framework has been adopted by several Australian businesses including BHP-Billiton, Westpac Banking Corporation and Landcare Australia. Consumption of goods and services forms part of the GRI covering the inputs to the manufacture of goods and delivery of services, in addition to an institution's purchasing requirements for internal use.

In this phase, public reporting and resource targets are often set for organisational improvement. As part of their path towards implementing sustainability in procurement, the



Insurance Australia Group (IAG) has identified products with substantial environmental burden and set targets for the next year to reduce current quantities used with the intention of reducing their carbon dioxide footprint by 15% in fiscal 2004 and by a further 10% in fiscal 2005 (Insurance Australia Group 2004).

As part of this phase, it is common to observe organisations participating in voluntary codes of industry practice or government programs. For example, IAG joined the NSW Government's Energy Smart Business Program, which assists businesses to reduce their greenhouse gas emissions through the introduction of energy efficient technology and operating processes (Insurance Australia Group 2004). The Foster's Group has also participated in the Greenhouse Challenge (The Foster's Group 2004).

Another feature is often businesses partner with an environmental non-governmental organisations to assist their transition. Recycled products offer one avenue to procure in a more sustainable manner. In Australia, the Buy Recycled Business Alliance (BRBA) is a non-profit organisation formed to promote the purchase and use of recycled content products and materials. Members of this alliance represent some of the leading Australian businesses from a diverse range of industries including Australian Paper, Coca-Cola Amatil, Coles Myer, Corporate Express Australia Limited and Fuji Xerox Australia. BRBA organisations have a commitment to producing recycled products as well as purchasing recycled products. The alliance will increase recycled products take-up by harnessing the purchasing power of its members, estimated to be \$30 billion annually, to increasingly "buy recycled" (Buy Recycled Business Alliance 2004).

## **6.6. The sustainable organisation**

### **6.6.1. Key Organisational Characteristics – Ecological & Human Sustainability**

The organisation seeks to exert influence on key participants in society in order to promote increased human welfare and equitable and just social practices. It adopts a strong organisational ethical position and is a strong promoter of equal opportunity, workplace diversity and work-life balance as workplace principles. It is an active promoter of ecological sustainability and seeks to assist society to become ecologically sustainable. Nature and people are seen as valuable in their own right (Dunphy, Griffiths & Benn 2003)

### **6.6.2. Key Organisational Characteristics – Sustainable Procurement**

In this phase the organisation is in harmony with the community and is regarded as mutually beneficial. Sustaining organisations conduct a life cycle analysis for all their products. They are concerned with the full production flow from extraction of raw materials to their disposal re-use or recycling, even where their own operation may control only a link in the total chain. They actively negotiate collaborative solutions to social and environmental problems with other firms in the supply chain (Dunphy, Griffiths & Benn 2003).

In the sustaining organisation a role would exist to ensure purchasing and supply chain activities are congruent with the organizational objectives for sustainability.

*The Sustainable Organisation – Process Design*

One approach to developing a sustainable organisation, one approach that could be used is the Natural Step (NS) model. This framework includes four system conditions for ecological and social sustainability (Robèrt 1997).

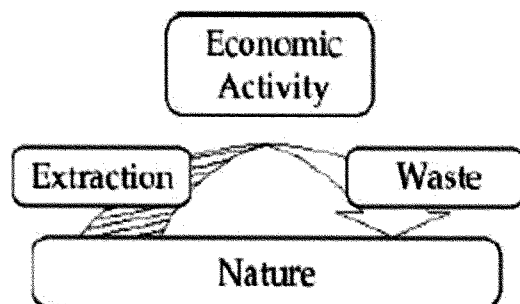
1. There is no increase in concentrations of substances extracted from the Earth's crust.
2. There is no increase in concentrations of substances produced by society.
3. There is no physical impoverishment by over-harvesting or other forms of ecosystem manipulation.
4. Resources are used fairly and efficiently in order to meet basic human needs worldwide.

These are very broad system conditions and in Robèrt's subsequent collaborative paper, there is more detail on how an organisation might use the Natural Step model in conjunction with other strategic tools to progress towards becoming a sustainable organisation (Robert et al. 2002). Some of the relevant tools include systems thinking; backcasting; upstream thinking (particularly relevant to sustainable procurement); Factor X & 10, ecological footprinting; life cycle assessment, zero emissions and cleaner production.

In Australia, organisations such as Orica with brands such as Dulux, British Paints and Selleys have commissioned the Natural Step to examine its Health and Safety and Environmental Charter. Rob Coombs, Asia Pacific Chairman of Interface provided a summary of the company's progression embracing the Natural Step principles:

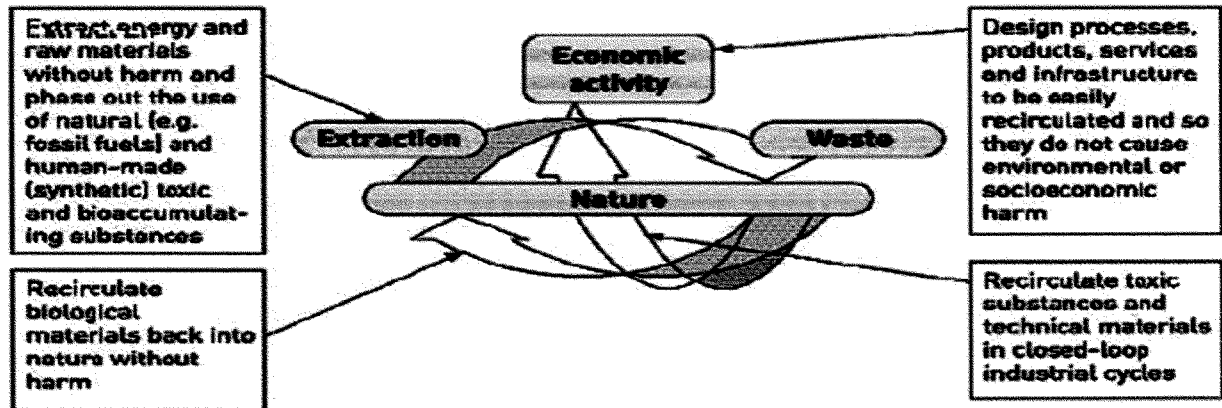
"More recently Interface has benefited from working with the Natural Step by exploring their business model that ties the notion of innovation and competitive advantage to sustainable business development. As our people are exposed to this approach, they see the business benefits associated with operating in harmony with nature's systems (Herbertson 2004)."

The cradle-to-cradle approach of eco-effectiveness for business proposed by McDonough and Braungart (2002) would seem to have the potential to meet the ecological system conditions for the Natural Step model if the full circular borrow-use-return model was implemented by an organisation. The current model of many organisations, particularly businesses is shown in Figure 2 and many of the sustainable business models are focussed on reducing the extraction or waste or both. Many of the organisations in the earlier phases are examples of this model.



**Figure 2: The unsustainable linear take-make-waste economic model**  
(LeVan et al. 2003) p2.

The cradle-to-cradle eco-efficiency approach proposed by McDonough and Braungart (2002) where “products can either be composed of material that bio-degrade and become food for biological cycles, or of technical materials that stay in the closed-loop technical cycles, where they continually circulate as valuable nutrients (raw materials) for industry”. It is illustrated in Figure 3. This is similar to the biomimicry approach proposed by Benyus (2002).



**Figure 3: The sustainable circular “borrow-use-return” economic model**  
(LeVan et al. 2003) p3

Organisations’ unsustainable products and services are the result of “bad” design both of the unsustainable products or services and the processes through which they are manufactured, provided and delivered which damage rather than enhance nature (Van der Ryn & Cowan 1995; Walker 2000). This suggests, then, that solutions need to address not only in the nature of products and services (the outputs of organisations) but also the way the products and services are conceived, developed, manufactured and delivered and inputs are sourced. (P Hawken, A Lovins & LH Lovins 1999; Walker 2000). Sustainable organisations may also focus on changing from unsustainable growth in consumption using an unsustainable take-make-waste system to continuing improvement in quality of life via a re-designed borrow-use-return eco-effective economic system.

### *Supply Chains*

In the phase the institutions seeks to help or carry their stakeholders along the path to sustainability in a mutually beneficial journey engaging in collaborative initiatives with suppliers

In the service sector suppliers and outsource partners are a critical element in organisational sustainability. Westpac has recognized this dimension of their relationships with suppliers by introducing their Sustainable Supply Chain Management Policy and Guidance Note:

“As a service business we recognise that many of Westpac's social, ethical and environmental impacts reside as much in our supply chain as in our own activities. We aim to take a leadership position internationally within the financial services sector by working with all suppliers to positively influence our mutual social, ethical and environmental performance (Westpac 2003).”

In Australia S1013(A) to (F) of the *Corporations Act 2001*, requires providers of financial products with an investment component to disclose the extent to which labour standards or environmental, social or ethical considerations are taken into account in investment decision-making.

In the final phase of sustainability social considerations and community obligations become more prominent and often are the point of differentiation in sustainable performance. Relationships with community groups and outworkers may be critical to organisational responsibility. One of the country's largest apparel retailers, Coles Myer recognised its responsibility to outworkers and signed the National Retailers/Textile, Clothing and Footwear Union of Australia (TCFUA) Ethical Clothing Code of Practice in 2002. This Code forms a direct relationship with the union to provide information and assistance with investigations of alleged exploitation (Coles Myer Limited 2002).

The Fair Labor Association (FLA) is a non-profit organisation that promotes adherence to international labour standards and seeks to improve working conditions worldwide. In 1999, Adidas-Salomon became an FLA participating company and fully supports the FLA obligations. This includes internal auditing, independent and unannounced monitoring, consistent tracking of remedial actions, and transparent communication of the process. Adidas-Salomon is committed to continuously improve working conditions throughout its supply chain, including standards for employment, health and safety and workers rights (adidas-Salomon 2004).

## **7. Summary**

The following table summarises the key characteristics in the different phases.

**Table 1 - Phases of sustainable organisational procurement**

Phase	Organisational characteristics (1)	Procurement characteristics (2)
Rejection	Unfettered exploitation of its employees, sub-contractors and the natural environment	Buy the cheapest Cost is the only consideration in purchasing Health, safety and the environment are not a priority for products or purchasing decisions
Non-Responsiveness	Narrow technical/financial focus No significant consideration given to human or ecological sustainability	Aware of potential for integrating sustainability, but viewed as an additional cost Actively try to avoid legislative requirements for products and services
Compliance	Community concerns and environmental issues addressed as risk reduction exercise. Employee relations are often characterised by benevolent paternalism	Reactive to legislative and contractual requirements Systems including ISO 9001 & 14001 and Occupational Health and Safety guide procurement and production processes Purchasing to minimize potential risk and avoid litigation Manuals and policies for procurement and production for on reducing duplication
Efficiency	Poor environmental practice is seen as an important source of avoidable cost Community and environmental issues primarily addressed on a cost benefit basis Manufacturing processes centered on resource minimisation to reduce costs	Potential for integrating sustainability seriously into procurement decisions Waste products regarded as a resource Key performance indicators and targets set for resource consumption and procurement Participation in industry and Government voluntary programs for production and procurement
Strategic Proactivity	Intellectual and social capital is used to develop the organisation Proactive environmental strategies supporting ecological sustainability are pursued	Organisation seeks to encourage suppliers along path to sustainability Sustainable supply chains Sustainable procurement policy Sustainability products and purchasing part of corporate ethos Life cycle assessment for all products bought and produced Senior management articulates sustainable procurement and supply chain path. Employees educated in sustainable supply principles
The Sustainable Organisation	Seeks to exert influence on key participants in society in order to promote increased human welfare Active promoter of ecological sustainability Nature and people are seen as valuable in their own right Cradle to cradle (biomimicry) production processes, natural step philosophy	Public reporting of purchasing Sustainable suppliers are mandated Organisation engages stakeholders and community to develop new products and services Sustainable procurement practices are a key organisational behaviour Recognized by industry as leader in integrating sustainability into procurement

(1) Based on (Dunphy, Griffith & Benn 2003); (2) Based on preceding sections of paper

## 8. Conclusions and recommendations

Organisations play a pivotal role in institutionalising sustainable procurement practices in the economy and society. Organisations often fulfill dual roles, as both users/consumers and in many cases, producers or providers. Organisations public, private and non-profit have the ability to shape society and the economy. The organisation sector is a very substantial consumer of goods and user of services. Organisations can act more sustainably and consider their stakeholders as all of the people of the planet and procure and consume sustainably by adopting, developing and continually improving on preferred practices to move towards an ecologically and socially sustainable economy. Institutions can support sustainable consumption firstly by limiting the amount of goods purchased, in addition to purchasing the types of goods and services, which have a lesser burden on the ecological sustainability of the planet while contributing towards social sustainability. The phase model, outlined in this paper, provides a basic progressive framework that organisations can use to develop more sustainable procurement practices.

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Publisher: Centre of Full Employment and Equity, University of Newcastle

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### Details:

Although Australia's official unemployment rate has now fallen to around 5.5 percent, the notion that the Australian economy is somewhere near full employment is easily challenged. Increasing levels of underemployment and hidden unemployment do not bear out a full employment economy. Aggregate unemployment measures also hide significant regional disparities in unemployment and the burden of unemployment falls unequally on certain groups. Youth in particular suffer higher than average unemployment rates and the average duration of

unemployment for all workers is increasing.

At the same time, our society faces increasing pressure from depletion of natural resources and degradation of air, land and water. A major challenge which has not yet been adequately addressed by policy makers, is that of achieving an economy which delivers full employment at the same time as sound and sustainable environmental outcomes.

With the aim of exploring these issues, a Conference entitled *A Future that Works: economics, employment and the environment* was held from 8-10 December 2004 at the University of Newcastle. The aim was to develop the nexus between labour market issues and environmental issues to advance the debate about social and environmental sustainability.

The three day conference incorporated the *6th Path to Full Employment Conference* and the *11th National Conference on Unemployment*. It was hosted by the Centre of Full Employment and Equity (CofFEE), a research organisation at the University of Newcastle, and an advocate of full employment strategies. CofFEE is keen to develop dialogue on full employment and environmental well-being.

The Table of Contents is as follows:

#### **Keynote addresses**

- *Economic growth, employment and environmental pressure: Insights from Australian experience 1951-2001* Steve Hatfield Dodds, Franzi Poldy, Barney Foran and Mike Dunlop, Commonwealth Scientific and Industrial Research Organisation (CSIRO), Australia
- Vivian Hutchinson Executive Editor of The Jobs Letter, co-founder and trustee of the Jobs Research Trust, Community Advisor to the New Zealand Mayors Taskforce for Jobs [paper unavailable]
- *Full employment through a Job Guarantee: a response to the critics* William Mitchell, Centre of Full Employment and Equity, University of Newcastle and L. Randall Wray, Center for Full Employment and Price Stability, University of Missouri-Kansas City, US
- Warren Mosler, Associate Fellow, Centre for Economic and Public Policy, Cambridge University, U.K. [paper unavailable]
- *The role of people in measures of sustainable development: human and social capital* Leonie Pearson, Sustainable Ecosystems, Commonwealth Scientific and Industrial Research Organisation (CSIRO), Australia
- David Thompson CEO, Jobs Australia [paper unavailable]
- *Managing Without Growth: Employment, Equity and Environment* Peter Victor, Faculty of Environmental Studies, York University, Canada

#### **Contributed refereed papers**

- *A proposal for an IT-mediated urban electric vehicle system* Trond Andresen, Norwegian University of Science and Technology and Jørgen Dale, Shell Technology, Norway
- *Why are there no inflationary pressures in Australia? Insights from the South Australian labour market* Steven Barrett, Centre for Labour Research, University of Adelaide
- *Creating effective employment solutions for people with psychiatric disability* Anthea Bill, Sally Cowling, William Mitchell and Victor Quirk, Centre of Full Employment and Equity, University of Newcastle
- *Housing costs and work location in Sydney* Hazel Blunden, Shelter NSW, Michael Darcy, Julia Perry and Judy Stubbs, Social Justice Social Change Research Centre, University of Western Sydney
- *Theoretical methodologies for sustainability policy: historical development and logical structure* Thomas S Brinsmead and Clifford A Hooker, School of Liberal Arts (Philosophy), University of Newcastle
- *Recruitment practices and older jobseekers: soft skills and task specific skills* Ed Carson, Graduate Studies, University of South Australia and Carolyn Corkindale, School of Psychology, University of South Australia

- *Welfare "reform" in Australia, 1975 to 2004: from entitlement to obligation* Beth Cook, School of Policy, University of Newcastle
- *States of dependence: lessons from the U.S. road from welfare to work* Sally Cowling, Centre of Full Employment and Equity, University of Newcastle
- *Mutual obligation, the environment and Work for the Dole* Giorel Curran, Department of Politics and Public Policy, Griffith University
- *Towards an integrated sustainability indicators framework* Kathryn Davidson, Australian Institute for Social Research, University of Adelaide
- *Where are we going with indigenous employment policy?* Alfred Michael Dockery and Nicola Milsom, Curtin Business School, Curtin University of Technology
- *Community-based forest management for the sustainable development of Philippine uplands: lessons from Alcoy, Cebu in the Philippines* Pepito R. Fernandez Jr, Department of Human Geography-RSPAS, ANU and Division of Social Sciences-CAS, University of the Philippines in the Visayas
- *Indigenous community economic development in Northern Australia* Don Fuller, Division of Business, Southern Cross University and Anne Gleeson, School of Business Economics, Flinders University
- *Does it matter if environmental protection costs jobs?* Robert Gale, Institute of Environmental Studies, University of New South Wales and Centre for Ecological Economics
- *Sustainable organisational procurement - a progressive approach towards sustainable development* Suzanne Grob, Institute for Sustainable Futures, University of Technology, Sydney and Ian McGregor, School of Management, University of Technology, Sydney
- *Work for welfare and civic equality* Sara Hammer, Department of Politics and Public Policy, Griffith University
- *The decline of labour intensive work - regimes of punishment and the rhetoric of welfare abuse* David Humphries, School of Social Sciences, Media and Communication, University of Wollongong
- *Pushing the envelope - how to transition long-term unemployed job seekers back into work* Lynn Johnson and Peter Lanius, Juno Consulting Pty Ltd, Melbourne
- *Small business employment dynamics in Australia* James Juniper, William Mitchell and Jennifer Myers, Centre of Full Employment and Equity, University of Newcastle
- *How to invest in children i.e. our future? An ethical and economic suggestion for the theoretical development of the social pillar of sustainability in New Zealand* Stefan Kesting, Faculty of Business, Auckland University of Technology, New Zealand
- *The new view on government policy to fight unemployment and inflation: a critique* Peter Kriesler, School of Economics, University of New South Wales and Marc Lavoie, Department of Economics, University of Ottawa, Canada
- *Full employment and ecological sustainability: comparing the NAIRU, Basic Income, and Job Guarantee approaches* Philip Lawn, School of Business Economics, Flinders University
- *Land covenant trends in New Zealand* David Martin, Department of Economics, Davidson College, USA
- *Labour underutilisation and regional labour force data estimates* William Mitchell, Centre of Full Employment and Equity, University of Newcastle
- *Spatial dependence in regional unemployment in Australia* William Mitchell and Anthea Bill, Centre of Full Employment and Equity, University of Newcastle
- *Involuntary unemployment - getting to the heart of the problem* William Mitchell, Centre of Full Employment and Equity, University of Newcastle and Joan Muysken, CofFEE-Europe, University of Maastricht, The Netherlands
- *Renewable energy and electricity generation: the Australian experience 1990-2004* Rebecca Moore and Lindsay Smyrk, School of Applied Economics, Victoria University of Technology
- *Sustaining interest: are green values converting to votes?* Kate Norris and Roger Patulny, Social Policy Research Centre, University of New South Wales
- *Sustainability and liberal political economy* Joy Paton, Discipline of Political Economy, University of Sydney
- *Assisting the most disadvantaged job seekers* Daniel Perkins, Social Action and Research Unit, Brotherhood of St Laurence, and Department of Politics, University of Melbourne and Lucy Nelms, Social Action and Research Unit, Brotherhood of St Laurence

- *An investigation of issues affecting the role of renewables in future Australian electricity generation* Luke J. Reedman and Paul W. Graham, Energy Technology Division, Commonwealth Scientific and Industrial Research Organisation (CSIRO)
- *New institutional approaches to sustainability in coastal NSW* Paul Ross, School of Policy, University of Newcastle and James Juniper, Centre of Full Employment and Equity, University of Newcastle
- *Occupational mobility in Australia and the implications for VET* Chandra Shah and Gerald Burke, Centre for the Economics of Education and Training, Monash University and the Australian Council for Educational Research
- *Creating the conditions for public investment to deliver full employment and environmental sustainability* Greg Smith, School of Economics, University of New England
- *Why a sensible employment policy is unattainable in Australia.* John Tomlinson, School of Humanities and Human Services, Queensland University of Technology
- *The problem of supply-side economics* Victor Quirk, Centre of Full Employment and Equity, University of Newcastle
- *The impact of health on the ability of older Australians to stay in the workforce - with possible contributions to economic sustainability* Agnes Walker, National Centre for Social Economic Modelling, University of Canberra, and National Centre for Epidemiology and Population Health (NCEPH), ANU
- *Local labour markets in New South Wales: fact or fiction?* Martin Watts, Centre of Full Employment and Equity, University of Newcastle
- *Concerning apprenticeships: turning off the supply of labour* Harry Williams, School of Policy, University of Newcastle
- *Sustainability: are economists on the right track?* Ian Wills, Department of Economics, Monash University.

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The Centre of Full Employment and Equity, The University of Newcastle, Callaghan NSW 2308 Australia  
Telephone: +61-2-4921 7283 Fax: +61-2-4921 8731, © Copyright 1998-2004 E-mail: [coffee@newcastle.edu.au](mailto:coffee@newcastle.edu.au)



**Centre of Full Employment and Equity**

**A Future that Works:  
economics, employment and the environment**

Incorporating the  
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and  
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## Referees Report for CoffEE-ANZSEE 2004 Conference Paper

### Title of Paper:

Sustainable organisational procurement - a progressive approach towards sustainable development

### Evaluation Criteria Checklist:

1. The paper meets the guidelines of 6,000 words maximum. Y ☐
2. The abstract is no more than 150 words. Y ☐
3. The formatting guidelines have been followed. Y ☐
4. The paper is clearly written and accessible to the conference audience. Y ☐
5. The paper avoids footnotes. Y ☐
6. The paper has consistent references. Y ☐
7. The tables and figures used are fully sourced with explanations where required. N ☐
8. The paper merits inclusion in the refereed printed volume. SEE COMMENTS BELOW Y ☐

### General Comments

The paper is clearly written and provides a good review of the business literature on sustainability. It applies a pre-existing taxonomy of the six phases in development to the specific issue of strategic supply chain management. As such, the contribution is largely managerial and does not engage with the critical literature on this topic (for example: Managing strategically, In S. Linstead, L. Fulop and S. Lilley (eds.) Global Organizational Behavior and Management - A Critical Text. London: Palmgrave. Or Banerjee, S.B, (2003). "Who sustains whose development? Sustainable development and the reinvention of nature". Organization Studies, 24 (2): 143-180.)

For one thing, there is a longstanding debate on the nature of the corporation as an entity. Can corporations be said to possess ethos? Are all corporations, both green and non-green, seeking to maximise sustainable competitive advantage by boosting long term shareholder value, so that non-compliance, compliance, and efforts going 'beyond compliance' are merely more or less efficacious and more or less informed strategies to achieve that goal (as argued by Michael Jensen, for example).

Some brief discussion of these issues would make the paper more substantive.

Recommendation: publication after minor revision.

Also formatting and typos as follows:

First para section 6.6.1 "...seeks to exert (?) on key participants..."

Second para p. 10 "...look its Health and Safety..."

Second para p. 12 "...the Adidas-Salomon (?) became"

First figure is not labelled; there is no figure 2, only figures 3 and 4.

Justify all paragraphs

Brackets around year in references e.g. Adidas-Salomon (2004)...

American spelling (e.g. organized) is used rather than Australian English spelling which is required (e.g. organised).