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# The **POWER** of Sustainable Purchasing



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The American Sustainable Business Council advocates for policy change and informs business owners, legislators, media, and the public about the need and opportunities for building a vibrant, sustainable economy. Through its national member network, ASBC represents more than 250,000 companies in a wide range of sectors.

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# The **POWER** of Sustainable Purchasing

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**Procurement of goods and services is necessary** for every type of organization, but procurement by governments, large companies, and institutions also resonates throughout our supply chains and beyond. What we buy, and how we buy it, makes a big impact on local communities, the environment, and the economy. By making choices that consider this impact, our buying decisions will resonate positively throughout our supply chains and our world.

In its new report, *The Power of Sustainable Purchasing*, the American Sustainable Business Council (ASBC) argues that if big purchasers' procurement policies considered five sustainability criteria — environmental impacts, buying local, supplier diversity, worker ownership, and high-road workplace practices — they would lower their risks, boost their public relations, and become more cost effective. These policies would also mitigate climate change, reduce income inequality, and increase opportunities in underutilized communities.

As mayor of Little Rock, Arkansas, I know first-hand how the policies of my city can create positive change in the supply chain. In 2008, I established the Mayor's Sustainability Commission, including stakeholders, community representatives, government personnel, and experts who help identify and grow support for sustainability initiatives. The Commission has helped me raise the profile of sustainable efforts, including through our annual Sustain the Rock awards recognizing businesses and institutions with sustainable practices that can be replicated by both public and private sectors.

Now, as president of the National League of Cities, a resource and advocate for cities and their leaders that represents over 1,900 member-cities of all sizes across the U.S., I see the even greater role procurement can play to address our nation's issues and build a vibrant, beneficial economy.

ASBC's work has created a new narrative for sustainable purchasing and challenged us all to think about how we can create positive change in our supply chains. Policy-makers can use ASBC's report to think more broadly about incentivizing companies to be more sustainable. Businesses can learn how others implement sustainable purchasing, and how to connect with diverse, small, and local suppliers.

We must understand that sustainability is more than an environmental issue. It extends to embrace building an economy based on triple-bottom-line values: people, planet, and profit. To achieve this broad goal, we need policies that enshrine these values in the way we do business, and one of our most powerful tools for change is procurement.

Most importantly, through its new report, ASBC has once again demonstrated how many of the solutions for our economy and communities are at the nexus of business and policy. Companies and governments both make significant impacts, and by sharing best practices and working together, as evidenced by the section, "Innovations that Facilitate Sustainable Procurement," we can ensure those impacts are good for the environment, all members of our communities, business, and the economy.

Sincerely,

A handwritten signature in blue ink that reads "Mark Stodola". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mayor Mark Stodola  
President, National League of Cities

# The POWER of Sustainable Purchasing

## EXECUTIVE SUMMARY

*By choosing sustainable procurement options, buyers **enhance** local economic growth, **harness** the potential of underutilized communities, **reduce** income inequality, and **mitigate** the damage of climate change.*

**Companies, governments, and institutions** of all kinds purchase goods and services for their own use. But what they buy — and how they buy it — has a significant impact on local communities, the environment, and the economy — and in some unexpected ways, on the success of the business itself.

When organizations choose to purchase goods and services that are sustainable, in a way that is transparent, they lower their risks, boost their public relations, and become more cost-effective. What's more, they help build a broadly sustainable economy — especially when they also require sustainability from their supply chains. By choosing sustainable procurement options, buyers enhance local economic growth, harness the potential of underutilized communities, reduce income inequality, and mitigate the damage of climate change — all while making purchases their operations need. Adding sustainability and transparency to purchasing specifications improves everyday operations and, at the same time, fosters a more sustainable economy for everyone.

Many organizations have begun to make some elements of their purchasing sustainable, like environmentally preferable purchasing and supplier diversity, but have yet to adopt other sustainability criteria, such as including high-road workplaces and buying local. Even more organizations remain disconnected from the practices of firms within their supply chains. This report explores some barriers to transparency and sustainability, and outlines solutions.

Some solutions focus on increasing the demand for sustainable options. Other solutions focus on increasing the supply. Because many of the barriers on both sides are caused by lack of authoritative, accessible information, a special section outlines the models and tools that make it easier. This report includes encouraging case studies of how businesses, non-profits, and governments are already working together, bridging gaps, and reaping rewards.



### Two main barriers to sustainable purchasing:

1. *On the demand side*, lack of knowledge, resources, and time to evaluate current suppliers and find alternative products... and
2. *On the supply side*, lack of knowledge about the contract process and lack of access to the process on the part of small, local, and diverse suppliers.

### Research Objectives

Institutional purchasing, already a major part of any economy, is key to building an economy that is broadly sustainable. Broad sustainability goes beyond buying “green” goods to include supplier diversity, high-road workplace practices, buying locally, and worker ownership. Incorporating all of these criteria, this report explores how procurement policy creates demand for sustainable products and services, and reviews ways to further accelerate supply-side growth.

Critically, this report evaluates ways to overcome two main barriers to sustainable purchasing:

1. *On the demand side*, lack of knowledge, resources, and time to evaluate current suppliers and find alternative products and services that are environmentally friendly and from diverse suppliers; and
2. *On the supply side*, lack of knowledge about the contract process and lack of access to this process on the part of smaller, local, and diverse suppliers.

Finally, this report recommends public policies to help the market maximize sustainable procurement by both public- and private-sector buyers while improving the economic resiliency of America’s communities and small businesses. Far beyond the value of any transaction, sustainable purchasing has a power that, little by little, can transform our society and our world for the better. With that pragmatic vision in mind, we offer this report.

### Findings

Through research and interviews with experts in environmentally preferable purchasing, supplier diversity, municipal procurement, worker ownership, the small business sector, and federal government purchasing, we identified three key findings about sustainable purchasing:

1. **Good policy creates demand.** Public and private purchasers operate in many different ways, but a comprehensive policy that includes all sustainable purchasing criteria can be designed to apply to all relevant purchasers. For example, federal legislation to improve all agencies’ purchasing decisions would drive more sustainable, transparent supply chains around the world.



**2. Aggregating supply spurs growth.** Small, local businesses are the backbone of the American economy, but in general, struggle to meet large contracts or gain access to growth opportunities. Aggregating supply through the co-op model lets small businesses work together to win and perform big contracts. Encouraging worker-owned cooperatives in particular leads to local economic growth. These co-ops reduce internal income disparities by restoring the link between work and reward, and provide new job opportunities for communities.

**3. Innovation overcomes barriers.** Over the last few decades, many innovative tools and models have been developed to introduce economic opportunity and job creation into underserved communities, increase the availability and ease of purchasing “green” products, and better connect buyers and suppliers. Policies that spur the adoption of these tools and models will in turn boost adoption of sustainable purchasing practices.

### Next Steps

This research report aims to raise awareness among policymakers and purchasers, both public and private, of the demonstrable benefits sustainable purchasing brings to institutional buyers, and the ways it is already improving worker incomes, mitigating climate change, and strengthening local economies. This report serves as a resource for managers empowered to improve their organizations’ supply chains and offers ways policymakers can spur the broadly sustainable economic growth our country needs. ★



*“With this report, the American Sustainable Business Council is working to chart new territory in defining strategies to implement purchasing practices and policies based on five sustainability criteria. By purchasing more sustainably, we are creating a pathway to an economy based on triple-bottom-line values: one that will simultaneously address crucial issues and provide the needed incentives to business so they can do well by doing good. We invite you to join us in building this work.”*

– David Levine, Cofounder & President,  
American Sustainable Business Council



# The POWER of Sustainable Purchasing

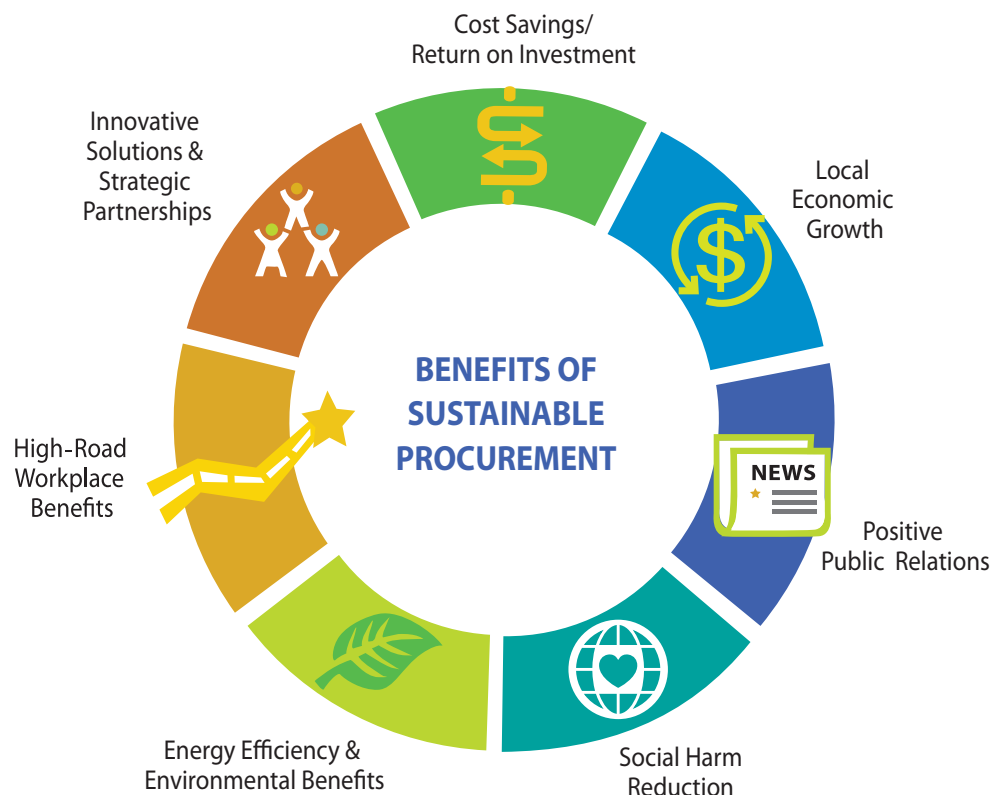
## INTRODUCTION

**90%** of consumer goods companies' impacts on natural capital (land, soil, water, air) are embedded in their supply chains

**>80%** of greenhouse gas emissions, and a majority of social impacts, are also perpetrated in supply chains

**Purchasing departments** in government units and anchor institutions, such as hospitals and universities, have the leverage to demand transparent, environmentally and socially responsible practices from their supply chains. So, do large businesses on their own, and smaller businesses through their associations. All these purchasers have a powerful opportunity to help transition our economy away from practices that pollute our environment, perpetuate income inequality, and impair human health.

Individual organizations may be operating responsibly, but that is not enough. According to McKinsey & Company, more than 90 percent of consumer goods companies' impacts on natural capital (land, soil, water, air) are embedded in their supply chains, and more than 80 percent of greenhouse gas emissions, and a majority of social impacts, are also perpetrated in supply chains.<sup>1</sup> As investors and consumers increasingly demand transparency about companies' social and environmental impacts, these firms are developing policies to improve not only their internal practices, but also those of their supply chains.



<sup>1</sup> Bove A., and Swartz, S. *Starting at the Source: Sustainability in Supply Chains*, McKinsey & Co. (2016): 3



Many Fortune 500 companies and large government agencies have adopted sustainable purchasing policies, designing them to control risk and cope with natural capital scarcity, supply interruptions, and demands from emerging markets. These policies also address maintaining customers’ trust and reducing costs by reducing waste and energy use.

While large companies with sustainable procurement policies have captured most of the headlines, a wide range of small- and mid-sized firms and social enterprises have also been practicing sustainable procurement for decades. Large or small, all of these organizations recognize the triple-bottom-line value of sustainable supply chains to people and the planet as well as to profits. They also see the value of rewarding sustainable suppliers with preferential procurement contracts. The diagram on page 6 outlines the benefits large buyers especially can realize with more sustainable procurement practices.

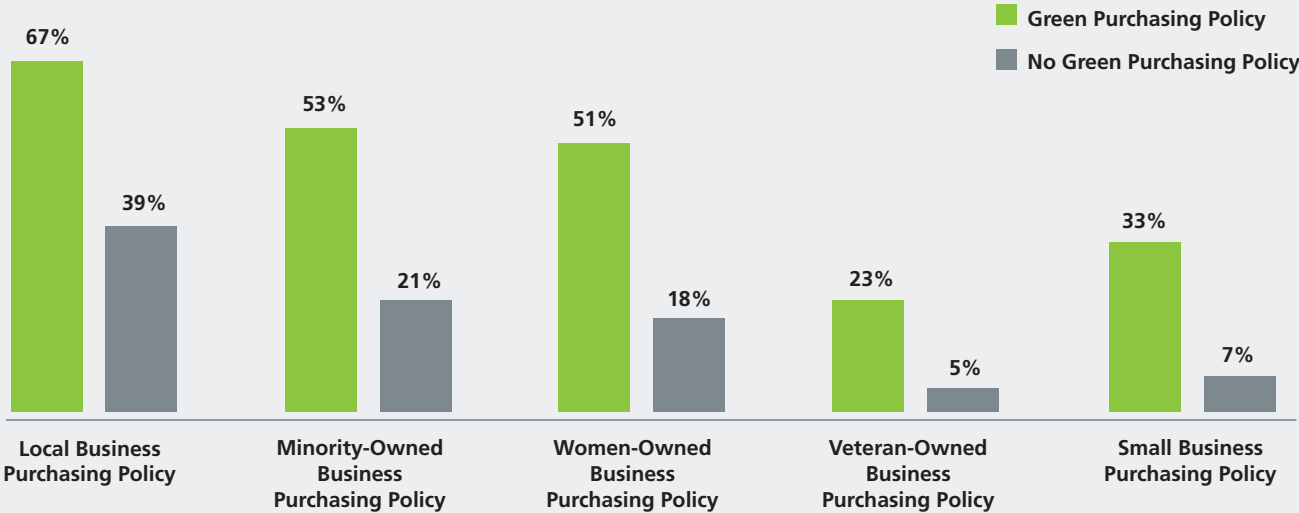
Today, companies and agencies of all sizes and in all sectors are realizing the benefits of sustainable procurement, but much work remains to be done. The array of environmental damages inflicted from within supply

chains has been well-documented, and so has the power of sustainable purchasing to grow local economies and support underutilized communities.<sup>2</sup> But supply chains still contain huge untapped opportunities to incentivize the triple bottom line.

Updating policies to encourage or require all vendors to invest in their workers and the communities where they operate, and implement other high-road practices, would significantly improve workplaces nationwide. Updating the definition of a “responsible bidder” to meet these standards would reward high-road companies with contracts and incentivize others to meet the minimum standard for contract eligibility.

Innovative organizations realize that sustainability comprises more than environmentally responsible purchasing, vital as that is. There is a high correlation between having a green purchasing program and having a commitment to sustainability in the larger sense. A recent study from Arizona State University (ASU) found that cities with green purchasing policies are more likely than others to also have complementary social policies.<sup>3</sup>

Impact of Sustainable Purchasing Policies



Source: Darnall, Bretschneider, Hsueh, Iles, Suarez, Burwell, 2017, p.19

<sup>2</sup> Bove A., and Swartz, S. *Starting at the Source: Sustainability in Supply Chains*, McKinsey & Co. (2016): 3; AMIBA, *The Multiplier Effect of Local Independent Businesses* <https://www.amiba.net/resources/multiplier-effect/>; Rice, S. *Buy Newark: A Guide to Promoting Economic Inclusion through Local Purchasing*, Policy Link. (2012).

<sup>3</sup> Darnall N., Stritch et al. *Advancing Green Purchasing in Local Governments*. Phoenix: Arizona State University, Center for Organization Research and Design, Sustainable Purchasing Research Initiative. (2017): 19.

*Purchasing policies can incentivize triple-bottom-line values: people, planet, and profit.*

ASU's research shows that many municipal purchasers are already instituting comprehensive sustainable purchasing policies that provide social, environmental, and economic benefits, but this positive trend is just beginning.

This report identifies a robust vision for sustainable purchasing that is both environmentally preferable and socially responsible. Looking at the roles of both buyers and suppliers, it shows how purchasing policies can incentivize triple-bottom-line values throughout supply chains and how suppliers can work together to create new opportunities.

This report focuses specifically on public policy at the federal and municipal levels and on corporate policy in private companies. These entities were selected because:

- 1) as the world's largest purchaser, U.S. federal government spending has an unmatched economic impact;
- 2) municipalities' efforts in sustainable purchasing show specific local benefits; and
- 3) for-profit companies have different obligations than the public sector, which are reflected in their sustainability policies.

Finally, this report presents innovative ways buyers and suppliers are overcoming two major barriers to sustainable purchasing: 1) buyers' lack of knowledge, time, and resources to evaluate their usual suppliers, expand their vendor lists, and source better solutions; and 2) suppliers' lack of knowledge about the contract process and lack of access to bidding opportunities, particularly among local, small, and underutilized suppliers. ★



*“What we experience in our global economy today is a direct result of what was written down in contracts weeks, months, or years ago. If we want a more sustainable economy, it is imperative that we re-think our organization’s habitual purchasing practices and challenge every organization to do the same via policy and advocacy. SPLC applauds ASBC and its members for focusing attention on the tremendous opportunity to start buying the future we want, today.”*

– Sam Hummel, President & CEO,  
Sustainable Purchasing Leadership Council

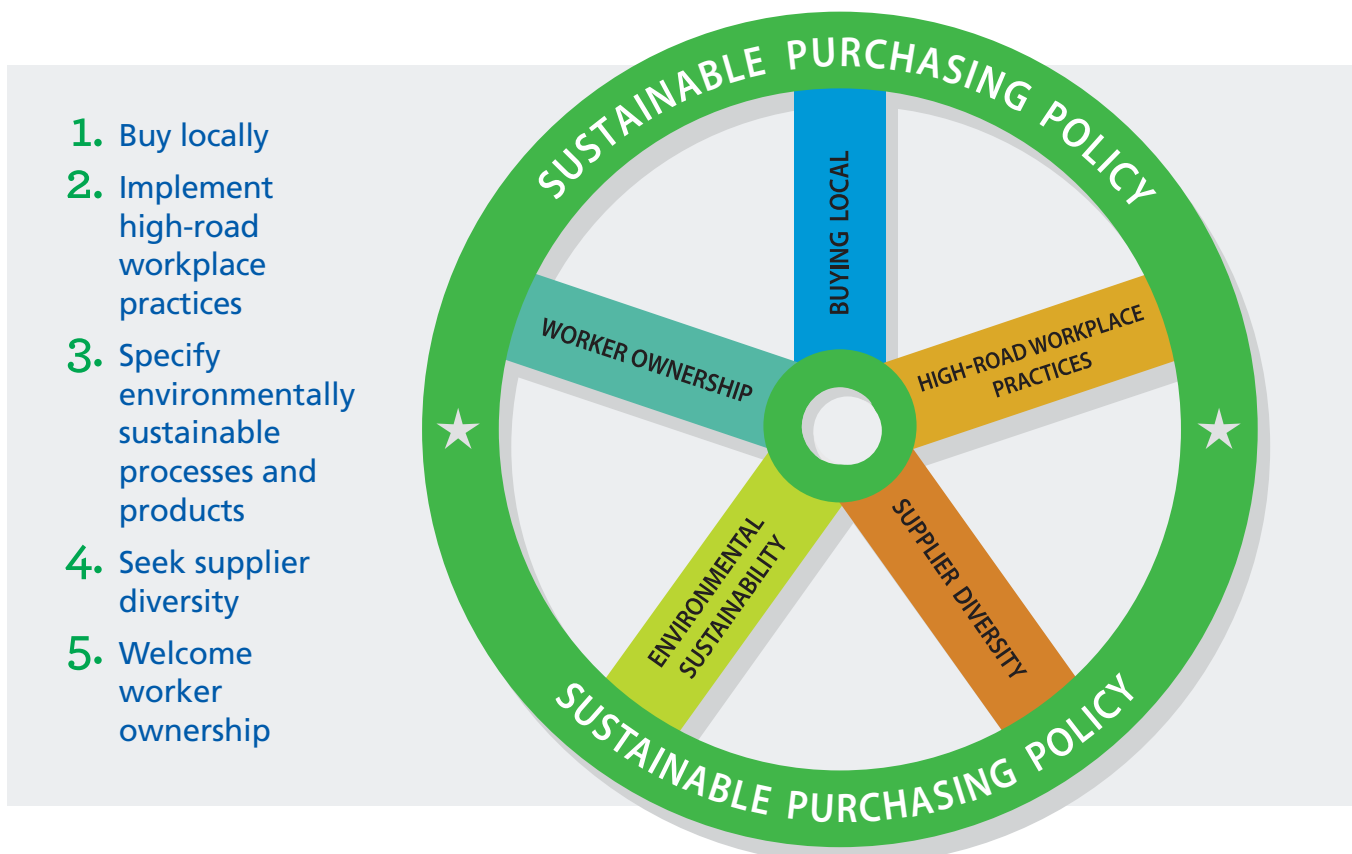
# The POWER of Sustainable Purchasing

## FIVE SPOKES OF THE SUSTAINABLE PROCUREMENT WHEEL

A well-rounded procurement policy moves both the organization and society forward. Purchasers' choices have the power to mitigate environmental damage, increase opportunities for underserved and diverse businesses, improve workers' and families' wellbeing, and strengthen local economies.

When large corporations, institutions, and governments demand more transparency in their supply chains, they foster environmental stewardship and social equity. Demand for sustainable options will also shift markets to foster innovation and create new jobs. From global energy companies to local lawn services, suppliers today are being asked far more than, "what's your price?" Every company, organization, and government entity of any size can help by modeling and publicizing best practices.

Sustainability, broadly defined, incorporates triple-bottom-line values: people, planet, and profit. Any sustainable procurement policy needs to incentivize these values, and in order to do so, it must address all five sustainability criteria: buying locally, implementing high-road workplace practices, specifying environmentally sustainable processes and products, seeking supplier diversity, and welcoming worker ownership. The figure below shows how these five criteria serve as strong spokes on a smoothly working wheel to move the organization and society forward.



**Environmental Sustainability Starts with Green Choices**

Environmentally Preferable Purchasing (EPP), a term developed by the U.S. Environmental Protection Agency (EPA), refers to products and services that are less harmful to the environment and human health than other alternatives. Another U.S. agency, the General Services Administration, would do well to follow EPP guidance, because, as Dan Tangherlini, former GSA administrator, says, “Our acquisition of goods and services creates a carbon footprint nine times that of our buildings and fleet, put together.”<sup>4</sup> GSA spends \$60 billion per year on products and services.<sup>5</sup> The more these purchases follow EPP guidelines, the faster our country transitions to a sustainable economy — one based on producing and consuming environmentally friendly goods and services, while growing business and creating jobs.

**High-Road Workplaces Foster Stable Success**

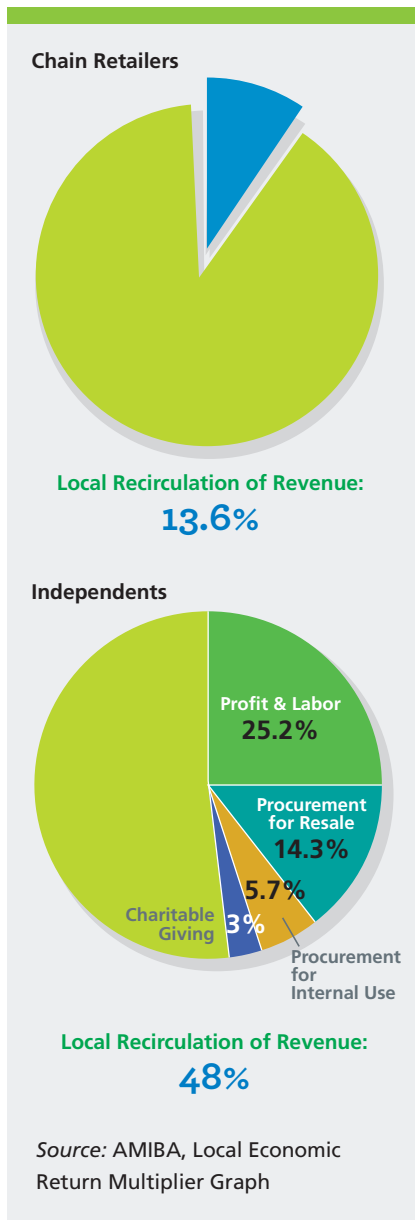
High-road business see their employees, the communities where they operate, and the products and services they provide as equally critical to their financial success. These companies hold a long-term perspective and see the workplace as a vehicle to create significant business and social good. They reject low-road business models that exploit employees and disregard the environment. High-road businesses know they are far likelier to thrive when they provide family-friendly benefits, offer flexibility, pay a livable and fair wage, invest in employee growth and development, cultivate inclusion, govern fairly and transparently, engage with communities, manage the supply chain responsibly, drive environmental best practices, and promote health and safety.<sup>6</sup>

Firms of all kinds and sizes have found these high-road principles give them the strength and stability to navigate a challenging economy. By instilling these principles in procurement policies, they reward high-road suppliers and incentivize others to implement high-road practices. Public-sector and institutional buyers can and should do likewise.

**Buying Locally Strengthens Communities**

The geographic definition of “locally” differs for every buyer, but in general, buying locally means large purchasers make every effort to source goods and services from geographically nearby, independent businesses. This commitment strengthens the community’s economy, encourages entrepreneurship, creates jobs — and also minimizes long-distance fuel consumption, emissions, and other environmental harm.

Supporting local firms has real value: According to the **Business Alliance for a Local Living Economy** (BALLE), two-thirds of private-sector jobs created in 2014 were generated by independent businesses.<sup>7</sup> In addition to creating jobs, these



<sup>4</sup> Sustainable Purchasing Leadership Council. Retrieved from <https://www.sustainablepurchasing.org/blog/2014/05/24/remarks-by-gsa-administrator-dan-tangherlini-at-splcs-2014-summit/>.

<sup>5</sup> General Services Administration. Retrieved from <https://www.gsa.gov/reference/reports/budget-performance/annual-reports/agency-financial-report-2013/how-gsa-benefits-the-public>.

<sup>6</sup> American Sustainable Business Council. *The High Road Workplace: Route to A Sustainable Economy*. (2017).

<sup>7</sup> BALLE. Retrieved from <https://bealocalist.org/why-local-matters/>.

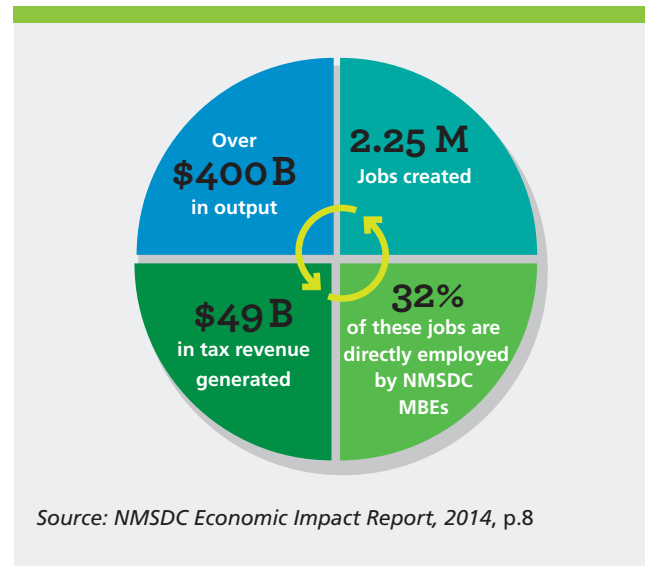
businesses tend to keep more revenues in their local economy. **American Independent Business Alliance (AMIBA)** found that local, independent businesses have a significantly higher recirculation rate than chain businesses.<sup>8</sup>

**Diverse Suppliers Expand Opportunities**

Inviting bids from firms owned by women, minorities, and other underrepresented demographics open exciting new opportunities for buyers as well as suppliers. Diversifying the supplier base also helps families and underserved communities become more economically sustainable, to the benefit of society overall.

**Minority Business Enterprises (MBEs)** are companies that are majority-owned by people of color. Firms must meet varying standards and definitions to earn MBE certification, but they present an enormous opportunity for economic growth and development. According to the **Minority Business Development Agency (MBDA)**, minority-owned firms are growing faster than others: from 2007 to 2012, MBEs increased 38%, while non-minority firms decreased 6%.<sup>9</sup> Minority-owned businesses also have a strong economic impact: **The National Minority Supplier Development Council (NMSDC)** found that MBEs have generated over \$400 billion in output and created well over two million jobs.<sup>10</sup>

**Women Business Enterprises (WBEs)** are companies that are majority-owned by women. As with MBEs, WBEs must meet varying requirements for certification, and they present an immense opportunity for potential economic growth. According to a report by the Center for Women’s Business Research, women-owned firms have an economic impact of \$3 trillion, which has led to the creation or maintenance of 16% of all U.S. jobs.<sup>11</sup> The report also found that, while 28.2% of all U.S. businesses were women-owned, they only accounted for 4.2 percent of revenues.<sup>12</sup> With women-owned firms already creating a disproportionate number of U.S. jobs, more opportunities to win contracts would accelerate their growth and maximize their positive impact. More opportunities for minority- and women-owned firms throughout the supply chain would create more jobs, generate more tax revenue, and energize the economies of historically underutilized communities.



**Worker-Owned Companies Reduce Economic Inequality**

Employees become shareholders as well as stakeholders when they have the opportunity for worker ownership. Most common is an Employee Stock Ownership Program (ESOP), which lets employees own stock in the company through pension or profit-sharing plans. More than 32 million Americans now own stock in the companies where they work.<sup>13</sup> In another form of employee ownership, the worker cooperative, employees fully and equally own and operate the business. The **U.S. Federation of Worker Cooperatives** estimates that there are more than 350 such worker co-ops running businesses in the United States, employing more than 5,000 people and generating over \$500 million in annual revenues.<sup>14</sup> Because these companies share profits with their worker-owners, big buyers can help reduce today’s income inequality by directing their supply chains to open contracting to qualified worker-owned firms. This shift will also encourage more businesses to adopt this dynamic, equitable ownership model. With public policy support, many of these viable firms can continue under their workers’ ownership. ★

<sup>8</sup> AMIBA. Retrieved from <https://www.amiba.net/resources/multiplier-effect/>.  
<sup>9</sup> Minority Business Development Agency. *U.S. Minority Owned Firms Fact Sheet*. (2016).  
<sup>10</sup> National Minority Supplier Development Council. *Economic Impact Report*. (2014): 2.  
<sup>11</sup> Center for Women’s Business Research. *The Economic Impact of Women-Owned Businesses in the United States*. (2009): 1.  
<sup>12</sup> *Ibid*: 2.  
<sup>13</sup> Schumpeter. “When Workers Are Owners.” *The Economist*. (2015, August 20). Retrieved from <https://www.economist.com/news/business/21661657-received-wisdom-employee-ownership-good-thing-comes-caveats-when-workers-are>.  
<sup>14</sup> US. Federation of Worker Cooperatives. Retrieved from <https://usworker.coop/what-is-a-worker-cooperative/>.

## BUYING SUSTAINABLY: GOOD POLICY BUILDS DEMAND



*All sustainable procurement policies and programs should be buttressed with federal legislation*

**To enlist everyday procurement** in building a sustainable economy, purchasers need clearly defined policies that set specific standards, objectively evaluate results, allow for benchmarking within organizations and across sectors, and schedule regular updates. This effort is progressing, as many government units, anchor institutions, such as hospitals and universities, and private companies now have purchasing policies that factor in sustainability. Policies commonly include requirements for environmentally preferable purchasing and/or specific initiatives to increase supplier diversity. To incentivize a triple-bottom-line approach throughout our economy, however, policies must address all five spokes of the sustainable procurement wheel.

Federal, municipal, and private business procurement policies are evolving across the nation. The following section looks at each of these buyers and their influence on purchasing practices.

### Federal Government: Shopping for the 800-Pound Gorilla

The U.S. government is the largest purchaser in the world: in 2016, it spent \$262 billion with its top 100 contractors alone.<sup>15</sup> The federal government's enormous purchasing power means that even small shifts toward more sustainable products or more diverse, smaller suppliers makes a great improvement for America's communities, their local economies, and the environment.

The federal government's vast purchasing power also gives it the leverage to demand higher standards from its current suppliers. One such supplier, **Lockheed Martin Corp.**, received almost \$43 billion in government contracts — nearly 91% of the company's total revenue — in FY17.<sup>16</sup> Lockheed Martin is also a leader in sustainable purchasing, with policies to increase supplier diversity, support small businesses, reduce harmful environmental impacts, and ensure the highest ethical standards throughout its supply chain. The firm regularly analyzes what it buys and solicits feedback from internal and external stakeholders to improve its purchasing process and outcomes.<sup>17</sup> Lockheed Martin has recognized the benefits of purchasing sustainably, as well as being influenced by the policies of its largest client, the federal government.

U.S. administrations have long used executive orders to effect policies that reduce environmental harm and increase diversity in the supply chain. However, these policies are vulnerable: if a new administration does not value the benefits, important policies are easily dropped and momentum stalled. Federal laws are less vulnerable than executive orders, and some do encourage higher supply-chain standards and investment in local economic growth. However, all sustainable procurement policies and programs should be buttressed with federal legislation, the only way to ensure changing political circumstances don't undo the progress of previous administrations.

<sup>15, 16</sup> Minde, O. "An Easy Way to Explore How Changes in U.S. Federal Spending Affect a Contractor." *Bloomberg Markets*. (2017, August 19). Retrieved from <https://www.bloomberg.com/news/articles/2017-08-19/an-easy-way-to-explore-how-changes-in-u-s-federal-spending-affect-a-contractor>.

<sup>17</sup> Lockheed Martin. *Toward the Shared Value Vector: Lockheed Martin Sustainable Purchasing Program*. Sustainable Purchasing Leadership Council. Retrieved from <https://www.sustainablepurchasing.org/library/#lockheed5>.

*The federal government requires that a certain share of its contracts be set aside for small businesses, including those in special-interest groups.*

**Encouraging Small- and Special-Interest Businesses**

The federal government requires that a certain share of its contracts be set aside for small businesses, including those in special-interest groups. **The Small Business Administration (SBA)** categorizes special-interest group categories as **Women-Owned Small Businesses (WOSB), Small Disadvantaged Businesses, Service-Disabled Veteran-Owned, and Certified HUBZone Businesses.**<sup>18</sup> Each federal agency sets a yearly participation goal for each of these categories. Agencies covered by the Chief Financial Officers Act must also publish their prime contracting and subcontracting goals.<sup>19</sup>

To meet these overall goals, set-asides are created depending on the size of each contract. For example, any contract above the micro-purchase level of \$3,500 and below the Simplified Acquisition Threshold (SAT) of \$150,000 must be automatically and exclusively set aside for small business. However, the automatic set-aside is only triggered when at least two qualified small businesses are interested, to keep the process competitive. Above the SAT, the Rule of Two also applies.<sup>20</sup> These measures create robust opportunities for small businesses to compete for federal contracts.

In the case of very large contracts — defined as above \$700,000 for general work or \$1.5 million for construction — awarded to **Other Than Small Businesses (OTSB)**, winning bidders must create plans to subcontract to small businesses, provided the projects offer subcontracting opportunities.<sup>21</sup> The goal of these federal policies is to drive at least 23% of annual federal purchasing dollars — approximately \$92 billion — to small businesses.<sup>22</sup>

A percentage of federal project dollars are also set aside for businesses within special interest groups. To assess how well federal agencies are meeting their prime contracting and subcontracting goals, report progress, and ensure transparency, the Small Business Administration (SBA) releases an annual “Small Business Procurement Scorecard.”<sup>23</sup> This analysis helps SBA with its bi-annual goal-setting process, government-wide as well as within individual agencies. In FY16, the federal government’s overall score was an A.<sup>24</sup> In prime contracting, the government met or exceeded its goals in each category except for HUBZone contracts. In subcontracting, goals were also mostly met or exceeded, except for the categories of Service-Disabled Veteran-Owned and HUBZone businesses.<sup>25</sup>

<sup>18, 19</sup> General Services Administration. Retrieved from <https://www.gsa.gov/acquisition/assistance-for-small-businesses/find-and-pursue-government-contracts/seek-opportunities/setasides-and-special-interest-groups>.

<sup>20, 21, 22</sup> Small Business Administration. Retrieved from <https://www.sba.gov/contracting/government-contracting-programs/what-small-business-set-aside>.

<sup>23, 24, 25</sup> Small Business Administration. Retrieved from <https://www.sba.gov/contracting/finding-government-customers/see-agency-small-business-scorecards>.

While the scorecard for FY17 has not yet been released, the chart below tabulates GSA's goals and actual results for awarding contracts to small businesses and specific special-interest businesses for that year.

**Small Business Contracts**

**Government-Wide Overall**

Goal Category	Eligible Dollars	Actual Dollars	Goal %	Actual %
Small Business	\$443.0 B	\$105.8 B	23%	23.89%
Small Disadvantaged Business	\$443.0 B	\$ 40.3 B	5%	9.09%
Women Owned	\$443.0 B	\$ 20.9 B	5%	4.71%
Service Disabled Veteran Owned	\$443.0 B	\$ 18.0 B	3%	4.05%
Certified HUBZone Small Business	\$443.0 B	\$ 7.3 B	3%	1.65%

Source: Government Services Administration, Small Business Contracts FY17

**8(a) BDP firms have access to specialized trainings and executive development, and they can qualify for SBA loans**

The chart shows that the federal government is continuing to meet or exceed its prime contracting goals in all except for the Certified HUBZone category.<sup>26</sup> Projections for FY18 overall, as well as for each special-interest group, are around the same as FY17's actual results.<sup>27</sup> Opportunities for growth exist in most categories.

In addition to creating specific opportunities for small business, SBA also runs the **8(a) Business Development Program**, an assistance program for small, disadvantaged businesses. The program consists of a development stage (4 years) and a transition stage (5 years).<sup>28</sup> Participants in the 8(a) BDP program can be awarded sole-source contracts up to a certain limit, and work with other firms to bid for larger prime contracts. Further, 8(a) BDP firms have access to specialized trainings and executive development, and they can qualify for SBA loans or surplus government supplies.<sup>29</sup> The Mentor-Protégé Program specifically for 8(a) BDP participants provides further access to capital and assistance with technical and management issues.<sup>30</sup> A larger Mentor-Protégé program offers education and assistance to all small businesses.<sup>31</sup>

**The Minority Business Development Agency** and the **National Women's Business Council** both run programs to promote and sustain business development and support policies for their specific constituencies. They also conduct research about the economic impacts of women and minority-owned businesses.

<sup>26</sup> The HUBZone program has never met its goal, and there has been thorough analysis completed as to why that is and recommendations for how to improve the program. It is beyond the scope of this piece to delve into those specific problems and recommendations. Williams, J., & Flood, K. "Revitalizing the HUBZone Program." *BNA Insights*. (2016, June 28). Retrieved from <https://www.bna.com/bna-insights-revitalizing-n57982076250/>.

<sup>27</sup> General Services Administration. Retrieved from [https://smallbusiness.data.gov/explore?carryfilters=on&fromfiscal=yes&tab=By+Performance+Goal&fiscal\\_year=2017&tab=By+Performance+Goal&fiscal\\_year=2018&fromfiscal=yes&carryfilters=on&Submit=Go](https://smallbusiness.data.gov/explore?carryfilters=on&fromfiscal=yes&tab=By+Performance+Goal&fiscal_year=2017&tab=By+Performance+Goal&fiscal_year=2018&fromfiscal=yes&carryfilters=on&Submit=Go).

<sup>28, 29, 30</sup> Small Business Administration. Retrieved from <https://www.sba.gov/contracting/government-contracting-programs/8a-business-development-program/about-8a-business-development-program>.

<sup>31</sup> Small Business Administration. Retrieved from <https://www.sba.gov/contracting/government-contracting-programs/all-small-mentor-protége-program/about-all-small-mentor-protége-program>.





Source: EPA, Recommendations of Specifications, Standards, and Ecolabels for Federal Purchasing

## Sustaining America's Green Purchasing Policy

Through a variety of statutory mandates and executive orders spanning multiple administrations since the early 1990s, the federal government has had a strong track record of environmentally preferable purchasing.

In 2009, Executive Order (EO) 13514, "Federal Leadership in Environmental, Energy, and Economic Performance," was signed by President Barack Obama. It sought to ensure that "95 percent of new contract actions, including task and delivery orders for products and services, with the exception of acquisition of weapon systems, are energy-efficient (Energy Star or Federal Energy Management Program-designated), water-efficient, bio-based, environmentally preferable (e.g., Electronic Products Environmental Assessment Tool-certified), non-ozone-depleting, contain recycled content, or are non-toxic or less toxic alternatives, where such products and services meet agency performance requirements."

In March 2015, EO 13514's goals and approaches were updated and expanded in EO 13693, continuing the federal government's commitment to leadership in sustainable procurement. Government agencies stepped up their hunt for companies supplying environmentally preferable goods and services — and the world's largest buyer insisting suppliers reduce their environmental impact certainly spurred many small and mid-sized contractors to assess their own environmental performance.

To facilitate these assessments, the EPA's **Environmentally Preferable Purchasing (EPP)** program works with a variety of standards developers and ecolabel managers to create more market clarity around environmentally sustainable goods and services and guide federal purchasers to procure products meeting these standards or ecolabels. In 2016, EPA issued its Recommendations of Specifications, Standards, and Ecolabels. The graphic at left shows the recommended Ecolabels.

GSA manages the **Green Procurement Compilation (GPC)**, a resource for federal buyers that puts all green purchasing requirements from federal environmental programs in one place. A searchable database, GPC lists green purchasing requirements by product/service category, shows available procurement options, and provides other resources to meet environmental goals.

Overall, the federal government has made it easier for federal buyers to make environmentally preferable purchases and for companies to find resources that sell sustainably. However, much more can be done to institutionalize green procurement throughout the federal government's agencies, and to create more incentives for companies and institutions to buy sustainably.

*From 2013 to 2017, the Farm-to-School Grant Program awarded over \$25 million in funding ... reaching over 29,000 school districts and 13 million students in all 50 states.*

### *Buying Locally, Supporting Cooperatives*

The U.S. Department of Agriculture (USDA) has led development of local food programs. Under the Obama Administration, USDA started “Know your Farmer, Know Your Food,” a program coordinating the Department’s work on local and regional food systems.

Another successful USDA program is the **Farm-to-School Program**, The Healthy Hunger-Free Kids Act of 2010 directed USDA to support farm-to-school programs through grant funding, research, technical assistance, and training. These programs help schools buy local food, often from local food hubs or other farm aggregators. In FY18, USDA offers grants for implementation, planning, and training. These grants, ranging from \$20,000 to \$100,000, help schools implement agriculture-based curricula, institute best practices in the planning process, actively scale existing programs, and more.<sup>32</sup> From 2013 to 2017, the Farm-to-School Grant Program awarded over \$25 million in funding to over 365 grantees, reaching over 29,000 school districts and 13 million students in all 50 states.<sup>33</sup>

### **Cities Lead Sustainable Buying**

Cities play a major role in advancing sustainable purchasing. They have enough power to shift local and regional markets, but are small and nimble enough to innovate new solutions. Collectively, municipal governments purchase \$1.72 trillion of goods each year.<sup>34</sup> The impact of an individual city is small compared to that of a state or federal government, but cities’ collective footprint is significant. Among many examples of excellent municipal purchasing policies, Portland, Minneapolis, and Phoenix are regularly cited for their commitment to sustainability and the effectiveness of their implementation.

<sup>32, 33</sup> United States Department of Agriculture. Retrieved from <https://www.fns.usda.gov/farmtoschool/farm-school-grant-program>.

<sup>34</sup> Darnall N. et al. *Advancing Green Purchasing in Local Governments*. Phoenix: Arizona State University, Center for Organization Research and Design, Sustainable Purchasing Research Initiative. (2017): 9.



*“Cities can and should use policy solutions to advance their goals around climate, sustainability, equity, and economic development. By stressing sustainability throughout their supply chains, they can help grow local businesses and communities, attract new talent and investment, and protect their natural environments. The Mayors Innovation Project acts as a catalyst for innovation by creating space for municipal leaders to lead by example, share ideas, and learn from each other’s successes.”*

– Satya Rhodes-Conway, Managing Director,  
Mayors Innovation Project

## Portland, Oregon: Buying Green, Saving Green



The City of Portland instituted a sustainable purchasing policy in 2008. The policy declares that purchasing has inherent social, human health, environmental, and economic impacts; and provides implementation guidance. It requires that procurement decision-making incorporate sustainability factors. These include pollutant releases, toxicity, waste generation, greenhouse gas emissions, energy consumption, depletion of natural resources, impacts on biodiversity, and other environmental factors. It also includes human health; use of local business; use of state-certified minority, women, and emerging small businesses; and other social equity factors.<sup>35</sup>

Portland's careful, comprehensive procurement guidance has led to exciting improvements other cities can follow. By switching to green alternatives, the city has saved money and reduced environmental damage. Notably, more than 90% of Portland's spending on office electronics (notebooks, monitors, desktops, tablets, etc.) was on Energy Star- or EPEAT- certified products in FY15-16. The resultant energy savings, greenhouse gas emissions reductions, and cost savings are shown in the graph at right.

To advance the social equality aspect of sustainability through diversity and inclusion, Portland also ensures contracts are available for minority- and women-owned businesses. Its Subcontractor Equity Program sets goals for state-certified minority-owned, women-owned, and emerging small businesses (MWESB) for all city improvement contracts above the minimum formal bid threshold.<sup>36</sup>

Portland also has a Prime Contractor Development Program (PCDP) for state-certified MWESBs. It provides technical assistance and educational opportunities in various fields and lets participating businesses take part in prime contracting opportunities. The program has seen solid enrollment and has awarded 41 projects worth nearly \$7 million between 2012 and 2016.<sup>37</sup>

To ensure diverse perspectives and minority community access are part of every contract- awarding process, Portland's Minority Evaluator Program, passed by City Council resolution in 2009, requires all bureaus to have at least one member of a minority as an evaluator for every formal procurement process. ★

### Benefits Realized from Office Electronics Green Spend



Energy Savings



Greenhouse Gas Emission Reduction



Electricity Cost Savings



#### Benefits from EPEAT Desktop Purchases, FY 2010–16

2.9 million kWh

1,787 metric tons CO<sub>2</sub> Equivalent

\$297,345



#### Benefits from EPEAT Monitor Purchases, FY 2010–16

0.55 million kWh

357 metric tons CO<sub>2</sub> Equivalent

\$56,488



#### Benefits from EPEAT Notebook Purchases, FY 2010–16

0.15 million kWh

96.9 metric tons CO<sub>2</sub> Equivalent

\$15,055



#### Benefits from EPEAT Printer & MFD Purchases, FY 2013–16

0.45 million kWh

302 metric tons CO<sub>2</sub> Equivalent

\$46,786

For Computers, Monitors, Notebooks: Benefits calculated using the EPA's Electronics Environmental Benefits Calculator (EEBC) for Computers v. 3.1 (FY 10–14). Benefits represent those expected over the product's lifetime.

For MFDs and Printers: Benefits calculated using the EPA's EEBC for Imaging Equipment v. 1. Benefits represent those expected over the product's lifetime. FY 2013–14 was the first year spend data was calculated for MFDs and Printers.

Source: City of Portland Procurement Services, Green Spend Snapshot Fiscal Year 2015–2016

<sup>35</sup> City of Portland. *Sustainable Procurement Policy*. (2010). Retrieved from <https://www.portlandoregon.gov/shared/cfm/image.cfm?id=204110>.

<sup>36</sup> City of Portland. Retrieved from <https://www.portlandoregon.gov/brfs/42253>.

<sup>37</sup> City of Portland Procurement Services. *Prime Contractor Development Program Snapshot*. (2016). Retrieved from <https://www.portlandoregon.gov/brfs/article/587076>.

# Minneapolis, Minnesota: Improving Social Sustainability



Minneapolis is committed to creating an efficient, resilient city that offers a high quality of life for all residents. To advance this vision, the city has developed long-term goals to eliminate disparities and protect the natural environment. These goals are articulated through policies, ordinances, and statutes that incentivize the highest quality environmental standards, workplace practices, and diversity within the supply chain. These include the Environmentally Responsible Purchasing Policy, Small Underutilized Business Program, Target Market Ordinance, and Living Wage Ordinance.<sup>38</sup>

The Environmentally Responsible Purchasing Policy, developed in 2008, standardizes environmental considerations as part of normal purchasing decisions. It does not require any department to buy any product or service based solely on environmental considerations, but these do have added weight because purchases must comply with other city policies requiring environmentally responsible purchases for building materials and cleaning supplies.

The Small Underutilized Business Program (SUBP) was created to address discrimination in city contracts and create more opportunities for women and minority-

owned businesses. On contracts under \$100,000, goals for MBE/WBE participation are set before the project is published and they are included in the request for proposals document.<sup>39</sup> This makes the goals key to the contract's performance.

The Target Market Ordinance, created in 2017, creates more opportunities for small businesses on a race- and gender-neutral basis. Providing the contract value is under \$100,000 and providing at least three qualified companies bid for the contract, the ordinance states the contract should be awarded without going through the regular bidding process.<sup>40</sup>

In 2005, the City Council adopted the Minneapolis Living Wage and Responsible Public Spending ordinance, which mandates that, "Whenever the city invests public funds in private development projects, and whenever the city enters into contracts for services, those projects and contracts should create the greatest number of living-wage jobs possible in Minneapolis."<sup>41</sup> For 2017, the city determined a "living wage" to be either 110% or 130% of the federal poverty line for a family of four, depending on their health insurance status. ★

<sup>38</sup> City of Minneapolis. *Procurement Governing Ordinances, Statutes, and Policies*. Retrieved from <http://www.ci.minneapolis.mn.us/finance/procurement/WCMS1Q-003577>.

<sup>39</sup> City of Minneapolis. Retrieved from <http://www.ci.minneapolis.mn.us/civilrights/contractcompliance/subp/WCMS1P-124726>.

<sup>40</sup> City of Minneapolis. Retrieved from <http://www.ci.minneapolis.mn.us/finance/procurement/TargetMarketProgram>.

<sup>41</sup> Minneapolis Living Wage and Responsible Public Spending Ordinance, (2005-Or-103, § 1, 11-4-05).

*Cooperative purchasing agreements deliver added buying power, spread resource knowledge, and provide the leverage needed to require sustainability from all suppliers.*

### *Deeper Dive: Cooperative Purchasing Boosts Buying Power*

For buyers seeking ways to maximize their purchasing power, one useful instrument is a cooperative purchasing agreement. Cooperative agreements aggregate demand to allow negotiation for more favorable terms and sharing resources and knowledge, which can lead to higher quality products and services for a lower price. The first cooperative purchasing agreements were mostly for bulk commodities, but as the practice grew it has become more common for contracts ranging from fleet vehicles maintenance to technology services.

There are three types of cooperative purchasing agreements: *true cooperatives*, *piggyback contracts*, and *third-party aggregators*. True cooperatives are when two or more purchasers combine their resources and requirements and solicit bids together. Piggyback contracts are when a contract from one or more purchasers has the option for others to join the agreement as awarded. Third-party aggregators, often outside organizations such as the **National Association of State Purchasing Officials**, bring together purchasers and represent them in the bidding process. Cooperative purchasing agreements have been very helpful on the state and local level as budgets have tightened.

Of course, to meet sustainable purchasing goals as well as maximizing scarce resources, the parties to the agreement or the aggregating entity must actively prioritize sustainability. Below are two examples of cooperative purchasing agreements where sustainability has been explicitly defined as key to the contract.

A good example of a third-party aggregator agreement can be found in the 2014 agreement for green cleaning supplies and equipment negotiated among the Commonwealth of Massachusetts, New York State, and the **Responsible Purchasing Network (RPN)**. The initiative involved analyzing spending to determine the scope of the contract, creating model supply specifications, developing a vendor questionnaire, and comparing new standards/specifications to existing ones. The initiative also provided for development of a user guide and promoted the green products offered on the contract. The project saved more than \$2 million through contract discounts, significantly reduced use of natural resources, and significantly reduced negative impacts on the environment and human health.<sup>42</sup>

An even larger group participated in an impressive piggyback cooperative purchasing agreement after President Trump decided to roll back vehicle emission standards. Across America, 30 cities joined together and asked car manufacturers to outline plans to supply them with 114,000 electric vehicles with a total value of \$10 billion.<sup>43</sup> The initiative started with 24,000 vehicles requested by Los Angeles, San Francisco, Portland, and Seattle, but it grew to include Kansas City, Denver, Boston, and many others.

For smaller companies, organizations and government entities, cooperative purchasing agreements deliver added buying power, spread resource knowledge, and provide the leverage needed to require sustainability from all suppliers.

<sup>42</sup> Culver, A. *Creation of a Multi-State Green Cleaning Supplies Contract* by Massachusetts and New York State Sustainable Purchasing Leadership Council. Retrieved from <https://www.sustainablepurchasing.org/library/#rpn>.  
[https://community.sustainablepurchasing.org/content/uploads/\\_mediavault/2016/06/RPN\\_Final.pdf](https://community.sustainablepurchasing.org/content/uploads/_mediavault/2016/06/RPN_Final.pdf)

<sup>43</sup> Ryan, J. "Cities Shop for \$10 Billion of Electric Cars to Defy Trump." *Bloomberg Technology*. (2017, March 14). Retrieved from <https://www.bloomberg.com/news/articles/2017-03-14/cities-shop-for-10-billion-of-electric-vehicles-to-defy-trump>.

# Phoenix, Arizona: Revising Specs, Raising Standards

After setting sustainability goals to be met by 2050, the City of Phoenix determined it needed to evaluate current procurement policy and find areas of improvement. A complete overhaul resulted.

One of the most important changes was the shift from an environmentally focused policy to a broader sustainability policy. The October 2017 draft policy stated that the goals of the updated Sustainable Purchasing Policy (SPP) are to reduce negative environmental impacts on air and water, reduce greenhouse gas emissions, reduce the costs and liability associated with using hazardous chemicals, reduce human health impact, contribute to a circular economy, and encourage other cities to adopt similar programs and policies.<sup>44</sup>

In addition to greatly expanding the policy's scope, the update makes significant changes in implementation. In all request for proposals (RFPs), sustainability standards must now be articulated within the scope of work description; without these, sustainability standards will not be considered as key to the contract's performance. The new SPP draft states explicitly that city departments are responsible for including sustainability attributes within their scope of work descriptions in all RFPs.<sup>45</sup>

Phoenix has also increased focus on including small and local businesses in its supply chain. The Small Business Enterprise (SBE) program seeks to certify local businesses and provide resources for procurement, construction subcontracting, educational services, and networking opportunities.<sup>46</sup> As part of this program, the city has limited competition for procurements of general goods and services below \$50,000 to local, small business enterprises whenever possible.<sup>47</sup> When at least three local businesses bid on a general contract between \$1,000 and \$50,000, the city will select a Maricopa county-based business over an out-of-state competitor. From July 2012 to March 2013, Phoenix awarded \$2.5 million in contracts to local businesses under the SBE program.<sup>48</sup>



In 2010, Phoenix decided to transition the MWSBE program to be race and gender neutral. This decision was based on a robust analysis of the program that found that 80% of the participants in the SBE program were minority and women-owned.<sup>49</sup> Because of this degree of diversity within the single program, the City voted to make this transition.

Overall, Phoenix has taken a very proactive approach with their purchasing. They have identified the areas where procurement can be used as the best tool for economic development and sought to continuously build on what they've learned to create a robust policy. They have excelled in creating environmental sustainability goals and building the systems necessary to achieve them, and they have been recognized as one of the best places for small business. In interviews with two leaders at the City of Phoenix, they both stressed that the reason they have found so much success is because they have had champions who are willing to do the work to create robust policies and actually implement them.<sup>50</sup> ★

<sup>44, 45</sup> City of Phoenix. Sustainable Purchasing Policy Draft. (Last modified October 30, 2017). Retrieved from <https://www.phoenix.gov/oepsite/Documents/Sustainable%20Purchasing%20Policy-%20DRAFT%202017-10-30.pdf#search=sustainable%20procurement>.

<sup>46</sup> City of Phoenix. Retrieved from <https://www.phoenix.gov/eod/programs>.

<sup>47</sup> City of Phoenix. *Local Small Business Enterprise Program Fact Sheet*. (2012). Retrieved from [https://www.phoenix.gov/Documents/lbsep\\_factsheet.pdf](https://www.phoenix.gov/Documents/lbsep_factsheet.pdf).

<sup>48</sup> Bradley-Waddell, G. "Local Impact: Buy Local Builds Economy." *Greater Phoenix inBusiness*. (2013, August). Retrieved from <http://inbusinessphx.com/in-business/local-impact#.Wh26LbQ-fBI>.

<sup>49</sup> Interview with Trevor Bui, City of Phoenix. Conducted December 19, 2017.

<sup>50</sup> Interview with Trevor Bui, City of Phoenix. Conducted December 19, 2017. Interview with Marina Estrella, City of Phoenix. Conducted October 10, 2017.

### Business Takes the Sustainability Challenge

While governments may champion sustainability as key to citizens' quality of life, private companies often lead the way in implementation. They can move quickly in response to market demand and require their supply chains to do likewise. Companies of all sizes and types have found that committing to sustainable purchasing — and actively publicizing that mission — sets them above their competition. Beyond the marketing advantage, firms reduce their risk when they buy sustainably and require transparent, sustainable processes of their suppliers.

Below are a few examples of how widely different companies incorporate aspects of sustainability into their everyday operations.

## Kaiser Permanente: A Shot in the Arm for Communities

**Kaiser Permanente** practices sustainability as a natural part of its role as a health-supporting, community anchor institution. The integrated managed healthcare consortium sets ambitious environmental stewardship goals: by 2025, it plans to be carbon net-positive; buy 100% of its food locally and/or from farms and producers with sustainable practices; reduce, reuse, or compost 100% of its non-hazardous waste; cut its water use 25% per square foot in every building; allocate 50% of its spending to products and materials that meet environmental standards; meet international standards for environmental management at all hospitals; and collaborate to reduce risks to food, watersheds, and air basins.<sup>51</sup>

Kaiser furthers broad sustainability by seeking out diverse suppliers. Their goal is to “ensure the dollars spent by Kaiser Permanente contribute to the economic health and reflect the diversity of the community.”<sup>52</sup> Its national supplier diversity department models the economic development impact of all Kaiser facilities and determines how it can boost their impact with purchasing choices. The firm estimates that, for every \$1 million spent with a minority business, it creates between six and eight jobs in minority communities.<sup>53</sup>

To boost sustainability on many levels, Kaiser has also pioneered the purchase of local, healthy food. It models good nutrition and environmental health, inside and outside its facilities, and collaborates with community-based programs to support sustainable, regional food systems and increase access to nutritious food. Kaiser started one of the first hospital-based farmers' markets in 2003; today, its facilities host more than 50 markets. Through its Healthy Picks Program, Kaiser assesses products for sustainability.

Food products must meet at least one criterion: some examples are being sourced from a local or small-to-mid-sized farm, being GMO-free, being USDA Certified Organic, or being produced with responsible antibiotic use.<sup>54</sup> Currently, 25% of Kaiser's food purchases qualify as sustainable; It plans to reach 100% by 2025.<sup>55</sup>

Kaiser's third-party partnerships boost these groups' impacts and weave the firm more closely into the fabric of each community. Kaiser works with **Healthcare Without Harm's** Food Matters program that helps health professionals advocate for public policy in support of sustainable food systems.<sup>56</sup> Kaiser is also a member of **Billion Dollar Roundtable**, a non-profit group of firms that have spent at least \$1 billion with minority and women suppliers.

Additionally, new Kaiser facilities are designed to maximize use of sustainable building products and practices, award contracts to diverse suppliers, and create healthful community gathering spaces. Its new Baldwin Hills-Crenshaw Medical Office Building (BHC) in the underserved community of South Los Angeles, is a state-of-the-art medical facility — and more. Its adherence to green building standards earned it Gold-level LEED certification, and nearly half (48%) of its contractors' construction workers were local community residents, many with prison records and limited education. Truly a community anchor institution, BHC offers outdoor exercise facilities, event space for local community groups, and \$100,000 worth of artwork by 13 local artists. The project generated \$22 million of spending in the local community.<sup>57</sup> ★

<sup>51</sup> Kaiser Permanente. Retrieved from <https://share.kaiserpermanente.org/article/environmental-stewardship-overview/>

<sup>52</sup> Kaiser Permanente National Supplier Diversity. Retrieved from <http://supplierdiversity.kp.org/doing-business.html>.

<sup>53</sup> Interview with Tommy Smith, Manager, Economic Impact-National Supplier Diversity at Kaiser Permanente. Conducted December 8, 2017.

<sup>54</sup> Healthy Picks Committee. 2017. Kaiser Permanente Healthy Picks Program.

<sup>55</sup> Interview with Jan Villarante, Director National Nutrition Services, Kaiser Permanente – Enterprise Shared Services. Conducted December 18, 2017.

<sup>56</sup> Kaiser Permanente. *Hospitals as Anchor Institutions: Improving Community Food Environments*. Retrieved from <https://www.kpihp.org/wp-content/uploads/2015/03/Hospitals-as-Anchor-Institutions.pdf>.

<sup>57</sup> Interview with Samika Ramirez, *Upstream Community Health*, Kaiser Permanente. Conducted December 18, 2017.



## ASSA ABLOY: Always Open to Best Practices

**ASSA ABLOY**, a door opening product manufacturer with North American headquarters in New Haven, CT, serves the institutional, commercial, and consumer markets and employs 47,000 people globally.

Transparency takes work, and in recent years, ASSA ABLOY has done a great amount of it with its supply chain, including audits of over 1,000 suppliers to determine their current sustainable-practice levels. Started in response to customers' demands, the manufacturer has adopted sustainability as an internal goal and has extended it through its supply chain. These efforts have helped the firm efficiently meet an evolving range of mandates from its marketplace. ASSA ABLOY has developed sustainable product innovations, improved transparency with published documents such as Environmental Product Declarations and Health Product Declarations, and decreased its environmental impact across all North American manufacturing facilities. For these efforts, the firm has earned valuable third-party validation of its many sustainable attributes in operations as well as in products.<sup>58</sup> ★

## Ben & Jerry's and Greyston Bakery: Shared Values, Sweet Rewards

**Ben & Jerry's**, the popular ice cream maker based in Burlington, VT, follows a three-part mission: creating high-quality products while maintaining a sustainable financial model and committing to social activism. The firm fulfills all three parts of its mission by setting the highest standards for its supply chain as well as its own operations. Because Ben & Jerry's values the health of animals and humans, it purchases eggs of cage-free hens and cocoa from fair-trade growers, supports GMO labeling, and maintains high workplace safety standards.

Ben & Jerry's also partners with companies that follow similar high-road workplace practices. One prominent example is its partnership with **Greyston Bakery**, which provides the brownies used in some of Ben & Jerry's ice cream flavors. B Corp firms are legally organized in a way that requires, rather than penalizes, a business for valuing people and the planet as well as profits; and Greyston was the first B-corp-certified business in New York State.<sup>59</sup>

Greyston Bakery was founded in 1982 with the mission to create great baked goods while providing jobs and job training to those who face barriers to employment. Greyston's open hiring process offers employment opportunities to individuals regardless of education, work history, homelessness, or past incarceration. Greyston's **Center for Open Hiring** conducts research on best practices, offers collaborative learning, and provides resources and services to help other firms implement open hiring. In addition to workforce training, Greyston fulfills sustainability in its broadest sense through its community garden and early learning center.

Greyston provides Ben & Jerry's with 35,000 pounds of brownies every day.<sup>60</sup> Through this contract alone, Ben & Jerry's supports hundreds of local jobs and a supplier with an extraordinary track record of community development. The partnership between Ben & Jerry's and Greyston exemplifies the dynamic power of sustainability standards throughout a supply chain. Buyers, sellers, owners, workers, communities, and customers all win. ★

<sup>58</sup> Vigneux, A. *Sustainability Up and Down the Supply Chain – ASSA ABLOY's Sustainable Procurement Journey*. Sustainable Purchasing Leadership Council. (2016). Retrieved from <https://www.sustainablepurchasing.org/library/#assa>.

<sup>59</sup> Ben & Jerry's. Retrieved from <http://www.benjerry.com/greyston>.

<sup>60</sup> Greyston Bakery. Retrieved from <https://greyston.org/bakery/>.





## Ace Hardware: Purchasing Co-op Proves Helpful

**Ace Hardware**, founded in 1924 in Chicago, IL, is a purchasing co-op that began with a small group of hardware store owners. The co-op is owned by its members; similar, local, independent businesses that pool their resources to enhance economies of scale and increase their buying power with suppliers. Ace Hardware has grown to become the largest retail cooperative outside of the grocery sector.<sup>61</sup> The \$4.7 billion co-op includes more than 4,900 stores around the world, most owned and operated by local, independent entrepreneurs.<sup>62</sup> The Ace brand is strengthened by each store owner's local knowledge and market share, and each store is strengthened by its access to Ace's supply chain and well-advertised brand.<sup>63</sup> In a marketplace where local retail is increasingly embattled, these hardware store owners are able to compete with mega-chains like Walmart and Home Depot. Co-op membership deserves support because it helps local businesses keep jobs and recirculates revenue in the community. In this way, purchasing co-ops improve business resiliency and social sustainability. ★

### Public Policy Recommendations to Spur Sustainable Demand

1. *Congress should pass legislation* directing all federal agencies to incorporate all five sustainability criteria — high-road workplace practices, buying locally, environmental sustainability, supplier diversity, and worker ownership of some type — into all of their Requests for Proposals and contracts.
2. *SBA should identify and evaluate the barriers to success* for the HUBZone contracting program, and Congress should pass legislation to alleviate those barriers.
3. *Congress should expand grant funding* to large public-sector purchasers, such as school districts, to incentivize sustainable innovations that meet demand-side needs.
4. *States and cities should enact a standing policy* that all contracts be awarded to suppliers that pay living wages and adhere to other high-road practices.
5. *States and cities should write sustainability specifications* into the scope of work in every request for proposal and every contract, so these specifications are given the same importance as other binding specifications.
6. *GSA should create a national-level, sustainable purchasing leadership award*, modeled on EPA's Safer Choice Program, to recognize companies that excel in one or more of the five sustainable procurement criteria. ★

<sup>61</sup> O'Connor, C. "How Ace Hardware Turned Corner Stores Into a \$4.7 Billion Co-Op." *Forbes*. (2015, March 2). Retrieved from <https://www.forbes.com/sites/clareoconnor/2015/02/11/how-ace-hardware-turned-corner-stores-into-a-4-7-billion-co-op/#3fe3fe4152e1>.

<sup>62</sup> Ace Hardware. Retrieved from <http://www.acehardware.com/category/index.jsp?categoryId=34453606>.

<sup>63</sup> O'Connor, C. "How Ace Hardware Turned Corner Stores Into a \$4.7 Billion Co-Op." *Forbes*. (2015, March 2). Retrieved from <https://www.forbes.com/sites/clareoconnor/2015/02/11/how-ace-hardware-turned-corner-stores-into-a-4-7-billion-co-op/#3fe3fe4152e1>.

# The POWER of Sustainable Purchasing

## SELLING SUSTAINABLY: AGGREGATING SUPPLY TO MEET DEMAND

**Sustainable products and services**, sustainably created, can help solve many social and environmental problems. It may be some time before the overall demand for sustainable goods outstrips supply, but certain product sectors are already feeling the pressure for more production. Big companies, with their greater capacity to meet demand, efficiency of scale that permits lower price points, and existing relationships with purchasing officers, typically win the big contracts. Many excellent smaller suppliers lack the production capacity or the proven track record to win contracts from large purchasers. They may also lack the time or resources to deal with a complex bidding process.

Supply aggregation is one way smaller, local producers are successfully competing. What's more, these models are innately sustainable.

### Supplier Co-ops: Empowering Shared Success

One form of aggregation is a cooperative, a way to share ownership of an enterprise for a shared purpose. Creating a co-op pulls together smaller, independent businesses or individuals to meet a demand larger than any one of them could meet alone. These co-ops often help achieve social goals as well.

**The Mondragon model** is used by many co-ops. Founded in 1956, the Mondragon cooperative federation includes nearly 300 organizations in the Basque region of Spain. A multi-sector conglomerate with over \$30 billion in assets that employs nearly 100,000 people, many of whom are vested as worker-owners," the Mondragon co-op is considered one of the most successful examples of a supplier/producer cooperative.<sup>64</sup>

**1Worker1Vote** has helped to bring the Mondragon model to the U.S. 1Worker1Vote is a nonprofit, economic development catalyst that designs worker-owner empowerment models — a direct result of an historic 2009 United Steelworkers (USW) collaboration with Mondragon. 1Worker1Vote also works with the **Cincinnati Union Cooperative Initiative** and **CUNY Law School's Community Economic Development Clinic**, as well as more than thirty partnering unions.

Though cooperatives are still a small part of the American economy, several producer/supplier co-ops have earned longstanding, large-scale success. **Florida's Natural** is a national cooperative of orange growers. Established in 1933, it is currently owned by 1,100 grower members. Started in 1919 and evolving into its current structure,



*The Mondragon co-op is considered one of the most successful examples of a supplier/producer cooperative.*

<sup>64</sup> Casper-Futterman, E., "Back to (Non)Basics: Worker Cooperatives as Economic Development." *Berkeley Planning Journal*. (2011): 24 (1).

<sup>65</sup> Organic Valley. *Organic Valley Farmer-Owners Convene at Co-op's Annual Meeting to Celebrate 2015 Milestones and Strategize for Future Generations*. (2016, April 7). Retrieved from <https://www.organicvalley.coop/newspress/organic-valley-farmer-owners-convene-co-ops-annual-meeting-celebrate-2015-milestones-and-strategize-future-generations/>.

**Cabot Creamery Cooperative** is currently a network of 1,200 dairy farmers and cheese producers across New England and upper New York State. **Organic Valley**, founded in 1988, is the largest farmer-owned organic cooperative in the world, with more than 2,000 farmer-owners. In 2015, Organic Valley reached annual sales of almost \$1.1 billion.<sup>65</sup>

Community groups as well as companies have found cooperatives useful. In areas with high poverty levels, cooperatives have helped spur economic development. The **Bronx Cooperative Development Initiative** (BCDI) is one such example. BCDI harnesses local assets and leverages the purchasing investment power of Bronx anchor institutions to foster sustainable, community-driven, and community-owned wealth generation among low- and moderate-income residents.<sup>66</sup> BCDI is planning to launch a local business procurement platform, **Bronxchange**, that will build on shared ownership enterprises and redirect anchor institutions' spending.

Another successful supplier cooperative involves two sub-co-ops, both directly supporting environmental sustainability and providing employment to underserved populations. Under the **Evergreen Cooperative Umbrella** in Cleveland, OH, are a laundry service co-op and a building product installing co-op. This environmentally friendly laundry co-op serves the healthcare institutions in the area and handles approximately 250 million pounds of laundry per year.<sup>67</sup> The other co-op installs solar panels and provides building weatherizing services, both of which reduce use of fossil fuels. Both co-ops provide jobs in economically stressed neighborhoods and offer workers ownership opportunities.

Evergreen was refused small-business financing from banks, but the initiative didn't end there. Large Cleveland-area anchor institutions with immense purchasing power were interested in Evergreen as a supplier, and were instrumental in the co-op receiving funds from non-bank sources. Cleveland Community Foundation (CCF) provided a grant for the initial operations and the Mayor's Office of Economic Development provided seed funding of \$1.5 million in

low-interest loans. Evergreen is expected to take on ever-larger shares of local laundry business and tap into the \$3 billion annual purchasing power of local employers.<sup>68</sup> The CCF estimates that, after a decade in operation, an employee-owner would have built \$60,000 in equity; contrasted with a metro median income of about \$20,000. The co-op is expected to employ over 500 people in the next few years.<sup>69</sup> Anchor institutions that use their supply chains to further sustainable, local economic development like this create a powerful synergy worth emulating.

### Local Food Hubs: Co-ops Bring Farm-Fresh Home

Buying food from local suppliers reduces transport distances, which reduces fuel use and decreases spoilage and waste. It further supports sustainability by providing in-season produce and may also make cultural favorites more accessible. But many small- to mid-sized food suppliers cannot access food service markets or cannot meet price, volume, and delivery requirements and remain profitable. As part of a local food hub, one of the most popular forms of supplier cooperatives, they can. Through the food hub, these producers can aggregate, distribute, and market their products; access food service markets; and fulfill large contracts.<sup>70</sup>

The United States Department of Agriculture (USDA) believes food hubs can help preserve mid-sized farms that are "too large to rely on direct marketing channels as their sole market outlet, but too small to compete effectively in traditional wholesale supply chains independently."<sup>71</sup> One USDA research study found that food hubs increase overall demand for local products.<sup>72</sup> Another found that for every dollar of food hub products/services delivered to final demand, between 75 and 82 cents of output is produced in related industries. Indirect and direct effects include employee compensation, intermediate purchases, imports, etc.<sup>73</sup>

<sup>66</sup> (BCDI), B. C. D. I. *A Model for Economic Transformation*; MIT Co-Lab & Commonwise: n.d.

<sup>67, 68</sup> Cooperatives, E., *Evergreen Cooperatives Introductory Video*. Blip TV: (2010).

<sup>69</sup> Casper-Futerman, E., "Back to (Non)Basics: Worker Cooperatives as Economic Development," *Berkeley Planning Journal*. (2011): 24 (1).

<sup>70</sup> United States Department of Agriculture. Retrieved from <https://www.ams.usda.gov/services/local-regional/food-hubs>.

<sup>71</sup> Barham, J.; Tropp, D.; Dimitri, C. "In Regional Food Hubs and Food Value Chains: Improving Market Access for Local Producers Through Innovative Distribution," National Small Farms Conference, (September 20, 2012).

<sup>72</sup> Barham, J.; Delgado, F. *Building A Food Hub from the Ground Up: A Facility Design Case Study of Tuscarora Organic Growers*. (2015). Retrieved from <https://www.ams.usda.gov/services/local-regional/food-hubs>.

<sup>73</sup> Schmit, T.; Jablonski, B.; Kay, D. "In Assessing the Economic Impacts of Regional Food Hubs," Innovative Strategies in Local Foods Marketing Symposium, Washington, D.C., USDA – Agricultural Marketing Service: Washington, D.C. (2013).

TOG Revenues Allocation



One successful food hub is the **Tuscarora Organic Growers (TOG)**, a producer-owned co-op in Baltimore, MD, and Washington DC. TOG was founded in 1988 to take advantage of the growing demand from restaurants in the area for fresh local and organic produce. Starting with three farmer-members, the food hub now has 44 members and purchases from non-member farms as well. TOG aggregates, distributes, and markets USDA organic produce on behalf of its farmers, not only to restaurants but also to MOM’s organic markets, Whole Foods, food retail cooperatives, community-supported agriculture, institutional food service buyers, produce distributors, and buying clubs.<sup>74</sup>

Three-fourths of TOG’s revenues are returned to farmer members; the co-op retains the remaining one-fourth to cover management expenses such as storage, sales, and transport. In 2013, TOG grossed \$3.1 million in sales of member-grown produce and another \$1 million in sales of non-member-grown produce.<sup>75</sup>

While co-ops have done a lot to alleviate the challenges small suppliers face in providing goods and services to the larger market, especially the private market, they often still struggle when it comes to competing with the largest companies for public contracts. Higher quality products and services, as well as smaller scales, make it challenging to compete with the largest suppliers on price. This remaining challenge creates an opportunity for policymakers or demand-side innovators to work directly with supply-side aggregators to find solutions. ★

**Public Policy Recommendations to Grow Sustainable Supply**

1. *Federal legislation should direct the Small Business Administration to support worker-owned companies* by offering financing through the loan-guarantee program, ensuring special interest certified businesses retain their status if they become worker owned, and offering education and technical assistance about the benefits of worker ownership.
2. *Governments at all levels should work within existing procurement regulations* and agreements to alleviate the barriers caused by the lowest price threshold. ★

<sup>74, 75</sup> Barham, J.; Delgado, F. *Building A Food Hub from the Ground Up: A Facility Design Case Study of Tuscarora Organic Growers*: (2015). Retrieved from <https://www.ams.usda.gov/services/local-regional/food-hubs>.



# The POWER of Sustainable Purchasing

## INNOVATIONS THAT FACILITATE SUSTAINABLE PROCUREMENT

**Interviews and other research** have found that numerous barriers hamper more sustainable purchasing. Two barriers, however, are particularly challenging:

*1. For large purchasers*, lack of time, lack of knowledge, and unfamiliarity with resources make it difficult to analyze current policies and what they buy from current suppliers; find alternative, diverse suppliers; and find more sustainable product alternatives.

*2. For small, diverse, and local suppliers*, lack of knowledge about how to be considered for sizeable bids and lack of access to large purchasers.

As sustainable options have multiplied, new tools and technologies have become available to help purchasers and suppliers overcome these barriers. These tools and technologies make it easier to analyze what is purchased, identify alternative products and services that are environmentally friendly and/or are made by diverse suppliers, and create better purchasing policies. Non-profit organizations, some created through public-private partnerships, are also working to overcome these barriers. The following case studies highlight just a few innovations that have transformed good intentions into successful, sustainable new practices.

### Tools & Technologies

#### *SPLC BENCHMARK<sup>SM</sup>*

The Sustainable Purchasing Leadership Council (SPLC) is one of the leading organizations working to change purchasing practices. In addition to their vast network of public and private purchasers and educational resources, SPLC has created *Principles for Leadership in Sustainable Purchasing* and *Guidance for Leadership in Sustainable Purchasing*. Combined, these documents have helped public and private purchasers create, implement, and improve their purchasing policies and programs. Recently, SPLC has taken their guidance to the next level with the pilot release of their SPLC BENCHMARK<sup>SM</sup> online assessment and benchmarking platform.

SPLC BENCHMARK<sup>SM</sup> helps purchasers by assessing the maturity of their sustainable purchasing processes, and by benchmarking that maturity against others in their sector. Specifically, it helps to answer the questions:

1. What does a good sustainable purchasing program look like?
2. How does my program measure up?
3. How does my program compare to peers in my sector or organization?
4. What can I learn from this to improve?

After completing the full assessment, participants will have the knowledge and resources necessary to establish strategic goals and create an action plan to either create a new or improve their current sustainable purchasing program.



*“By comparing leadership across sectors, SPLC Benchmark enables sharing and learning across the whole economy.”*

– Christopher Davis,  
CodeGreen

*EcoVadis has developed a CSR analysis tool that grades suppliers on 21 different criteria over 4 categories: environment, social, ethics, and supply chain.*

The SPLC BENCHMARK<sup>SM</sup> pilot platform was launched in 2017 as part of the SPLC BENCHMARK<sup>SM</sup> Cohort Program. In partnership with the National Association of State Procurement Officials (NASPO), two cohorts have been launched to date. The NASPO SPLC BENCHMARK<sup>SM</sup> Cohort includes participation by eight state-level procurement teams. The California Agency SPLC BENCHMARK<sup>SM</sup> Cohort includes participation from sixteen departments within the state of California. Both cohorts receive foundational training on SPLC’s Principles for Leadership in Sustainable Purchasing, receive access to and support on the SPLC BENCHMARK<sup>SM</sup> pilot platform, receive assessments on how their organizations are doing, and get to participate in live discussions around their cohort’s results including sharing of best practices.

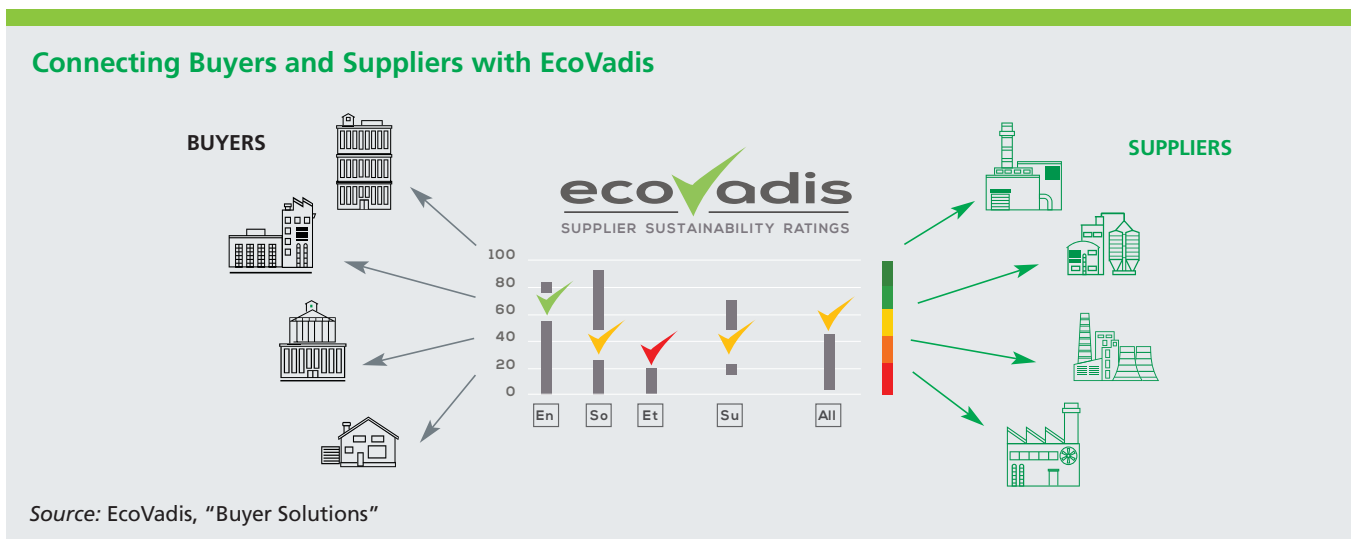
Cohort participant feedback to date has already credited the program with driving new conversations internally, thinking more holistically about how participating organizations are currently best equipped to contribute, and fostering greater recognition of shared challenges within the sector.

Early results from the first cohort have also demonstrated the platform’s ability to quantify a wide range of practice adoption and different trends within each cohort’s sector. The platform and its supply chain sustainability focus have successfully analyzed both indirect and direct purchasing programs.

SPLC plans to use the feedback and learnings from the first implementation and testing to further develop and enhance the platform for a wider implementation, including, but not limited to, those outside of a cohort. Ultimately, the tool’s goal is to drive meaningful change on how organizations and sectors think about their spending and their impact.

**EcoVadis**

**EcoVadis** connects buyers and suppliers to improve CSR and sustainability implementation. Currently, its network has 40,000 suppliers and 175 leaders, including Coca-Cola, L’Oréal, Merck, Sanofi, Air France/KLM, and Verizon.<sup>76</sup> More than 150 sectors are covered in the methodology and over 120 countries are in the database.<sup>77</sup> The way EcoVadis connects buyers and suppliers is shown in the graphic below.



Source: EcoVadis, "Buyer Solutions"

<sup>76</sup> EcoVadis. Retrieved from <http://www.ecovadis.com/customer-stories/>.

<sup>77</sup> EcoVadis. Retrieved from <http://www.ecovadis.com/>.

EcoVadis has developed a CSR analysis tool that grades suppliers on 21 different criteria over 4 categories: environment, social, ethics, and supply chain. Each supplier is given ratings based on its practices, and buyers use these ratings to compare products and services. The system helps buyers make sure they are building a transparent supply chain which will reduce risk, improve performance, and drive innovation.

EcoVadis offers benchmarking and details buyers' strengths and areas of needed improvements. It also allows buyers to work with their suppliers on improvement plans, to help all involved businesses become more sustainable over time.

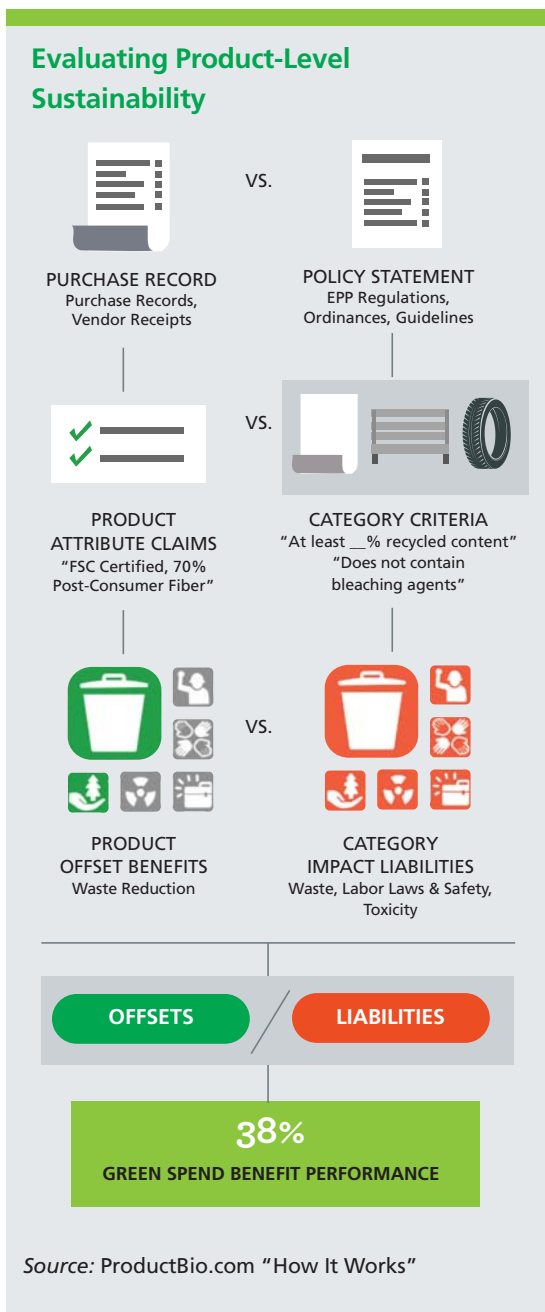
**ProductBio**

**ProductBio** is a data science technology company based in Silicon Valley. Founded in 2011 as a sustainable procurement management system aimed at improving sustainable procurement and implementation, ProductBio provides product upgrades to cities, schools, and businesses by giving sustainability and chief procurement officers a clearer sustainability and cost picture at every level. With a customizable reporting system, users can visualize and share relevant green purchasing information to anyone who needs it, and improve on green purchasing performance, thus achieving greater cost savings and sustainability gains.

ProductBio powers sustainable procurement decisions by aggregating and maintaining a database of all product and service category standards, and a database of green products and services along with their third-party certified sustainability attributes. On top of this database, they have built a system of software interfaces to allow access to this best-in-class information available for environmentally preferable purchasing decisions in the marketplace.

Using an environmental profit and loss system called "B&L" (Benefits and Liabilities), ProductBio quantifies the amount of green spending and automatically identifies products that conform best to the organization's purchasing policies. These recommendations can then be imported into the organization's transactional software system. The B&L calculator identifies key product categories to improve procurement by reducing impacts and identifying any associated cost savings. This allows buyers to better understand their ROI and build an environmentally preferable purchasing policy that takes into account lowest costs and highest standards. ProductBio also benefits suppliers by generating more demand for sustainable products and allowing suppliers to identify their target customers. How ProductBio's system works is shown in the graphic at left.

To date, ProductBio has helped 26 municipalities steward more than \$2.5 billion in procurement spending. Most recently, ProductBio's city portal users have found that 36% of operational spending, representing 60% of product categories of purchase, falls within categories for which environmentally preferable certified products do exist, meaning they are "greenable" opportunities.<sup>78</sup>



<sup>78</sup> Data comes directly from ProductBio.

Approximately 10% of product categories have sustainable products available at a lower or equal price point, meaning a city can stand to make a 10% gain in conformity to their EPP policies without increasing their monetary budget to reach compliance.<sup>79</sup>

By giving access to what best supply chain practices are in each category, guidance on what good policy specification language looks like, and then recommending market basket-level product recommendations that are implementation-ready with existing transactional software systems, ProductBio is achieving its main goal to help users “bridge the gap between sustainability impact goals and the cost of compliance.”

**2030 Districts**

Overseen by Architecture 2030, **2030 Districts** are collaborations that renovate multi-millions of square feet of existing urban buildings and construct high-performance infill development and redevelopment. 2030 Districts bring property owners and managers together with local governments, businesses, and community stakeholders to provide a business model for urban sustainability through collaboration, leveraged financing, and shared purchasing.

To this end, Connecticut-based **Stamford2030** created a Marketplace web platform that helps purchasing departments for educational institutions and corporations buy large quantities of green, ENERGY STAR- and WaterSense-qualified products that help property owners improve environmental performance.

**Models**

Large purchasers often lack the time, resources, or knowledge to do an in-depth analysis of their supply chains and then identify alternative products and services that are local, from diverse suppliers, or green. Third-party organizations have partnered with anchor institutions, private companies, and governments to identify these opportunities.

**Initiative for a Competitive Inner City**

**Initiative for a Competitive Inner City (ICIC)** is a non-profit organization championing small businesses to promote economic growth within inner cities. ICIC’s approach is holistic: Its research and programming support local business, but it focuses on inner cities to explicitly support and grow historically underutilized businesses.

ICIC serves an extensive network of business members and policymakers committed to the betterment of urban centers. To inform policymaking, ICIC conducts or supports research to benchmark inner-city performance and investment, and identify economic opportunity clusters. Goals are to foster an anchored local economy, inner-city business growth, and the economic resilience needed for sustainable communities.

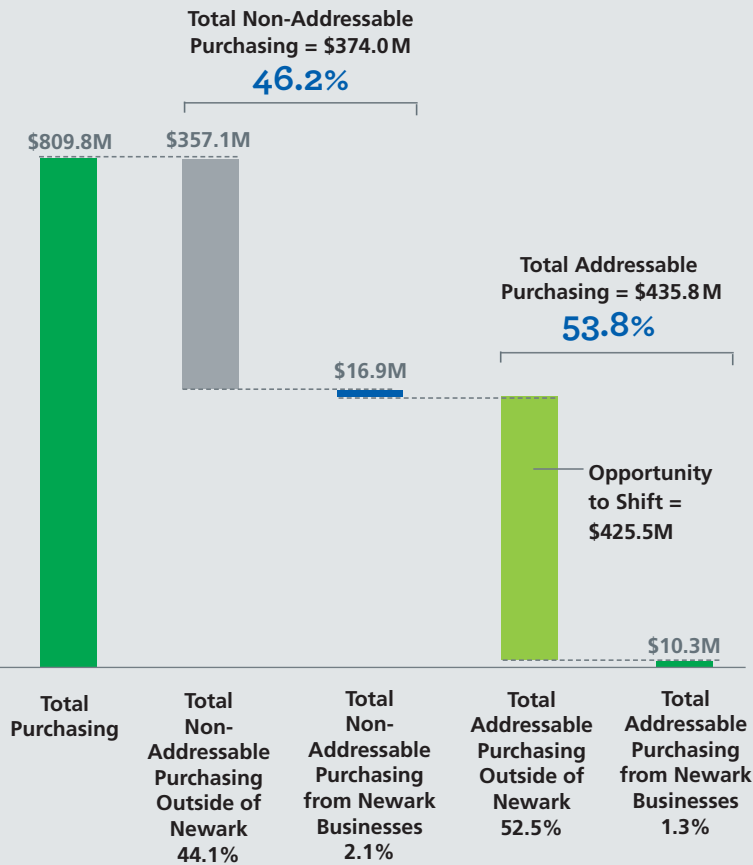


*ICIC’s goals are to foster an anchored local economy, inner-city business growth, and the economic resilience needed for sustainable communities.*

<sup>79</sup> Data comes directly from ProductBio.



Local Procurement Opportunities by \$ Value



Source: *Creating an Anchored Local Economy in Newark: Recommendations for Implementing a Comprehensive Local Procurement Strategy*, December 2014

Identifying potential “fit” between big buyers and local suppliers is key. *Creating an Anchored Local Economy in Newark: Recommendations for Implementing a Comprehensive Local Procurement Strategy*, published by ICIC in December 2014, analyzed purchasing data from six anchor institutions in Newark and conducted interviews with people who work on local small business development. ICIC

found that over half (53.8%, or \$435.8 million) of the total procurement spending of these six anchor institutions could be characterized as addressable, meaning it could easily be shifted to a local business. In contrast, just over 1% or \$10.3 million was actually spent with these local Newark businesses.<sup>80</sup> This is demonstrated in the graphic at left.

If these six institutions collectively shifted 10% of their aggregate addressable purchasing, it would generate an additional \$33 million in revenue annually for Newark businesses.<sup>81</sup>

In addition to analyzing the aggregated spend of these anchor institutions, ICIC researchers also analyzed the capacity of Newark businesses to meet their demand and identified potential local suppliers by target industry. They found 18 industries where large purchasers could easily shift their spending to local business. The spending in these industries alone represents over \$321 million in potential new revenue for Newark businesses — of which more than 400 are qualified businesses to meet this demand.<sup>82</sup>

ICIC also fosters anchor-organization involvement to advance economic growth within inner cities through their **Inner City Capital Connections (ICCC)** program. The program is sponsored by anchors and foundations and attended by nominated local, women-owned and minority-owned businesses. Since 2005, 1,659 businesses have participated in ICCC.<sup>83</sup> The graphic on page 32 shows ICCC’s community impact.

Additionally, ICIC’s “What Works” series of case studies highlights how businesses have made a difference in local economies by investing in the community. One of these case studies profiles how the **University of Texas MD Anderson Cancer Center (MDA)** created the Historically Underutilized Business and Federal Small Business Program (HFSB), which is a combination of the Texas Historically Underutilized Business (HUB) contract requirements and the Federal Small Business (FSB) program.<sup>84</sup>

<sup>80</sup> Zeuli, K., Ferguson, L., and Nijhuis, A. *Creating an Anchored Local Economy in Newark: Recommendations for Implementing a Comprehensive Local Procurement Strategy*. ICIC. (2014 December): 3.

<sup>81</sup> *Ibid*, p. 4.

<sup>82</sup> *Ibid*, p. 5.

<sup>83</sup> ICIC. *Inner City Capital Connections Impact Report 2017*. Retrieved from [http://icic.org/wp-content/uploads/2017/04/Impact-Report-2017-Draft-v11\\_nonprint.pdf](http://icic.org/wp-content/uploads/2017/04/Impact-Report-2017-Draft-v11_nonprint.pdf).

<sup>84</sup> ICIC. *What Works: Hospital Procurement Strategies Support Small Businesses*. Retrieved from <http://icic.org/procurement/works-hospital-procurement-strategies-support-small-businesses/>.

**ICCC's Community Impact**

Since 2005

**1,659** Businesses Trained

**\$4.1 M** Average Revenue

**16** Average Age of Business

**25** Average Full-Time Employees

**15,946** Jobs Created

**59%**  
New Jobs Paid Above \$40,000

**78%**  
Plan to Increase Staff in 2018

**172%**  
Average Revenue Growth

**\$1,471,346,048**

Total Capital Raised

Source: Inner City Capital  
Connections Impact Report 2017

MD Anderson's new policy committed to including HFSBs in all levels of purchasing opportunities, specifically targeting building construction, special trade construction, professional services, other services, and commodities. In addition to multiple proactive recruitment strategies to solicit bids from HUBs and FSBs, MD Anderson created a mentor program which helps HUBs develop and grow their business practices, creating more opportunities to do business with other large institutions.

In 2016, almost 68% or \$2.9 million of MDA's contracts for professional services went to a HUB business. The second highest category was in building construction at almost 45% or \$7 million. The other three categories came in at 8% (special trade construction), 6.8% (other services), and 1.6% (commodities) respectively.<sup>85</sup>

**Chicago Anchors for a Strong Economy**

**Chicago Anchors for a Strong Economy (CASE)** is a public-private partnership that helps identify local opportunities for large purchasers and build a pipeline of local businesses able to meet their demand.

Founded in 2014 by World Business Chicago and chaired by Mayor Rahm Emanuel, CASE generates economic growth in the Chicago area through local purchasing, hiring, and investing. CASE works with its anchor institution partners to analyze spending and shift contracts to competitive local businesses. On the supply side, CASE provides business consulting and connects purchasers with local businesses that meet the requirements through direct matching. CASE also identifies potential suppliers that need support or development to meet the needed level of production or service.<sup>86</sup> To date, its work has resulted in 51 contracts, 180 jobs, and \$51.8 million in revenue for 443 businesses.<sup>87</sup> ★

**Public Policy Recommendations  
to Connect Big Buyers and Local Suppliers**

1. *Cities should work with non-profit organizations*, like ICIC, to better understand what big purchasers buy and what local businesses can supply in order to facilitate big firms' strategic shift to suppliers in the local community.
2. *Cities should create public-private partnerships*, in the model of CASE, to support local economic development.
3. *Governments at all levels should ensure their purchasing departments have access* to tools and technology that can ease implementation and performance analysis. ★

<sup>85</sup> The University of Texas MD Anderson Cancer Center. FY2016-2017 HUB Strategic Plan. (2016) . Retrieved from <https://www.mdanderson.org/documents/about-md-anderson/about-us/ut-system-reports/ Historically%20Underutilized%20Business/ MDA%20HUB%20Strategic%20Plan%202016-2017.pdf>.

<sup>86</sup> Zeuli, K., Ferguson, L., and Nijhuis, A. *Creating an Anchored Local Economy in Newark: Recommendations for Implementing a Comprehensive Local Procurement Strategy*. ICIC. (2014 December): 8.

<sup>87</sup> CASE. Retrieved from <http://www.chicagoanchors.com/#impact>.

## RESOURCES LISTED IN REPORT

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- 1Worker1Vote (24)
- 2030 Districts (30)
- American Independent Business Alliance (11)
- Billion Dollar Roundtable (21)
- Bronx Cooperative Development Initiative (25)
- Bronxchange (25)
- Business Alliance for a Local Living Economy (10)
- Chicago Anchors for a Strong Economy (32)
- Cincinnati Union Co-op Initiative (24)
- CUNY Law Community & Economic Development Clinic (24)
- EcoVadis (28)
- EPA's Environmentally Preferable Purchasing Program (15)
- Evergreen Cooperative Umbrella (25)
- Farm to School Program (16)
- Green Procurement Compilation (15)
- Greyston Bakery Center for Open Hiring (22)
- Healthcare Without Harm (21)
- Initiative for a Competitive Inner City (30)
- Inner City Capital Connections (31)
- Minority Business Development Agency (11)
- Mondragon Corporation (24)
- National Association of State Procurement Officials (19)
- National Minority Supplier Development Council (11)
- National Women's Business Council (14)
- ProductBio (29)
- Responsible Purchasing Network (19)
- Small Business Administration (13)
- Sustainable Purchasing Leadership Council (27)
- United States Department of Agriculture (16)
- US Federation of Worker Cooperatives (11) ★

# The POWER of Sustainable Purchasing

## ADDITIONAL RESOURCES

Below, you will find a list of other resources that were not listed directly in this report. This list is not meant to be comprehensive, but we wanted to recognize the work being done in this space by as many organizations as possible.



### *Democracy Collaborative*

The Democracy Collaborative supports the creation of a new economic system based on principles of shared ownership. Through research and programming, they are a leader in equitable, inclusive, and sustainable development.



### *Ecolabel Index*

Ecolabel Index is a directory of 465 labels in 199 countries and 25 industries. It provides profiles on all the ecolabels in its database, including for each a description of the label, a conformity assessment, and managing organization. Subscribers receive access to over 60 points of information on each ecolabel; can filter labels by region, industry, etc.; and can compare labels to best suit the buyer's needs. Ecolabel Index also offers consulting services that range from label information to green investment advice. Ecolabel Index has helped businesses and organizations such as FedEx, the United Nations Environment Programme, United States EPA, Walt Disney, and World Resources Institute learn about sustainability standards around the world.



### *Global Solutions Institute*

The Global Solutions Institute and its partners are helping to speed the creation of innovative technology in order to match growing demand for green and socially responsible products. It works to alleviate some of the world's most pressing environmental and social problems by identifying new technology, helping to finance its development, and accelerating its adoption. They are currently working on a platform that will make it easier for purchasers to identify and buy sustainable products and technologies.



### *Greenhealth Exchange*

Greenhealth Exchange is a B-Corp certified purchasing cooperative created by Practice Greenhealth, Healthcare Without Harm, and leading health systems. They identify, screen, and source green products and services for members and create the GX catalog to support member purchasing. They also help members track their spending and report on the environmental and health benefits of their purchases.



### *ISO 20400:2017*

ISO 20400 is the world's first international standard for sustainable procurement. The program guides organizations in their development and implementation of sustainable purchasing policies and practices.

## ADDITIONAL RESOURCES



### ***Mayors Innovation Project***

The Mayors Innovation Project is a network of American mayors committed to the high-road values of shared prosperity, environmental sustainability, and efficient, democratic government. The network helps its members lead by experience, share best practices, and advocate nationally for the value of sustainable, resilient cities.



### ***National Cooperative Business Association CLUSA International (NCBA CLUSA)***

The National Cooperative Business Association, CLUSA International began in 1916 as the Cooperative League of America. NCBA's mission is to develop, advance, and protect cooperative enterprises. They achieve this goal by providing education, support, and advocacy to help U.S. cooperatives thrive.



### ***Northwest Atlantic Marine Alliance (NAMA)***

Northwest Atlantic Marine Alliance (NAMA) is a fisherman-led organization founded in 1995. Their mission is to build support of healthy fisheries and fishing communities through effective policy and market strategies. Specifically, they work to leverage the purchasing power of the seafood market to change local, state, federal, and international policy on both fishing and non-fishing issues, as well as increasing market demand for the true catch of their fisherman.



*“Given the footprint, both economical and environmental, of the healthcare market, our members believe their choices can have a significant impact on improving air quality, decreasing waste, creating access to healthy, local food, and expanding opportunities to diverse suppliers. They believe it is their duty to their patients’ safety and staff and community health to actively work to improve their organization’s ability to identify and implement improvements every day.”*

– John Strong, President,  
Greenhealth Exchange

# PolicyLink

## *PolicyLink*

PolicyLink is a national organization to advance racial and economic equity by “Lifting Up What Works.” Founded in 1999, PolicyLink helps improve public policy by conducting research and supporting local community organizations with the goal of creating an equitable society.



## *UN Sustainable Development Goals*

The United Nations’ sustainable development goals are a set of guidelines/goals that signatory countries have agreed to complete by 2030. Goals are: to end poverty everywhere, to end hunger and achieve food security, to ensure good health and wellbeing, to provide access to quality education, to achieve gender equality, to secure clean water and sanitation, to shift towards renewable and affordable energy, to provide access to decent work, to expand sustainable infrastructure and foster sustainable innovation, to reduce inequality among countries, to recreate cities and communities to be more sustainable, to expand sustainable consumption and production patterns, to take direct action against climate change, to ensure life below water and promote sustainable use of oceans, to ensure life on land and promote sustainable resource management, to provide peace, justice, and stronger institutions to all, and to secure partnerships that will advance the sustainable development goals.



## *Women's Business Enterprise National Council (WBENC)*

The mission of the non-profit Women's Business Enterprise National Council (WBENC) is to promote sustainable economic growth by identifying, developing, and certifying women-owned businesses. The nation's largest such organization, WBENC supports women business owners and prepares them for WBE certification with access to education, networking engagement, opportunities, tools, and other business-building resources. ★





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