

IMPLEMENTING A SUSTAINABLE PURCHASING POLICY: AN EXPLORATORY STUDY IN THE COLAS GROUP

Oihab Allal-Chérif, PhD

Head of Operations Management and Information Systems Department
Kedge Business School, Talence, France

Abstract

This article addresses the contribution of the purchasing function to Corporate Social Responsibility (CSR). Indeed, the purchasing function is playing an increasingly important role in businesses, averaging over 60% of turnover. Simultaneously, managers integrate societal and environmental challenges in the management of internal and external relations. Sustainable purchasing policies, aimed at changing practices throughout the value chain, are deployed. Suppliers are therefore gradually mobilized to implement more responsible practices, and invited to commit themselves through sustainability charters and certification. That leads to the research question: how to implement a sustainable purchasing policy aligned with the corporate strategy? The CSR approach represents a particularly difficult challenge for some companies, as in the construction and civil engineering sector. The Colas Group, world leader in road construction, faces this difficulty that implies radical changes in its relations with its suppliers. Faced with the image of environmental pollution, landscape destruction, illegal labor, and endangerment of its workers, the Colas Group has implemented a progressive, rigorous and structured sustainable approach. Through participatory action research during a one year immersion, a case study of the Colas Group has been developed to analyze this approach and determine its benefits and limits. The particularly difficult context of the implementation of this sustainable purchasing policy – in a multinational, in a post-merger period, in an unfavorable sector and during an economic crisis – implies potential transferability of some practices studied in this specific case.

Keywords Purchasing, Sustainable, Suppliers, Case study, Colas Construction

Introduction

Sustainability is a major issue for all businesses of all sizes and from all sectors. It is of even greater importance in the industry, where the purchasing function represents often more than 80% of the turnover. This function plays a key role in how the Corporate Social Responsibility (CSR) of a company will be implemented and perpetuated (Crespin-Mazet & Dontenwill, 2012).

For a company to be sustainable, it's not sufficient to control all intern processes and to respect social, ecological and economical principles within its frontiers. It has to take into account all its suppliers, and its suppliers' suppliers, and to make sure they follow the same model: "Each organization is only as sustainable as its upstream supply chain" (Schneider & Wallenburg, 2012). Buyers therefore should ensure that suppliers pursue an industrial policy that is compatible with their sustainable principles and share the same culture. Strategic objectives should be determined jointly (Sytch & Gulati, 2008). Beyond cost killing, sustainable buyers favor suppliers with whom they can establish long-term partnerships. After a period during which purchasing frantically sought to cut costs and rationalize processes, it now concentrates on efforts such as technological advancement, innovation, sustainability, and global B2B marketing (Ortas, Moneva, & Álvarez, 2014).

The purpose of this article is to characterize the benefits and limits associated with the implementation of a sustainable purchasing policy and to provide a thorough analysis of a complex case. A focus is made on suppliers' implication in the process of developing a socially and environmentally responsible supply chain. The chosen company is the Colas Group, world leader in road construction, whose brand image is hardly compatible with sustainability due to its activities. Following this introduction, the next two sections review the literature linking purchasing to corporate social responsibility. A section is then dedicated to present the exploratory case study methodology. The last two sections present, analyze and discuss the Colas Group case and the way a sustainable purchasing policy aligned with the corporate strategy was implemented. A conclusion summarizes the contributions of this article.

Aligning the purchasing strategy with the corporate sustainable policy

As defined by the European Commission, Corporate Social Responsibility is "the voluntary integration by companies of social and ecological issues in their business operations and relationships with all internal and external stakeholders, in order to fully meet the applicable legal obligations, invest in human capital, and respect the environment" (European Commission, 2001).

As a societal actor, a firm cannot be only preoccupied by its sole wellbeing: it should be involved in the wellbeing of the whole society (Franklin-Johnson & Richomme-Huet, 2012). In 2002, when he was Secretary-General of the United Nations, Kofi Annan said: "Without the private sector, sustainable development will remain only a distant dream. We now understand that both business and society stand to benefit from working together. And more and more we are realizing that it is only by mobilizing the corporate sector that we can make significant progress. The corporate sector has the finances, the technology and the management to make all this happen. The corporate sector need not wait for governments to take decisions for them to take initiatives" (Colbert, Kurucz, & Wheeler, 2012). Although more and more standards appear, this collective responsibility and the moral conscience of the companies are voluntary and are inextricably linked with corporate image and economic profitability.

The involvement of the purchasing function in the corporate CSR policy increases both with the company's size and with the level of maturity of CSR. Sustainable purchasing is exposed to two types of risks: on one hand the risks associated with the products bought that may pollute, be non-recyclable or unsafe; on the other the risk of the supplier that may employ children, destroy natural resources (Fel, 2011). To remedy this, the purchasing function integrates sustainable principles and follows the corporate CSR policy throughout the purchasing process: from the definition of need in which eco-design can be promoted, to the preparation of the requests for information, for proposal, for quotation, or for tender in which buyers can introduce societal constraints, through the weighting of sustainable development criteria in the bids received (Fel, 2011).

Any company that claims to be sustainable must also work with responsible suppliers (Schneider & Wallenburg, 2012). To ensure the compatibility of its strategy with those of its suppliers, the company will have to identify social environmental and economical standards its suppliers must meet. The sustainable performance of its current suppliers should be evaluated, objectives should be set according to future needs, and the complete purchasing process must be redesigned according to CSR requirements (Dai & Blackhurst, 2012). Sustainable procurement imposes constraints on suppliers: they must be able to bring high economic value with competitive costs, to respect high environmental standards, and finally to contribute to strengthening the social values of the company (Ageron & Spalanzani, 2010).

Factors facilitating and inhibiting the implementation of a sustainable purchasing function

The most important motivation to implement a sustainable procurement policy is to improve the image of the company among its stakeholders, especially its customers. Sustainable development remains generally a marketing effort to convey a positive image. Other motivations are compliance with regulations and willingness to behave responsibly. However, neither search for competitive advantages nor cost reduction are recognized as major motivations (Ageron & Spallanzani, 2010). While motivating factors vary from one company to another, the two main factors in favor of sustainable purchasing are top management's initiatives and government regulations (Giunipero, Hooker, & Denslow, 2012).

Financial constraints associated with sustainable procurement are the main obstacles to their implementation. The necessary investments may not be profitable (Schneider & Wallenburg, 2012). Sustainable products are often perceived as more expensive as regular ones. Assessing the sustainability of suppliers and auditing them regularly to verify that they comply with CSR principles has an elevated cost that is not easy to assume in times of crisis (Ageron & Spallanzani, 2010).

A contradiction can therefore be found in the guidelines for managers. On the one hand they say that financial constraints have very little impact on the sustainable development strategy, on the other hand they require substantial cost reduction in crisis period. The short- and long-term goals seem therefore completely incompatible (.

Action research in an exploratory and prospective approach

The objective of this research is to observe how an industrial company implements a sustainable purchasing policy and to understand the issues involved. For this, we designed a thorough case study of the Colas Group. From this case study, a number of analysis parameters will be identified and good practices will be analyzed. Yin (1984) explained that the number of cases was not a validity criterion of the method: it is not necessary to have a multitude of cases to identify the relevant parameters of analysis. This is less the number of cases than the methodological rigor of the construction of these cases which is decisive in the description, understanding and explanation of certain phenomena. Using multiple cases allows only reinforce the results already achieved with one.

The choice of Colas Group is due to the fact that this company is a world leader in road and rail track construction. These activities are often associated with landscape destruction and environmental pollution (Murray & Dainty, 2013). This is why it's essential for Colas to improve its sustainable strategy and initiatives and to promote them to its clients and to the public in order to modify the perception they have and to improve the brand image. "In general, the case studies are the preferred strategy when the

questions' how 'or' why 'arise when the researcher has little control over events and when the focus is on a contemporary phenomenon in a real life context" (Yin, 1984, 2011). That is the case here of sustainable purchasing strategies, a recent approach that is implemented only in large groups where the maturity of the purchasing function is very high.

Empirical research was conducted for one year as part of an exploratory action research based on participant observation (Hatchuel & Molet, 1986). The constructivist approach focuses specifically on social interactions and processes as explanatory patterns of reality (Berger & Luckmann, 1966). The principle of "Generating theory" (Glaser & Strauss, 1967) or "building theory" (Eisenhardt, 1989) will be applied to the sustainable purchasing concept observed in the Colas Group. Grounded theory generates new theories in human and social sciences through immersion in the empirical data of existing theories regarding the observed phenomenon here sustainable purchasing. These new theories complete existing theories and explain new situations (Glaser & Strauss, 1967). Data collection has used simultaneously a wide range of complementary techniques: individual interviews, group interviews, participation in workshops, brainstorming sessions and think tanks (Miles & Huberman, 2003). The literature review was carried out gradually throughout participant observation, after an initial intensive documentation. Then, to highlight, complete and analyze the theoretical framework that has been set, interviews were conducted with two purchasing managers from the South-West of France Colas Group Agency.

The sustainable strategy of the Group Colas

Colas Group is a world leader in road construction and maintenance. The company Colas has also positioned itself as a major player in rail tracks construction and maintenance, pipeline facilities, as well as in the marketing of oils, waxes, paraffin and other refined products. This subsidiary of the Bouygues Group, which employs more than 60,000 people, is involved each year in more than 100,000 sites in 50 countries on 5 continents. Colas achieved a turnover of 12.4 billion euros in 2014, of which 47% outside of France, for a net profit of 604 million euros.

The Colas Road Company was born in 1929, following the invention of the first form of bitumen emulsion by two British researchers in 1920, the COLd ASphalt, and the acquisition of a patent by the French Alexandre Giros. Colas develops both through organic growth by establishing itself gradually in several regions, and mainly through external growth by acquiring other companies on several continents, like Sintra in 1964. Then Colas is itself acquired by the Group Bouygues in 1986. It will absorb Sacer in 1992 and Screg in 2012.

Today, the activities of Colas are diversified to include a Rail Division launched in 2000 and that achieves a turnover of 904 million euros in 2014, up 18%. The company continues to expand internationally by acquiring new entities like in Denmark or Australia. With an order book of 7 billion euros to start the year 2015, the company continues to increase slightly overall, though its turnover stagnated. In 2014, Colas rehabilitated roads in Ohio and Pennsylvania, built a seaside promenade in Los Angeles, renovated a bridge in Bangkok, supplied 100.000 tons of mix for the Jakarta beltway, built a subway extension in Kuala Lumpur, extended the airport runways in New Caledonia and enabled the extension of motorway and tram in Budapest.

The 60.000 Colas employees are spread within 800 business units and 2.000 production units worldwide. The human resources management of Colas bases its policy on two principles: the human dimension and well done work promotion. These two principles are available in six core values: (1) sense of the initiative: every employee is an "entrepreneur" animated by the desire for conquest, commitment and success; (2) responsibility: everyone takes responsibility for his decisions and actions; (3) confidence in the group: relationships based on trust, honesty and authenticity; (4) respect: the basic behavior of every employee in all actions, self-respect, respect for other employees, customers, third parties, social partners, society in general, the group's principles, laws and regulations, the environment, equity and ethics in the broadest sense; (5) setting an example: giving the best of oneself, constantly seeking quality, demonstrating professionalism are a daily requirement for each employee; (6) humility: questioning yourself and staying humble allow each employee to always progress.

The area of construction and civil engineering is particularly concerned with the issues of corporate social responsibility. Indeed, the sites where Colas is involved generate significant impacts on the environment, energy consumption, workers and users' safety, territories and equipment' accessibility, and residents' well-being. The main issues identified by Colas' managers and which should be taken into account by buyers are: (1) prevention of risks and professional illnesses of employees and especially of workers who are in the field; (2) hygiene, safety and training of all staff; (3) management of jobs and careers; (4) vocational integration and reintegration into the labor market; (5) valorization of diversity and social and cultural mix; (6) fight against illegal work, corruption and conflict of interest; (7) reduction of greenhouse gas emissions and research of high environmental quality; (8) energy savings and fight against global warming; (9) use of sustainable materials without negatively impacting future resources; (10) recovery and reprocessing of waste; (11) limitation of visual and noise pollution (12) preservation of natural areas and landscape integration; (13)

preservation of biodiversity; (14) territorial anchorage and proximity with local actors; (15) mobility and the opening up of territories.

These priorities don't only correspond to societal and environmental concerns, but they also reflect important business issues. On the corporate website, one can read that "the sustainable development strategy of Colas aims to design, build and operate sustainable structures while taking into account the aspirations of its stakeholders: customers, partners, employees and civil society. Colas Group provides solutions that reduce environmental impacts while seeking to improve the living environment of users. This approach developed at all stages of projects, from design to operations, is gradually spreading throughout cities and countries".

The company's annual report also highlights that Colas is pursuing a profitable growth strategy that integrates a responsible development approach, with social, societal and environmental dimensions, and that aims to meet the needs of today's world in terms of mobility, urbanization and respect of the environment. The company's strategic priorities are: strengthening and extending the network of permanent offices worldwide, controlling materials and resources required for activities, pursuing the development of specialized activities, offering expanded and innovative services, developing new products and techniques, focusing on profitability instead of volumes.

Performance indicators have been defined to assess the level of achievement in each area, as well as the evolution of these achievements. They are grouped into four categories: authenticity, simplicity, reliability and cross. These indicators are quite diverse and include: the quality certification level, volumes and rates of recycled or recyclable materials, the carbon footprint, the accident rate, the followed training time, ratios juniors/seniors and men/women, the number of people reintegrated into the labor market, and the average duration of contracts with suppliers.

The implementation of a sustainable purchasing policy in the Colas Group

Colas's Purchasing Management is part of the Procurement and CSR Committee of the group. This favors the progressive integration of CSR principles into the actions, decisions and processes of the purchasing function. This committee aims to integrate all actors of the value chain into the sustainable initiative, especially suppliers, subcontractors and service providers. This approach integrates the different stages of the relationship: upstream, using mapping and risk analysis, when selecting suppliers through the inclusion of CSR criteria for products and services; at the stage of contracting through the inclusion of a CSR charter; and finally, during the execution of the contract with assessments of supplier CSR performance and

occasional audits. The sustainable purchasing policy is adopted in 2014 and will disseminate its principles in all areas of the company, and in all international agencies.

The very large number of suppliers involves having a progressive and targeted approach, starting with the most critical suppliers. Purchases being completely decentralized in different locations and even in different construction sites, it is particularly difficult to change the habits of employees in charge, even more homogeneously. Moreover, the merger of Colas with Screg in October 2012 led to a major restructuring that has strongly impacted all services, including the still emerging procurement function. Indeed, this function has a low level of maturity and is still closer to basic procurement than to a real supplier relationship management.

For the managers of Colas, doubling the number of agencies following the merger is an opportunity to implement rigorous procurement processes and to introduce new more responsible and sustainable practices. It is also the ideal occasion to communicate with suppliers to raise awareness of the new CSR vision. An initiative is launched to centralize relations and negotiations with strategic suppliers at headquarters of each region for a more homogeneous communication and to have more impact.

The purchasing function was not easily accepted when operators had to transfer to them some of their activities, such as negotiation which constituted an important part of their job. However, the bargaining power of buyers, who represent a region, that is to say often more than fifty agencies, is much more important than the one of local operators. It is an opportunity to realize savings on grouped volumes that are inaccessible to each agency separately. Buyers can also have much higher requirements in terms of compliance with deadlines, standards and other contractual terms given the amounts involved. The development of the purchasing function in each region depends on the commitment and support of agencies and thus on how purchases will demonstrate their performance and added value.

The purchasing function endeavors to show its expertise as a support function for the agencies by conducting consultations and offering very competitive bundles. It seeks to be as flexible, versatile and efficient as possible not to disappoint the operators. To benefit from the best deals, there must be enough voluntary agencies accepting to delegate their sourcing to reach a critical level. Regional procurement services may also offer to reference new more competitive suppliers, with a higher quality level, with wider product lines or with a more responsible corporate culture. The purchasing department makes suggestions, but it also responds to requests from agencies facing increased competition. Framework contracts of one to three years are established across each region, to benefit from adjusted prices

and year-end rebates based on volume commitments and to establish privileged partnership relations with some suppliers.

The pressure is very strong, particularly on the costs that remain the main decision criterion. In the construction and civil engineering sector, it's essential to respect the deadlines because sponsors have significant time constraints and may charge penalties if the deliverables are not completed on time. The quality is governed by extremely strict standards, and the failure to comply can also have catastrophic consequences, both financially and on the reputation of Colas Group which claims the excellence of its practices. Given all existing constraints associated with costs deadlines, and quality, it is particularly difficult to sensitize stakeholders and operators to CSR.

The Colas Group created a Responsible Purchasing Committee, in which decentralized buyers of various regions meet regularly. This entity pools the knowledge and good practices to disseminate them and to implement action plans on topics such as waste reduction, carbon footprint, recycling, packaging, personal protection or working conditions. This committee has deployed the EcoVadis rating methodology. This agency provides measurement methods and performance criteria to limit risks and evaluate opportunities related to responsible purchasing. The EcoVadis solutions provide centralized dashboards with indicators to measure the results achieved by the action plans launched by the purchasing function with a particular emphasis on innovation and CSR.

Since 2009, according to the recommendations of this Responsible Purchasing Committee, Colas requires that for each framework contract set up with a supplier, the group's CSR charter will be attached. It focuses on four aspects of the Group's CSR policy: (1) ethics; (2) compliance with labor standards; (3) protection of health and safety; (4) protection of the environment. This charter stipulates that in case of a serious failure of a supplier to comply with one of these principles, sanctions will be taken, up to termination of the contract without compensation in damages.

Many meetings and training sessions were held with buyers to transmit them information and guidelines about the institutional CSR policy. However, due to limited resources, audits are restricted to strategic purchasing families and it is particularly difficult to have visibility on the entire purchasing portfolio. Therefore, to verify the compliance of all suppliers to all the principles of the CSR charter seems illusory. The challenge is to find solutions to improve the CSR commitment of suppliers and better measure their progress. To this end, the purchasing function launched a consultation of suppliers to determine their vision, their willingness to progress, and to establish a coaching process towards continuous improvement focused on social and environmental responsibility.

The purchasing function then categorized suppliers based on their responses and negotiated means to be able to support the most committed ones.

Conclusion

After a literature review to present the necessary alignment between the CSR corporate strategy and the purchasing management, and the benefits and limits of a sustainable purchasing policy, this paper provides an in depth case study of how a multinational company can implement a sustainable purchasing policy and involve its suppliers in its CSR strategy. It's difficult to promote the values associated with CSR into the company, but it's even more difficult outside of it. Convincing suppliers and partners to comply with new constraints and to change their culture and practices is a slow and progressive process. Cost optimization efforts may seem in conflict with the practices of sustainable development, and managers do not seem able to combine both.

To improve its image and to comply with the new requirements associated with its activities, The Colas Group has set up a rigorous and ambitious approach to improve the performance indicators associated with sustainable procurement. However, this ambition has been hampered by lack of resources, the context of a merger, the strong decentralization of purchasing and economic crisis. This example can be an inspiration for managers who wish to implement a sustainable procurement policy, both for drawing on methods used in the Colas group and to become aware of the obstacles they may encounter.

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