Sustainable practices in the purchase of services

Guidelines, criteria, and how a company can develop more sustainable purchasing practices.

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Abstract

This study takes an in-depth look at sustainable procurement criteria used in the procurement of indirect services. A gap is identified in the literature analysis in the knowledge of sustainable procurement strategies and practice methods for the purchase of services and indirect spend categories. The author uses a case study method to investigate how sustainable procurement of indirect services is managed within a leading global retail company.

Practices at the case study company are compared and analyzed to identify how procurement processes in place differ between direct product purchasing and the indirect procurement of services. Then, the author uses a benchmarking tool to estimate the sustainable purchasing maturity level within different areas of purchasing at the company. In order to address the second research question, a survey of existing criteria and guidelines for services is conducted in order to identify guidelines that have been developed and/or are in use to support sustainable procurement of service category purchases.

Case study findings supported findings from the literature review in the observation of less developed guidelines and selection criteria in use to manage the sustainable procurement of indirect service purchases. The exploration of existing procurement guidelines for services yielded two different areas for further analysis. The first area included specific categories and/or sectors of services such as catering, travel services, or laundry services. The second area for analysis included guidelines and standards developed for general use in any service type.

Criteria included in general service guidelines are analyzed and evaluated to later provide a list of recommended criteria that the case study could potentially employ for use in a scorecard developed for general use in services. The author then comments on trends observed in the development of specific service category guidelines and broader contextual influences that may also play a role in effective sustainable procurement.

Executive Summary

Though present as a concept in the supply chain for decades, sustainability has only recently become commonly recognized as a key strategic priority in the business community (Giunipero, Hooker, & Denslow, 2012), particularly with regard to sustainable purchasing practices. Purchasing processes are critical areas when organizations seek to improve their performance on economic, environmental, and social sustainability goals. Both public and private sector organizations have begun developing strategies to integrate more environmentally sustainable products and services into purchasing categories. The early stages of introducing green procurement into organizational process can intuitively tend to focus on more tangible items and profit-generating goods. As green procurement further permeates operations, however, purchasers need to identify new strategies and techniques for integrating purchasing strategies for indirect categories and procured services. As partially sustainable cannot, by definition, be considered sustainable, no areas of purchasing should be considered insignificant for sustainable purchasing practices. Rather, forward progress towards more sustainable practices should be a goal in all purchasing categories.

In consideration of the literature gaps identified with regard to sustainable procurement in the purchase of services and indirect categories, the purpose of this research is threefold. First, the author will look into a case study of a large global retailer in order to determine current practices in sustainable procurement within that organization. Information gathered from the case study will be assessed using a methodology developed through industry benchmarking. This exercise serves to provide insight into the maturity level of supplier engagement strategies at a case study company in order to determine differences in protocol and procedures carried out in direct and indirect areas of purchasing, and to support the identification of potential opportunities for further development of Company X processes.

Second, the author seeks to identify existing guidelines, standards, and criteria used in the purchase of services. An inductive approach is used, and a thematic analysis is undertaken to review data. Finally, the author considers findings from Company X and guidelines for services and considers how the approach of Company X in the sustainable procurement of indirect services could be furthered based on the outcomes of the first two research objectives. In summary, the research questions are as follows:

- How are sustainability selection criteria implemented in a large multinational/retail case study?
- What are the existing criteria for the sustainable procurement of services?
- How could the approach of the case study company be furthered?

In order to explore these research questions, preliminary interviews and a background literature review were conducted to gather current insights and knowledge related to the key topics of research. The author identified a literature gap with regard to academic resources and research pertaining specifically to the sustainable purchasing of indirect and service categories. The author's finding was supported by procurement literature which identified the same research gap. The identified gap provided further grounds for this study and its contribution.

Case study information was collected through internal interviews, e-mails, and documents which the author used to map identify sustainability criteria covered by different tools used at various stages of the procurement process. In addition, the author used keywords to identify common themes and recurring priorities within different scorecards and resources used by

purchasers and suppliers of the case study company. For analysis, a framework based on benchmarking methodology was employed in order to identify the relative sustainability maturity level of protocol identified within the purchasing processes at the case study company. This exercise demonstrated that gaps in the literature for the sustainable procurement of indirect and service categories were somewhat mirrored in practice. In addition, these categories also proved to be less developed with regard to sustainable purchasing guidelines than their counterparts in direct purchasing categories.

In order to determine existing criteria for the sustainable procurement of services, an exploratory investigation was conducted which identified two key areas of guidelines and criteria:

1. Guidelines developed for specific categories or sectors of services.
2. Guidelines developed for generic use for all types of services.

In the investigative search, the author identifies themes emerging in the development of criteria and guidelines for specific types of services. In addition, the author maps criteria included in the guidelines developed for generic service types in order to identify common themes for criteria used more broadly for sustainable procurement of all general service categories. This is followed by a complete listing of all general services criteria which is then evaluated in order to determine criteria that may be more relevant and or effective.

The RACER framework is employed for the evaluation of the service criteria. RACER (Gerdes et al., 2011) is an indicator evaluation framework used for environmental indicators for their use in environmental policy in the European Union. While other possible evaluation strategies were considered, the author opts for the RACER framework due to its proven acceptance for environmental indicators. Although the framework has been more commonly applied to policy, given the scale of global supply chains and purchasing activities, the author deemed it to be appropriate for this research. After evaluation and analysis, the author recommends a list of criteria appropriate for consideration in the development of a scorecard for indirect services at the case study company. The criteria include a set of eleven simple answer and measured key performance indicators that were identified as high performing criteria within the larger set of 102 guidelines and indicators collected for the general assessment of services. In addition, the author comments on identified guidelines and resources that may be appropriate for other companies seeking to further their sustainable purchasing processes in service categories.

The study concludes with additional considerations around trends observed for guidelines and criteria that have been developed to support sustainable procurement both for specific types of services as well as broader general service guidelines. The author reaches the conclusion that, as per developments observed in certification bodies and global procurement bodies, general service guidelines may be suitable in the short-term, but criteria developed for specific categories of services should be preferred in the long-term. In order to ensure that environmental aspects associated with particular industries are adequately targeted, increasingly customized criteria are likely more effective.

The research study is closed with a brief discussion on external influencing factors beyond the scope of this study may further impact the efficacy of sustainability criteria and guidelines. Although these considerations were not covered in depth in this study, they are important considerations for sustainability within the purchasing process.

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1 Introduction

Amidst growing recognition in the new millenium of risks from climate change and other environmental pressures, the role of sustainability in business and supply chains has becoming increasingly prominent. Sustainability principles tied to environmental, social, and economic responsibility have had a role in the private sector for decades. Trends in the literature show that key underlying themes have changed over the years, encouraging further integration with the passage of time (Giunipero et al., 2012). While in the 1960s, the focal point of sustainability literature was compliance with government regulation, literature in the 1980s centered more around potential environmental impacts from corporations and the integration of more aggressive sustainability strategies (Giunipero et al., 2012). The literature trend of deeper integration of sustainability principles in business continued into the 1990s with recognition of sustainability as a competitive advantage. Recent trends suggest that attitudes in the new millennium are shifting among company leadership as sustainability is recognized as critical to risk management and long-term strategic goals (Bonini & Görner, 2011a).

While the meaning of sustainability by definition and in practice differs greatly across companies and even within organizations, there is common acceptance that sustainability has become a fundamental component to strategy and will continue to persist and evolve (Vachon & Klassen, 2006). A United Nations report from 1987 described sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987). The Financial Times (n.d.) defines business sustainability as "managing the triple bottom line," in other words, balancing financial, social, and environmental risks (Financial Times, n.d.), and by adherence to principles of sustainable development. The Harvard Business Review, on the other hand, has published at least one definition that discusses sustainability as a condition in which negative externalities, such as detrimental environmental or social impacts, are internalized (Meyer, 2008).

In addition to guidance around what sustainability is or should be, more literature has emerged in recent years that discusses why. What benefits do companies see from sustainable practices? Why are they currently engaging in sustainability initiatives or practices and if they have not yet begun, why should they? According to the Sustainable Development Goals Fund, businesses flourish in healthy communities and environments. In other words, a healthy workforce with adequate social support systems and a sustained natural environment contribute more to long-term success (Sustainable Development Goals Fund, 2015). Furthermore, sustainability within the workforce and value chain can make a company more risk averse by lessening costs associated with turnover in the workforce and material supply risks.

Although business leaders and literature from academia and global organizations have reached consensus on the imperative of sustainability in business and its associated value, there is still inconsistency in practice and implementation (Vachon & Klassen, 2006). A report from the United Nations Global Compact suggests five actions for companies to reach sustainability (United Nations, 2014):

1. Responsible practices
2. Support society
3. Commitment from Leadership
4. Reporting
5. Local engagement

According to a report based on surveys from over three thousand business executives, representing all regions, industries and company sizes, companies are incorporating sustainability in many areas of the business (Bonini & Görner, 2011b). Within the mentioned survey, the most commonly cited areas with furthered sustainability practices include the company mission and values as well as external communications. However, it may be important to note that, according to the Carbon Disclosure Project (ATKearney, 2011), the supply chain often contributes more than 50% of the total carbon emissions for an average corporation. Nonetheless, surveys have indicated that sustainability is typically less integrated into the areas of supply chain (Bonini & Görner, 2011b).

1.1 Problem Definition

The Retail Industry Leaders Association shares similar results from their Retail Sustainability Report, which through global industry surveys identified average retailers to have little or no existing sustainability strategies within the area of supplier management (RILA, 2016). Among retailers that have begun to adopt sustainability practices, the strategies and approaches used are often uneven and inconsistent (Laurell, 2014). This is to be expected as companies continuously develop and take progressive steps to fully integrate sustainability and the triple bottom line.

The process of building more sustainable strategies and programs in the supply chain is complexified by the vast amount of resources for evaluation, assessment, sustainability certification and ranking (Sustainable Purchasing Leadership Council, 2016). As organizations and purchasers try to filter through different supplier engagement strategies, suppliers engaged in sustainability programs with their clients are overwhelmed by different requirements, calculations, and assessment tools which each require time and effort to learn and complete (Sustainable Purchasing Leadership Council, 2016).

Furthermore, even companies that have implemented strategic sustainability goals within their supply chains, leave certain categories of purchases largely neglected when it comes to sustainability measures or formal procedures (Haake & Seuring, 2009). Initial focus in the supply chain tends to center around strategic, revenue-generating product purchases (Ellram, Tate, & Billington, 2007, indirect procurement expert, personal communication, July 14, 2016). Consequently, sustainable strategies for indirect or non-product related categories of purchases are still largely underdeveloped. This category also includes intangible types of purchases such as services procured by companies for support such as cleaning, catering, travel services, consultative services, insurance, and many others. Just as the share of services has increased as a portion of the global economy during the past few decades, services purchasing has also increased in organizations, yet the approaches to supply chain management of services have been slow to develop to an acceptable level of precision (Ellram, Tate, Billington, & Ellram, L. M., Tate, W. L., & Billington, 2004). Furthermore, standardized management or consistent assessment of sustainability aspects associated with the procurement of services is challenging for businesses due to the wide range of activities that fall within the service category (Ellram et al., 2004). Literature identified for these categories comments specifically on the research gap for services and indirect categories in how they are managed and sustainable practices undertaken (Ellram et al., 2007; Haake & Seuring, 2009; Mosgaard, Riisgaard, & Huulgaard, 2013; Tajbakhsh & Hassini, 2015).

Gaps in current research suggest that similar parallels may be found in practice. A case study analysis is one strategy in which a researcher can gain unique perspectives and insights into an institution for deeper review (O'Leary, 2005). In this study, the author will, through case study analysis, investigate sustainable purchasing practices at a corporation recognized as a

global leader in sustainable practices. Insights from this case exploration will shed additional light on how like companies may be addressing the sustainable purchase of indirect spend categories and services, and whether sustainability practices within indirect service categories differ from direct purchasing strategies.

Global frameworks, guidelines, and public procurement criteria are often used as the inspiration for the selection processes that companies and other organizations develop for their internal processes. In order to understand gaps in existing global guidelines and criteria, the author will conduct an investigation of existing protocol used for sustainable assessment or evaluation of services. The research objectives are threefold:

Research objectives:

- How are sustainability selection criteria for services implemented in a large multinational retail case study?
- What are the existing criteria for sustainable procurement of services?
- How could the existing approach of the case study company be furthered?

The goal of this research is to contribute to knowledge on how global corporations can progress in the sustainable purchase of indirect services.

1.2 Scope and Limitations

The scope of this study is centered around sustainable purchasing practices in a leading global retail corporation. Given their use influence in the development of responsible purchasing protocol, the author targeted global guiding frameworks and data from certification organizations, assessment companies, and government guidelines. The author's approach served to collect a diverse variety of guidelines and standards that could be applicable to a large, global corporation. It is possible that if the research had been extended, additional resources could have been collected that may have contributed to a more generalizable sample. However, given the variety of sources and types of organizations targeted, including certification bodies, globally accepted frameworks, industry association and national sustainable procurement guidelines, the author believes that further study would have likely resulted in continuation of the trends observed here.

The focal point of this research project is purchasing and procurement process within the private sector. However, green procurement goals have gained momentum in the procurement processes of public institutions in both developed and developing countries on national, regional, and municipal levels. Some of the central concepts and process of public and private procurement are similar, with public accountability, regulatory standards, and transparency most critical to public procurement processes. Given their obligations to the public, many governmental and public institutions provide open access to sustainable procurement processes and selection methods and/or criteria online. These resources can provide additional insight to green purchasing and supplier selection mechanisms potentially applicable to the private sector. Consequently, the author has utilized openly available public procurement supplier evaluation guidelines and connected with public procurement professionals to gather insight on how leading government institutions are proactively using sustainability criteria to evaluate service suppliers during their selection processes.

When creating the original research plan, the author also considered conducting interviews or surveys with corporate retail insiders, experts, and practitioners of indirect and sustainable

procurement in order to collect data on current practices. However, this method was omitted due to limited access to a representative and credible sample. The author also considered potential subjectivity issues when seeking information from private industry professionals.

2 Methodology

2.1 Literature Review

The author looked for recent literature on emerging trends in sustainable purchasing. Literature published since 2010 was prioritized, but some literature from the earlier years was also utilized, particularly for more specialized topics such as service procurement and indirect procurement for which fewer publications were found. Google scholar and academic search engines accessible through Lund University libraries, primarily ScienceDirect. These resources were utilized to provide contextual information to general trends in sustainable procurement and how they may differ or bear likeness to any observable trends in sustainable purchasing protocol for indirect services. Research undertaken by industry associations such as the Retail Industry Leaders Association, the Sustainable Leadership Purchasing Council, and Business for Social Responsibility was included in order to get broader industry perspective into key issues confronting purchasing professionals in the current year. In addition, the author reviewed grey literature from management consultancies related to sustainable management, sustainable procurement, and sustainable supply chains to gain additional practical insights that could reveal potential clues to current practices as well as niche or sectoral strategies that could be suitable and transferable to other categories. Additionally, grey literature pertaining to public procurement was reviewed to elucidate existing sustainable selection protocol in the public sector.

In addition, the author aimed to identify literature pertaining to sustainable purchasing in the area of services or indirect categories. Within this body of literature, the author sought to identify key differences between these categories of purchasing. This included perceptions of challenges or distinguishing characteristics in any of the aforementioned purchasing categories that could call for practical adjustments to process. The author also searched for existing guidelines or assessment strategies already developed or in use for indirect services. Literature related to sustainable purchasing protocol was referenced in order to gain more insight to procedures that are carried out during sustainable selection of suppliers, and key requirements or documentation that may be included in the process. Lastly, the author looked to literature on management maturity evaluation to identify models used for benchmarking corporations, particularly with regard to sustainable purchasing processes.

2.2 Industry Expert Interviews

In order to collect productive and relevant data, the author conducted interviews with professionals with leadership roles in industry associations with projects linked to sustainability, professionals working with standards and assessment organizations, and professionals working in public procurement roles. The interviews provided some guidance and additional insight to potential resources. In addition, the interviews confirmed some observed inconsistencies in the lack of a clear and broadly accepted guideline or standard appropriate for the sustainability evaluation of purchased services.

Interviews were also carried out with industry professionals from private corporations, consulting firms, industry associations, academia, and municipalities. These interviews served to provide supplementary knowledge to current practices, challenges, and opportunities

within purchasing practices. The strategies for identifying interviewees were twofold. First, in order to connect with the relevant experts, the author conducted a keyword search on linkedin to identify potential interviewees. The key search terms included are listed below and combinations of these phrases:

- Indirect procurement
- Service procurement
- Indirect purchasing
- Sustainable sourcing
- Strategic sourcing
- Indirect sourcing
- Responsible sourcing
- Buyer, indirect
- Sustainability

The author initially prioritized search respondents according to the closest level of connection on linkedin. That is, first-degree and second-degree connections, either direct acquaintances of the author or acquaintances of individuals that the author directly knows. This decision was made from the perspective of access. The author assumed that closer connections would be more likely to connect and openly share information. Additional experts were identified on linkedin based on their level of direct experience with sustainable procurement practices as well as their affiliated organization.

Additionally, the author identified key industry organizations that have information available online about their current sustainable purchasing initiatives or projects. Identification of these organizations also inspired the selection of some interviewees. The three key targeted organizations were the Retail Industry Leaders Association, The Sustainable Purchasing Leadership Council, and The Sustainability Consortium. These organizations were identified as critical potential sources due to the wide range of public and private organizational memberships and the activities and research conducted to advance sustainability initiatives in purchasing processes. Given the exposure to a wide range of large corporate and public entities, researchers and leaders within industry organizations were reasoned to be experts on existing processes and procedures that are commonly implemented by purchasing practitioners. Additionally, given the research initiatives taken on by industry associations, professionals involved with these organizations could provide insight to leading processes and key developments in sustainable purchasing processes in general and more specifically in the retail sector.

A concerted effort was made to connect with a diverse group of experts from private corporations, public entities, and industry associations with the intention of collecting a well-rounded pool of data from which to derive analysis and conclusions. The interviewees included an indirect procurement practitioner with more than 10 years experience working with indirect procurement processes for large multinational corporations. This individual provided background and insight from a higher management level and global perspective on the implementation of sustainability purchasing programs in both direct and indirect spend categories. Two sustainable purchasing leaders from the public sector were interviewed. Three contacted experts provided insight and expertise from their involvements with large industry associations specialized in the corporate retail sector and sustainable purchasing processes. One identified expert with more than 20 years of supply chain experience in academia and consulting, and nearly 10 years experience as a Chief Research Officer for a

large industry organization seeking to advance sustainable supply strategies for the retail sector was also included as an interviewee. Additionally, the expertise of one supply chain consultant from a large, international, sustainable supply chain assessment firm was utilized for the purpose of this study. Because not all contacted professionals were responsive after the author's initial contact, the selection of the aforementioned experts is due at least in part to accessibility and availability. Interviews were semi-structured, a full list of interviewees can be found in Appendix I.

2.3 Case Study: Company X

In order to better understand how a global corporate retailer is taking action in sustainable purchasing, the author reviewed a case study, Company X, to determine current practices within that organization. While practices within the case study may not be representative of all organizations, they can at least provide insight into how some similar companies might approach sustainability within the procurement of indirect services.

Company X is a large, multinational corporate retailer with stores and operations worldwide. Exploratory and instrumental approaches were used (Baxter & Jack, 2008) in the study of Company X as the author aimed both to understand general processes and tools within the company. Information gathered from Company X was benchmarked against the Retail Industry Leaders Association Sustainability Management Report. This exercise served to provide insight into supplier engagement strategies at Company X, and the corresponding maturity level compared to industry practices. In addition, the author aimed to determine any inconsistencies and potential opportunities for further development of Company X processes.

2.3.1 Case Study Interviews

In order to fully understand practices and procedures of the case study organization, the author conducted semi-structured interviews with three different internal stakeholders. The titles of these individuals included: Sustainability Specialist, Sustainability Developer, and Purchaser. All individuals interviewed currently work within indirect procurement categories for each of their unique roles. The interviews were conducted by phone.

Initial questions aimed to obtain information about the procurement process, the structure of indirect procurement, and how sustainability strategy within procurement groups at Company X aligns with overall sustainability strategic goals.

In order to supplement topics discussed in the interviews and provide more thorough detail around processes and procedures in indirect procurement, professionals from the sustainability team provided additional support with internal documents, training materials, and additional e-mail communication. This additional communication further clarified the purpose of this study the process of sustainability tool development and the coordination between relevant cross-functional teams.

2.3.2 Case Study Data Mapping

To support holistic understanding of approaches for Company X to manage sustainable purchasing of indirect services, the author conducted a broader review of procurement and sustainable procurement strategies and processes at Company X. This review was carried out on the premise that sourcing processes within a larger organizational entity are at least in part contingent upon sustainability culture and strategy on the organizational or departmental level.

Information about Company X purchasing processes was collected through personal communication; including interviews and e-mail correspondence, company documents, and internet resources. To identify key themes, gaps, areas of alignment, and other likenesses, the author used data mapping, by collecting and organizing pertinent information from Company X and online resources into Microsoft Excel spreadsheet.

The following documents were included in the data-mapping and analysis:

- Sustainability Report
- Sustainability Strategy
- Code of Conduct
- Supplier Sustainability Index
- Preliminary sustainability sourcing questions for indirect categories
- Indirect specific service scorecards (cleaning, distribution, waste, IT Hardware)
- Instructional Guide to indirect scorecards (for team members)

In order to simplify comparison within the study, the researcher used a similar generic framework to organize Company X sustainabile procurement criteria and requirements as was used in to organize the generic standards and guidelines for services. In order to do so, the researcher created a table with Company X guiding documents aligning vertically, one per column. The categories reviewed included the Company X Direct Procurement Supplier Sustainability Index, the Company X Code of Conduct for all suppliers, the Company X general supplier questions for indirect procurement, and Company X specific categorized service scorecards. The vertical axis of the table showed environmental, labor, and social sections and corresponding aspects. This activity was completed in order to more easily identify internal procurement trends at Company X with regard to relevant sustainability aspects that are typically controlled, and the approaches used in different procurement areas. The author also aimed to identify any relevant aspects of sustainable procurement of services for which controls were not found in Company X documentation. The author compared findings from Company X internal process mapping and generic standards for services mapping data sets in order to compare and contrast how existing processes at Company X are similar or different in terms of the criteria and guidelines used.

The author created an additional analysis worksheet to identify existing approaches to the indirect procurement of services at Company X. This task was undertaken under the assumption that more thoughtful recommendations could be provided to Company X if the author had an ample comprehension of how sustainable procurement of specific services was currently being managed. In order to identify existing trends, the author organized a data sheet showing all existing criteria for the four existing scorecards for services currently in use at Company X. The criteria from these scorecards was organized in a spreadsheet together with additional supplier sourcing questions that are currently reviewed by the sustainability team (see 4.3 and 4.4.2). The author identified key words frequently appearing across categories within the data sets to identify themes for each specific service type scorecard as well as any key words that appeared recurrently across different categories of services or additionally within the basic indirect services supplier questions. This was done with the intention of understanding sustainability themes within managed categories of indirect procured services and priorities common to all of the current scorecards.

2.4 Maturity Assessment

After collecting and organizing data from internal Company X processes, the author aimed to assess the maturity of the processes at Company X against other similar companies. The maturity assessment was expected to support understanding of the relative sustainability progress level of company X compared to practices in place at like companies. In order to achieve this aim, the author identified an industry association sustainability leadership tool that was developed using benchmarking methodology through the inputs of large global retail companies. The use of benchmarking data in this tool could provide insight into the practices of sustainable leader companies and potential strategies that Company X could employ if it were to follow a general path of sustainable supply chain progression similar to other corporate retail companies.

2.4.1 Case Study Maturity Analysis: Sustainability Maturity Matrix

The Retail Industry Leaders Association (RILA) is an Industry Association in the United States that provides online resources, hosts conferences, and provides a forum for discussion of the most pressing issues in the retail industry (Retail Industry Leaders Association, 2016b). RILA members include some of the most recognized brands in the United States and worldwide, including global retail leaders from the tech, fashion apparel, home furnishings, and general merchandise categories, among others.

Together with retail executives, environmental experts, compliance and energy professionals, the Retail Industry Leaders Association has created a Leadership Model to be used as a tool for corporate and sustainability executives to determine the sustainability maturity level of a corporation based on indicators categorized into seven different sections. The seven sections include the following classifications (Retail Industry Leaders Association, 2016a):

1. Strategy & Commitment
2. People & Tools
3. Visibility
4. Retail Operations
5. Supply Chain
6. Products
7. Sustainability & CSR Issues

Each section of the Leadership Model includes several more specific dimensions that further delineate aspects of those particular areas of the business. For example, within the supply chain section of the model, transportation, supplier engagement, and supply chain transparency, all unique areas within the supply chain arena, are identified as more specific dimensions. In total, 30 dimensions have been identified for sustainability maturity management within the 2016 Leadership Model.

Each dimension within the Sustainability Management Leadership Model provides details to specific sustainability approaches as a given organization progresses from initiation or beginning stages to leadership or transformation within the industry (Retail Industry Leaders Association, 2016a). This study will prioritize supply chain related dimensions but will also consider additional aspects related to critical dimensions in the Sustainability Maturity Model. Other, similar matrices exist for the evaluation of supply chain sustainability in the retail sector. One such model, the ELEVATE Responsible Sourcing Management Model (ELEVATE, 2013), qualifies different sourcing and supply chain processes within a given organization to be basic, progressive, or leading practices. However, the author selected the

RILA matrix due to the large size and broad influence of the parent organization. Additionally, retailers mentioned in the benchmarking report based on the Sustainability Leadership Model were similar to Company X in their global scale of manufacturing and retail shops, so the author reasoned the RILA model to be the most relevant option.

The maturity level within the matrix identifies the maturity levels as (in order from beginning to advanced) initiating, progressing, excelling, leading, or transforming (Retail Industry Leaders Association, 2016a). Examples of industry practices are provided for each of the maturity levels within any given dimension. The matrix dimension "supplier engagement" was identified as most relevant to supplier selection criteria, approaches, and coordination. In this study, the author delineated all practices described in the supplier engagement dimension of the RILA matrix and then created a color-coded system to determine whether Company X was entirely practicing, partially praticing, or not practicing the procedural activities described in each section of the the chosen dimension of RILA's supply chain sustainability section of the Maturity Matrix. Fully practicing activities were coded in green, partially practicing in yellow, and not practicing practices were coded in red. The author coded direct and indirect procurement processes separately for Company X given different processes that were identified during other research phases. By assessing the maturity levels of direct processes and indirect processes separately, the author aimed to identify any incongruencies that could potentially provide guidance to later recommendations for the company to further aspects of their sustainable procurement process, particularly with regard to indirect procurement of services.

2.5 Collection of existing sustainability criteria for services

In order to address the second research objective, the author identified existing guidelines, standards, and criteria used in the purchase of services. An inductive approach was used, and a thematic analysis was undertaken to review data. The identified research gap in sustainable procurement of services suggested that few consistent models have been implemented. Consequently, the author aimed to conduct a broad search for criteria and guidelines that have been developed for used at a national or global level. In order to do so, the author focused namely on information put forth by public entities and agencies collaborating with various stakeholder organizations. The choice to use public data was largely based on access.

During the internet search, the author looked for sustainability-related procurement recommendations or approaches in industry association websites, government-supported procurement websites, the websites of certification bodies and standards organizations. In addition, the author directed communication to standards organizations, industry associations, and public procurement professionals in order to seek further information about standardized materials and/or resources available to support sustainable purchasing activities within the service category.

Industry Associations were also targeted. Industry Associations connect practitioners in many different organizations across national and international boundaries, in both the public and private sectors. Consequently, the author reasoned that industry associations may have information about how purchasers manage sustainability challenges in specific categories or generally within their roles and responsibilities. Furthermore, industry associations often host conferences and other events to encourage leadership and progress within their field of expertise. As such, the researcher considered industry associations to be a potential source of innovation and procedural leadership that could provide perspective on the current state of sustainable procurement of services and/or indirect spend categories, the future direction

of sustainable procurement, and how industry leaders are taking progressive steps toward the future.

Within these resources, given language abilities of the author, the search was limited to resources available in English and Spanish. National-level procurement guidelines were limited geographically to resources from North America, Europe, and Australia. Combinations of the following keywords were used in online searches to identify potential sources of services criteria and guidelines:

- Service procurement
- Sustainability criteria
- Purchasing guidelines
- Sustainable service criteria
- Green service procurement
- Non-product related purchasing
- Indirect procurement
- Metrics
- Indicators
- Criteria
- Sustainable certification of services
- Sustainable service ecolabel
- Procurement trade association

The following websites were utilized to aid in the search for resources. They provide information about sustainable procurement actions and are well connected with leading procurement organizations in both the public and private sector. Consequently, the author reasoned that detailed review of these sources would yield relevant information about leading practices with regard to sustainable service procurement.

Key Guiding Sources

Standardsmap.org	Platform created by the International Trade Center. Shares details for over 210 sustainability standards, codes of conduct, and audit criteria in global supply chains.
Procuraplus.org	Website of the European Sustainable Procurement Network, which is a network of European public procurement authorities that share information and collaborate on green procurement innovation.
Iclei.org	ICLEI - Local Governments for Sustainability is a global network of regions, cities, and towns committed to sustainability in procurement.
Sustainable-procurement.org	Sustainable Procurement Platform is a platform managed by ICLEI that provides information and resources on sustainable procurement and related topics.
Sustainablepurchasing.org	Website of the Sustainable Purchasing Leadership Council, a non-profit organization committed to sustainable practices in purchasing functions. The Sustainable Purchasing Leadership has global membership which includes participation from the public sector, private sector, and public interest advocates.
Cips.org	The Chartered Institute of Procurement and Supply is a global professional organization that seeks to develop and progress the procurement and supply chain practices, and improve professional standards worldwide.

Table 2-1: Key Guiding Sources

2.5.1 Data mapping

As data was collected, it was mapped into two separate matrices, according to the breadth of the guidelines. Resources with detailed guidelines or criteria specifically targeted towards specific sectors of services were compiled in the first matrix, whereas general services guidelines broadly applicable to generic categories of services were collected and organized in a second matrix.

In order to identify trends in guidelines and criteria developed for the selection and/or evaluation of services, the author used an inductive approach in categorical mapping of the data. Services criteria and guidelines that were customized to a particular type of service were organized into a matrix showing the source of data as well as the types of services for which that particular organization provided guidelines or criteria. Specific categories of services were displayed on the horizontal axis, with one column for each service type. Sources of the guidelines or criteria were organized on the vertical axis, with one row per source. In the row of any given source, a checkmark was added to each column with a corresponding service type for which that source provided service criteria or guidelines. For example, a given source may have provided detailed guidelines for one single service type, such as cleaning. In that case, the row for that agency would show one checkmark within the cleaning column. In cases where the source provided multiple criteria and/or guidelines for the selection and/or evaluation of services, a checkmark was added in the row of that source within each relevant column. New categories of services were added to the table as they were identified. This means of data organization allowed the author to easily identify trends in the data, such as greater development of criteria in specific categories of services and areas of services with potential gaps in development and research.

Identified criteria broadly applying to services as a general category was allocated to a separate matrix. The purpose of the general services matrix was to identify environmental aspects typically addressed in guidelines pertaining specifically to service categories and to better understand the types of criteria generally employed. In the general services matrix, the source of the guidelines or criteria was provided along the horizontal axis. Criteria and guidelines were organized vertically. The author used information from the earliest findings within generic service categories to create a column providing structure to the found guidelines. The framing column includes four key sections. The first section includes basic information about the source of the guidelines or criteria. The other sections capture key themes typically found in sustainability assessment frameworks pertaining to purchasing and supply chains: environmental sustainability, labor, and social/ethical responsibility. Categories emerged as initial sources of guidelines were reviewed.

After the initial mapping of the generic guidelines and criteria for services, the author reorganized the data according to the environmental aspects addressed and the type of criteria or indicators used. In order to do so, the author reviewed each category within the themes of environmental sustainability, labor, and social/ethical responsibility, and comprehensively recompiled all criteria and guidelines. Then, in a new document, the author categorized each criteria or guideline type within every aspect category. Criteria types identified were as follows:

- Quantitative: yields quantitative data
- Conditional: yes/no or simple answer
- Open-ended: requires detailed response

After completing this exercise, the author reorganized the individual criteria into a new data sheet in order to more easily review and assess the criteria one-by-one. This table included not only the criteria, but also the corresponding section from which it was extracted (environment, labor, or social) as well as the corresponding sustainability aspect that the criteria addressed.

2.5.2 Data mapping analysis

After identification of potential indicators and metrics suitable for scoring and selection of sustainable service providors, a framework was needed to clearly contrast and assess criteria and indicators pertaining to services. The framework served as a means for identifying relative strengths and weaknesses of sustainable service criteria and also provided a means for scoring and narrowing the broader list to a simpler and more practical list of potential approaches.

After compiling a list of sustainability criteria currently in use for the evaluation or selection of service providers the author aimed to evaluate the effectiveness of the criteria based on an established indicator evaluation tool. The author identified the RACER framework (Gerdes et al., 2011) for evaluation of the full list of potential criteria. Other evaluation frameworks such as DPSIR and SWOT were also considered as potential evaluation strategies for the identified criteria but were less relevant to the criteria for evaluation within this study. The RACER criteria has been used by the European Commission as a tool for indicators used in policymaking, providing transparency to how evaluation criteria were selected for unique processes (Lutter & Giljum, 2008). The RACER framework relies on five key criteria in the evaluation of indicators. The assessment framework is summarized below (Gerdes et al., 2011; Lutter & Giljum, 2008):

- *Relevant:* links to project goals, identifies trends, coverage of environmental categories, scaleability
- *Accepted:* accepted by relevant stakeholders
- *Credible:* unambiguous, transparent, easy to interpret
- *Easy:* easy to monitor; data availability and technical feasibility
- *Robust:* based on a sound theory, consistent with established methods, comparable

In order to assess the viability of identified criteria for services, the author created a matrix and scored 102 different criteria using the RACER principles. Within the RACER framework, relevance is of importance to indicators in that an indicator or criteria should link to the aims of the company or organization that will utilize it, as well as yielding results that can be measured over time. Acceptance from purchasing teams, suppliers, and other stakeholders is critical if the indicator is to be adopted by the procurement team and properly executed by business partners in the supply chain. The methodology of the given indicator or criteria should be easy both to calculate and interpret, and any required data should be readily available (covered in letters "C" and "E"). Finally, the criteria should be rooted in defensible theory and consistent with already established methods of selection and evaluation.

Scoring for RACER was performed according to identified methods within the literature (Lutter & Giljum, 2008). Each RACER theme (above) was considered separately for each sustainable service criterion. If the sustainable service criterion was determined to fully meet the requirements of any given theme, a total of two points would be awarded for that theme. Partial compliance resulted in receipt of one point, and full non-compliance resulted in zero

points awarded. For example, if a given criterion assessed under the "relevant" theme was considered to align with goals and demonstrate scalability but not adequately identify trends, that particular criteria would receive one point under "Relevant". After the number of points was determined for each consecutive letter, a total RACER score was calculated for each indicator reviewed in this study. After scoring of collected criteria using the RACER framework, the author prepared a list of high-performing criteria relevant to the case study company in scorecard development (Appendix II).

Furthermore, after consideration of findings from Company X and guidelines for services and considered how the approach of Company X in the sustainable procurement of indirect services could be furthered based on the outcomes of the first two research objectives.

3 Background

This section discusses how sustainability trends in the literature have shifted over time and points out current key themes that have been identified. After broadly discussing purchasing and sustainability in the purchasing function, the author will introduce different classifications of purchases, namely materials purchasing and the purchase of services. The author will also comment on the differences between direct purchasing areas, or purchasing categories strategic to company goals and objectives, as well as indirect purchasing which is commonliy viewed the purchasing for operational, support, and non-revenue generating activities. Additional insight into current research trends on these topics provides insight into key distinguishing characteristics of organizational buying within these categories of goods and key considerations for purchasers.

Specific purchasing category descriptions will be followed by details on some common tactics organizations have employed to promote sustainable purchasing practices within the procurement function. Finally, the author will comment on sustainable procurement maturity levels and how stages of sustainable purchasing progression are described in the literature. Sustainability within the purchasing function will subsequently be introduced

3.1 The purchasing function

As a channel providing goods and services for operations and business endeavors, purchasing is critical to the functioning of organizations in both the public and private sector. Purchasing is the management of an organization's external resources in a way that maximizes the benefit of that particular organization (Van Weele, 2010). In other words, all goods, services, and external inputs required for successful operations are acquired in a way that contributes to the bottom line of that organization and the needs of internal stakeholders. Procurement defined by Vrat (2014), includes purchasing related activities such as product/service requests, ordering, audits, and supplier compensation. The body of literature reviewed revealed similar usage patterns for both terms. For the purpose of this study, the author will follow Stolle (2008) and use the terms synonomously.

Though they may differ slightly in implementation, general procedures of the purchasing process share similarities in most different types of organizations. According to Van Weele (2010) purchasing or procurement processes can be best summarized in a series of six steps.
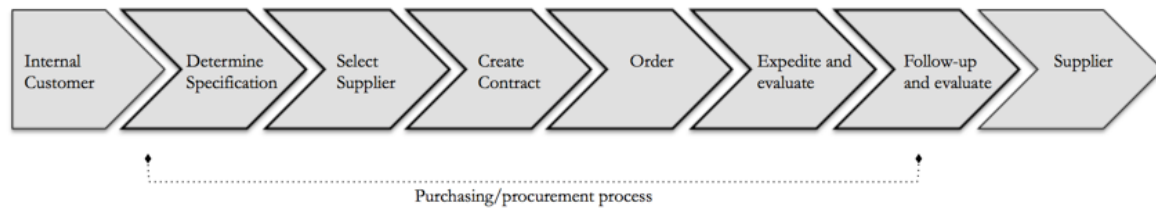
Figure 3-1: Purchasing process *(Van Weele, 2010, p8)*

The initial stages typically involve the internal consumer of any given organization identifying the need for external products and services and in turn pinpointing desired characteristics or aspects that those procured goods should include. Specifications often provide standards and criteria that guide the supplier selection process (Van Weele, 2010). Such specifications typically relate to the quality of the procured product, logistics specifications, and maintenance-related and budgetary requirements. Regulatory standards are also considered during the specification phase to rule out any suppliers that do not meet legal obligations such as health, safety, and environmental standards (Van Weele, 2010).

While price has long been considered a core priority in purchasing, Burt, Dobler, & Starling (2003), have identified five additional principles that later developed as central considerations in the purchasing process, these include quality, cost, time, technology, and the continuity of supply.

Beske-Janssen, Johnson, & Schaltegger (2015), echo these themes, mentioning also dependability and flexibility, both of which link directly to continuity of supply and time. The aforementioned key themes continue to resurface in literature related to purchasing today, but the field is dynamic and undergoing rapid change with increased volatility in the new millennium (Spiller, Reinecke, Ungerman, & Teixeira, 2013). On average, according to Standard & Poor's 500 stock index, external expenses as a share of total organizational costs have risen by an average of 40% in the past 4 decades (Spiller et al., 2013). That is to say, businesses and other organizations are increasingly looking outwards to fulfill company needs, from products and manufacturing processes to services such as recruitment, marketing, and cleaning. The underlying rationale behind outsourcing is commonly viewed as a strategy to refine processes and eliminate inefficiencies where specialized external partners can provide higher quality at a lower cost. The explosion in literature related to purchasing and supply chain-related topics reflects this underlying theme for the surge in outsourcing and more acute consideration of purchasing and supply chain expenses and other aspects.

3.2 Sustainable Procurement

Sustainable procurement has in recent years received more and more recognition as a key objective for procurement leaders (Berthon, Hanifan, Timmermans, & Williams, 2013). Values associated with sustainable practices are important to customers and consequently critical to demand and brand reputation (Berthon et al., 2013; Bruel, Menuet, Thaler, & Kromoser, 2013). In addition, executive leadership and procurement professionals view sustainable practices as critical to manage supply chain risks associated with scarce resources and to stay ahead of changing regulations associated with environmental and labor compliance (Bruel et al., 2013). In other words, when companies embrace sustainable practices, they gain the advantages of reducing or eliminating potentially risky or unlawful practices within their value chain. Furthermore, as industry trends have pushed sustainable practices towards a more central and strategic role, investors have reacted through the

inclusion of sustainability principles within their assessments and indices (Berthon et al., 2013).

In this section, the author will provide background from the literature pertaining to different types of purchases and how sustainable practices may be considered or integrated in a given purchasing area or category. After commenting on purchasing categories the author will move on to discuss some commonly employed sustainable procurement tools and strategies currently observed in sustainable procurement practices.

Although sustainable procurement practices have existed in some organizations for long periods of time, as mentioned earlier, the recognition of sustainable procurement as a critical component of corporate strategy is still a relatively new phenomenon. Consequently, organizations have varying developmental levels, or maturity, regarding sustainable purchasing practices. The author will comment on literature concerning sustainable procurement maturity, and how and why organizations can utilize maturity frameworks. Finally, the author will close the background section with additional comments on observed trends within the sustainable procurement context that are relevant and valuable for consideration of the current research and case study.

3.2.1 Different categories of procurement

In this section two distinctions will be made with regard to the category of purchase. In this section, the author begins by commenting on the first distinction between the purchase of products and services and how key differences influence sustainable purchasing processes. Then, a discussion follows on how the strategic organizational category of the purchase, or more specifically, whether or not the purchase directly supports the generation of revenue, impacts purchasing decisions. These points will, again, be followed by insights into how this distinction may influence sustainability within the supplier selection process.

The literature reviewed suggests wide acknowledgement of an expanding service economy and growth of service outsourcing in businesses (Burt, Dobler, & Starling, 2003; Suh, 2006; Van Weele, 2010). There is increasing recognition within leading global businesses that the outsourcing or procurement of external service providers for activities such as consulting, printing, design, training, and facilities management delivers strategic economic advantages (Burt et al., 2003).

Ellram, Tate, & Billington (2007) identified four key attributes in services underlying differences between goods and services. The differences between buying goods and buying services are rooted largely in their tangibility. Procurement needs that can be fulfilled by material goods can generally rely more heavily on physical characteristics of the product at hand, such as the quality of materials, measurements, or other distinctions (Van Weele, 2010). Services, on the other hand, must be purchased and evaluated according to how the service will be performed. An overview of key differences between the purchase of products and services can be found in table 3-1.

Service Attribute	Impact of Attribute on Purchasing	Goods	Services
Intangibility	Expectations	Specifications are precise.	Vague service level agreements.
	Predictability of Demand	Dependent on the accuracy of forecasts for final customer demand.	Vary with project scope.
	Problem Resolution	Formal processes, clear responsibilities.	Lack of set processes, more subjectivity
	Cost	pre-negotiated, per unit, Easy to determine in advance	Dependent on changing scope and requirements, situation specific, often is renogotiated or changes with scope
	Payment	Match receipts with purchase orders, verifiable	Bills submitted without tangible evidence, pay as you go
	Verification of Contract Completion	Physical evidence in shipment.	internal sign off.
Heterogeneity	Quality	Measureable, pre-specified.	Subjective, user dependent.
	Consistency of Output	Clear specifications, tight quality control.	Services vary with the provider, broader specifications with a range of acceptable outcomes.
Perishability	Interface between providers	planning and inventory allow for easier transactions.	Requires more communication, can't store services.
	Inventory policies	Buffer demand fluctuations with inventory.	Buffer demand fluctuations with capacity.
Inseparability	Points of contact	Few points of contact, usually purchasing or project manage. Limited to no customer contact.	Increases interactions both from a B2B perspective and a B2C perspective.
	Physical separation of host firm and provider facilities	Physical distance between buyer and seller.	Service is created at point of use, tight coupling.
	Security of information/data	High due to physical separation.	More difficult to control due to low physical proximity.

Table 3-1: Differences between the purchase of goods and services (Ellram, Tate, & Billington, 2007, p48)

Within the realm of sustainable procurement, one of the key challenges for service-category purchases has been the dearth of information available to guide sustainable purchasing strategies (NSF, 2012). Without the tangible physical qualities of products, services can be tremendously difficult to compare (NSF, 2012). Two key points to consider in the sustainable procurement of services (Australian Government, 2013) include the following:

- How the service is delivered, including associated social and environmental impacts.
- The way that the supplier operates within the supplier organization, and any associated environmental or social aspects.

The way that the service is delivered can include any resources utilized during the process of delivering the service, as well as how wastes are managed and what efforts are included to reduce or mitigate the impacts of any necessary transport (Australian Government, 2013).

The way that the supplier conducts business presents additional sustainability considerations in any associated environmental aspects related to energy, water, and waste. Furthermore, because people are often the core 'inputs' of service organizations, it is critical to consider sustainability aspects related to labor concerns, social and ethical issues, and how the supplier organization responsibly manages its own respective supply chain activities (Australian Government, 2013; GRI, 2013).

While the differences between the procurement of physical products and immaterial services poses particular challenges to sustainable procurement goals, so does the strategic area of purchasing within a given organization. Within the field of business and organizational management, leaders commonly differentiate between 'direct' and 'indirect' purchasing processes. Terminology associated with these different areas of the business varies in the literature and in practice. For the purpose of this research, the author will align with Van Weele (2010) and the case study company, referring to direct purchasing activities as those purchases which are used for the manufacture of end products (for consumer use). Indirect purchasing, on the other hand, includes the procurement of materials and services that support company operations, including office support and general infrastructure (Van Weele, 2010). A number of key differences exist between these two areas, driven primarily by the strategic importance of the purchase, which plays a role in purchaser priorities and in the nature of the relationship with the supplier. Within a retail organization, for example, purchase of materials and products that make up items sold to consumers are critical to the success of the company due to the revenue that they generate in sales. Consequently, management of this type of organization often prioritizes strategic procurement efforts on purchases in key, direct categories (Haake & Seuring, 2009). Furthermore, given the specifications, requirements, and quality control associated with the purchase of direct products, purchaser-supplier relationships naturally require more communication and collaboration (Van Weele, 2010). The additional communication and collaboration entailed in stronger business partnerships has been noted in the literature as a strong enabling factor for advancement of sustainable procurement objectives (Bruel et al., 2013).

Indirect suppliers, on the other hand, are commonly understood as the source of goods and services that are used only within the organization. Other vendors in the market can often easily replace suppliers within this category. This contributes to relatively shorter supplier relationships with indirect suppliers, and a much broader supplier base (Haake & Seuring, 2009). Furthermore, because they are viewed as a supporting, non-strategic area, indirect categories may be confined to much tighter budgets than what is observed in direct purchasing areas. In a study by a prominent global procurement research group, wide discrepancies were identified between the numbers of suppliers and spending per employee within direct and indirect spend categories, as well as services in both onshore or local services suppliers and offshore or foreign-sourced services (Ellram et al., 2007). A summary can be found below in table 3-2.

	Direct Materials	Indirect Materials	Onshore Services	Offshore Services
Average number of active suppliers per supply management employee	36	101	105	71
Average spending per supply management employee (in million, SEK)	213,75	111,15	213,75	128,25

Table 3-2: Average spending and number of suppliers in material and service purchase categories (Ellram et al., 2007, p50)

The author identified gaps in the literature relative to sustainable procurement within the areas of service procurement and indirect purchasing. Literature identified for these categories commented specifically on the research gap with regard to the sustainable purchase of services and indirect categories, as well as more broadly how these categories are managed (Ellram et al., 2007; Haake & Seuring, 2009; Mosgaard et al., 2013; Tajbakhsh & Hassini, 2015).

3.2.2 Common tools, performance indicators, and criteria

In order to maintain their reputation and ensure that activities undertaken for business purposes are in accordance with the law and company objectives, organizations must consider how suppliers meet the standards or expectations (Alder & Gooch, 2013). According to a study by HEC and management consultancy AT Kearney, the use of sustainability-related criteria by purchasers in the supplier selection process has risen dramatically during the past ten years (Bruel et al., 2013). Among the first activities that companies commonly undertake as they introduce sustainability practices into their purchasing practices is the use of a Code of Conduct (Bruel et al., 2013). Codes of Conduct communicate company commitments that are aligned with global covenants and standards on ethics, social, and environmental responsibility (Benoît & Vickery-Niederman, 2011). The way that companies use their Codes of Conduct differ across organizations but they are often used during ethical, social, and/or sustainability audits to ensure compliance with fundamental and widely accepted norms.

Balanced scorecards were introduced in the mid 1990s as a means of integrating aspects of a company's strategy and goals through the use of performance measurement and indicators (Kaplan & Norton, 1996). Sustainability scorecards have furthered sustainable purchasing through the use of measured sustainable performance indicators together with other traditional performance determinants such as cost and quality (Figge, Hahn, Schaltegger, & Wagner, 2002). Though common themes may exist in social, environmental, and fiscal responsibility, scorecard structures, their corresponding indicators, and implementation strategies are unique to a given organization (Epstein & Wisner, 2001; Figge et al., 2002; Kaplan & Norton, 1996).

The use of scorecards provides additional information to purchasers about the potential supplier candidates that can contribute further to the decision-making process. In addition, according to a report by Business for Social Responsibility and the Carbon Disclosure Project, after initiating regular reporting processes, suppliers commonly demonstrate higher levels of risk recognition and environmental management activities (BSR, 2016). From this point, one might conjecture that after a supplier is regularly required to provide information

about environmental aspects within their organization, they may become more heedful of those aspects on their own initiative.

Although the collection of data for reporting may in some cases drive a suppliers propensity to improve sustainability aspects within their own operations, increases in demands for reporting and assessment have not come without challenges. Because clients may differ in their sustainable purchasing approach, suppliers can become confused and overwhelmed by the myriad of requirements, tools, questionnaires, and methodologies pertaining to sustainability aspects (Sustainable Purchasing Leadership Council, 2016). These considerations are relevant in criteria selection and scorecard design. Initiatives such as Together for Sustainability have worked with specific industry experts in the effort to bring standardization and alignment to supplier assessment (TfS Initiative, 2013). The Sustainable Purchasing Leadership Council is currently developing a rating system which will identify available assessment methods that will promote credibility, institutional alignment, and efficiency for purchasing in both the public and private sectors (SPLC, n.d.). Although a broadly accepted and consistent approach was not identified in the literature for services or indirect categories, these developments are worth considering in the development of a scorecard or set of criteria that is efficient and user-friendly for suppliers.

3.2.3 Maturity implications

Benchmarking is a common strategy that companies use to understand best practices among similar or competing organizations (Drew, 1997). Measurement of process performance against practices of similar organizations can support organizations in their efforts to best understand their own activities and potential areas for development or progress (Rendon, 2008).

Within sustainable procurement, several models have been developed to support companies in benchmarking for self-assessment and understanding of their relative level of maturity (ELEVATE, 2013; Friedman, n.d.; RILA, 2016; Silvius & Schipper, 2010). These resources include potential future steps if those companies aim to progress along the sustainable purchasing continuum often observed in industy, which includes added implementation activities at each progression level.

The literature review identified the ELEVATE Responsible Sourcing Management Model (ELEVATE, 2013) and Retail Industry Leader's Association Sustainability Leadership Model (RILA, 2016) as valuable models for companies to assess sustainable supply chain and purchasing practices within a given organization. The Ladder of Sustainability (Friedman, n.d.) was also noted as a means of understanding a company's path of progression in the adoption of sustainability into company strategic goals and objectives to full sustainability integration in all areas of the company.

Maturity models, which can be used for assessment purposes, present organizational development on a continuum of progression (Röglinger, Pöppelbuß, & Becker, 2012). Within these models, a certain set of practices or activities define a given maturity level, and a company is understood to follow a particular progression as they move from lower to higher levels of maturity (Röglinger et al., 2012).

4 Case Study: Company X

Company X was identified for case study research that aimed to provide some insight into how global corporate retailers may address sustainable purchasing practices in indirect

services. The author used an exploratory and instrumental approach to understand sustainable procurement strategies and processes at Company X. The objective of the case study research was to identify existing sustainable procurement procedures within the company and to determine how categories of purchasing within Company X approach sustainable procurement. Within this Case Study, indirect processes were scrutinized in more depth with regard to context and processes in order to address the second research question, specific to the procurement of services at Company X. Direct procurement approaches to sustainable procurement are reviewed to provide organizational context and to understand how diverse areas of Company X align with strategic sustainability goals within the procurement function.

In addition, the author aimed to benchmark findings from Company X processes using the RILA Sustainability Leadership Managerment Matrix. This served to determine the sustainable purchasing maturity level relative to other similarly large corporate retail companies. The benchmarking exercise was intended to provide insight to Company X and some options that Company X could consider if they are to progress towards the next defined maturity level (Retail Industry Leaders Association, 2016a).

4.1 Company Overview

Company X is a large global retailer that offers inexpensive home furnishings to customers in all corners of the world. Tens of thousands of employees and suppliers in more than fifty countries have supported steady sales growth for Company X, which, according to the 2014 financial reports, reached more than 5%, with a reported net income over three billion euros.

The underlying mantra of Company X's vision is "A better everyday life for the many people." "Democratic design" is emphasized, which strives for the most efficient coordination of technologies and resources to create products that are accessible to all. This theme applies to the provision of affordable products delivered to consumers spread across diverse socio-economic levels and cultural contexts (Company X Sustainability Report, 2014). Additionally, Company X aims to better the lives of internal and external stakeholders such as employees, suppliers, and communities through responsible practices and a pronounced commitment to making the world a better place to live in.

The broader sustainability strategy at Company X integrates environmental, economic, and social aspects. Linked to those three categories, the following three commitments are in place in the strategy up to the year 2020 (Company X Sustainability Strategy Overview, 2014):

1. Inspire and enable customers to live a more sustainable life at home.
2. Strive for resource and energy independence.
3. Create a better life for people and communities.

These three commitments are delineated further in the company targets. The first commitment aims to design sustainably innovative products that encourage healthier and less energy consumptive consumer lifestyles. Resource reduction targets emphasize decreases in the use of raw materials, the identification and utilization of more sustainable raw materials, and partnerships with responsible sourcing labels such as the Forest Stewardship Council and the Better Cotton Initiative. With regard to energy, the company calls attention to investments in clean energy and the goal of energy independence through renewable energy sources within the next four years. Goals associated with people and communities primarily

emphasize supplier compliance with the Code of Conduct, which will be discussed at length after the overview of procurement practices.

Beyond localized operations and strategies, Company X aims to instill sustainable and responsible practices in the supply chain through successful implementation of the company-wide code of conduct and additional efforts to improve key areas that have been defined relative to the higher goals related to social, environmental, and economic issues. Specific to supply chain processes, Company X has identified five key aspects around which to structure sustainability goals. These core areas include water, waste, energy, human rights, and diversity & inclusion (Company X Sustainability Strategy Overview, 2014), and form the platform on which Company X builds sustainability targets. Water goals strive for water stewardship in all operations and access for communities. Waste targets aim for redutions in the total quantities of waste created and increased recycling and recovery (Company X Sustainability Strategy Overview, 2014) of the waste from stores. With regard to energy, Company X compels suppliers to raise their efficiency levels by 20%, advancing further towards streamlined energy use and increasing potential for energy independence (Company X Sustainability Strategy Overview, 2014).

On social matters, Company X takes inspiration from global governance frameworks such as the UN Guiding Principles on Business and Human Rights, and the ILO Fundamental Principles of Rights at Work in order to formulate their strategic targets (Company X Sustainability Strategy Overview, 2014). Among the key features of these targets are protection for the rights of children and a fair gender balance in leadership. Additionally, the company advocates for community involvement (Company X Sustainability Strategy Overview, 2014.)

The Code of Conduct (Code X) is applicable to all suppliers that have business relations with Company X. The Code of Conduct first includes a series of obligations that must be realized before any potential business partner is permitted to conduct business with Company X.

Procurement teams at Company X are broken into direct product and indirect product and service teams. According to interviews with retail procurement experts (personal communication, July 2016) this is a common organizational strategy that allows teams to better focus on their strategic priorities. While the focus of this research is on indirect procurement, the author will briefly describe direct procurement to provide context. In the analysis some data from direct procurement processes at Company X will be used to discuss alignment with strategic sustainability goals within both areas of procurement.

4.2 Direct Procurement Sustainability Process

In order to collect and evaluate critical information relative to supplier sustainability aspects and impacts, direct procurement teams at Company X use a supplier sustainability index tool (Company X internal process document, n.d.). The tool is highly detailed and covers elements of the supplier business that are organized to cover features of strategy and management, sourcing and procurement issues, and resource use. In addition to the required inputs from supplier partners, the tool requires collaboration from numerous stakeholders internal to Company X. The roles involved in data collection, analysis, and use, include various stakeholders from the sustainability team, as well as business developers and category managers (Company X internal process document, n.d.).

The tool these stakeholders share for data collection from direct product suppliers is used both to feed into the sustainability scorecard and for an action plan that can guide suppliers

in the sustainable development of their businesses (Company X internal document, n.d.). Broader categories included in the tool cover topics associated with strategy and management systems, sourcing and purchasing, manufacturing and resource use, and non-utilized resources (Company X internal document, n.d.). Within each of these categories, a data set is collected from suppliers including both quantitative metrics, simple-answer criteria, and open-ended questions. The key environmental aspects within the sustainability index tool, including energy use in production, renewable energy in production, and raw-material utilization, are included in the broader Company X Product Sustainability Scorecard, shown in table 4-1 (Company X internal document, n.d.). These three themes represent the key areas of supplier performance and engagement. Other aspects of the scorecard relate more closely to the the company's development of more sustainable products in their product assortment.

Company X Product Sustainability Scorecard
1. More from less - smart design using fewer resources
2. Renewable materials
3. Reused and recycled materials
4. Material from more sustainable sources
5. Recyclability at product end-of-life
6. Quality
7. Transport Efficient
8. Energy use in production
9. Renewable energy in production
10. Raw-material utilization in production
11. Sustainable life at home

Table 4-1: Case company sustainability scorecard aspects

Data collected relative to strategy, management, sourcing and purchasing, manufacturing and resource use, and and non-utilized resources relies most heavily on simple-answer criteria requiring the supplier to choose one answer from a short list of two to four choices. Quantitative details are required of suppliers for the categories of waste, water, and energy. Waste sections of the supplier sustainability index tool require suppliers to provide details about their waste output and the type of facility to which a given type and quantity of waste is allocated. For example, suppliers should specify the total amount of non-hazardous waste that is sent to recycling in a given year by total kilograms/waste. Water data is collected both for water inputs and outputs. That is, suppliers must specify the source of their water inputs (i.e. ground water, municipal water, trucked water, etc.) in addition to providing information about the end-destination of wastewater from their operations (Company X internal document, 2015).

Energy and greenhouse gas (GHG) data are collected based on annual kWh and units of fuel purchased. The information tool is updated on an annual basis to reflect pertinent changes related to CO_2 emission factors and the share of renewables in supplier national electricity grids. This data will be used in the CO_2 footprint calculation after suppliers complete a detailed worksheet showing fuel and electricity uses by type and amount.

The sustainability team and business developer collaborate together to support suppliers in their training and completion of the information tool. Internal sustainability additionally

have records of "good examples" within the supplier matrix which can be used to guide and provide feedback to suppliers seeking to improve.

4.3 Indirect Procurement Process

Indirect Procurement (IMS) at Company X is centrally organized, and coordinates the needs of all functional units and internal stakeholders. Regional indirect materials and services purchasers are responsible for a variety of products within their assigned locale (Company X purchaser, personal communication, June 15, 2016). Regional IMS teams work primarily out of five key global offices, but also have a presence in most countries where the company has operations.

Company stakeholders making purchasing requests are seen as 'internal customers.' These internal stakeholders include stores, distribution centers, industry sites, offices, and other more specialized internal units working with processes such as food services, property expansion, product development, etcetera (Company X Sustainability professional, personal communication, June 2016). The diverse variety of stakeholders in different functional areas gives rise to an equally manifold spectrum of internal demands to be met by the IMS team. Supported categories can include professional categories of services such as marketing, finance, consultancy, and staffing agencies. Childcare services could also be included. Any services relative to facilities management such as cleaning, maintenance, plumbing, snow removal, or interior construction also fall within the control of IMS. In addition, service procurement may include categories for store equipment such as racking and trolleys, laundry services for employee uniforms, and other miscellaneous services that support the optimal functioning of Company X employees and facilities.

At Company X, the sustainability team has steady communication with the purchasing team from very early in the procurement process. The process of coordination between purchasing, potential suppliers, and the sustainability team can be summarized as follows:

Indirect Procurement process at Company X – Summary of four main steps:

1. **Prepare**
2. **Explore**
3. **Evaluate**
4. **Negotiate**

Company X teams seeking to fulfill a need connect with IMS to initiate the purchasing process. During the preparation phase, purchasing and sustainability teams discuss the pending project or request from internal stakeholders. At this time, the team members will discuss the project, the scope of the project, and the key deliverables.

After preliminary preparations, the project proceeds to the exploration phase. The exploration phase is characterized both by further planning and goal definition as well as a review of the current market and existing suppliers (Company X internal process documentation, 2016). The planning aspects of the "Explore" stage involve more precise definition of the need to be filled. For example, quality, volume, and timeplan requirements will be appraised. In addition, the purchasing team will define evaluation criteria for eligible suppliers and sustainability criteria that will be weighed in decision-making processes. Sustainability scorecards exist for some distinct purchasing categories within IMS. Relevant existing scorecards will be considered as purchasers prepare the key purchasing checklists and working requirements.

The other key component to the "Explore" phase involves supplier identification. Purchasers begin by searching for any existing suppliers within the internal procurement systems are eligible or appropriate for the task. Additionally, purchasers look externally for new potential collaborators on the market that could contribute to the success of the project (Company X purchaser, personal communication, June 15, 2016). Key deliverables of the "Explore" stage include a list of eligible suppliers and an approved plan (including necessary criteria; or pre-qualification requirements(Van Weele, 2010)) which will be used by cross-functional teams in the "Evaluate" stage of the purchasing process.

The "Evaluate" stage of the procurement process involves extensive information exchange between suppliers and IMS teams in order to define a short list of potential suppliers for negotiation (Company X internal process documentation, 2016). Purchasers begin by contacting suppliers identified in the "Explore" phase to request information needed for comprehensive consideration and assessment. Key documents include the RFI (Request for information) and the RFQ (Request for Quote), which together provide purchasers with key information about their businesses and operations as well as qualities of their products or services and the associated prices (Company X purchaser, personal communication, June 15, 2016). Additionally, together with the RFX, the purchasing team requires that suppliers provide answers to a series of eleven open-ended, sustainable management related questions. The Code of Conduct is typically conveyed to the suppliers at this stage, as well as the imperative of compliance in order to commence or sustain business relations with Company X. During this stage of the process, the sustainability team also distributes relevant sustainability questions to potential suppliers (Company X internal process documentation, 2016). Supplier responses to these questions are later used within the scorecards for supplier assessment purposes.

Once the scorecards are collected, the sustainability team evaluates supplier data and provides scoring information and feedback to all relevant stakeholders, including purchasers, business partners, and internal clients (Company X Sustainability professional, personal communication, June 28, 2016). Other pertinent supplier information from the RFQ is also evaluated at this time. All collected data is critical to the evaluation and decision-making process in that it provides more information for the sustainability and purchasing teams about doubts the supplier might have and about any areas of opportunity for improvement should the supplier become a contracted business partner in the future (Company X purchaser, personal communication, June 15, 2016).

The purchasing teams finalize the supplier or supplier shortlist, or supplier(s) that will proceed for negotiation based on all dimensions of data that was collected during the "evaluation" phase of the purchasing process (Company X sustainability professional, personal communication, June 28, 2016). Price considerations will be taken into account as well as other conditions specified by the internal stakeholder clients and sustainability details measured in the sustainability scorecard. Once the supplier or suppliers have been determined for negotiation, the purchaser communicates with the sustainability team about the role that the sustainability criteria played in the decision-making process. Sustainability teams can in turn use this information to refine the process and improve integration of sustainability goals (Company X sustainability professional, personal communication, June 28, 2016).

4.4 Sustainable Procurement Tools

As referenced above, sustainable procurement teams within Company X have developed a number of approaches that are used to determine and advance aspects of supplier

sustainability. This section will provide additional details about the Code of Conduct, e-sourcing questions, and supplier scorecards. Direct procurement tools will be mentioned briefly to provide context to how sustainability strategy is operationalized in procurement as a whole. However, as indirect procurement of services is the primary focus, this area will be elaborated in greater detail.

4.4.1 Supplier Code of Conduct

The Supplier Code of Conduct consists of the most basic requirements that Company X suppliers should observe in order to maintain business relations with Company X (Company X Code of Conduct, 2012). Most fundamentally, the Code of Conduct specifies that the Company X suppliers should function in accordance with local laws in the country of operation (Company X Code of Conduct, 2012). In addition, the Code of Conduct requires suppliers to comply with additional obligations that support Company X commitments to environmental and social objectives.

Similar to other sustainability-related approaches within the company, the Code of Conduct was inspired in part by global governance frameworks from the International Labor Organization and the United Nations (Company X Code of Conduct, 2012). The document opens with a series of critical conditions that must be met, without exception, in order for collaboration with Company X. These essential conditions are largely indicative of grave human rights or environmental abuses, and are not tolerated within Company X's value chain. Beyond the initial critical conditions, the Company X Code of Conduct is organized into twelve additional sections that incorporate environmental aspects such as pollution and chemical management, worker health and safety, and other parameters that define a fair workforce for workers of legal working age, health, and status (Company X Code of Conduct, 2012).

The terms of the Code of Conduct are maintained through internal Company X audits which must be completed on an annual basis. The audits are conducted by separate Company X compliance teams, which communicate needed results to purchasing and sustainability teams (Company X sustainability professional, personal communication, June 15, 2016).

4.4.2 Supplier Preliminary Questions

Indirect Materials and Services (IMS) introduced a set of supplier questions that sustainability or purchasing team members can communicate to potential suppliers during the tendering stage; or during the "prepare" or "explore" stages as earlier described (Company X internal process document, 2016). The questions are open-ended and predominantly focused on sustainable management procedures. Because sustainability scorecards are not yet relevant for all IMS suppliers, this set of questions provides another opportunity for suppliers and sustainability teams to drive communication on sustainability aspects and goals.

After receipt of supplier responses to preliminary sustainability questions, sustainability teams assess relevant details and communicate both with purchasers and with suppliers about any questions, concerns, or potential areas of improvement.

4.4.3 Sustainability Scorecards

Company X training materials for the sustainability scorecards define (Company X internal process document, 2016) three purposes for the scorecard criteria within indirect purchasing, summarized below:

1. Fact-based means of understanding supplier and product performance.
2. To propel sustainable improvements beyond basic requirements defined in the company code of conduct.
3. To encourage more dialogue and stronger partnerships with suppliers and other stakeholders.

Supplier sustainability scorecards are widely used at Company X. Within direct procurement categories, environmental data required from suppliers is exhaustive, covering numerous categories relative to product materials, environmental aspects of factory operations (Company X internal document, 2016). The rationale behind the Supplier Sustainability Index Tool and scorecard at Company X is based on life cycle thinking. Moreover, Company X uses the tool as a means of identifying and measuring significant environmental aspects that occur in first tier suppliers. However, the scorecard is product-focused and the several sections are designed with large, factory mass-production facilities in mind.

Consequently, the tool used for direct procurement categories is not appropriate or suitable for use in IMS service categories. In order to address environmental aspects associated with the purchase of services, IMS identified four categories known to pose significant environmental risks. These categories include cleaning, waste services, IT hardware, and distribution services (Company X internal document, 2016).

Because indirect service sustainability scorecards are relatively new to indirect purchasing processes, the year 2016 will serve as a year for data collection (Company X internal document, 2016). In other words, supplier responses will be collected throughout the course of the year and analyzed in order to better understand the market and develop a baseline (Company X sustainability professional, personal communication, June 28, 2016). The short term aims of Company X include a 100% participation rate of suppliers completing a sustainability scorecard. In the mid-term, the company aspires to drive measurable sustainability improvements relative to identified sustainability aspects, and eventually set a baseline with minimum requirements (Company X sustainability professional, personal communication, June 28, 2016).

4.5 Case Study Maturity Findings

The author used the Retail Industry Leader's Association Sustainability Maturity Management Matrix (Retail Industry Leaders Association, 2016a) in order to assess Company X against other global corporate retailers. The matrix dimension "supplier engagement" was identified as most relevant to supplier selection criteria, approaches, and coordination. The author looked at each described practice within the supplier dimension of the Sustainability Management Matrix and scored the case study company for their direct category processes and then provided a second score for purchasing processes pertaining to indirect categories of services. The author found that direct categories of purchasing at Company X are already fully aligned with all practices in the initiating, progressing, and excelling categories, and have partial implementation of practices defined as leading and transforming.

Still, it is worth noting that case company professional interviews were all conducted within the country of company global headquarters. Given the global scale of company operations, interviews conducted on a broader scale or with a wider variety of stakeholders may have conceivably resulted in some divergent outcomes.

level of maturity	Practices indicative of corresponding maturity level					
Initiating	• Supplier code of conduct addresses various environmental aspects	• Audits suppliers according to a risk profile or in response to problems				
Standard	• Incorporates key sustainability considerations into initial supplier onboarding and ongoing sourcing decisions	• Supplier code of conduct incorporates all dimensions of recognized industry standards (e.g., SA8000)	• Performs mix of internal and external audits on a regular basis according to supplier risk profile	• Delivers some training or guidance to suppliers on sustainability opportunities	• Works closely with suppliers to remediate sustainability issues	
Excelling	• Develops remediation plans in collaboration with supplier and closely monitors quantitative progress against them	• Supplier code of conduct includes measurable sustainability metrics that auditors can objectively check against	• Actively collaborates with suppliers to capture shared savings through improvements in sustainability performance	• Tracks supplier sustainability performance quantitatively over time	• Employs expert auditors to check suppliers according to supplier risk profile	• Assesses all suppliers according to sustainability criteria
Leading	• Sourcing and merchandise teams use sustainability scorecards as integral part of sourcing decisions	• Encourages vendors to improve and report on sustainability metrics (e.g. energy, waste, water) of their products, possibly leveraging services like CDP Supply Chain	• Works closely with suppliers to monitor subcontracting arrangements	▪ Hosts annual "Sustainability Summit" with key suppliers or vendors		
Next Practice	• Encourages sustainable manufacturing practices for all products and suppliers, with a focus on ensuring suppliers' financial viability	• Relevant departments test and actively partner with research groups or vendors to design next generation equipment for sustainable performance	• Defines and executes on appropriate actions with suppliers failing to meet performance criteria			

Table 4-2: RILA Supplier Engagement Maturity Practices (RILA, 2016)

Findings for indirect categories of services differ in that they only undertake some of the practices defined in RILA's matrix. For example, as mentioned earlier in the case study, indirect processes utilize the company code of conduct but purchasing decisions are not heavily weighed by sustainability aspects. Furthermore, energy, water, and waste usage details are not systematically collected and reviewed for indirect service suppliers, as they are for direct suppliers at Company X. A summary of the findings can be found in table 4-3 below. For a given maturity level of practices, both Direct and Indirect are shown. If the cells aligned with DIRECT under a given practice description are green, for example, the practice described is known to be fully implemented within Company X. Similarly, for cells aligned with IMS under a given maturity practice, the color is indicative of the degree to which that particular practice is implemented within indirect processes at Company X. The far right column; Industry Benchmarks, indicates how benchmarking within the industry estimates the sustainability maturity levels of global retailers with regard to Supplier Engagement. In other words, in the year 2015, benchmarking by the Retail Industry Leaders Association gauged the average retailer assessed to be within the "starting" category of sustainability maturity in terms of supplier engagement. The most sustainably advanced companies in the year 2015 were evaluated to fit within the "leading" category of practices. Given current trends, experts estimated average global retailers to reach practices described within the "Standard" category by the year 2017.

	Company X		Industry Benchmarks
	Direct	*Indirect*	
Starting			* 2015 Average Retailer
Standard			* 2017 Average Retailer Prediction
Excelling			
Leading			* 2015 Leading Retailer
Next Practice			

KEY

already fully practicing
partially practicing
non-practicing

Table 4-3: Company X Sustainable Procurement Practices Maturity Level Summary and Industry Benchmarks   (RILA, 2016)

5 Service Procurement Criteria Review

The literature review and preliminary interviews suggested that there is a lack of clear or consistent approach to shape sustainable decision-making in the purchase of services. In order to better understand how organizations prioritize sustainability goals in their purchasing decisions and frameworks, the author conducted two mapping exercises. Sustainable purchasing guidelines and performance indicators were first organized according to specific sectors or services based on publicly available data from government institutions, certification bodies, and other assessment schemes. Then, identified guidelines written

specifically for the general category of services were mapped against one another in order to identify similar themes and any unique strategies.

5.1 Services criteria guidance – narrow categories

The investigation of guidelines and performance indicators for specific categories of services revealed that existing measures and recommendations are inconsistent. Discussions with procurement professionals in Swedish municipalities (personal communication, July 8, 2016), and a global assessment expert (personal communication, July 18, 2016) suggested that sustainable procurement of services may often be reviewed on a case-by-case basis. The broad range of activities that fall within the service sector yields equally varied environmental aspects and impacts. Still, certain environmental aspects may commonly be attributed to specific categories of services. Moreover, some guidance has emerged for purchasing professionals with respect to environmentally responsible purchasing practices for services with recognized environmental risks.

Through the course of this study, most of the publicly available guidelines were commonly identified through public procurement associations. In addition, guidelines set forth by standards and certification organizations were identified, as well as procurement recommendations provided by global sustainable development frameworks. Below, the author will briefly comment on the types of resources provided including their content and structure.

Public agencies in Europe were often the most viable sources of public data but some measures were also identified through environmentally preferred labels and international governance frameworks. The National Agency for Public Procurement in Sweden is a publicly funded institution supporting public procurement practices in Sweden (The National Agency for Public Procurement, n.d.). The webpage provides some detailed guidance to purchasers on a small grouping of services for purchasers interested in understanding different progressions of sustainable purchasing. In other words, for a given category of services, the website may provide up to three levels of sustainable purchasing practices (The National Agency for Public Procurement, n.d.). The progressions begin with beginning stages of sustainable procurement. Users of the site may select "advanced" or "spearhead" to view more rigorous environmental criteria associated with the selected service.

Through the International Council for Local Environmental Initiatives (ICLEI) the author identified the Sustainable Procurement Platform. The Sustainable Procurement Platform is managed by ICLEI (Sustainable Procurement Platform, n.d.-a) and provides one example of how associations are sharing public data to promote the advancement of green public procurement. The web platform provides a resource center that links users to procurement tools, guidelines, strategies, and reports spanning 15 different sectors, for 257 different countries (Sustainable Procurement Platform, n.d.-b). A search for tools pertaining to green public procurement resulted in numerous referrals to public procurement websites of different countries linked to the Sustainable Procurement Platform. The author reviewed results of the search available in English and in Spanish. Among the links associated with specific countries, resources provided to guide service sector green purchasing decisions were most robust in links associated with governments in Sweden, the Netherlands, Spain, and the United States (Barcelona City Council, n.d.; Professional and Innovative Tendering Network for Government Contracting Authorities (PIANOo), n.d.; Public Society of the Basque Government, n.d.; The National Agency for Public Procurement, n.d.; U.S. General Services Administration, n.d.).

Organizations promoting environmentally related standards also provided some insight into possible considerations for the environmentally sustainable procurement of services. The Sustainability Accounting Standards Board (SASB), a non-profit organization aiming to develop comprehensive sustainability accounting standards (Sustainability Accounting Standards Board, n.d.) has collaborated with partners in consultancies to develop sustainability standards to be used together with financial reports for the interest of investors. In doing so, the organization has conducted broad materiality assessments across a wide variety of sectors, including industry specific metrics that industry stakeholders can use to measure and report sustainability information relevant to investors. The SASB website provides an overview of the materiality and listing of sectors with coverage, but membership is required for full visibility to the industry-specific metrics (SASB, n.d.). Through the course of the research, some industry associations and other bodies were also identified that required membership or payment for access to sector guidelines and measures.

In addition to public procurement and standards information, the author identified a selection of Eco-labels with measures or criteria in place to verify the relative environmental sustainability of given categories of services. The European Commission provides some guidelines on cleaning materials (European Commission, n.d.) with more focus on products used for the service. Svanen, The Nordic Swan ecolabel, provides lists for companies and professionals with guidance around a select group of specific service categories (Svanen, n.d.). The Green Seal label in the US, like the Nordic Swan, provides more specification around materials used during provision of a given class of service but provides some guidance for environmental execution of a number of services, mostly related to cleaning and laundry (Green Seal, n.d.).

International governance frameworks provide another source of guidance for procurement and alignment with sustainable development goals. Specific service category purchasing guidance was identified both within the GRI frameworks as well as within product category guidelines defined by UNEP (GRI, n.d.-b; UNEP, n.d.). An overview of category specific guidance for services examined in this study can be found in table: 5-1.

Table 5-1: Summary of specific service categories

	Cleaning services	Construction and public works projects	Events	Financial Services	Health care and social services	international business travel	Hotel Services	janatorial services	meal services and catering	meeting and conference services	moving services	Laundry services	pest management	postal services	professional services	renovation of office buildings	Transport services	vending services/machines	waste services	winter maintenance
The National Agency for Public Procurement (Sweden)	✔				✔				✔								✔	✔		
Dutch National SPP	✔					✔			✔		✔	✔		✔		✔		✔	✔	✔
Sustainable Accounting Standards Board (SASB)						✔									✔					
Swiss Green Procurement	✔																			
Public works and government services Canada						✔								✔		✔	✔			
Green Seal	✔					✔														
Sustainable Facilities Tool (U.S. Government funded)								✔	✔	✔		✔	✔				✔			
Barcelona City Council	✔	✔	✔														✔			
GRI			✔	✔																
UNEP	✔																✔			
Basque Governement	✔	✔	✔			✔			✔	✔		✔		✔	✔		✔	✔		
Lewisham Municipality (UK)	✔	✔							✔								✔		✔	
Nordic Council GPP Criteria						✔														
German Federal Environmental Agency (UBA)	✔																			
Svanen	✔	✔				✔			✔			✔								
EU Ecolabel	✔																			

5.2 General criteria for services

While a number of the resources identified early on in the study provided recommendations only for specific categories of services, the author also uncovered some resources to guide evaluation of services more broadly. Similar to the guidelines for specific service categories, the recommendations for general service guidelines were sourced through industry associations, public procurement organizations, assessment and certification companies, and international governance frameworks. A summary of the organizations authoring the identified guidelines as well as a brief description can be found in table 5-2.

	Organization or Standard overview	Guideline description
NSF	International Standards Organization	Standard P391: General Sustainability Assessment Criteria for Service Providers (PILOT)
The Sustainability Consortium	Sustainable Consumer Products Industry Association	Generic Service Toolkit: Guidelines for sustainable purchase of services
GRI	International Independent Standards Organization	Recommendations for the Service Sector (G3 supplement + standardsmapping.org)
Australian Government	Government Procurement Agency	Guidelines for sustainable procurement of services
Ecovadis	Sustainable Supply Chain Assessment Company	General criteria applying to service suppliers
RobecoSAM	International Investment Company with focus on Sustainable Investments	Questionnaire and data collection for Dow Jones Sustainability Index
UNGC	United Nations Initiative for Sustainable Business	Criteria applying to service suppliers
ILO	UN Agency supporting global labor standards	Criteria applying to service suppliers
GHG Protocol	International accounting tool for greenhouse gas management	Criteria applying to service suppliers

Table 5-2: Overview of general service guidelines

In total, only four comprehensive guidelines were identified to guide sustainable purchasing of a generic "services" basket of goods. Two of the identified guidelines were created as "pilots" (to be tested and possibly modified) and have since been phased out in favor of more detailed guidelines tailored to specific categories of services. Two sets of identified general guidelines are still recommended and in use, and five of the identified guidelines are applicable to service categories but could be loosely applied to other areas as well. Below the author will briefly describe organizations that have developed these sets of guidelines and the formats used within them.

NSF International is a global standards organization that has developed standards and certification programs for water, food, consumer products, and the environment for more than 70 years (NSF, 2016). The 2012 original drafted NSF guidelines for services, P391, are accessible online and include lists of criteria pertaining to environmental, labor, and social responsibility-related aspects (NSF, 2012). Each category has criteria that are defined as "prerequisite," or minimum performance criteria, followed by additional criteria that can raise a supplier's score for superior performance within any of the given categories. The questions, or criteria are designed for yes or no responses, with an additional column available if further information or clarification is needed. According to an expert who contributed to the development of the NSF guidelines, there was consensus that the guidelines were not sufficient to capture aspects of any type of service (public procurement expert, personal communication, July 26, 2016). Consequently, NSF experts and contributors abandoned the generic services framework and later developed more specific frameworks to serve as service industry standards.

The Sustainability Consortium (TSC) is a global organization promoting sustainability in consumer products. TSC coordinates research together with the University of Arizona, the University of Arkansas, and Wageningen University in the Netherlands to build tools for organizational use that address sustainability impacts in supply chains ((The Sustainability

Consortium, 2016b). An expert researcher from The Sustainability Consortium (TSC) commented specifically on the gap in standards and guidelines customized to address the needs of the service industry and explained how his organization and colleagues coordinated efforts to create a solution (TSC researcher, personal communication, July 21, 2016). The outcome of their efforts is the TSC Generic Service Toolkit. The questions within the TSC Generic Service Toolkit are a series of nine quantitative critieria that require calculated figures from suppliers and/or businesses about various impacts within their organizations. For example, one emissions related question requires calculation of the quantity of CO_2 emissions as a percentage of revenue, and one waste-related question requires a percentage of paper, metal, and plastic wastes that are either recycled or reused and the end-of-life (NSF, 2012).

The Global Reporting Initiative is an international organization that supports organizations worldwide as they endeavor to address critical sustainability issues (GRI, n.d.-a). Global Reporting Initiative guidelines for the service sector were identified in a supplement to GRI G3 guidelines as well as in the form of sector specific guidelines within the standardsmap.org (International Trade Centre, 2015) database. The criteria within the GRI include recommendations that are heavily quantitative, relying, for example, on a business or supplier to calculate the total weights of different categories of waste and the corresponding amounts that are reused, recycled, recovered, or composted (Standards Map, 2016). Additionally, the service specific supplement asks for a proportion of company-owned or leased real estate in LEED or green-certified buildings (GRI, 2013). However, the guidelines also provide some basic recommended conditions that can be understood generally as "existing" or "not existing" with the appropriate documentation. For example, the criteria include points about whether or not training is provided to employees with regard to environmental aspects and general criteria about compliance with local laws (Standards Map, 2016).

The Australian Government was also among the organizations with a fully developed set of guidelines generically applicable to the services sector (Australian Government, 2013). The guide was created as a tool for procurement practitioners within Australian government agencies and includes both an overview of environmental considerations specific to service procurement as well as some general guidelines that link directly to the environmental aspects described (Australian Government, 2013). The provided guidelines include recommendations both for minimal or starting action in sustainable procurement for services as well as "better practice" suggestions. The guidelines provided are qualitative, and largely tied to planning and strategies in place to mitigate potential environmental impacts. However, the guide itself includes a separate section about KPI development which includes examples of how purchasers can request measurable improvements through the use of quantitative environmental performance measurement (Australian Government, 2013).

Launched in 2007, Ecovadis was the first ever platform established as a comprehensive collection of supplier sustainability indicators to be utilized by purchasing professionals worldwide (UNGC, n.d.). Based on standards including the Global Reporting Initiative, ISO 26000, and the United Nations Global Compact, the Ecovadis framework is flexible and has been adapted to more than 150 purchasing categories in more than 140 countries (Ecovadis, n.d.). The overall framework is divided into four key sections, including environment, social, ethics, and sustainable procurement. Within those four sections, the framework is adapted to address the unique aspects associated with supplier organizations, based on the business size, sector, and region or country. As such, a similar scoring methodology can be understood despite contextual differences. Some general Ecovadis criteria for services were identified by the standardsmap.org website. However, an interview with an Ecovadis expert revealed the

organizations commitment to working with suppliers on a case-by-case basis, always bearing in mind local contextual factors and the size of the company. This sentiment is reflected in the style of the Ecovadis criteria found on standardsmap.org, which includes a large number of open-ended questions that would require further documentation and analysis by Ecovadis CSR experts before a score could be determined.

The RobecoSAM sustainability assessment was developed with the intention of amalgamating sustainability information together with financial data for eventual use by investors (RobecoSAM, n.d.). Data collected through RobecoSAM questionnaires is now used in the annual compilation of the Dow Jones Sustainability Index (RobecoSAM, n.d.). The collected data is primarily quantitative, with numerous indicators appearing as a percentage against the total revenue of the company or other all-encompassing number. For example, within the data collected on the labor force, RobecoSAM's questionnaire requires companies to include demographic data in order to understand diversity within an organization. Demographic data includes the percentage of women against the total workforce and the percentage of minorities against the total workforce in leadership positions, middle management, and overall (RobecoSAM, n.d.). For energy use data, the RobecoSAM index requires respondents to include not only the most recent year, but details from the past four years in order to identify any changes over time (RobecoSAM, n.d.).

Standardsmap.org is a reference website that was created by the International Trade Centre as a tool for navigation of more than 200 global sustainability standards (ITC, n.d.). The platform is searchable by product or category type, and also has the capacity to compare standards within the Standards Map system by numerous criteria (International Trade Centre, 2015). Although not all service standards identified were available within the Standards Map database, the author utilized the platform to supplement GRI data, as well as to collect and compare data from the UNGC and ILO standards.

Similar to the GRI, the UNGC and ILO guidelines were commonly cited both in the methodology of other indices as well as by experts as common guiding sources for sustainability criteria. As referenced on standardsmap.org, both standards have a heavy emphasis on labor and employment conditions, providing guidance to fundamental human rights and labor standards that go beyond what is typically found in company Codes of Conduct. Where the two standards differ is primarily in the environmental criteria. The UNGC has a full section dedicated to sustainability management criteria and internal controls for environmental aspects and impacts (International Trade Centre, 2015). The ILO's focus on human and social impacts, on the other hand, does not extend to environmental management criteria (International Trade Centre, 2015).

For analysis, the guidelines described above were mapped out by environmental, labor, and social aspects. Environmental, labor, and social considerations are central to guiding frameworks in international sustainable development organizations, and commonly found in structures and guidelines to support business and purchasing activities. The more detailed list of specific criteria was guided by NSF's (NSF, 2016) guideline P391. NSF's guideline P391 included more specific guiding criteria than any other of the guidelines identified in this study. As additional aspects not included in NSF's framework were identified, they were added in order to broaden the scope to aspects identified within general services guidelines identified in this study. Additionally, the author identified three different response types utilized within the guidelines. The first of the three types included quantitative metrics, requiring measurement or numerical reporting of some kind. Simple-answer criteria, involving yes/no style answers were the second identified response category and the third

type was open-ended response. Open-ended responses typically asked respondents to describe a process or set of procedures or actions in detail.

5.3 Assessment of sustainable service procurement criteria

After the identification of more than 100 different criteria used in guidelines for general services procurement, the author applied the RACER assessment (see chapter 2.5.2) to score and evaluate the suitability of each unique criteria. While some of the criteria were able to fulfill all of the points outlined in the RACER framework, none of the criteria examined were unable to fulfill any of the RACER conditions. With a possible scoring range between zero and ten points, all criteria evaluated reached at least five point totals. Still, the author found only a small selection able to fulfill all aspects of the RACER framework in order to achieve a full ten point score. Most service criteria examined achieved between seven and nine total points.

6 Analysis

As described in detail in chapter 3, a number of frameworks were used both for data collection and analysis. Below table 6-1 provides an overview of the frameworks employed that will be further utilized for analysis in this chapter. The first framework listed, the case study mapping table will be used in the analysis of the maturity level of Company X. This analysis will provide some context to current practices in sustainable procurement at the case study company, how similar companies might approach the same topics and the broader context of how Company X practices seem to compare to other large retailers.

Summary of Frameworks			
Framework	**Source of structure**	**Source of data**	**Objective**
Case Study Mapping Table	Services Guidelines summary framework - author created	Case study interviews and internal documents	To determine how sustainable purchasing processes are carried out in different areas of Company X.
RILA Matrix	Retail Industry Leaders Association, 2016a	Review of case study documents and interviews	To assess Company X Sustainable procurement processes.
Service Guidelines Table organized by specific service types	author created	search; global and national guidelines and standards	Organization and thematic analysis of specific services.
General Services Guidelines Summary	author created	search; global and national guidelines and standards	Thematic analysis of General Services standards by environmental aspect.
RACER evaluation for Indicators	Gerdes et al., 2011; Lutter & Giljum, 2008	Services Guidelines summary framework - author created	Evaluate utility of identified criteria for sustainable procurement of services.

Table 6-1: Summary of research frameworks

Next, the author will conduct an analysis of observed trends from the service criteria that are categorized by service type as well as the service criteria built generically for evaluation of generic service categories. In this analysis the author will comment on themes identified within the collected standards and guidelines for services that were observed or not found in

the practices and tools implemented by the case study company. Furthermore, the identification of trends in the data will serve to provide more insight to how guidelines and criteria are being developed and recommended for use. Next, the author will comment on results from scoring using the RACER framework to identify strong and weak performing criteria according to the RACER scoring method.

6.1 Case Study RILA assessment

As described in chapter 2.4.1, the RILA Sustainability Management Matrix is a tool created by the Retail Industry Leaders Association for evaluation of the Sustainable Management Maturity level of a given retailer. The author used this framework to better understand current sustainable purchasing at Company X and identify areas already managed by current processes. The practices outlined in the RILA Maturity Analysis tool were identified through primary and secondary knowledge collected by the Retail Industry Leader's Association from corporate retail members and other industry experts (RILA, 2016). Consequently, the framework provides structure to some possible trajectories that corporate retailers could take as they progress towards higher sustainability maturity levels. Still, it is worth considering that the practices outlined in the framework are representative of current global corporate retailers but are not exhaustive of all strategies a company could take on to advance sustainable practices. The author will return to this point again later in the discussion.

6.1.1 Maturity Analysis Company X

Maturity analysis can be used as a means not only of identifying relative strengths and weaknesses in a given organization, but also as a tool to identify areas for improvement (Rendon, 2008). The author based usage of the retail maturity model on this premise. Findings from the maturity evaluation of direct products and indirect services at Company X yielded results consistent with what the author anticipated after preliminary interviews with procurement experts as well as findings from the literature review (Haake & Seuring, 2009). That is, the maturity level of indirect procurement of services at the case study company proved to be less developed than the direct processes at Company X.

Given the literature identified suggesting that direct product categories of purchasing commonly have more robust sustainable procurement strategies in place (Ellram et al., 2007; Haake & Seuring, 2009), the author would expect this finding to be applicable to other cases in similar companies. However, a retail expert and contributor to the maturity matrix (personal communication, July 20, 2016) commented that sustainability projects are often undertaken on an ad hoc basis, depending on support from management and internal teams. Consequently, although literature and findings may suggest that indirect purchasing is commonly less developed than direct purchasing, this may not always be the case.

Within the identified results for Company X, indirect and direct procurement categories were found to share common practices within the "initiating" phase. These practices include the supplier Code of Conduct and regular supplier audits. Company X has made an effort for full alignment across the supply chain with regard to compliance with the Code of Conduct. These results are consistent with what RILA (RILA, 2016) identified as the most common maturity level for average retailers in the year 2015.

Initiating	DIRECT	IMS
• Supplier code of conduct addresses various environmental aspects • Audits suppliers according to a risk profile or in response to problems	Full implementation for direct purchasing	Full implementation for indirect purchasing

Table 6-2: Initiating practices assessment

Practices identified as "progressing" have been identified by RILA (RILA, 2016) as practices that the organization anticipates average retailers to take on by the year 2017. Company X has taken on RILA's identified progressing practices within the direct area of the business but indirect areas of the business are not yet practicing all described activities in full. More specifically, within the indirect purchase of services, some sustainability dialogue occurs between internal teams and the suppliers through the open-ended preliminary supplier questions, described in 4.4.2. However, the way that these questions are considered is not systematic. In addition, there is not a formal process in place to encourage close collaboration with suppliers to remediate sustainability issues.

Progressing	DIRECT	IMS
• Incorporates key sustainability considerations into initial supplier onboarding and ongoing sourcing decisions • Supplier code of conduct incorporates all dimensions of recognized industry standards (e.g., SA8000) • Delivers some training or guidance to suppliers on sustainability opportunities • Performs mix of internal and external audits on a regular basis according to supplier risk profile • Works closely with suppliers to remediate sustainability issues	Full implementation for Direct	Some considerations taken into discussion without firm weighting, discussions occur but training and guidance not typically part of process

Table 6-3: Progressing practices assessment

Within the practices identified by "excelling" (RILA, 2016), the Retail Industry Leader's Association specified further integration of sustainability objectives into key processes. Within the parameters of the "excelling" category, RILA specifies that the supplier Code of Conduct should include metrics that auditors can objectively check (Retail Industry Leaders Association, 2016a). Although the Code of Conduct documentation does not include these metrics in the official statement, it is specified that suppliers must submit an environmental report that includes detailed information on waste, water, and energy. Consequently, the author of this study observed direct categories to have undertaken these responsibilities through their use of the supplier sustainability index tool which feeds into the direct product scorecard, as described in section 4.2.

Indirect categories of services have recently initiated new strategies to begin assessing suppliers according to more measured sustainability criteria but efforts are still underway to continue development of these strategies. As mentioned in the earlier findings, some specific scorecards exist for services in indirect categories, but data is still being collected to develop a baseline for performance indicators in those categories. As such, the author observed partial implementation for this category despite the fact that indirect services at Company X is in the early stages of process development with the intention of quantitative tracking of sustainability data in the long-term.

Excelling	DIRECT	IMS
• Assesses all suppliers according to sustainability criteria • Supplier code of conduct includes measurable sustainability metrics that auditors can objectively check against • Employs expert auditors to check suppliers according to supplier risk profile • Tracks supplier sustainability performance quantitatively over time • Actively collaborates with suppliers to capture shared savings through improvements in sustainability performance • Develops remediation plans in collaboration with supplier and closely monitors quantitative progress against them	Implemented	Partially Implemented

Table 6-4: Excelling practices assessment

The leading company to have contributed to RILA's Sustainability Management Leadership Report for the year 2015 reports to have implemented practices described in the "leading" category (RILA, 2016). The practiced activities in this category include the use of scorecards as a fundamental tool in the purchasing decision process, collaborative events with suppliers, and high levels of communication and partnership between purchasing companies and their suppliers. In this category, we see additional incongruity between direct and indirect areas of procurement at the case study company. Although both direct and indirect teams have some scorecards in use, they are more developed within direct procurement areas. Furthermore, closer collaboration and relationships between direct teams and suppliers provide a stronger foundation for improvements. Direct purchasing relations with suppliers are further supported by workshops and more thorough discussions of sustainability aspects. The long-term strategic nature of direct product supplier relationships is highly conducive to sustainability engagement with suppliers. This idea aligns with findings from the literature which suggest that closer collaborative relationships between purchasers and suppliers can help suppliers to understand the significance of the sustainability requirements (Jira & Toffel, 2013). Furthermore, purchasers may also benefit through a more complete knowledge of influencing factors and challenges that suppliers have as they collect sustainability information and work towards sustainability objectives.

Leading	DIRECT	IMS
• Sourcing and merchandise teams use sustainability scorecards as integral part of sourcing decisions ▪ Hosts annual "Sustainability Summit" with key suppliers or vendors • Encourages vendors to improve and report on sustainability metrics (e.g. energy, waste, water) of their products, possibly leveraging services like CDP Supply Chain • Works closely with suppliers to monitor subcontracting arrangements	Fully implemented	Partially Implemented

Table 6-5: Leading Practices Assessment

The category defined as "transforming" by RILA's sustainability leadership matrix (RILA, 2016) includes activities that suggest more collaborative practices. In addition to having sustainability requirements in place, purchasing teams should have measures to ensure the financial viability of those existing practices (RILA, 2016). Furthermore, the partnership between vendor and purchaser should ally in additional collaborations with outside associations or research groups in order to identify opportunities to innovate, improve process, or design better performing equipment. Purchasing company teams should have

clear procedures and guidelines for follow-up with suppliers that lag in meeting required performance criteria. Within the case study company, direct product teams have definitive practices for following up with suppliers that fail to meet imperative sustainability obligations. Additionally, teams work towards improving sustainability practices with most suppliers. Financial viability for vendor companies and external partnerships that aim for more innovative sustainability progress are two areas that were not observed in this case study. Within indirect procurement of services, the case study company has yet to implement these practices. This is again consistent with literature suggesting that indirect purchasing areas are less prioritized and/or less streamlined with regard to sustainability objectives (Haake & Seuring, 2009).

Transforming	DIRECT	IMS
• Encourages sustainable manufacturing practices for all products and suppliers, with a focus on ensuring suppliers' financial viability • Relevant departments test and actively partner with research groups or vendors to design next generation equipment for sustainable performance • Defines and executes on appropriate actions with suppliers failing to meet performance criteria	Partially Implemented	Not implemented

Table 6-6: Transforming Practices Assessment

Overall, findings from the maturity analysis are congruent with literature reviewed in the identification that a lower sustainability maturity level is observed within indirect purchase of services at Company X than found in direct product categories.

6.2 Existing criteria for services (thematic analysis and evaluation)

A thematic analysis of the organized frameworks for specific, categorized services yielded a number of themes with regard to both the development of guidelines for different specific categories of services as well as trends in the sustainability aspects of generic services guidelines. The case study company self-identified the need for a services scorecard that will be generally applicable to different categories of services procured within the indirect purchasing function. The author's aim with the service review has been to identify possible tools and criteria that would effectively meet the self-identified needs of the case study company as well as effectively addressing sustainability aspects associated with the procurement of indirect services. In this section, the author will discuss the results in greater detail and comment on identified themes in the data and possible implications of the findings.

6.2.1 Specific categories of services

Within the organized framework showing specific categories of services, cleaning services, construction, travel services, food services, laundry, and transport were the most found categories for sustainable purchasing guidelines. This is consistent with the literature, which identified those categories as among the most frequently addressed in the development of guidelines for public procurement (Laurell, 2014). The frequency of guidelines in categories identified as having mid or low levels of criteria and guideline development could be influenced partly by the author's focus on public procurement guidelines as well as the possibility of some overlap between different categories of services. One such example is that of janitorial services, which was considered a distinct category in the U.S. government supported Sustainable Facilities Tool (U.S. General Services Administration, n.d.). This category likely overlaps with what may have been identified as "cleaning" from other sources.

Consequently, a detailed look into the criteria and aspects covered in the janitorial and cleaning service guidelines would be required in order to understand key differences and distinctions.

Similarly, a category labeled "Professional services" identified in two of the sources referenced, (Public Society of the Basque Government, n.d.; SASB, n.d.) includes some categories of services that were defined more distinctly by other sources. Service categories encompassed by the term "professional services" for one agency may have been broken in to more specific categories such as financial services, health care services, and moving services in another agency. These findings are concordant with the literature in the observation that there are still 'blurred lines' and a lack of consistency in category definition, and strategies to monitor and assess performance (Laurell, 2014). Furthermore, the number of specific categories of services with developed guidelines is still limited. Below is a summary of identified categories of services with specific guidelines found during the course of this study. While this list is not exhaustive of all existing global guidelines, it can be considered an estimation of what the author would expect to find in a larger study with further probing of sources of nationally and globally used guidelines for service procurement.

Top service categories	Progressing categories	Lagging Categories
Cleaning	Events	Financial Services
Construction	Hotel Services	Healthcare and social services
International business travel	Meeting and Conference Services	*Janatorial Services
Meal Services and catering	Postal Services	*Moving Services
Laundry Services	Professional Services	Pest Management
Transport Services	Vending Services	*Renovation of Office Buildings
	Waste Services	Winter Maintenance

* these categories may appear to be lagging in part because of overlapping aspects with other categories, for example transport used in moving services

Table 6-7: Specific service category prevalent themes

In addition to informing stakeholders of service categories with already existing environmental criteria and guidelines, this information can also serve researchers and policymakers as they seek to explore new areas of services that require further sustainability guideline development.

6.2.2 General services criteria and linkages

As mentioned earlier, the guidelines identified for general use across a broad range of different service categories were organized to show criteria existing over environmental, labor-related, and social aspects. The most consistent themes related to the existing environmental management systems and policies in place at the company being reviewed. Additionally, the author noted detailed criteria and questions for energy, water, and waste in several of the guidelines and standards reviewed. These findings are consistent not only with the literature but also aligned well to existing frameworks in place at the case study company. Both the code of conduct and the direct product tool have parameters surrounding the

management of energy, water, and waste at vendor companies, with the latter requiring more detailed metric data.

The author noted that several of the guidelines and standards reviewed also included recommendations or criteria relative to buildings with green or eco certifications. In other words, evaluation is based on the office space owned or leased that is certified by a widely accepted sustainable building standard or green credential. This specific type of criteria was not observed within the case study sustainable purchasing practices or tools. However, certain aspects of energy, water, and waste efficiency likely to be included within a green building efficiency program would likely be captured within water, waste and energy inventories included in the case study direct procurement tool.

In addition, the author noted that several of the standards and guidelines for services included criteria specifically pertaining to transportation for business travel. Transportation in the case study is covered by data collected on internal transportation systems and fuel use within direct product procurement. Indirect procurement includes these aspects within scorecards designed to evaluate waste services and transport. However, the case study company has not yet implemented further specifications to guide data collection or scorecards that include further transportation criteria for a broader range of service categories. Although services differ widely in nature, as demonstrated by the diversity of the service economy, and in this study by the set of service types identified in 5.1, frequent transportation for service provision is one aspect that many service providers have in common. This could be a valuable point to consider as the case study company endeavors to identify a broad set of guidelines or criteria that could align with existing practices and further sustainable purchasing for additional service types.

6.2.3 Criteria assessment

The RACER methodology of evaluating criteria was used in part because of common acceptance of this evaluation strategy to assess environmental indicators in European policy. The unique applicability of the method to criteria and indicators also played a role. Other strategies for evaluation such as DPSIR and and SWOT analysis may identify strengths and weaknesses of a system but do not necessarily address the utility or efficacy of criteria used to monitor or measure environmental impacts within a system. Furthermore, the author considered the RACER framework to be transferable to a business context, considering relevance to corporate sustainability goals and acceptance from internal and external stakeholders. Additionally, the RACER parameters around credibility, easiness, and robustness also captured key features recognized in the literature and by industry associations as key to a successful sustainable purchasing program. According to the RACER credibility principle, indicators or criteria should be unambiguous, repeatable, and transparent. These features are critical in order for accuracy, trustworthiness, and consistency over time. Easiness and robustness within the RACER framework address issues including the ease at which suppliers can provide data and the soundness of that data for the purchasing entity. That is to say, are suppliers able to (with reasonable ease) provide accurate data? Can purchasing teams trust that the data is collected in such a way that is accurate and reliable, and comparable to other unique data sets?

After evaluation of services criteria using the RACER method, the author compiled a list of high-performing criteria that could be used to guide further development of a services scorecard at the case study company. The list is provided in Appendix II. Criteria were chosen on the basis of their RACER evaluation and by how well-aligned they were with existing sustainability priorities and strategy at the case company.

Although the author was able to establish some priority items that could be included in a scorecard, through the process of the RACER evaluation, the author identified some aspects that could impact the quality of the evaluation. Among those apects were trends that arose due to different types of identified critiera. For example, criteria requiring quantified metrics within the response all share the quality of being able to identify trends over time, which is included under the "Relevant" portion of the RACER framework. Conversely, simple yes/no response and open-ended response type criteria were unable to identify trends and track changes over time. Consequently, only quantitative response criteria were able to achieve the full two point score under the Relevance category of the RACER framework. The author observed an opposing trend in the RACER category of "Credibility." The relative strengths of quantitative criteria within the "Relevant" portion of the RACER framework were counterbalanced by the conditions outlined in the "Easy" and "Robust" categories. An outline of the RACER criteria (Gerdes et al., 2011) specifies that "easiness" requires that data should be easily accessible and methodologically clear. "Robustness" requires consistency and reliability of the data. The author found potential for error and uncertainty in the calculation of quantitative responses and as such, quantitative criteria were more often assessed to only partially achieve the specifications of the "easy" and "robust" aspects of the RACER framework.

The author found this point system to adequately measure different benefits and challenges from the collected indicators. However, the author also noted that due to the qualitative nature of the RACER framework, some subjectivity in the scoring process must be considered. Furthermore, the author noted that this ranking system may be more appropriate for ranking criteria to be applied to large systems. In this study, criteria eliciting open-ended responses tended to receive lower point totals. The author attributes this to the fact that open-ended type questions or guidelines do not provide the measurable, consistent, or transparent results. The author acknowledges that open-ended responses may, under the right conditions, be preferable. This will further be addressed later on in the conclusions.

7 Conclusions and recommendations

In this study, the author aimed to determine how sustainability selection criteria are implemented in a large multinational retailer, and to uncover existing criteria for services. In doing so, the research identified incongruencies in the case study practices in terms of how sustainable purchasing practices are executed in different areas of the business. These incongruencies mirror findings from the literature, which brought forth the concern that sustainable purchasing protocol may be underdeveloped for these categories (Ellram et al., 2007; Haake & Seuring, 2009; Tajbakhsh & Hassini, 2015).

Furthermore, the author identified research gaps wherein sustainable purchasing practices pertaining to services and indirect spend categories are largely absent from the academic literature. Some resources were identified to guide sustainable purchase of services in practice, yet these resources were inconsistent in nature and trending towards specialization for specific service categories. In this section, the author will discuss the implications of these trends and how an organization such as the case study company could approach sustainable purchasing within the indirect procurement of services.

Observations from this research reinforce the status of the case company a sustainability leader under the terms defined by the RILA matrix. While incongruencies were observed between different purchasing areas, on the whole the company demonstrated sustainable purchasing practices above what was reported as average or common practice within the

corporate retail sector. As captured by the RILA Sustainability Management Maturity Matrix (RILA, 2016), sustainability implementation often occurs over time, passing different progressional stages. Depending on the organization, certain aspects of the supply chain take precedence due to, for example, higher visibility of a product to the customer or certain risks to a company's brand reputation.

Sustainable procurement strategies within direct product procurement at the case study company excel in part through their prioritization of sustainability scorecards in purchasing decisions and through supplier engagement initiatives which promote collaboration and communication between suppliers and the case study company, both of which have been identified in the literature as enabling factors to sustainable purchasing programs.

Gaps in the literature and in practices observed in this study show inconsistencies between how sustainable purchasing protocol are developed and practiced in different areas of procurement. However, matrices providing benchmarking guidance to support the development of sustainable practice in purchasing did not distinguish between the purchase of direct and indirect categories nor did they provide clear differentiation between products and services. It is clear from the literature review that both indirect and service categories pose unique challenges to purchasers (Ellram et al., 2007; Haake & Seuring, 2009). Within indirect categories, higher numbers of suppliers are typically managed under a lower budget, making it more difficult for purchasers to communicate, collaborate, and engage with supplier partners to the same extent as often occurs in direct purchasing categories. Service purchasers are confronted by more ambiguity in the process, having to rely more on intangible quality aspects that can be highly subjective and more difficult to define than the physical quality attributes found in product purchasing. Furthermore, some categories of services procured for site specific work such as cleaning or laundry services may engage small or medium sized suppliers, a company size less likely to be contracted for production of direct product categories. Potential solutions to the sustainable indirect services purchasing conundrum should reflect these challenges for sustainable purchasing protocol that is well-adjusted and feasible within the context it serves. This could mean developing simpler scorecards and employing criteria that are more easily understood by organizations that may have less experience with sustainable management practices.

Furthermore, as pointed out by Haake and Seuring (2009), if an organization or society at large is to prioritize sustainability, no item should be neglected or viewed as inconsequential. Company X has already begun to take action with general preliminary questions for service suppliers as well as more specific detail required from four different categories of services. What sustainable purchasing steps can they make moving forward that could provide the best coverage of other service suppliers within their supplier matrix? Given the scale and complexity of the case study's supply chain, the author recommends actions that could take place in both the short and the long term if they are to proceed with the scorecard format that they have begun, and as is suggested by RILA's Sustainability Leadership Matrix and other maturity measures (Bruel et al., 2013; ELEVATE, 2013).

The case study company has begun their indirect purchasing efforts by adapting simple preliminary questions and scorecards suited to particular services industries. The simplified questions are valuable initial steps to introduce key themes before integrating more detailed requirements that would likely require more time investment and vigilant effort from suppliers. Within the short-term, the author recommends additional integration of a generalized scorecard for services that would collect additional data from suppliers consistent both with what has been observed in the broader context of services guidelines, and

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consistent with the existing sustainability strategy at the case study company. Consistency in approach not only supports better understanding of practice within the organization, but also supports a clearer message to all suppliers.

In the analysis, the author identified a set of criteria identified as high-performing indicators according to the RACER critieria. This list could be understood as a potential basis for a scorecard but should be further evaluated by Company X leadership to address any potential challenges not captured within the scope of this study. Scorecards are typically designed to meet the needs of a given organization, with substantial buy-in from upper management (Kaplan & Norton, 1996). Furthermore, a scorecard should be well-designed and balanced in order to align well with company objectives (Figge et al., 2002; Kaplan & Norton, 1996). Because the more detailed design of the scorecard extended beyond the scope of this study, the author will limit recommendations to criteria that could be of value to a potential scorecard. However, it is worth noting that the three different criteria types identified; quantitative, simple answer, and open-ended, could be all be valuable within different scorecard designs utilized for different benefits. In consideration of criteria or indicator types, organizations may consider the capacity of their suppliers to understand and measure different metrics, as well as criteria types that could pose additional risk for higher margin of error.

Within the case study findings, a 'good examples' resource was mentioned within the direct procurement resources. The development of a resource in indirect services that could be utilized by purchasers and service suppliers to better understand improvement opportunities would also be a valuable addition to company internal resources. This could include environmental aspects associated with specific service types and their corresponding mitigation strategies, as well as any sustainable certifications, eco-labels, or other sustainability strategies that a company of a specific service type might take on in order to minimize or offset their environmental and/or social impacts.

In the long-term the case study could consider the development of scorecard designs that could potentially integrate both fundamental environmental management indicators applicable to all service suppliers in addition to criteria suited to specific categories of services. As mentioned earlier, some earlier developed guidelines that were initially prepared for more generic use across service categories (NSF, 2012) have since been replaced by guidelines and indicators developed for specific category use. Given the unique environmental aspects associated with different categories of services, the author expects this trend to continue. The literature noted that scorecards should be dynamic and continuously developed to meet the changing needs of organizations and their suppliers. Consequently, it can be valuable to have a flexible scorecard design that contains fundamental elements of environmental management but can also accommodate more advanced metrics for suppliers with more developed sustainability programs, more urgent environmental aspects/risks, or more capacity for quantitative measurement and reporting.

One identified sustainability assessment organization has refined their assessment guidelines database such that assessment strategies are defined not only by sector, but also by company size and region (Ecovadis, personal communication, July 2016). For example, suppliers will be evaluated not only according to sustainability aspects associated with their industry, but also according to norms and standards that are appropriate for the region in which they are located and the size of their business. Company X could investigate the feasibility of similar strategies as they assess how specific category assessment could function on a global scale within their operations.

As mentioned above, with scorecards already implemented for some spend categories, the case company could, in the short-term, extend these practices to additional service purchases through the use of general criteria for services that are consistent with company practices and goals. Because certain environmental management metrics related to waste and emissions are already in use for other spend categories, it could be valuable to find measures that service suppliers could report on to eventually contribute further to company-wide reporting on these aspects. Some potential criteria are included in Appendix II. Still, purchasing and sustainability teams should carefully consider how these criteria could be scalable to the wide variety of service suppliers within their matrix due to size and regional differences, as well as how simple criteria could be combined with metric data

In the long-term, it could be valuable to consider a modular scorecard, or a scorecard including some fundamental components, and other sections that are flexible for additional inclusion of sector and region specific criteria. As guidelines trend towards the inclusion of environmental aspects specific to products and activities used in niche sectors, the best sustainable purchasing strategies for services will include considerations specific to service types. Such a scorecard could provide regular and consistent measurement of data through the use of fundamental criteria used by all suppliers, but also integrate best practices and unique industry aspects through the flexible, modular segment.

While some companies in similar stages of sustainable procurement maturity may have the capacity to investigate strategies as described above, companies newer to sustainable purchasing protocol can benefit from communication with industry associations that have already developed sector specific guidelines that organizations can implement or use as a guiding framework. Among the services guidelines identified within this study, the guidelines set forth by The Sustainability Consortium (TSC) were recognized for their simplicity and well-defined guiding methodology. TSC guidelines provide purchasers with a set of nine key performance indicators(The Sustainability Consortium, 2016a) that can be used for evaluation and progress measurement of services suppliers. Most sets of guidelines observed were lengthy and likely laborious to complete. Furthermore, the TSC guidelines provide clear methodologies for all included questions, which can help to avoid calculation errors that can pose challenges for quantitative criteria.

Engagement with industry associations can also help organizations to stay current on sustainable purchasing developments as new guidelines and criteria emerge, and to stay consistent with other purchasers in criteria and measurement strategies, which can be beneficial to both supplier and purchaser. The Sustainable Purchasing Leadership Council is currently working on an initiative to develop strategies for more consistency and standardization of purchasing guidelines for all purchasing sectors. Understanding key industry challenges and developments within sustainable purchasing as a whole can be valuable as companies adjust their practices to adapt to shifts in the market, regulations, and sustainability guidelines, and other influential changes.

In addition to giving an overview of how sustainable purchasing practices function in one global corporate retail organization, this study provides recommendations for how similar companies might approach a particularly challenging purchasing area; that of indirect services. This is done through a literature review, which identifies sustainable purchasing gaps in indirect service purchasing, and an analysis of existing guidelines that have been developed to address sustainability in services. Although this study uncovered in how protocol for the sustainable procurement of services may evolve within a global retail organization as well as trends how sustainability guidelines for services are currently being

developed, it would be valuable to see additional research on scorecard framework design. This study touched briefly on some strengths and weaknesses of different criteria types, but further study on scorecard design elemental framework could contribute to improved implementation. Additionally, because financial incentives and priorities are often at odds with the values captured in sustainability scorecards, supplier and purchaser incentives would be a valuable topic for further exploration as a driver for sustainability prioritization. Given the shift in service guidelines towards specific categories or sectors of services, another interesting topic could involve further exploration of methods that are being used to develop criteria within the niche categories, and what implications this might have for future development of additional guidelines or eventual standardization. Lastly, research investigating how policy could support standardization of guidelines could be valuable if these trends are to continue.

8 Discussion

The focus of this study centered around sustainable purchasing selection and evaluation criteria pertaining to services, and the processes and maturity of the case study, the outcome being some recommendations for the case study company. Sustainability criteria included in codes of conduct, purchasing scorecards, and other purchasing procedures have become a common component to supply chains. However, it is important to note that these tools are not foolproof, nor do they occur in a vacuum. That is to say, numerous intrinsic and external factors may play a role in the successful implementation and efficacy of sustainable purchasing protocol and scorecards.

First, as mentioned briefly in the conclusion, the type of metrics and scorecard design may play a role in how effectively a supplier is able to respond to scorecard requirements and how a purchasing or sustainability team is able to utilize the data. Simple answer questions observed in this study typically credited the presence of specific systems or procedures in existence at the supplier company, for example, the existence of an environmental policy or whether any measures exist to manage waste. This type of criteria or question is clearly understood and typically easily verifiable. However, once the criteria has been achieved, it provides no means to demonstrate improvement over time or measurable results. Metrics, on the other hand, or quantitative measured data required in criteria, may be measured over time. This quality can be desireable in reporting as companies seek to improve upon their relative impact or footprint. However, measured data can be much more difficult to calculate for certain categories such as greenhouse gas emissions, which often require detailed calculation methodologies that can confound suppliers who are unpracticed and may yield results with a higher margin of error. Furthermore, it may be difficult to gain supplier buy-in for complex data collection if the purchasing organization does not have enough influence over the vendor company (Igarashi, De Boer, & Fet, 2013). For these reasons, it is critical for organizations to carefully consider their supplier base and capacity when drafting scorecard designs.

Sustainable purchasing and scorecard implementation challenges may also exist within the buying organization. Organizations function with different structures and strategic objectives. Despite these differences, literature reviewed commonly noted that effective sustainable purchasing programs require alignment and support from executive leadership (Berthon et al., 2013; Friedman, n.d.; RILA, 2016). Effective criteria development, supplier selection, engagement, and follow-up may require training for purchasing teams, such that they understand the impacts within their value chain and can appropriately address them in their purchasing decisions and activities (Bruel et al., 2013; Igarashi et al., 2013). Moreover,

sustainability scorecards vary in their weight during supplier selection processes (Figge et al., 2002). Traditionally prioritized purchasing factors such as product or service price and quality outweigh sustainability considerations in many organizations. However, support from executive leadership and/or strategic alignment with sustainability objectives may facilitate more progressive impetus behind sustainable purchasing programs. Sustainable purchasing may be further advanced through minimum weights for sustainable scorecard consideration during the selection process, and/or incentives for purchasers who prioritize sustainable suppliers or sustainability performance within their strategic objectives (Bruel et al., 2013). Such incentives can also be utilized to encourage suppliers. Supplier incentives observed in the literature included increases in business, audit reductions, recognition and/or rewards, cost-sharing for sustainability improvements, and preferred supplier programs (Sisco, Chorn, & Pruzan-Jorgensen, 2010).

Alternatively, in order to bypass certain investments associated with training and incentives, purchasing organizations can opt to collaborate with an assessment organization to outsource activities associated with supplier sustainability assessment. Although the buying organization would ultimately make final purchasing decisions, posing some of the same risks as mentioned above, a third party organization would undertake the development of assessment criteria, evaluation, reporting, and any needed follow-up. While such organizations can be costly, they can also be highly specialized in sector and region specific sustainability aspects and criteria, enabling them to effectively execute sustainability processes, particularly for organizations with highly complex supply chains.

As mentioned earlier, literature reviewed from industry associations (Sustainable Purchasing Leadership Council, 2016) commented on the abundance of different guidelines and standards and the challenges this can pose to supplier companies. When suppliers are inundated with various scorecards and purchasing criteria with different formats and requirements, they may become 'fatigued' (Sustainable Purchasing Leadership Council, 2016) by the requirements needed to fulfill the unique sustainable purchasing demands of different clients. The Sustainable Purchasing Leaders Council, an international purchasing industry association based in the United States, is currently working with global partners to develop consistent guidelines that are flexible and user-friendly for both purchasing teams and suppliers. However, the need for more consensus or international standards may be better met by policies (Igarashi et al., 2013) that could better enforce standards that the private sector is unable to achieve on its own.

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Appendix I: List of Interviews

Role	Organization	Area of Expertise	Date
Purchaser	Company X	Purchasing process indirect procurement	6/15/2016
Sustainability Developer	Company X	Indirect Procurement Sustainability process and scorecard	6/21/2016
Indirect procurement expert with more than 20 years experience in procurement leadership roles in Europe and the US	Leading global fashion apparel retailers	Global indirect procurement Retail	7/14/2016
Environmental Strategist (municipal government)	Helsingborg municipality	Sustainable procurement	7/15/2016
Accounts Executive	Ecovadis	Supplier sustainability evaluation Supplier sustainability ratings Supplier sustainability benchmarking	7/18/2016
Sustainability and Operations VP	Retail Industry Leaders Association	Retail industry sustainability	7/20/2016
Supply Chain professor Researcher Consultant	Arizona State University The Sustainability Consortium	Supply chain sustainability LCA Sustainability evaluation criteria development	7/21/2016
Sustainable Materials Management Unit (state government) *contributor to NSF research * contributor to Sustainable Purchasing Leadership Council	Minnesota Pollution Control Agency	Sustainable procurement	7/26/2016

Appendix II: Identified Services Criteria by RACER

		Guideline/Metric	Response options
1	Total Emissions	**What was your organization's GHG emissions intensity? (kg CO2 emissions per revenue, % of services by revenue represented)**	Options A. We are unable to determine at this time. B. Our greenhouse gas emissions intensity over our last twelve-month reporting period was: B1._____ kg CO2e per thousands of euros of service revenue. B2._____% of our services, by revenue, is represented by the number reported above.
2	Travel	**What was the greenhouse gas emissions intensity associated with business travel related to service operations in the last twelve months?** *** by kg CO2 emissions per revenue (i.e. thousands of euros of service revenue)** *** by % of service operations represented by the above figure**	Options A. We are unable to determine at this time. B. Our greenhouse gas emissions intensity over our last twelve-month reporting period was: B1._____ kg CO2e per thousands of dollars of service revenue. B2._____% of our service operations, by revenue, is represented by the number reported above.
3	Waste	**What percentage of paper, metal, and plastic waste from your service operations is recycled or reused?** **Total weight of waste by type and disposal methods (recycling, reuse, compost, recovery)**	A. _____% paper recycled or reused B. _____% metal recycled or reused C. _____% plastic recycled or reused D. _____ % organic composted
4	Buildings	**What percentage of facilities where you provide services is certified by a third party to a sustainable building standard?** *** % by square meterage of facilities**	Options A. We are unable to determine at this time. B. The following percentage of facilities, by square meterage, is certified by a third party to a sustainable building standard: B1._____%.

#	Category	Question	Answer/Options
5	Water	**What was the organizations water use intensity? (liters/revenue unit AND % of facilities by revenue represented by the former)**	Options A. We are unable to determine at this time. B. Our water use intensity over our last twelve-month reporting period was: B1._____ liters per thousands of dollars of service revenue. B2._____% of our service facilities, by revenue, is represented by the number reported above.
6	Labor	**Employee turnover rate (total rate, voluntary rate) average hiring cost for the last fiscal year**	(employee resignations) / (total number of employees)
7	Labor	**What was the injury and illness rate at facilitites where you provide services? (over one year period, as a % of revenue)**	A. We are unable to determine at this time. B. Our injury and illness rate over our last twelve-month reporting period was: B1._____. B2._____% of our facilities, by service revenue, is represented by the number reported above.
8	Supply Chain	**Percentage of new suppliers that were screened using environmental criteria G4-EN33, significant actual and potential negative environmental impacts in the supply chain, G4-LA14, G4-LA15, G4-HR10, or G4-HR11**	% = (new suppliers screened with environmental criteria) / (total new suppliers)
9	Supply Chain	**Are there MBE/WBE (Minority Business Enterprise/Women Business Enterprise) supply chain spending requirements?**	Y/N
10	Community Engagement	**Is there evidence of initiatives to support disadvantaged or marginalized groups in the community**	Y/N
11	Community Engagement	**Is there company support for volunteerism?**	Y/N

(Australian Government, 2013; GRI, 2013; NSF, 2012; RobecoSAM, n.d.; The Sustainability Consortium, 2016a)