

ESG: Sustainable Procurement and The Role of The Supply Chain Sector During Procurement Processes in Companies

Janaína Neris dos Santos¹, Rickardo. L. R. Gomes²

¹ Radiologic Technologist, graduated from Faculdade de Tecnologia Intensiva - FATECI. Postgraduate in MBA in Supply Chain Management from IEL - Instituto Euvaldo Lodi, Ceará branch; Supply Analyst at M. Dias Branco company.

² Professor of the Methodology of Scientific Work Discipline (Advisor) – Euvaldo Lodi Institute; FBUNI; Ph.D. in Biological Sciences - FICL; M.Sc. in Phytotechnics - Federal University of Ceará; Specialist in Science Teaching Methods - UECe; B.Sc. in Agronomy - UFC; Licentiate in Natural Sciences, Mathematics, and their Technologies - UVA; Additional Training Courses in People Management, Project Management, Education, Leadership, Auditing, and Health at: HARVARD; IDB; FIOCRUZ; JOHNS HOPKINS UNIVERSITY (JHBSPH); International Consultant for Scientific Laboratories at the World Bank. Scientific Consultant Corresponding Author: R.L.R. Gomes; <https://orcid.org/0000-0001-6101-9571>.

Abstract: In recent years, there has been a noticeable increase in concerns regarding the environmental impact of products, prompting many companies to seek the production of less harmful products for the environment, considering low energy consumption. To address this, a bibliographic research of the exploratory, descriptive type within a qualitative approach was chosen, developed through investigations across various sources such as Internet databases, books, published articles, and other scientific works addressing the same investigated theme. The overarching objective of this research is to analyze the role of the supply chain sector in relation to sustainable purchases made by companies. Additionally, specific objectives include emphasizing the importance of sustainability in companies, discussing the supply chain, and demonstrating the relationship between ESG (Environmental, Social, and Governance) and the supply chain sector. The study highlighted the importance of incorporating governmental, environmental, and social values into business practices, as emphasized by the understanding of ESG and its effects on the supply chain sector.

Keywords: Sustainable purchases, Sustainability in companies, Supply chain, Businesses.

Date of Submission: 12-04-2024

Date of acceptance: 25-04-2024

I. INTRODUCTION

In recent years, there has been a growing body of literature examining corporations and the influence of environmental, social, and governance (ESG) factors. This trend is driven by societal and economic changes that have created new opportunities and challenges, thereby fostering sustainable growth. Consequently, ESG has become a widely studied and discussed topic among businesses and academics.

To address increasingly detrimental issues affecting sustainable development in the environment, society, and financial markets, the ESG principle has emerged. ESG encompasses a framework that includes environmental (E), social (S), and governance (G) factors (Ribeiro; Lima, 2022).

It is well understood that companies reap significant benefits from sustainable development. Consequently, many organizations strive to disclose their ESG investments and general information to gain social legitimacy (Lokuwaduge; Heenetigala, 2017).

As a result, there is pressure from social media to disclose ESG as a tool for impression management, aiming to maintain and enhance corporate reputation (Xie et al., 2018).

According to Puschmann et al. (2014), the United Nations proposed that organizations align their strategic actions with development goals. To this end, the UN outlined 17 Sustainable Development Goals (SDGs) in its agenda.

Supply chain management (SCM) in a company, also known as SCM (Supply Chain Management), has evolved from a simple logistical function into a more strategic, current, and essential component for the success of any modern organization.

Therefore, companies have begun to better plan, coordinate, and control the flow of materials, information, and services throughout the entire supply chain. This is aimed at achieving not only operational efficiency but also customer satisfaction, profit margins, and competitive advantage (Nunes et al., 2023).

Given the aforementioned aspects, this study aims to analyze the role of the procurement sector in relation to sustainable purchasing within companies. Additionally, the specific objectives are to emphasize the importance of sustainability in businesses, discuss the supply chain, and demonstrate the relationship between ESG and the procurement sector.

With a focus on the visibility of the ESG theme, this study will delve into its connection with procurement by companies. Consequently, efforts will aim to objectively understand whether the environmental and social strategies or actions undertaken by companies' procurement sectors indeed add value to the company.

The study is divided into four sections, with the introduction being the first section. The second section covers all theoretical foundations, while the third section outlines the methodology for the research development. It concludes with the final considerations in the fourth and last section.

II. EXPERIMENTAL PROCEDURE

In order to fulfill the objectives of this study, an exploratory and descriptive bibliographic research was conducted within a qualitative approach, through investigations in various sources such as internet databases, books, published articles, and other scientific works addressing the same investigated theme.

The problem was approached qualitatively as it is not directed by numerical criteria. As Prodanov and Freitas (2013) affirm, qualitative research does not require the use of statistical methods, as it involves the interpretation of phenomena and the attribution of meanings in the process, collecting data in the natural environment and focusing on the approach.

Regarding the objectives, the research is considered both exploratory and descriptive. According to Gil (2017), exploratory research aims primarily to clarify and modify concepts and ideas. These are studies that typically involve bibliographic and documentary surveys. Descriptive research, on the other hand, is characterized by its primary objective of describing a particular population, phenomenon, or relationships between variables.

III. THEORETICAL FRAMEWORK

In this third section, the theoretical foundation will be developed based on the researched sources. It is noteworthy that the addressed theme is divided into three subtopics: the first discusses sustainability and the role of companies, the second briefly describes the supply chain, and it concludes with the third subtopic addressing ESG and the procurement sector.

3.1 Sustainability and the Role of Companies

In Kotler's view (2011), the world faces a series of environmental challenges to be addressed, such as the likely irreversible changes in the composition of the atmosphere and, consequently, the climate; the increasing destruction of the ozone layer; soil degradation; and the escalating desertification and pollution of air and water, diminishing their quality, among others.

Consequently, the author suggests that companies should undertake a concerted effort to make drastic changes in their research, development, and production practices, with a primary focus on sustainability. Additionally, it was emphasized that all these changes would also be influenced and shaped by marketing, demonstrating that an increase in quality of life and individual happiness does not always come with increased consumption and fulfillment of desires.

Thus, in collaboration with marketing, efforts were made to increase awareness among people, both consumers and managers (public and private), showing that the planet's resources are finite and fragile, and that all company teams needed to modify their production methods (Kotler, 2011).

Promoting sustainable consumption and production patterns is part of the goals established by the United Nations in its sustainable development agenda. Global environmental changes, mainly caused by production processes, have jeopardized the quality of life on planet Earth (Romaro; Serralvo, 2022).

According to Ribeiro and Lima (2022, p. 1),

Companies are focused on seeking new structures they can rely on to identify opportunities and threats, developing, implementing, and controlling all improvements made with a corporate sustainability strategy to become more sustainable. To achieve this, companies seek to develop through assets that integrate environmental, social, and governance factors into their investment practice.

Thus, companies aiming to offer products and services to customers with greater ecological awareness have sought to present green marketing to attract them, gain trust, and increase their competitive advantage in the market (Szabo; Webster, 2021). Sustainability has positive impacts on consumer decisions, as research has shown that the more environmentally conscious an individual is, the higher their decision-making regarding both "green consumption" and "environmentally friendly companies" (Braga Júnior et al., 2014, p. 25).

3.2 Supply Chain

The supply chain refers to the entire process of material flow, information flow, financial flow, and services, whether in the delivery of raw materials or in the delivery of the final product to consumers. This entire chain is essential for a company to operate efficiently and effectively across many industries (Nunes et al., 2023). Therefore, the supply chain has the role of overseeing from the beginning to the final links of the supplier and customer chain.

Within the supply chain, there are layers or stages that perform specific roles in the continuous flow of materials and information, resources, and activities throughout the chain (NUNES et al., 2023). Supply Chain Management (SCM) can be described as various actions together that allow companies to manage, plan, and control their operations in order to achieve collaboration among the partners forming their supply chain (Leite et al., 2017).

Nunes et al. (2023) emphasize that the main layers of the supply chain are: suppliers, manufacturers or producers, and distributors or wholesalers. The first layer is composed of all companies or individuals that provide raw materials, components, resources, or services necessary for production; the second layer is the stage where raw materials obtained from suppliers are processed, transformed, and assembled to create final products. Finally, the third layer deals with the distribution of final products from manufacturers to different locations, such as retailers or directly to customers.

In the view of Ramirez-Pena et al. (2020), a supply chain cannot be evaluated based solely on one layer but on the total profitability of the chain. Therefore, the entire chain moves together and is interconnected, and its management, if done correctly, can improve operational efficiency by reducing production, storage, and transportation costs, thereby enhancing the product with more competitive prices in the market.

3.3 ESG and the Procurement Sector

ESG has been gaining prominence within organizations in recent years. In 2004, the United Nations (UN) published the first definition of ESG, focusing on how business is assessed based on its environmental, social, and corporate governance attributes (Porta; Kruger; Mazzioni, 2023).

The "Social" aspect of the ESG acronym relates to practices related to social relations and the impact of the company on society as a whole. This includes issues such as workplace diversity and inclusion, labor rights, relations with the local community, product safety, data privacy, and other aspects directly affecting people (Porta; Kruger; Mazzioni, 2023).

Regarding Governance, factors related to how the company is managed and regulated are highlighted. This includes the composition of the board of directors, executive compensation, financial transparency, risk management, anti-corruption practices, and factors influencing how the company is managed (Koprowski et al., 2021).

It is not enough to declare adherence to ESG principles; it is important to implement actions perceived by consumers. Furthermore, it is essential for suppliers and other business partners to align with the same ethical principles, as customers can identify the connection between companies and demand responsible behavior.

The contracting company should periodically ensure the existence and updating of licenses and permits for third parties, as well as ongoing training and retraining of employees, the adequacy/safety of equipment used, and periodic examinations.

Manufacturing products that do not result in the disposal of industrial waste into nature, as well as extracting the minimum possible from new raw materials, demonstrates a genuine commitment to the good socio-environmental practices outlined in ESG principles. Such actions contribute to the competitiveness of the company and attract increasingly conscientious investors committed to preserving the planet's natural resources (Filippe, 2022).

ESG plays a crucial role in creating sustainable, responsible, and successful organizations that not only seek profits but also share their impact on people and the planet. Therefore, it is essential for organizations to incorporate ESG into their business operations, as it has become an essential component of corporate strategy (Gao et al., 2021).

IV. CONCLUSION

Based on the principles of Environmental Social Governance (ESG), this study examined the role of the procurement sector in the context of sustainable purchasing in companies.

Throughout the sections, it is evident how sustainable practices are increasingly important in the corporate environment. This stems from the need to address governance, environmental, and societal issues affecting sustainable development.

The analysis of sustainability and the role of companies emphasized the importance of substantial changes in research, development, and production techniques with a focus on sustainability. As reported, the UN established the Sustainable Development Goals (SDGs) to promote sustainable consumption and production

patterns. Consumer concern for the environment has compelled companies to implement green marketing strategies and prioritize sustainability as a competitive strategy.

The research highlighted that understanding the supply chain demonstrates its strategic importance for the success of companies. Supply chain management encompasses the entire flow of materials, data, and services from suppliers to end customers, in addition to logistics. Effective supply chain management helps companies remain competitive in the market by increasing operational efficiency and reducing costs.

The study underscored the importance of incorporating governmental, environmental, and social values into business practices, as emphasized by the understanding of ESG and its effects on the procurement sector.

ESG goes beyond merely expressing adherence to its principles; it also requires concrete actions from suppliers, consumers, and other stakeholders. Building a solid and enduring corporate reputation depends on transparency, ethics, and social responsibility.

In line with this, it is evident that the procurement sector plays a significant role in promoting corporate sustainability. In addition to adding value to the organization, the incorporation of ESG principles into sustainable procurement practices helps build a more sustainable and responsible future.

It is essential for companies to adopt a proactive approach in incorporating ESG principles into their operations, aiming to promote both economic progress and social and environmental benefits for their communities.

Conflict of interest

There is no conflict to disclose.

ACKNOWLEDGEMENT

The authors express their gratitude to the Euvaldo Lodi Institute, represented by Coordinator Ana Zuleika Mendes Bastos.

REFERENCES

- [1]. Braga Júnior, S. S., Alonso Júnior, N., & Satolo, E. G. (2014). The quality of service in the supermarket retail evaluated by RSQ (retail service quality). *Espacios*, 35(3), 8.
- [2]. Filippe, M. (2024, January 4). How ESG goals influence Ambev's operations. Retrieved from <https://exame.com/esg/metas-esg-ambev/>
- [3]. Gao, S., Meng, F., Gu, Z., Liu, Z., & Farrukh, M. (2021). Mapping and Clustering Analysis on Environmental, Social and Governance Field a Bibliometric Analysis Using Scopus. *Sustainability*, 13(13), 7304. <http://dx.doi.org/10.3390/su13137304>.
- [4]. Gil, A. C. (2017). *Social Research Methods and Techniques* (14th ed.). São Paulo: Atlas.
- [5]. Koprowski, S., Krein, V., Mazzioni, S., & Magro, C. B. D. (2021). Corporate governance and political connections in anti-corruption practices. *RAE-Revista de Administração de Empresas*, 61(2), 1-14. <https://doi.org/10.1590/S0034-759020210202>.
- [6]. Kotler, P. (2011). *Marketing Management: Analysis, Planning, Implementation and Control* (5th ed.). São Paulo: Atlas.
- [7]. Leite, C., et al. (2017). *Logistics and Supply Chain Management: a case study in a company from the southern region of Minas Gerais*. Journal of the Vale do Rio Verde University.
- [8]. Lokuwaduge, C. S. D. S., & Heenetigala, K. (2017). Integrating environmental, social and governance (ESG) disclosure for sustainable development: An Australian study. *Business Strategy and the Environment*, 26(4), 438–450. <https://doi.org/10.1002/bse.1927>.
- [9]. Nunes, P. dos S. A., Souza, K. I. de, Bezerra, C. A., & Silva, Y. L. T. V. (2023). Mapping and analysis of the supply chain: a case study in the footwear industry. *Brazilian Journal of Production Engineering*, 9(2), 99–112. <http://dx.doi.org/10.47456/bjpe.v9i2.40869>.
- [10]. Porta, C. D., Kruger, S. D., & Mazzioni, S. (2023). Commitment of Signatory Companies to the Principles of the Global Compact. *REUNIR Journal of Administration, Accounting and Sustainability*, 13(1), 56-76. <http://dx.doi.org/10.18696/reunir.v13i1.1299>.
- [11]. Prodanov, C. C., & Freitas, E. C. (2013). *Scientific Work Methodology: research methods and techniques* (2nd ed.). Novo Hamburgo: Feevale.
- [12]. Puschmann et al. (2014). *Recycle Project - Implementation of Selective Collection at UFV Campus, Belo Horizonte*.
- [13]. Ramirez-Peña, M., Mayuet, P. F., Vazquez-Martinez, J. M., & Batista, M. (2020). Sustainability in the Aerospace, Naval, and Automotive Supply Chain 4.0: Descriptive Review. *Materials* (Basel, Switzerland), 13(24), 5625. <https://doi.org/10.3390/ma13245625>.
- [14]. Ribeiro, T. de L., & Lima, A. A. de. (2022). Environmental, Social and Governance (ESG): Mapping and Analysis of Clusters. *RGC - Journal of Corporate Governance*, 9(1), e0120. <https://doi.org/10.21434/IberoamericanJCG.v9i1.120>.
- [15]. Romaro, P., & Serralvo, F. A. (2022). ESG: A Plural View. São Paulo: Estação das Letras e Cores. Szabo, S., & Webster, J. (2021). Perceived Greenwashing: The Effects of Green. *J. Bus Ethics*, 171, 719–739. <https://doi.org/10.1007/s10551-020>.
- [16]. Xie, J., Nosawa, W., Yagi, M., Fujii, H., & Managi, S. (2018). Do environmental, social, and governance activities improve corporate financial performance? *Business Strategy and the Environment*, 28(2), 1-15. <http://dx.doi.org/10.1002/bse>.