

Organizational sustainability: the perspective of procurement department for environmental, social and governance

Abstract

This work aims to explore the theme of Sustainability in organizations from the perspective of the Procurement department. The emerging importance of Sustainability, identified in a bibliometric analysis of articles on Procurement in organizations, is explored in this article, from the perspective of Environmental, Social and Governance (ESG), a term presented by the United Nation in 2004 in the report "Who Care Wins", seeking to discuss the three pillars of sustainability – environmental, social and governance.

Keywords: procurement, sustainability, ESG, environment

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Introduction

Procurement department is responsible for purchasing goods and services used by companies. To guarantee these contracts, it is responsible for the relationship with its suppliers, which in turn have their own suppliers and customers, that is, Procurement inserts the company into the supply chain.

The area must identify the right suppliers for each company's need and conduct the contracting process. For this, its main objectives are to ensure the competitiveness of purchases, governance, and transparency in data, with fluid and integrated processes in intra and interorganizational interactions.¹

- 1) Think about the role of Procurement in sustainability in organizations, therefore, brings at least two approaches: in relation to the competitiveness of purchases, sustainability presents itself in its most direct form, in the area's performance when selecting sustainable products and services, and that these products are delivered with sustainability: it is called "green procurement";
- 2) in terms of governance and processes, sustainability is a key factor in supply chain management, seeking companies that act in line with Environmental, Social and Governance (ESG) principles: this role is called "development of green suppliers".²

When conducting a bibliometric review of the available literature on Procurement in organizations, the emerging importance of the sustainability theme is highlighted.

The bibliometric review conducted, through exploratory content analysis, sought articles published from the year 2000 in international journals, resulting in 1179 articles selected by adherence to the theme. A 7.5 times greater number of publications on the subject are identified in 2020 compared to 2000, which supports the growing importance of literature on the Procurement, literature dispersed in journals from various areas, such as administration, supply chain, economy, sustainability, among others. The study delves into the most cited articles, and in doing so, identifies three thematic categories on Procurement in organizations:

- 1) Supplier selection, contracting and management process;

- 2) Technological innovation in procurement;
- 3) Sustainable purchases.³

The emerging importance of the category (3) Sustainable purchases, which showed an exponential rise mainly after 2006, is the motivator of this study. The review brought sustainability in purchases as a suggestion for future work, and here we are, diving into this analysis, using ESG concepts.

Green procurement and development of green suppliers

Considering the two approaches to sustainability in procurement, green Procurement and development of green suppliers, articles on both can be found in the literature.

Development of green suppliers brings the importance of thinking about sustainability throughout the supply chain, that is, the company looks at itself as a link in the chain, and its suppliers and suppliers' suppliers. Its value is related to the potential impact on reputation and business performance. Hoejmose & Adrien-Kirby,⁴ who reviewed 188 articles on sustainable procurement, highlight that sustainability has environmental, social and governance aspects, including corruption, human rights and working conditions.

Blome's article² identifies that sustainable procurement is a topic that requires commitment from senior management, driven by a legitimate concern with the topic, rather than market performance or financial performance. The authors also reinforce the importance of going beyond green procurement, engaging in the development of green suppliers, impacting the entire supply chain, and thus achieving a supply chain of innovation and sustainability and leveraging its reputation.

Procurement sustainability practices are related to image, reputation, guaranteeing the continuity of the operation, creating a strategic advantage for the organization. The focus on socially responsible supply chain management can bring positive results in building an inter-organizational environment of learning, innovation, and collaboration.⁴

In green procurement, related to the role in the acquisition of sustainable products or services, the article *Handling trade-*

offs in Ecodesign tools for sustainable product development and procurement,⁵ published in a specific magazine on the subject, Journal of Cleaner Production, investigates the process of product development and acquisition, highlighting the need to include life cycle and sustainability analysis in the assessment. It is necessary to broaden the perspective of supplier selection, incorporating sustainability to ensure adequate weighting of the scenarios evaluated in the contracting process.

Sustainability in Procurement is an emerging and necessary theme, but there is still a long way to go. The article by Meehan and Bryde,⁶ *Sustainable Procurement Practice*, investigates organizations in the United Kingdom and concludes that there is still much to be done, and that in organizations where green procurement is already more established, the environmental pillar is the pioneer, with shortages in the other pillars.

Just like sustainability in Procurement, Environmental, Social and Governance (ESG) is a topic that has grown exponentially in recent years. The term, presented by the United Nations in 2004 in the report "Who Care Wins", broadened the view of sustainability focused on the environmental aspect, presenting three pillars of sustainability – environmental, social and governance.⁷

More than compensating for the damage to the environment, companies are responsible for their role in society. While market value and profitability are key aspects to ensure the continuity of its operations, they go hand in hand with responsibility regarding the Environment, Society and Governance.⁷

When acting responsibly, indirect benefits such as pride and a sense of belonging of employees, productivity and efficiency stand out,⁷ it is also negatively correlated with capital constraint, that is, improving channels of company financing.⁸

Before the term ESG was coined, the term Socially Responsible Investment (SRI) carried the concept. In the 1960s and 1970s, with the growth of the post-World War II industry, and its resulting environmental and social problems, campaigns, and actions to protect the environment and society began to emerge, attention turned to the SRI. Decades later, in 2004, the term ESG appeared. In 2006, the United Nations Principles for Responsible Investment were formally established. The European Union and many developed countries have made ESG reports mandatory disclosure.⁷

Conclusion

The pillars of ESG are environmental, social, governance, which can have a positive or negative impact on the financial performance or even the solvency of an organization. In the environmental aspect, there are factors such as carbon dioxide emissions, recycling, water and energy consumption, impact on the ecosystem. It is the aspect that brings the environmental metrics, the cost to the environment, the company must always act to minimize this impact, reducing

what is possible, compensating if necessary. In the social aspect, free workforce, in a diverse and discrimination-free work environment, with training, education and privacy, health and safety. These are aspects of legal norms and ethical conduct, in the internal environment and with society. As for the governance aspect, there are items such as the existence of a code of conduct, transparency, diversity and structure committees, anti-corruption, it is the aspect related to management.⁷

The relationship between ESG and financial performance generates debate, although most studies indicate that this relationship is positive, there are also studies that indicate that it is small, negative, or indirect.⁸ The consensus is that its importance goes beyond the financial aspects. ESG is tied to the company's long-term performance and reputation.⁷

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Conflicts of interest

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