

Case study 5 *continued*

In food production, it has created an incentive for suppliers through a Gold/Silver/Bronze benchmarking standard for human resources, environmental and resource efficiency management. Orders will flow to suppliers that meet the highest standards. The company has now met its original target of buying 30% of product by volume from suppliers meeting the Silver standard. The figure was 32% in 2015, up from 19% the previous year. It is now looking to buy 100% of product by 2020 from factories that have met at least the Silver level. This target itself has been increased from 75% previously.

In some areas, the company realises it must work with others. Deforestation is an example where it works with other global retailers and food producers through the Consumer Goods Forum to promote sustainably produced palm oil, low carbon refrigeration and eliminate food waste. This should help the company meet its own target of zero deforestation from the use of palm oil, soy, cattle and paper materials in the company's products by 2020.

A critical part of the process is audit and assurance where it must both satisfy itself that the required standards are being met and avoid alienating its suppliers by being too strict. A policy of unannounced audit in which the assurance team can arrive at any time can be disruptive, especially when the bulk of suppliers are meeting the expected standards. On the other hand, previously announced audits allow the supplier to hide bad practice. The company has opted for a middle road of «window» audits, so that the suppliers know that the assurance team will arrive at some point within the space of, say, a month. The period is short enough to limit the disruption but long enough to prevent bad practice being temporarily hidden.

Cost/benefit

Marks and Spencer says that Plan A as a whole has delivered measurable savings of £160m in the 2014/15 business year and a total of £625m since 2007. The figure relates to savings generated through reduction of waste and environmental efficiency. Some of these savings accrue to the supply chain where, for example, it has required its top clothing suppliers to install energy efficient lighting, and improved insulation and temperature controls. The aim was to reduce energy consumption by 10% by 2015.

However, the company does not seek to measure the financial impact of Plan A in terms of margin, corporate earnings and brand value. It considers this is a number that cannot be calculated, but it believes that the impact of Plan A in terms of the trust it generates with customers, as well as on the morale of its workforce and that of its suppliers, will make the company more resilient and more adaptable, enhancing its sustainability in a rapidly changing world.

Procurement policies

Companies which seek to live by a strong set of values aimed at securing their franchise for the longer term will stumble if their suppliers adopt policies contrary to these values. Procurement policy therefore has to be consistent with the firm's own values. Companies need to be clear that preference will be given to suppliers that meet the expected standards. In some cases this may involve helping suppliers to develop and train their own workforce in the expected standards of behaviour.