

WHITE PAPER:

# *5 Best Ethical Procurement Strategies*

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January 25, 2022



## 5 Best Ethical Procurement Strategies

THE REQUEST FOR PROPOSAL (RFP) OR TENDERING PROCESS IS A COMMONLY USED PRACTICE UTILIZED BY PROCUREMENT MANAGERS IN AN EFFORT TO TRY TO CREATE A FAIR AND OPEN WAY FOR COMPANIES TO SOURCE MATERIALS, PRODUCTS OR SERVICES FROM VENDORS. HOWEVER, IN MANY CASES, THIS PROCESS IS OFTEN FAR FROM OPEN AND FAIR.

Theoretically speaking, the RFP process is supposed to provide a “win-win-win” outcome for the company and the vendors involved, as well as society – the company gets a product or service at a fair price, the vendor is earning enough to make a profit and society benefits from a high quality product or service that is financially rewarding (think sustainability).

Unfortunately, the reality of the RFP process is far from this ideal. Yes, it protects purchasing managers by providing job security as it gives the impression of a fair and inclusive process, and allows senior level decision makers to distance themselves from rolling up their sleeves and getting into the nitty gritty. It is for these reasons that the traditional single bottom line bidding process has persisted. overview of Office Supply procurement.

## A Common Buying Process:

The typical buying scenario begins with a company creating and distributing an RFP, a Call For Bids or a Request For Proposals, to which vendors respond, all in an effort to secure the contract. This distribution is published ‘publicly’ on a website or media channel in order that ‘everyone’ has the same notice and the same access. This “shot gun spray and pray” approach certainly sounds open and inclusive on the surface, and provides Senior Management, Owners and Bureaucrats the friendly sound bites to provide downside political protections, if needed. It is therefore no doubt that this system perpetuates.

Often times, vendors are forced to drive down their prices to an unprofitable margin or offer a lower quality service or product to win the bid and, therefore, a less than desirable user experience is created for society. Many times a vendor will offer an exceptionally low price to drive out the competition and win the contract, only to later issue many ‘change order’ notices and unannounced hidden charges after they have started the contract. This is an especially common occurrence in custom manufacturing, products, services, construction and renovations.

Perhaps the most unethical outcome of the typical procurement process is that the company's current or favourite vendor, friend or family-member is often awarded the contract. This results in wasted time, money and resources for the other vendors who never actually stood a chance despite the façade of openness and inclusiveness. This happens because the company will usually meet with their current / favourite vendor before putting out their RFP to get organized prior to issuing the calls for proposals. Most of the time the incumbent vendor has their exact and unique specifications included and written into the request, or the company will tailor their RFP for this desired vendor. Therefore, the only vendor that has all of the information required to successfully win the bid is the company's existing or favourite one.

Typically, in this process the incumbent supplier holds all the information, has the inside scoop on the project details, and has all of the information. The information that is released to the 'public' for bidding is usually incomplete information and lacks the real information required to make an informed proposal for the company. Case in point is that only the current vendor knows important pieces of information like: the actual price being paid by the client, the actual volumes consumed, the level of efforts required, the on-the-ground nuances of working every day with the client etc. And, most importantly, only the that vendor truly knows what questions to ask and what challenges, opportunities, pitfalls and obstacles need to be factored into the bid.

The most logical and ideal choice with the most benefits would have been to award the contract to the lowest bid (the company saves money), from the local vendor (supporting and investing in local jobs and businesses) and, of course, the highest quality product with the greatest warranty (supporting society through a better customer experience, and the environment by preventing the inferior product from being dumped in a landfill after 3 years, as well as the additional financial and physical resources it would take to create the replacement product).

There are many businesses, governments and education facilities who have tried to make the bidding process more transparent and inclusive and have added some strategies like a "weighted bid" (where price is not the only criteria used to award the contract). Some managers hold a vendor meeting or Q&A process to get information out to all bidders. Others implement alternative strategies to make their bidding process more fair. These are all noble and valuable efforts yet they are built on top of a flawed and outdated procurement system that is designed to maintain the status quo.

IN TODAY'S WORLD OF TRIPLE BOTTOM LINE THINKING (CORPORATE SOCIAL RESPONSIBILITY, TRANSPARENCY AND INCLUSIVENESS) THE TYPICAL PROCUREMENT PROCESS SIMPLY NO LONGER FITS AND NO LONGER WORKS.

## *An Ethical Solution:*

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OPERATING A BUSINESS WITH A TRIPLE BOTTOM RESPONSIBLE AND SUSTAINABLE STRATEGY IS WHAT IS BEST FOR THE LONG TERM VIABILITY OF THE VENDOR, THE CLIENT AND SOCIETY. OPERATING ETHICALLY AND TAKING LEADERSHIP.

There is a more ethical, beneficial triple bottom line (win-win-win process) that could be implemented . This new model is similar to the process for hiring new employees. For example, you shortlist a few people that you think may be a good fit, meet with them 2-3 times to do questions and answers to get a feel for each other, and review the job description, the budget and expectations. You may check references. You may do a small test project or probation period. Then you select the candidate you'd like to hire.

### *Therefore the 5 Steps for an Ethical procurement process are :*

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1. The company shortlists 2-3 potential vendors,
2. The company meets with the shortlist in person, shares full information, provides full open book transparency on their current buying habits, prices, budgets, specifications, volumes, needs, restraints, pain points etc. In the meetings with the potential vendors, an open and honest dialogue is created where all questions are answered including on site visits and orientations.
3. Then the vendors armed with the complete picture of what is required, the budgets and the volumes come back to the client and present in person their best proposed solution.
4. The company may decide to take a vendor for a test drive with a small pilot project before jumping in.
5. Then the client chooses which vendor to hire while rewarding the client with the best overall solution / best overall value and providing the winning vendor with a fair and sustainable revenue stream.

## *Ensuring compliance with sustainability and ethical goals*

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Transparency is lacking when numerous departments and individuals are procuring goods from a variety of suppliers:

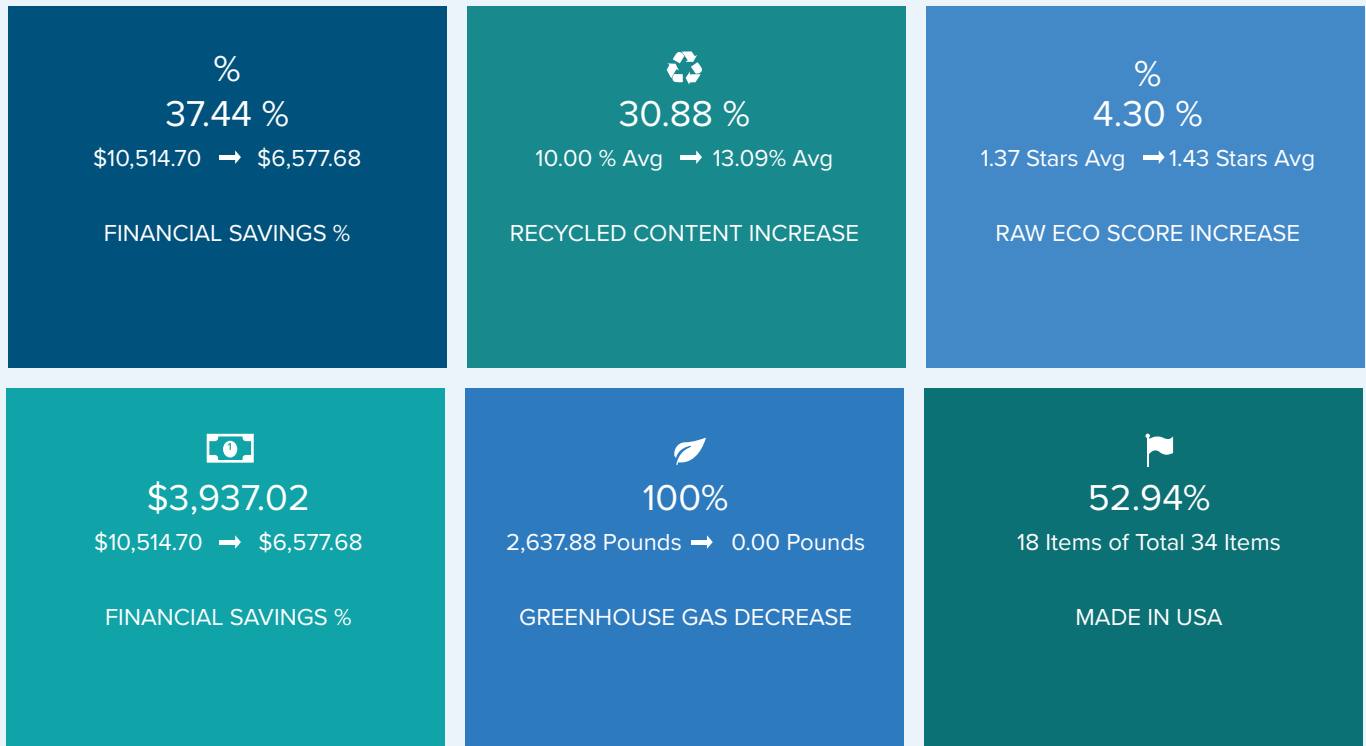
“WHEN PURCHASING HAPPENS WITHOUT A STRONG SYSTEM OF ACCOUNTABILITY IN PLACE, FROM INNOCUOUS OFFICE SUPPLIES TO BIG TICKET EXECUTIVE TRAVEL, COMPANIES CAN EASILY LOSE TRACK OF MILLIONS OF DOLLARS PER YEAR THAT COULD HAVE BEEN SPENT IN A MORE EFFICIENT WAY” <sup>1</sup>

Capturing all related spending in one place allows data analysis, and opens up the possibility of negotiation for lower costs. Perhaps more importantly, reviewing all related spending as a whole, allows far greater control over the sustainability and eco-positive attributes of a given procurement category. It often becomes clear that sustainability and low price can co-exist.

PREMIUM RAW OFFICE CLIENTS RECEIVE DETAILED MONTHLY REPORTS OUTLINING SAVINGS, RECYCLED CONTENT, RAW ECO SCORE, GREENHOUSE GAS DECREASE, AND MADE IN NORTH AMERICA SCORES.

## Last 5 Orders Summary

At Raw Office, we are looking out for both your business, and the planet. With these dashboard tiles, you'll immediately see the positive impact your purchase can make.



The Raw Office has already done all the “heavy lifting” of ensuring that its various suppliers are offering “B Corp” level compliance throughout their supply chains.

In addition, all B2B sales from The Raw Office are guaranteed to be carbon neutral, through The Raw Office’s partnership with Carbon Neutral Certified Checkout. <sup>2</sup>

## *Does Ethical Sourcing Matter to Consumers and stakeholders?*

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An article in '*Future of Sourcing*' pointed out that focusing entirely on cost during the procurement process can lead to unexpected consequences.

“WHEN WE CONSIDER CUTTING COSTS, WE DON'T ALWAYS CONSIDER THE HIDDEN COST TO HUMAN LIFE AND THE ENVIRONMENT.”<sup>3</sup>

Companies need to be aware of focus only on price can “nudge” companies to make decisions that ignore societal and environmental consequences. Data and transparency is required so that decision-makers are better informed during the procurement process.

Increasingly, consumers are expecting that their suppliers have done due diligence with regards to the ethical sourcing of products. The same article continues:

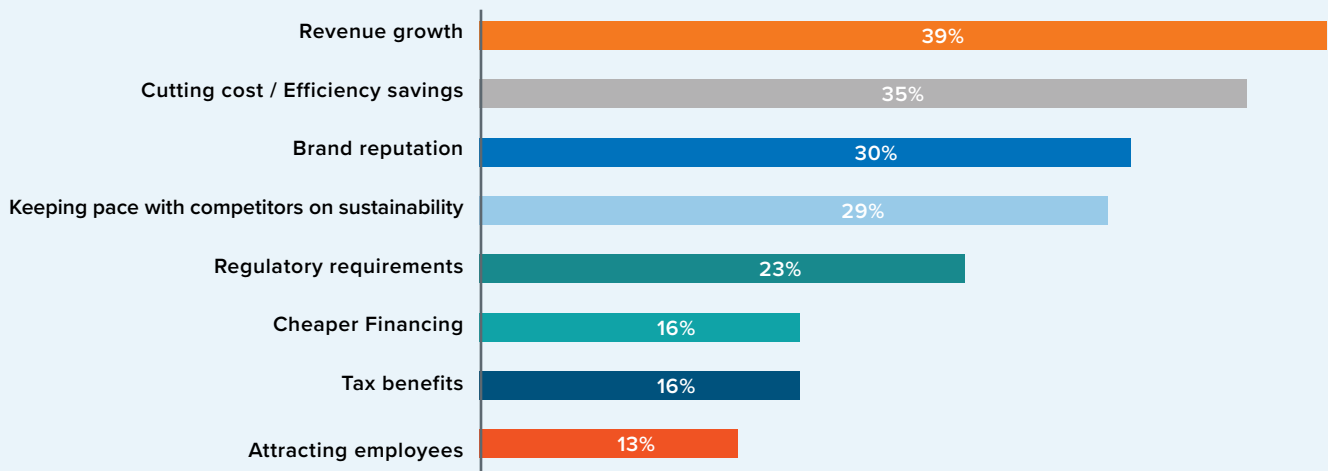
“ANOTHER DISRUPTIVE TREND IS EMERGING – NEW RETIREES TO 'GEN Z'ERS, AS CONSUMERS, WANT COMPANIES TO DO GOOD, FOR COST AND CONVENIENCE REASONS OF COURSE, BUT ALSO RISING AWARENESS OF DEPLETING NATURAL RESOURCES AND INCREASING SOCIAL STRUGGLES.”<sup>4</sup>

As well as pleasing consumers, ethical procurement, or ethical sourcing, affects the profitability of companies and helps them attract top talent.

## Sustainability within an organization

A study of 210 US firms in 2018 found that US firms with integrated, organization-wide sustainability framework achieve better borrowing and revenue outcomes than their peers. These businesses also view revenue growth as the main driver of their investment in sustainability. Meanwhile, other industry research has also established advantages linked to attracting and retaining talent.

*Which of the following factors have been most important in driving your company to take action on sustainability?*



Source: ING Sustainability and Finance Study 2018<sup>5</sup>

While there is often a perception that customers are ambivalent about green products, the real issue seems to be the “findability” of eco-forward products:

“AMERICANS ARE SEEKING OUT AND ARE WILLING TO PAY A PREMIUM FOR ENVIRONMENTALLY FRIENDLY PRODUCTS,”

according to a new study from GreenPrint, an environmental technology company. <sup>6</sup>

This is good news for any company seeking to increase the eco scores of products in its portfolio.

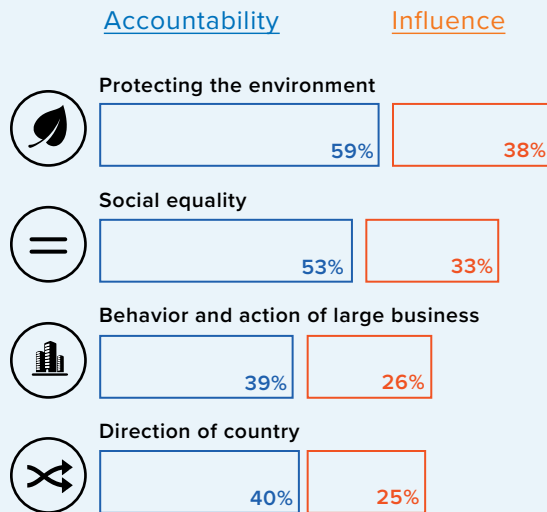


Not only does sustainability matter, but the even better news is that consumers are willing pay for it:

“WHILE ATTITUDES VARY ACROSS GENERATIONS, COUNTRIES, AND INDUSTRIES, 85% OF CONSUMERS HAVE BECOME ‘GREENER’ IN THEIR PURCHASING IN RECENT YEARS. COMPANIES MUST ACT NOW TO AVOID OBSOLESCENCE IN THE FUTURE.”<sup>7</sup>

Ethical procurement can also help companies find and retain top talent. A 2017 survey of millennials, who will comprise the majority of the workforce within the next few years, tells us that millennials feel accountable, to at least a fair degree, for many issues in both the workplace and the wider world. However, it is primarily in and via the workplace that they feel most impactful –more so when employers provide the requisite tools.

*Percent with a great deal/fair amount of influence and accountability upon the following:*



\*8

Beyond the “feel good” aspect that is often cited as one of the softer (less business focused) benefits of sustainability, employee morale and culture are linked to productivity, recruitment and retention. Hence, incorporating sustainability within the organization will allow the company to attract passionate and capable talent to work for them.

Finally, The Raw Office ensures all suppliers align with our Supplier Code of Conduct.

## Code of Conduct

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- 1. Forced Labor:** Suppliers shall not use forced labor, whether in the form of prison labor, indentured labor, bonded labor, or otherwise. Suppliers must allow employees to keep their own identification documents and to resign from their positions at any time.
- 2. Child Labor:** Suppliers shall not employ people younger than 15, or the minimum age for the completion of compulsory education, or the minimum age of employment required by law in the country of manufacture, whichever is highest.
- 3. Harassment and Abuse:** Suppliers shall treat every employee with respect and dignity, and shall not subject any employee to physical, sexual, psychological, or verbal harassment or abuse.
- 4. Non-discrimination:** Suppliers shall not subject any person to discrimination in employment (including hiring, salary benefits, advancement, discipline, termination, or retirement) on the basis of gender, marital status, race, religion, age, disability, sexual orientation, nationality, political opinion, social or ethnic origin or any other condition that could give rise to discrimination.
- 5. Health and Safety:** Suppliers shall provide a safe and healthy environment to prevent accidents and injury to health from occurring and comply with applicable laws and regulations. Suppliers shall identify, assess and minimize the impact of emergency situations by implementing emergency plans and response procedures. These plans and procedures must include the following: emergency exits are accessible and fully functional at all times, fire extinguishers must be visible, accessible, present and charged, evacuation plans must be posted and drills must be conducted annually. Supplier shall identify, evaluate and control exposure to hazards and ensure the use of any applicable personal protective equipment.
- 6. Freedom of Association and Collective Bargaining:** Suppliers shall recognize and respect the right of employees to freedom of association and collective bargaining. Management is encouraged to engage in direct communication with employees.
- 7. Wages and Benefits:** Suppliers shall pay employees at least the minimum wage required by local law, or the prevailing industry wage if no minimum wage law applies, and shall provide legally mandated benefits.
- 8. Hours of Work Compensation:** Supplier employees should not be required to work more than 60 hours a week, or the maximum number of work hours per week permitted in the applicable country of manufacture, whichever is less, except in extraordinary business circumstances. Employees should be granted at least one day off in every seven-day period. In addition to their compensation

for regular hours of work, suppliers shall compensate employees for overtime hours at the applicable premium rate in their country. In countries that have not established premium overtime rates, suppliers shall not pay employees less than their regular hourly rate for overtime hours.

9. **Ethical Standards:** Suppliers are held to the highest standards of integrity. Corruption, bribery and extortion are strictly prohibited. Suppliers must respect all intellectual property rights and applicable regulatory requirements of the countries from and to which they ship.
10. **Environmental Impact:** Suppliers must meet all applicable environmental laws and regulations in their country to manage hazardous materials and all waste and emissions materials. In addition, Suppliers are encouraged to have environmental policies, and environmental management systems containing goals with targets that are focused on the continuous improvement of overall environmental performance.
11. **Animal Testing:** We encourage all of the manufacturers and distributors that we feature on The Raw Office website to not do any animal testing and to treat all animals in a cruelty free, humane way.
12. **Sustainability:** All Raw Office internal staff & contracted team members (Staff & Contractors) must use best efforts to minimize and eliminate The Raw Office related waste going to landfill and pollution going into the water stream and atmosphere, as well as energy used in their day-to-day lives, by following the Home Eco Smart Guide.

To discuss ethical procurement , or to set up your own account with The Raw Office please contact [Support@TheRawOffice.com](mailto:Support@TheRawOffice.com)


1. <https://www.sbsonline.com/article/battling-dark-purchasing-transparency-procurement-critical/>
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