



Understand it

Apply it

Generate quick win ideas

Check an existing concept

More detail ...

Design wheel

Explore

Create

Evaluate

Manage

Impact map

Performance dashboard

Role-based guidance

Topic-based guidance

See examples

Procurement

What's wrong with Business As Usual?

- It is not uncommon for procurement strategies to focus on the first tiers' supply capabilities yet neglect material resource risk factors, energy price and security-of-supply risks to those tiers. These suppliers themselves often rely on a shared supply chain that is subject to resource shortages and materials price hike shocks.
- Simply pushing suppliers to reduce costs without careful attention to these other key factors fail to address longer term business resilience on the complete supply chain, or recognise indirect costs that occur elsewhere in product lifecycles. These costs can occur in terms of compliance or brand impacts, further downstream.
- Tier 1 commercial contracts that provide compensation for product/supply failure are of little value if all tiers have failed to mitigate the same resource volatility. Such risk management arrangements may stop more resilient options developing.
- Commodities markets are not a level playing field. Competitors will use material and energy alternatives for resource risk mitigation, but it takes time, investment and long term supplier relationships to switch.

What can I do better?

- Engage your suppliers and present your Circular Economy strategy with full transparency. Create a supplier forum and reward progress towards key target levels.
- Identify key material resource risk factors and/or energy price and security-of-supply risks. Decide the acceptable level of risk and develop a materials/energy strategy to help mitigate unacceptable risks, involve your suppliers.
- Use a People, Profit, Planet representation to capture overall impacts, beyond purely financial, and use this to inform decision making and investments.
- Look beyond compliance for longer-term options; incremental adaptation can prove more costly in the long run.
- Your suppliers will also be under pressure to meet cost reduction and environmental standards. Work with them, understand their issues, and reap potential collaborative cost reduction measures.

How can I do better?

- Establish a supplier forum, publish baseline assessment process, and develop improvement plans, structures and resources. Build awareness of the People, Profit, Planet assessment criteria via training, communications and use of tools that help evaluate these.
- Support supplier improvement and reward success. Ensure People, Profit, Planet performance KPIs are included in scorecards, to encourage continuous improvement.
- This toolkit provides a "system model". By using it you can identify hotspots in these supplier assessments that are priorities for action and understand the wider impacts of proposed changes.
- A novel way to take account of resource risks is to use a "stakeholder" to represent key natural resources; the impacts are then captured as stakeholder impacts.
- Reconsider current business models to see if a Circular Economy business model might add more value; this might include leasing or refurbishment models and suppliers.

- Use the People, Profit, Planet criteria to stimulate improvements and drive innovation that supports growth and product differentiation.

How do I measure success?

- Refer back to your baseline assessment. Look for improvements that are aligned across the People, Profit, Planet criteria and not purely driven by cost reduction; these could then help with product differentiation and growth.
- Benchmark sustainability progress using metrics and compare progress against sustainability thought leaders and competitors. Seek to identify competitive advantage arising from this progress.
- Have the decisions made reduced exposure to materials and/or energy price and supply risks? When using a sustainability assessment tool, are you correctly weighting scoring criteria?
- Evaluate People, Profit, Planet success factors at the product concept stage, to avoid costly re-engineering later, and track against successive product generations.