



Making Sustainability an Integral Part of Your Procurement Function

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Hearing about the word "Procurement Sustainability" often directs us towards the impact our procurement processes might have on the environment and society. It is also synonymous with using recycled products, sourcing goods from eco-friendly suppliers, or integrating CSR.

But the term "procurement sustainability" encompasses a whole other concept as well, which is similar. If we look at the word sustainable, its literal definition is "able to be used without being completely used up or destroyed." So, sustainability can be referred to as "a value-driven approach that are vital to long-term success."

Apart from being eco-friendly, procurement sustainability means developing effective procurement strategies such that it reduces waste and helps reap benefits for businesses in the future.

Now, who would not want their procurement function to be successfully operating even several years ahead. Won't you like your processes to be running smoothly without re-strategising and tweaking them now and then?

Yes! We know you would! Everyone would like to lay back and see their procurement processes getting effective and efficient over time. So how can you reach that point of triumph? We'll let you in on some secret tips that can help you make Procurement Sustainability an integral part of your procurement function.

Making Sustainability an Integral Part of Procurement Function

Here are five strategies that can make your procurement processes sustainable and help to preserve your procurement function over the years:

1. Build Strategic Supplier Relationship

Suppliers are at the heart of the procurement function. They play a huge role in the success of the procurement process. No doubt, it is highly critical to find the suppliers that meet your requirements and compliance. But once you onboard that right one and hit the jackpot, it is necessary to maintain a healthy, long-term (sustainable) relationship with them!

First step to ensure building a strategic relationship with your supplier is to draft a solid partnership agreement. Collaborate to create a [supplier management software](#) to develop a well-documented contract that fits the requirements of both parties. As a result, there will be less chances of losses due to less uncertainty.

You may also want to onboard suppliers located in strategic locations that can cut down your transportation and material handling costs which includes reducing costs of warehouses, salaries, taxes, insurance etc. These cost savings can be focused on buying quality products that can help sustain a company by fostering good reputation.

Suppliers are not just your vendors, they are your partners. By having a good relationship with suppliers, you can foresee trends and mitigate risks. This means that you can work in changing market environments by preparing your procurement function for the risks. Thus ensuring that your business sustains amongst the challenges.

You can create strategic relationship with your suppliers by releasing timely payments and providing them honest reviews and feedback about the supplies. This will help when you fall back on inventory at critical times and you will need your suppliers to have your back.

Sometimes you will have to deliver orders in a short time to secure business deals for business stability. These deals can be crucial to your business as they have the capability to provide benefits in long term. For that you will need to have dependable suppliers who deliver supplies for your product under tight deadlines.

If you value your suppliers by clearly communicating your expectations and delivering what you owe them, you can work with them conveniently for generations as well.

2. Supplier Consolidation for Critical Supplies

Managing a single supplier can sometimes pose several challenges for a procurement team, let alone managing multiple suppliers with whom you have varying levels of relationship. Multiple suppliers mean going through multiple proposals, quotations, reference checks, points of contact, and so on.

Your supplier base will naturally increase over time, therefore activities such as establishing a quality-and-delivery threshold and eliminating dormant or inactive providers can ensure a highly competent supplier base at manageable levels. By removing inefficient suppliers, you can manage the threats posed by them and cut significant costs. To make sure your business sustains, you need to manage your spend.

Moreover, you just don't want any confusion, blunders, or mess-ups when it comes to critical supplies that are providing your business over a significant period of time. So why not consolidate them?

You'll be most likely to get better prices through supplier consolidation and save time negotiating and renewing several contracts.

For example, you can have the upper hand while negotiating the bulk price of Product X with your supplier by offering to buy Product Y from them as well, thus creating a win-win strategy. This not only saves you from the headaches of onboarding a new supplier but also cuts down your organisational spending.

Supplier consolidation can be achieved by having a clear set of goals i.e. whether you want to cut down costs or remove non-dependable suppliers. You can also segment your suppliers with respect to the company's spending trends, volume, or type of product and evaluate them.

After evaluating the suppliers with respect to lead time, performance rating, usage, total spend, or any other important variable, you can discover opportunities for consolidation that can help you manage your supplier relationship in the long term.

3. Reducing Percentage Tail Spend Suppliers

The tail consists of the smaller suppliers from the bottom whose business totals roughly 20% of total spend. That might be as many as 80% or more of the suppliers as a percentage of the entire supplier base.

According to [Boston Consulting Group](#), firms that use automation to control tail spend can lower their annual spending by 5% to 10% on average, which is a significant amount for global companies with billion-dollar budgets.

By cutting these expenses with [procurement software for small businesses](#), you can manage some of the biggest costs of the firms and time which can be invested on sustainability of critical functions by managing them effectively and to discover opportunities for future growth.

You can reduce your percentage of tail spend by organising, categorising, and [spend analytics](#) data, resulting in increased spend awareness, informed purchases, and long-term strategies.

4. Draft and Publish Purchase Policies

A purchasing policy eliminates the uncertainty associated with purchasing products and services from your suppliers. If your organisation does not have a carefully established and published purchase policy, each department will follow its own set of rules.

As the organisation expands, these separate rules become the new standard, making it challenging to combine them into a single integrated policy. If every unit keeps on making purchasing decisions depending on their set of policies, this can create disparity among the teams which can disturb the procurement processes. This can also lead to off-contract and maverick spend which can deteriorate the health of the company.

However, having a purchasing strategy allows you to establish a consistent set of criteria across all locations, which provides a single direction in the long run.

5. Digitise Your Procurement Process

With the advent of Industrialisation 4.0 - the digital revolution, it is vital to digitise your procurement processes to be sustainable. Procurement automation provides numerous benefits to organisations adopting it effectively, thus offering them a way to survive in the dynamic market.

Through procurement automation software, you can make your procurement function efficient and reduce costs to a significant extent. Procurement software provides you with greater visibility of spending and allows you to control off-contract and maverick spending through a rigorous approval system.

In a nutshell, by adhering to these simple strategies, you can make sure that procurement processes can achieve Sustainability and achieve value-driven success in the long term.

About the Author:



[Mohammed Kafil](#) is a certified procurement consultant who has been coaching companies to establish resilient digital procurement operating models for over a decade now. With Kissflow Procurement Cloud, a flexible procurement software that streamlines end-to-end procure-to-pay, [invoice management systems](#), and also eventually the [vendor management process](#), Kafil helps medium and large enterprises with their digital transformation projects. In the recent past, he has also worked with Fortune 500 companies to implement platforms like Coupa, Ariba, Ivalua, and BuyerQuest.



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