



THE TIMES 100

BUSINESS CASE STUDIES

Business ethics & sustainability - OPITO & CIPS

Purchasing and supply – also known as procurement – may appear to be a ‘hidden’ function in many organisations. In fact, procurement is a highly strategic role, whether the organisation is manufacturing or service-orientated, in the public or private sector, for profit or not. Procurement is complex. It covers the full supply chain from contracts (negotiating), procurement (purchasing) and logistics (storage/distribution). All



businesses need inputs in order to be able to operate. These might be physical inputs, such as raw materials, like engine components for a car manufacturer. They may also be service based, such as specialist engineering consultancy when trialling new technology or distribution services for a high street retailer. It is vital that inputs not only meet the required quality and reliability standards, but also that they are competitively priced.

For the oil and gas industry with its high levels of risk, the Chartered Institute of Purchasing & Supply (CIPS) is providing training to improve the efficiency and effectiveness of purchasing and supply. OPITO, the focal point for skills, learning and development in the oil and gas industry, undertook a labour market survey of the industry which identified a sector-wide skills shortage. Oil & Gas UK then undertook a supply chain survey. Key factors to consider when choosing a supplier include their ability to respond quickly to changing customer needs and how well they can help towards meeting a business’ sustainability goals. CIPS offers a structured online audit process to help purchasing managers map their organisations’ purchasing systems against best practice. This enables them to assess how energy efficient and sustainable their purchasing processes are.

Sustainable procurement is a high profile matter for businesses today. It can help to save money, reduce waste, improve competitiveness and build a business’ reputation. As part of their sustainability programmes, many oil companies have invested in local transportation networks or built schools. They provide jobs and by sourcing supplies locally help to develop the local economy. The global oil industry has a responsibility to the countries in which it operates to manage its operations in as sustainable way as possible. A purchasing manager might want to consider whether the supplier behaves responsibly, for example, adhering to ethical standards or sourcing raw materials in an ethical way. For example, Shell is working with its existing suppliers to implement the Shell Supplier Principles. These set out the minimum standards which Shell suppliers need to meet. These include using energy and natural resources as efficiently as possible to minimise impact on the environment and covering health and safety issues. Other aspects of sustainable business include managing waste effectively and reducing the company’s carbon footprint. This can be improved by choosing suppliers who also take their responsibilities towards environmental impact seriously. For example, Marks & Spencer made £70 million of efficiency savings during 2010/11. Alongside reductions in waste and packaging and increased energy efficiency, the company is working with suppliers to reduce carbon emissions in the supply chain by improving efficiency of deliveries.



THE TIMES 100

BUSINESS CASE STUDIES

Questions

1. What is 'sustainability'?

2. Describe the purpose of CIPS online audit process.

3. Explain some of the ways firms in the oil and gas industry can behave in a sustainable manner.

4. Analyse why sustainable procurement is important for the oil and gas industry.

Task

Poster – create a spider diagram showing as many examples of ethical and sustainable behaviour as you can think of. You may have to carry out some research to help you with this. Some group discussion might also help to identify examples.

What have you learned?

Washing line – assign one end of a classroom wall to 'very important' and the other end to 'not at all important'. Students should now position themselves on the wall depending on how important they feel behaving in an ethical and sustainable manner is for firms. Volunteers should explain their position – preferably someone from each end and one from the middle.