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ANALYZING THE SUSTAINABLE PROCUREMENT PRACTICES OF LEADING COMPANIES IN FOOD, BEVERAGE, AND CONSUMER GOODS INDUSTRIES

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ABSTRACT

The purpose of this research is to discover and recognize the areas where procurement professionals and corporations may be falling short in terms of sustainability measures and efforts. While it is easy for a company to put out an Annual Consumer or Sustainability Report, it is not so easy to actually implement and actively incorporate sustainability into decisions during the first step of a company’s supply chain. This research is meant to highlight the sourcing practices of companies that are taking the right steps and acknowledge where others could stand to improve. This knowledge is attained through research of the current sourcing practices of certain companies through interviews conducted with procurement professionals to learn about 1) how procurement managers consider sustainability against other important factors of price, quality and time; 2) what types of Key Performance Indicators are used to track general procurement progress as well as sustainable initiatives; and 3) whether or not companies are tracking past their first-tier suppliers. Based on the analysis from the interviews, there are wide discrepancies and variety in how procurement managers handle sustainability in the sourcing departments across big businesses in America.
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Chapter 1

Introduction

World Commission on Environment and Development's report *Our Common Future* defines sustainable action as early as 1987, stating that it is “paths of human progress that meet the needs and aspirations of the present generation without compromising the ability of future generations” (Brundtland et al., 1987). In today's world, to not be environmentally sustainable does not only affect future generations, but also our current generation later in life. The definition barely scratches the surface of what needs to be done in order to be considered ethical. Sustainability is broad and ranges wide -- companies would be remiss to not state that they are working towards a more sustainable future at this point.

The operations and logistics departments of companies already focus on and have the resources to boast about their successes in maintaining socially and environmentally sustainable practices on what they produce. Unfortunately, focusing on the front end, sustainable procurement, is not nearly as easy. The purpose of sustainable procurement is simple: source environmentally friendly goods and services from ethically responsible suppliers. While this goal seems straightforward, putting this into effect has significant costs in both dollars and time. Procurement is the first step of the supply chain process; selecting the right suppliers to obtain goods and services sets the tone for a business and emphasizes what a company prioritizes. Procurement can be the riskiest portion of the supply chain, due to the fact that it has the greatest potential for least visibility or first-hand involvement. Originally, the goals for procurement
revolved around pricing, quality and timing, in light of mistreatment of both the world and people involved, there needs to be more considered.

To make things simpler, Robert Kuhn, sustainability consultant and specialist, suggests a painless, two-pronged approach focusing on: 1) What a company is buying, and 2) from whom they buy it from (Kuhn, 2018). As long as companies keep sustainability in mind when answering these two questions, there should be no issue going forward. The issue is that there are so many companies that are currently successful and profitable while providing goods and services and are aware that they are answering these questions unethically, but without doing so their business would not survive. Because of this, there needs to be a standardized procedure in place for existing companies to re-evaluate their procurement methods and source materials to guide them in moving forward towards a more sustainable world.

Even as years progress and information is accumulating on how to best remain accountable and ahead of the curve for sustainable supply chains and procurement processes, there seems to be a lack of follow through by most companies unless the media makes it a focus through some type of investigative reporting. At the end of the day, to be profitable and stay afloat, companies have to do what is economical, so to count economical as part of the trade-offs (against environmental and social sustainability) would be unfair. Corporate social responsibility and sustainability drills down to either environmental considerations or social considerations. The main purpose of this analysis is to acknowledge that there is a potential lack of follow regarding the nationally recognized forms of handling environmental and socially sustainable issues. By acknowledging where major companies are either currently falling short or successfully implementing their sustainability plans, there can be suggestions made to all companies that brings the country closer to a more sustainable future and come up with
recommendations. This will be addressed through a combination of a literature review resulting in a best practice joint with interviews of major companies with substantial procurement departments and sustainability programs. The remainder of the thesis will consist of a review of current practices and background information, methodology for interviews, results and findings from conducted interviews, conclusions drawn from said interviews and finally recognizing any limitations and potential for further research.
Chapter 2

Background

Trade-offs

Triple Constraint

A company’s supply chain is made up of complex trade-offs, and the ultimate decisions that are made within these trade-offs can show which way a company’s values lean. A prime example of difficult trade-offs in supply chain is the triple-constraint. A term with many referencing names, the triple-constraint has been a basis of project management since the 1970s. It is a result of the three most convenient ways of tracking how a company is working towards the traditional bottom line of profit through consistently considering time, cost and quality. The clear goal is to achieve the highest or maximum combination of the three of these to be profitable (Silvius, 2010).

The triple constant, also referred to as the Iron Triangle, as a process of analyzing a company’s supply chain has stayed fairly stagnant among top companies, because the business will continue to run if a company is currently “relying heavily upon traditional on-time, on-budget and on-target measures” (van Wyngaard et al, 2012). Time, cost and quality are at constant odds with each other throughout the supply chain but especially in the procurement process. Many supply
chain professionals have taken note that the trade-off process that occurs within the three guidelines can quickly become detrimental to a company’s success: “good, fast or cheap - pick two” with good referring to the quality, fast referring to the time-frame and cheap referring to the pricing (van Wyngaard et al, 2012).

Other current citations believe that this is not an outdated way of reviewing a business, but instead one that will continue to be the core approach to how businesses operate (Pollack et al., 2018). The triple constraint’s three elements contribute directly to a business’s main objective of providing a service or good in a profitable, timely matter. Without active, conscious forethought, it is too easy for companies to continue to stay stagnant and not even consider sustainable procurement, much less work toward incremental progress in terms of sustainability.

**Triple Bottom Line**

As the country’s priorities have shifted and business has begun to recognize its effects on the earth and its inhabitants, another triad has come forth in the supply chain world: the triple bottom line. John Elkington, a globally recognized leader in compelling companies to consider sustainable development, coined the phrase in 1998 that would become Triple Bottom Line: a combination of considerations revolving around financial, environmental, and social considerations. Affectionately referred to as the three P’s of corporate sustainability, they are derived from the three aspects of sustainability that are in constant conflict with each other: profit, planet and people (Elkington, 1998). Constraints coming from bottom-line finances coupled with consumer and governmental pressures are difficult to balance. To break it down a
bit further, as with all things in the supply chain, there are trade-offs between the three P’s that tend to result in one of them coming up short as a consequence of achieving a greater benefit in the other two. For example, when companies try to be the most environmentally and socially conscious, they tend to have heftier costs and possibly lower profits, at least up front.

Even though it is believed by many companies that profits will suffer sharply if they focus too strongly on planet and people, in the long run, the triple bottom line often has been found to be more financially feasible, if not at least break-even, in terms of environmental decisions and trade-offs (Dowell and Muthulingam, 2017). It has been found that being more sustainable, specifically through environmental efficiencies, can lead to higher profits because a company will be using less resources, for example through limiting energy usage (Derwall, 2005). However, many analyses such as this do not take into consideration the financial consequences of being socially sustainable; the consequences are derived from the fact that if a company does not currently pay a living wage to their workers or from whom they procure goods and services, then the change towards being socially sustainable will negatively impact their profits.

After twenty years, sustainability has gone from a buzzword to an actual consideration, but top companies are still facing difficulties with achieving greatness in the entire triple bottom line. While there has been continuous research and growth into looking at these difficulties and coming up with plans to overcome them, the question remains as to whether or not big businesses will actually follow these suggestions; many of the applications of these type of programs would require a complete overhaul of many companies’ current practices. The issue arises when there are higher pressures placed on the financial constraints and not enough pressures placed on the environmental and social sustainability issues. Regardless of whether
those pressures are internal or external from the industry, such as consumers wanting cheaper goods and services or from traditional profitable bottom line standards, to be fiscally viable can, and often does, mean compromising.

Underneath the umbrellas of each of the three Ps, there are limitless ways companies can become more socially, environmentally and economically responsible in terms of sustainability. Produced by examples of social and environmental procurement practices:

“Social sustainability in procurement could be achieved through activities such as supplier training in sustainability, avoiding child labour and developing CSR purchasing policies. Environmental sustainability in procurement could be achieved by activities such as carbon trading practices, reducing CO2 emissions and recycling strategies. Economic sustainability in procurement could be achieved through reduction in fuel consumption, innovation in management of the supply chain network and by sourcing from disadvantaged or minority-owned suppliers.” (Walker et al. 2012)

The importance of sustainability initiatives can be seen through the increase in annual reporting and attempts at company transparency. Despite the concerning fact that the United States has no mandated requirements for generating sustainability reports, the amount of sustainability reporting has quadrupled in companies in the S&P 500 Index within five years, from a mere twenty percent as of 2011 to eighty-two percent as of 2016. Impressively, the Global Reporting Initiative reports that out of the world’s 250 largest corporations internationally, ninety-two percent produce a sustainability report. However, it has been determined by the Sustainability Accounting Standards Board (SASB) that less than half of these reports did use broad or nonspecific language, making the reports considered more so formalities and public platitudes than anything of real substance (Verschoor, 2017).
Key Performance Indicators

Companies traditionally focus on the original triad of time, cost, and quality because these are all more easily trackable through Key Performance Indicators (KPIs). These three variables are substantially easier to measure than the more abstract sustainability, which encompasses far too many components to be easily put into a few commonly used KPIs. In other countries where sustainability in sourcing has been advocated or even enforced by the government, such as in the UK, governments are still researching what should be the most practical and valuable KPIs to consistently monitor sustainable and more ethical practices (Bruel and Menuet 2011). The two pillars of sustainability come from people and products, and in the current climate, the people pillar should come first. Performance indicators that are relatively easy for companies to begin tracking and are already fairly transparent are measurements like carbon emissions, energy consumption, and water reduction rate, as all of these measurements touch the product. Not only do these KPIs focus solely on environmental sustainability, but also these indicators are not necessarily procurement specific and could be used to track the overall environmental sustainability of a company (Walker and Phillips, 2009). Unfortunately, there are no currently widespread used KPIs specifically involving the sustainability of people.
Transparency

The more complex a product or service, the more complicated not only to the supply chain process but also to the procurement process. In procurement, the more complicated the product the more likely there will be multiple levels or tiers of suppliers. As a company’s number of direct suppliers increase, combined with tiers of suppliers increasing, the visibility of where the original supplies are coming from becomes more and more muddled and difficult to track.

Legally, the Trade Facilitation and Trade Enforcement Act of 2015 prohibits all importations of any products that have touched or forced child labor; the question becomes where a company draws the line of responsibility for mistreatment in the labor force. By adding legal contract language to its supplier agreements, top level company accountability for suppliers could go below their first-tier supplier, and technically, responsibility and liability of worker treatment could go as far down as the lowest-level tiered supplier. The lower the tiers, the higher the risk for potential mistreatment that comes from lack of visibility. The “cascading effect” is explained by procurement professional and researcher Veronica Villena as, “to reduce these risks, some MNCs [multinational companies] require their (tier-one) suppliers to comply with their environmental and social requirements and often ask them to use the same requirements with their own suppliers,” (Villena, 2019).

Along with the cascading effect, there needs to be more transparency in suppliers. In a study done by Ashridge Centre for Business and Sustainability found that “72% of British supply chain professionals have zero visibility of their supply chain beyond the second tier… with potential for modern slavery occurring at some point within their supply chains” (Lake et al. 2015). As companies increase their reach and continuously expand, the procurement process becomes more spread out and difficult to reach. Without access and visibility to the suppliers
after the first-tier, companies cannot possibly know what is transpiring in facilities from which they are sourcing.

There are many prominent big-name examples that took the media by storm and caused the top executives or company’s reputation to fall a bit, but at the end of the day the businesses were too big to cause permanent damage despite their undeniable acknowledgement of everything from worker safety conditions with lower-tier suppliers of Walmart and Gap, to ignoring human labor standards at Nike and Apple (Bals and Tate, 2018). American and international consumers continuously turning a blind eye, after a momentary offense from enlightenment, to unethical labor conditions by some of the top retailers and corporations is how big business continues to thrive while still ignoring its socially sustainable requirements. Despite being involved in dishonorable employment conditions within the past decade, all of the companies just mentioned have remained in the Fortune 500 list (Fortune, 2018).
Chapter 3

Methodology

There are two phases to this research: literature reviews combined ultimately with interviews. The interviewers were selected sponsors in the center for Supply Chain research through various independent industries that represent a wide variety of companies that touch consumer products, food, and beverage management in the United States. All companies are well known nationally and are considered to be sustainably conscious. Of the seven companies contacted, five were interviewed via phone through an open-ended questionnaire. The interviews were used to compare to the best practices found through extensive research into both current United States sustainability practices. The interview questionnaires were uniform, with the exception of follow-up questions that were unstructured for constructive further understanding to draw beneficial and valuable conclusions (APPENDIX A).
Chapter 4

Discussion of Findings

The majority of United States based companies produce Sustainability Reports, many have stated lofty numerical goals with ever-nearing deadlines. Producing such reports helps consumers of their products or services feel content with their purchases and ease investors with platitudes that they are not only making financially responsible but also environmentally responsible investments, especially as the treatment of the planet becomes more and more important. As those numerical deadlines draw near, it is important to check in on how companies are executing the things they previously promised.

Industries and Standards

Every industry is different and has a different set of priorities in terms of environmental and social effects, based on the issues their consumers care about combined with different enforced standards. For example, the companies in the beverage industry that sell coffee products should and will have higher focus on different packaging options and making them more sustainable, and socially they might be focusing on where and how they source their coffee beans. It is important to note for the purposes of this thesis that while focusing on how the packaging breaks down or is recycled is most certainly a sustainable observation, it is not necessarily procurement based.

Along with the differences in industries, each company focuses on what they think is most crucial and dire that they can implement while still maintaining a profit. Of the five companies interviewed, two were in the food industry, two were in the consumer products
industry and one was in the beverage industry. These industries are very people based and are consistent -- there is no concern for the potential elimination of the food industry within the foreseeable future. The industries also affect people very directly, as their products are consumed or used often, typically daily.

**Companies Interviewed**

Of the five companies interviewed and analyzed, three were listed on the past few years Fortune 500 and all were recognized in some manner for their work in sustainability, whether it be through being on the Dow Jones Sustainability lists by industry or receiving SAM Corporate Sustainability placement (Fortune, 2018, Dow Jones, 2017). They have a variety of ISO certifications (9001, 14001) as well as OHSAS (18001) which are all environmentally and socially sustainable certifications for different product life-cycles.

**Sustainability Consideration During Procurement Decisions**

The triple constraint of time, cost, and quality are the traditional considerations for procurement professionals. As the first decisions at the start of the business lifecycle, they show where a company's values lie from the very beginning. By asking company’s procurement managers or directors where sustainability falls into those considerations, if it is considered at all, shows what the company values from the moment a product begins its formation. The figure below shows the percentage breakdown (out of one hundred percent) of how the companies that were interviewed factor in sustainability against price, quality, and time when making procurement decisions.
When asked about how sustainability factors into the companies’ procurement decisions, the companies had a fairly wide array of answers. Company A explained that it’s simpler to rank their company’s considerations, as opposed to giving exact percentages. The ranking of considerations they give when making procurement decisions are the following: 1. Quality 2. Price 3. Time and 4. Sustainability, reiterating heavily that they would sacrifice nothing over quality. Justifying the decision to place price before time and sustainability concerns, Company A pointed out that “at the end of the day we have got to run the business, we have got to get product to market by certain dates. If we don’t have the price [that is needed for profit], the quality, lead time, and sustainability are not going to matter.”

Company B, on the other hand, stressed the importance of straying from focusing on one of the components more than the others. By the definition of sustainability, there is a need to meet today’s needs without compromising that of future needs, and because of that Company B finds itself weighting the four factors equally; this falls in line with the values of Company D, who also would rank across the board a twenty-five percent equal weight to price, quality, time and sustainability when making strategic procurement decisions. Company D, however, emphasized that despite that they are ranked and weighted equally in the initial decision,
sustainability would come before all other factors if it came down to it: “[sustainability is ] In the DNA of our company,” suggesting that sustainability at the end of the day receives one hundred percent of the weight when making decisions.

Company C was positioned in the middle, putting both price and quality at an even tie of thirty percent each followed by another tie of sustainability and timing at twenty percent each. Important to note, however, is that Company C while representing the middle, in company size, Fortune 500 ranking, and sustainability initiatives on a procurement level, they are the smallest company by far in terms of size. This shows that size and profitability have no real correlation with how sustainability is considered on a sourcing level.

**Analysis of Answers Combined with Brand Image**

There are no requirements for how and when to consider sustainability for a company to consider or claim themselves as “sustainable”; three out of the five companies mention general sustainability on the front page of their corporate websites, but not the three that consider sustainability the highest when making choices.

There are significant inconsistencies between the ways Companies B and E when answering questions regarding how sustainability factors into decisions as opposed to their external company appearance. While Company B’s website does not necessarily highlight or boast of their sustainable efforts, in fact it was difficult to find anything close to a report on their website, but their procurement professionals are equally weighting them in their daily decisions at the very first level of their supply chain. On the other end of the spectrum, Company E boasts of sustainability from the first page of their website and proudly shares their Sustainability
Report of 2018, but when it comes down to it, their leader of procurement puts the other three factors of the triple constraint equally weighted before considering sustainability.

**Measuring Sustainable Progress**

When asked about Key Performance Indicators (KPIs) in procurement, there was a clear disconnect between answers about sustainable measurements and those about procurement measurements. Among the majority of companies, there was a consistent confusion and lack of clear answer for forms of tracking sustainability in terms of sourcing, specifically from the perspectives of the procurement managers; there is definite potential for there to be lower level documentation and measurement of the initiatives that are in action, but from a top level they were not easily identified or known.

The companies who truly value sustainability at their core, such as Company D, had an unlimited number of important KPIs that they use and track on both a procurement level and throughout the supply chain, with the hope of not only achieving their lofty goals but also exceeding them. Companies that did not have sustainability as part of their core goals were seen to have a lack of clarity during this portion of questioning.

Carbon footprint was a measurement used by all companies interviewed and was mentioned very quickly by all procurement and sourcing professionals.

Most KPIs focus on cost or price. Some examples are total procurement value, integration value captures, working capital, and purchase price variance. Many revolve around quality, such as defective products versus non-defective products.
It is important to note that the original question solely asked about the top KPIs in procurement, hoping that if sustainability is mentioned one would assume that this is another way to observe how significant sustainability is to said procurement team.

The following are specific sustainability tracking methods or KPIs that were referenced by each company procurement professional (combination of procurement and general supply chain):

Company A: KPIs for sixteen priority raw material goals within the next two years
Company B: Carbon Footprint, service level requirement
Company C: recyclable materials, raw materials, third party risk rate
Company D: reducing environmental impact by half, source renewable energy, one hundred percent of our agricultural raw materials sustainable, source one hundred percent of procurement spend in line with our Responsible Sourcing Policy.
Company E: water usage per barrel of beer

It is important to note that while companies referred to them as sustainability focused procurement KPIs, many of them are solely sustainability focused and do not affect procurement. However, these are what were listed when asked what measurements and KPIs their prospective procurement teams use.

**Supplier Tracking**

Supplier transparency, while extremely uncommon due to the need for discretion among competitors, would be the only secure method to confirm that there is no mistreatment or
inconsistencies within a company’s supply chain. While the exact question may have been directly asking the company to name their top suppliers, the goal was actually far more so to see if they could then name or trace the tier of suppliers one level down. Supplier knowledge and understanding would be the next best thing after transparency, which all companies interviewed could name and do-- until anything past the first-tier.

Company A firmly noted that one of their top sustainability goals, mentioned often in their Consumer Responsibility Report, is to be able to successfully track their products’ sources to country of origin. Company A has a very public and accessible Responsible Supplier Sourcing Code available on their website, as well as a current and updated Responsibility Report recording sustainability initiatives throughout the supply chain; they specifically mention their sourcing goals and the progress they are making towards their stated goals for the near future. Company B quickly listed its first-tier suppliers and made very clear that their top three suppliers are very proactive and in tune with their overall environmentally sustainable goals, specifically referring to plastic initiatives that they as a company are working towards. They are continuously assessing the ecologically friendly initiatives of their first-tier suppliers and assuring that they are clearly defining their goals with them.

Company C was also well aware of their first-tier suppliers but did not go into specifics or intentions in regard to anything past their knowledge. It is notable and commendable that Company D remains consistent with its clear exceeding dedication to sustainability as it is the only company with any knowledge, or at least that shared knowledge, of their second-tier suppliers. They admitted that while they have not gone too deeply into the second-tier suppliers in terms of responsible sourcing, they have taken action in terms of supplier diversity in not just second but also third-tier suppliers.
On a similar track, Company E is making a conscious effort to, as they refer to it, “walk the supply chain” and understand their second-tier suppliers. However, they have reported that they currently could not name their second-tier suppliers as well.

**Current Auditing Process**

Most of the companies meet with almost every supplier annually to confirm and encourage sustainability goals. However, multiple procurement professionals mentioned that they have never visited overseas suppliers. They receive confirmation on the activities through documentation and stated a preference for a shift to more domestic suppliers in the future. The majority of companies explain that they use an external auditing process that only assesses suppliers that are located in “high-risk” areas. These external auditing processes cover ethical sourcing and checking on standards set individually by these external auditing companies. Some companies explained their usage of external auditing companies, such as Sedex’s SMETA Audits and SGF. External auditing companies for auditing purposes are preferred by procurement teams because performing audits themselves would require the creation of an entirely new department, or at the very least be incredibly costly and time consuming.

Overall, none of the companies spoke of a Zero Tolerance Policy, which involves eliminating suppliers at the first sign of mistreatment or breach of contract. When asked, all companies suggested that method of handling poorly performing or unethical suppliers would not resolve the issue but instead give the business to another company that cannot afford to be more socially sustainable. Instead, many suggested that they have more or less a “three-strike policy,” where as long as the supplier shows improvement from the last audit, they can remain in the company’s good graces.
Company E distinctly reported experiences where there are times to put themselves and their brand first by cutting ties with irresponsible sourcing companies. If suppliers are willing to put in the work to become better, they are willing to put in funding to appropriately help them navigate becoming a more responsible company. Company E also mentions a lofty and substantial goal of within the next five years of wanting less than five percent of high-risk suppliers, which are determined by a formula created by the external auditing companies, without stating how feasible this is compared to wherever the company currently stands.

**Recaps of Interviews**

All companies are working towards being more sustainable, but the questions in point were meant to find out where along this track some of the top global companies currently stand and how they are going about achieving their goals. By acknowledging who is most successful while still maintaining substantial profits, we can combine this knowledge with the importance and pressing matters of being environmentally and socially conscious and consistently considerate from the beginning of the process.
Chapter 5

Conclusion and Recommendations

While creating a more sustainable future may seem easy on paper, putting processes into effect that allow a company to constantly take sustainability in its procurement practices into consideration in the business world, while still meeting its bottom line requirements, is difficult. Every company’s main goal is to be economically sustainable since that simply means continuously sustaining a profit. What falls by the wayside is the environmental and social implications of sustainability despite all the national discussion and seemingly pressing consumer expectations.

In terms of procurement, sustainability is important to keep in mind from an early stage to help set a precedent in the life cycle of a product. To return to what Robert Kuhn recommended, simply focusing on 1) what a company is buying and 2) whom they are buying it from can take such an intimidating problem and make it more straight-forward (Kuhn, 2018). Companies and their procurement departments can do this in many ways, and it’s important to recognize that there is no one specific plan that is acceptable or would be versatile enough to encompass all the various ways for every company to consider sustainable procurement across different industries.

Upon reviewing the results from the interviews that were conducted, it is clear that while companies publically emphasize being “sustainable,” there is a lack of follow through in the more difficult components of sustainability. The interviews with procurement professionals, combined with the ratings and awards that these companies have received, show that there is a correlation between accountability and actual implementation of integrating sustainable aspects
into the procurement process. Making sustainable procurement a priority shows a dedication to change at the very first level of a company’s supply chain.

Based on the feedback received during the interviews, it appears that the following three feasible changes could permanently impact the way procurement professionals handle incorporating sustainability into their part of the supply chain process:

1. **When ranked, sustainability cannot come last**

   During the procurement decision making process, while it is not practicable to determine a specific numerical percentage for how much or how little consideration sustainability should be given because of different companies widely varying needs, sustainability simply cannot be a last thought. All of the companies interviewed have been recognized for their work in sustainability in some way, whether it be through awards or rankings on lists, but it is no surprise that the less close they were to the top of these ranks, the less they factored sustainability into their procurement decisions when evaluating the constraints of price, quality and time (Dow Jones, 2017).

   In order to show real change, sustainability needs to be given some real consideration during the procurement process and not an “added bonus”; once it becomes a second thought, it is not something that a company is actively working to improve. Convenience is not good enough to make real change.

2. **Introduce and produce KPIs that are specific to procurement and sourcing**

   The interviews brought life to the fact that when asked about sustainable procurement related KPIs, there were clear supply chain KPIs for sustainability plans and goals but
potentially none that came to mind when thinking of sourcing a product or service, particularly.

Here are a few KPIs that should be implemented on a national level to ensure the continuous evaluations and updates on both environmental and social sustainability objectives (Bai, Sarkis, 2014):

- Number of days since last audit
- How many issues identified in last audit
- Average percent decrease (or increase) in issues seen since previous audit
- Number of suppliers that are currently involved in a sustainability program

3. Tracking Second-Tier Suppliers

Tracking second-tier suppliers may be simple to say, but this is one of the most difficult steps to enforce because it requires such a steep increase in time and funds. However, transparency is necessary to gain trust from consumers and it only takes one low-tier supplier’s mistake in treatment to show that a top company does not care enough to make sure everyone underneath their umbrella is treated fairly, which can lose them far more potential profits in the long run than simply taking a single trip to visit each year.

The best way to ensure that tracking second tier suppliers occurs would be by having a dedicated individual be responsible in the procurement department who travels to the second-tier suppliers with an auditing company of the top company’s preference. Physically visiting a low-tiered supplier combined with consistent and random auditing is a much better way to confirm that the supplier is following the standards that a company has set. Current processes by most
procurement professionals in the companies interviewed do not have any type of lower-tiered auditing. Additionally, they did not even know the names of their second-tier suppliers at all. More accountability by specific individuals within a procurement department would increase visibility with a company’s suppliers down through its lower-tiered suppliers.

According to the interviews, the companies that are most ready to discuss the tracking of suppliers, followed by their KPIs in procurement, are also the same companies that are closest to reaching their sustainability goals. These same companies made themselves accountable to achieving those goals by promoting their sustainability initiatives on the front page of their websites and publishing sustainability reports and the KPIs to their consumers.

**Regulations to Come**

Another potential guiding force that may shift companies toward more sustainably focused procurement departments is the likely paradigm shift in our American government within the coming years. When looking towards 2025, Global Reporting Initiative stated that in the near future, companies will have more regulations, having to “be explicit about their values” and “transparency and consistency will be the name of the game,” (Global Reporting Initiative, 2015). If nothing else can convince companies to make a change, significantly higher governmental and consumer pressures may force change. The research has brought to light the follow through that procurement professionals are lacking within many companies. There are significant areas for improvement within the sustainable procurement supply chain process and with just a few very deliberate, dedicated and relatively inexpensive steps, sourcing products and services can not only be far more just and ethical for both the environment and company
employees and suppliers, but also help a company’s bottom line goal of being economically sustainable in a world that is ever more transparent.
Chapter 6

Limitations and Topics for Further Research

While the research and background components of the process was very clear, the questionnaire given to the procurement professionals was open ended, resulting in a wide variety of responses; some interviewees responded with extensive, detailed answers while others simply gave more curt answers. The assortment of responses made it a bit difficult to compare, but the open ended and audible format made it much easier to take into consideration authenticity in the answers the companies gave.

Another point to note about the companies is that the five that were involved in the interview process spanned three different industries: beverages, food, and consumer products. Because of this, the companies do not accurately represent any single industry, and they do not encompass all industries available. If done again in future research, there should either be more companies surveyed to either represent all industries, or the research should select one industry. After conducting the interviews, it was clear that some questions would have been better answered within one industry. For example, coming up with strategic and sustainable KPIs for procurement would be simpler if the companies were all sourcing the same materials.

More recently, the United Nations came up with seventeen goals to “transform our world” (“United Nations Sustainable Development” 2019). While big businesses cannot possibly touch all of these, they most certainly can have an impact in each of them, and depending on the
industry they are in, big business should begin to factor those into their sourcing goals. Similar research to this should be repeated to observe whether or not companies begin to dedicate Key Performance Indicators in the coming years towards those goals.
Appendix A

Thesis Questions for Company’s Procurement Professionals

1. If sustainability is considered in your company, what is the weight you give it when making a decision in procurement?
   a. Follow-up: Could you give a percentage breakdown of the four main factors of procurement (Price, Quality, Time and Sustainability) in your company’s decisions?

2. What are the top three Key Performance Indicators (KPIs) for procurement in your company?
   a. Follow-up: What are the ones you use for sustainability?

3. Who are your company’s top 3 suppliers, and who are the top three for each of those suppliers (second tier)?
   a. Follow-up: What is your current process (if any) for checking on those suppliers?
Works Cited


   https://www.robecosam.com/csa/csa-resources/industry-leaders.html


   http://fortune.com/fortune500/


https://www.un.org/sustainabledevelopment/


ANGELICA BORDA
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EDUCATION

Schreyer Honors College, Penn State University, State College, PA Class of 2019
Smeal College of Business: Bachelors of Science, Supply Chain Management Class of 2019
Minor in Psychology
Penn State University Dean’s List Awarded 6/7 Semesters

WORK EXPERIENCE & PROJECTS

Ross Stores, Inc. New York, NY
Location Planning Intern Summer 2018
- Utilized JDA Enterprise Planning (Arthur) and data analysis to create Regional Plan Reviews and correctly forecast demand
- Individually built a plan for Spring 2019, rewarding successful products and reallocating funds
- Analyzed business metrics such as markdowns, turns, sales and percent to average to evaluate regional performance and continuously reshape quarterly plans while in season

Campus Recreation: Fitness Center University Park, PA
Building Supervisor Fall 2017-Present
- Manages student employees and responsible for White Building’s 17,000 sq. ft. functions
- Created a system to track locker data to accurately identify issues involving equipment and training
- Promotes a healthy work-life balance for students and encourage physical fitness

Philadelphia International Airport Philadelphia, PA
Human Resources Intern Summer 2017
- Organized and modified the current processes for the Mandatory Training Records and the Parking Pass Assignment systems
- Created and implemented a College Intern Development Program to provide college interns information on topics such as personal finance and practical life skills

Dell Corporate Sponsor Supply Chain Research Project University Park, PA
SCM 404H: Demand Fulfillment Fall 2017
- Performed cost benefit analyses on free shipping vs. non-free shipping using data provided by Dell using Access and advanced Excel functions
- Researched and gained insight on how other leaders in the tech industry manage free shipping costs
- Presented the information to executives to help better plan shipping codes for Spring 2018

LEADERSHIP & INVOLVEMENT

Penn State Lion Ambassadors, Sustainability Chair June 2018 – Present
- Working to create a greener future by acting as a consultant on our campus-wide projects and events

Penn State Dance Marathon (THON)
- Donor and Alumni Relations 2017 – 2018
- Finance Committee 2016 – 2017

Penn State Thespians, Performer, Marketing Committee Jan 2017 – Present

SKILLS & HONORS

- Advanced in Microsoft Office, specifically Excel
- Proficient in Tableau and Access and continuously working towards proficiency in VBA
- President’s Volunteer Service Award (100+ hours of community service)
- High interest in continuous improvement, data management, and problem solving