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Toolkit Zone 3 Practical Modules

Sustainable Procurement

Green and Circular Economy in Business by
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Chapter 14 - Sustainable Procurement

Procurement is one of the most powerful levers SMEs have to reduce environmental and social impacts across their value chain, because purchased goods and services embed materials, energy use, labour conditions and logistics. Sustainable procurement, as defined in ISO 20400, means integrating environmental, social and economic considerations into procurement decisions across the life cycle, without losing sight of quality, cost and reliability (ISO, 2017). For SMEs, the goal is not to build a parallel “green” bureaucracy, but to make purchasing routines smarter, more resilient, and easier to justify to customers, financiers and public buyers.

14.1 The business case

Sustainable procurement is closely tied to risk, continuity and competitiveness. Case evidence from European SMEs shows that sustainability practices tend to be triggered by external expectations and market access needs, but become valuable internally once they start improving efficiency, resilience and decision-making quality (Moursellas et al., 2023). Procurement is often where these benefits become tangible: better supplier choices can reduce exposure to volatile resource prices, improve delivery reliability, and lower the risk of compliance or reputational problems. Over time, procurement decisions also shape innovation capacity and customer trust, especially when firms can demonstrate credible improvements in materials, packaging, waste reduction and logistics (Moursellas et al., 2023).

Sustainable procurement also helps SMEs remain “compatible” with tightening EU expectations. Even when SMEs are not directly regulated, they increasingly face requests for evidence on sourcing, environmental performance and supply-chain practices from larger clients and public procurers. Aligning procurement with recognised principles (life cycle thinking, transparency, supplier engagement) positions SMEs as lower-risk, higher-trust partners.

14.2 Drivers and barriers: what actually changes procurement behaviour

Evidence suggests three recurring drivers behind sustainable procurement adoption in SMEs: leadership intent, stakeholder pressure, and usable information (Chatzistamoulou & Tyllianakis, 2022; Hinterhuber & Khan, 2025). Research using the theory of planned behavior indicates that sustainable procurement is more likely when managers (1) believe it creates value (attitudes), (2) perceive it as expected by key stakeholders (subjective norms), and (3) feel they have the capability and tools to implement it (perceived behavioral control) (Hinterhuber & Khan, 2025). This matters for practice:

changing procurement is rarely achieved by awareness alone; it also depends on simple tools, clear criteria, and confidence that the firm can apply them consistently.

Barriers are equally consistent. SMEs often lack time, specialised expertise, and structured supplier information. They also operate in supply markets where sustainability information can be incomplete or inconsistent, forcing trade-offs between price, availability and sustainability performance (Moursellas et al., 2023). Evidence on European SMEs further suggests that “greener” firms tend to be better informed, implying that access to relevant information channels and guidance is itself a competitive factor in sustainability transition (Chatzistamoulou & Tyllianakis, 2022). For managers, this highlights a practical priority: build an internal baseline of supplier and product information that can be reused, rather than re-starting from zero for every tender or questionnaire.

14.3 ISO 20400 adapted to SME reality: the core principles in manageable steps

ISO 20400 is guidance, not a certifiable standard, and it can be applied in a light but disciplined way (ISO, 2017). For SMEs, the most actionable principles are:

- a. **Align procurement with strategy and priorities**
Define a small set of sustainability priorities that matter most to the business (for example, packaging reduction, energy-intensive equipment, recycled content, hazardous substances, labour standards). Procurement criteria should reflect these priorities rather than trying to cover everything.
- b. **Use life-cycle thinking and life-cycle costing when it matters**
Life-cycle thinking means considering impacts from production and transport through use and end-of-life, not only the purchase price. The EU “Buying Green!” handbook provides practical routes for applying life-cycle costing and environmental criteria in tendering, which SMEs can adapt even for private purchasing (European Commission, 2016).
- c. **Focus effort where risk and leverage are highest**
Not every purchase needs deep analysis. Use a risk-based approach that concentrates attention on a few categories with high spend, high impact, and real influence (ISO, 2017).
- d. **Engage suppliers as partners, not only as objects of screening**
ISO 20400 emphasises supplier engagement and improvement, which is often more feasible for SMEs than heavy auditing (ISO, 2017). This is also supported by empirical work showing that relationship-based capabilities can translate

sustainability intent into better performance through knowledge sharing and joint improvements (Ibrahim et al., 2025).

e. **Create transparency that is proportionate**

Transparency does not necessarily require complex systems at the start. For priority inputs, consistent documentation of origin, specifications, and basic performance indicators is often enough to reduce risk and improve credibility.

These principles fit well with what procurement research on SMEs already shows: supplier selection is typically dominated by cost, quality and delivery, but can be strengthened through structured criteria and purchasing strategies that reduce dependency and improve long-term performance (Ferreira & Silva, 2022). Sustainability criteria should be designed to complement these traditional criteria rather than replace them.

14.4 A short procurement policy and a focused priority map

A written procurement policy helps create consistency and reduces “person-dependent” buying. For SMEs, a one to two page policy is usually sufficient, as long as it clarifies: (1) why sustainable procurement matters for the business, (2) which priorities matter most, (3) what minimum supplier expectations look like, and (4) who is responsible for applying and reviewing it (Sustain-Ed, n.d.).

Prioritisation can be done using three filters:

- **Spend:** where money concentrates
- **Impact:** where environmental or social impacts are likely high
- **Influence:** where the SME has leverage or realistic alternatives

This aligns with ISO 20400’s proportionality logic and prevents sustainable procurement from becoming an unmanageable list of ideals (ISO, 2017).

14.5 Embedding sustainability into supplier selection, contracting and follow-up

A practical way to integrate sustainability is to adjust existing supplier selection routines rather than invent new ones. A lightweight supplier questionnaire can add a small set of questions on topics such as environmental management, legal compliance, key material risks, and willingness to collaborate on improvements. The goal is to collect evidence that is relevant and comparable, not to demand “perfect” supplier systems.

This approach is consistent with SME purchasing research, which shows the importance of selecting criteria that are feasible to verify and that improve purchasing outcomes,

including continuity and quality (Ferreira & Silva, 2022). It also reflects the reality that SMEs can rarely afford extensive auditing, so they benefit from simple documentation and periodic review for the highest-impact suppliers.

Contracting should translate expectations into a few clear clauses, for example:

- packaging or recycled-content specifications,
- requirements to disclose relevant product composition or origin,
- basic incident and non-compliance notification,
- annual provision of a small set of agreed indicators for key suppliers.

Monitoring can remain light. An annual review meeting with priority suppliers, supported by basic indicators, is often enough to identify improvements and manage risk.

14.6 Supplier engagement, green knowledge and capability building

Empirical evidence suggests that environmental performance improves when SMEs develop “green absorptive capacity”, meaning the ability to acquire, share and apply environmental knowledge through relationships and supply chain practices (Ibrahim et al., 2025). In procurement terms, this supports a shift away from purely transactional buying toward improvement-oriented supplier relationships. Practical examples include joint packaging reduction, shared materials efficiency initiatives, or co-development of lower-impact inputs.

This engagement logic also fits the behavioral evidence: perceived capability and access to workable tools are critical for sustaining procurement change (Hinterhuber & Khan, 2025). In other words, SMEs are more likely to persist when supplier engagement is designed as a manageable learning process rather than a compliance burden.

14.7 Circular and traceable procurement: linking purchasing to circularity and logistics performance

Circular procurement focuses on life-cycle value: durability, repairability, recycled content, reuse, take-back and reduced waste. Evidence indicates that circular economy practices and supply chain traceability can strengthen sustainability performance, especially when combined with logistics improvements (Zhou et al., 2023). For procurement, this translates into practical actions such as:

- specifying recycled or remanufactured inputs where feasible,
- preferring suppliers with take-back, repair or recycling programs,
- requiring basic disclosure on composition and origin for priority materials,

- selecting logistics providers that can support emissions reduction and traceability goals.

Traceability does not have to start with advanced digital systems. SMEs can begin with batch-level records, supplier declarations, and consistent documentation that can later be upgraded as requirements grow.

14.8 Public procurement: what SMEs should know to access green purchasing markets

Public procurement is a major market channel in Europe, and green public procurement criteria are increasingly embedded in tenders. Evidence suggests that procurement policy design affects SME participation, with transparency and accessibility being critical (Hoekman & Taş, 2022). SMEs often struggle with documentation demands and complex tendering processes, so practical enablers include simplified requirements, better lot design, and supplier development mechanisms that reduce transaction costs (Hoekman & Taş, 2022). The “Buying Green!” handbook can also help SMEs anticipate what public buyers may ask for and prepare product and supplier evidence accordingly (European Commission, 2016).

14.9 A pragmatic roadmap for SME managers

A workable sequence for SMEs is:

1. Identify two or three high-impact purchasing categories.
2. Write a short policy that clarifies priorities and minimum expectations.
3. Add a small set of sustainability questions into supplier selection.
4. Turn requirements into a few contract clauses for priority suppliers.
5. Review performance annually, focusing on improvements and risk reduction.
6. Gradually strengthen traceability and circular criteria where it delivers value.

Done well, sustainable procurement becomes part of normal purchasing discipline, producing better information, stronger supplier relationships and improved resilience. It also helps SMEs stay competitive in value chains and procurement markets where sustainability evidence is increasingly expected (OECD, 2024a; OECD, 2025a; OECD, 2025b).

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