

Supply

MANAGEMENT
INSIGHTS

ISSUE 11

Actively drive **SUSTAINABLE PROCUREMENT**





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Dear readers,

The call for global climate protection measures is growing louder – to save our planet, but also to secure competitiveness. The good news is that companies want to live up to their responsibilities, as our latest sustainability study shows. Over 90% of respondents already have a sustainability strategy. However, there is still a lack of actual implementation.

With our cover story, we want to shed light on this and support companies by showing them possible approaches. We have also spoken to renowned experts and present their ideas to you.

When it comes to the procurement of raw materials in particular, many companies are faced with a dilemma. The energy turnaround can only be achieved by using considerable resources, but some of these are obtained under less than sustainable conditions. We show how raw material procurement can be organized on the basis of sustainability criteria. In order to support you even better on your way to Sustainable Procurement, we have further strengthened our team in 2022. Get to know our new Managing Directors Giovanni Grillo in Milan, Sushank Agarwal in London and Jürgen Wetzstein in Munich in our People@INVERTO series.

A handwritten signature in blue ink that reads "Thibault Pucken". The signature is fluid and cursive, written on a light-colored background.

Thibault Pucken
On behalf of the Managing Directors



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Securing your own future



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The digital magazine:

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Sustainable Procurement

TIME TO ACT

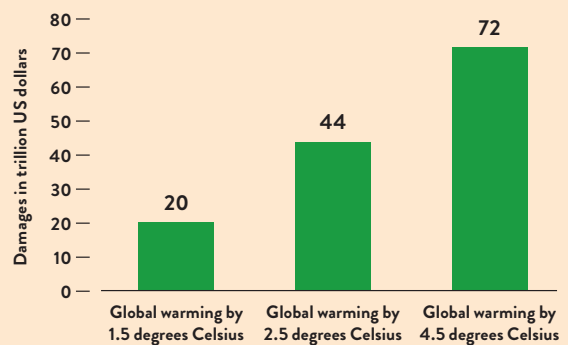
Due to the many crises we are currently facing, there is a risk that companies will neglect the issue of sustainability as securing supply and controlling costs could take precedence. However, it is precisely now that we need to finally tackle this transformation. There is a general consensus that we all have no alternative to taking action, but there is still a great deal of discussion about how, and also about why companies should lead the way when it comes to sustainability – and why procurement is an indispensable factor in this process.



It's now 34 years since James E. Hansen, Director of the Goddard Institute for Space Studies sat in front of the Energy Committee at the US Congress and explained how he was 99% sure that previously observed record temperatures were not the result of natural fluctuations. Instead, he believed man-made climate change was to blame, which in return meant that if nothing were to change, humankind was heading for a disaster. Obviously a lot has happened since then, but the scientific community agrees that humankind is still not doing enough to combat global warming. The reason for this was obvious for a long time: no one could really see the results of this supposedly threatening development building up in the atmosphere.

Things now look very different. Natural disasters and extreme weather events are increasingly common. Reputable climate researchers would never link a specific event to climate change, but experts are agreeing that it makes disasters of this kind more likely.

Estimated damage from global warming by the year 2060 by degree of warming (in trillion US dollars)



Source: Citigroup - Details: Global; OECD; 2016

Despite this, these events have not prompted more action, and the reason for this is also obvious: Humanity currently has many other crises to deal with, and any additional item on the agenda can quickly become overwhelming. Russia is waging war in Ukraine and consequently the energy supply in Europe is at risk. >



/ European Supply Chain Act

The EU Supply Chain Act sets new standards in climate management. It obliges companies to observe climate protection in addition to human rights- along the entire supply chain. The EU legislation goes significantly beyond the German Supply Chain Act (LkSG), which came into force in January 2023, which is why companies should pay particular attention to the EU requirements when implementing measures in order to avoid subsequent improvements. (Source: The Climate Choice)



Concerns about energy and electricity in particular, as well as ongoing supply chain issues may well lead companies to put sustainability on the back burner. However, it should be clear to everyone by now that the pressure to act on this issue is huge and will no longer go away. This is now also being reinforced by regulatory incentives; for example, the EU recently passed the draft of its **European Supply Chain Act**. It is therefore important to push ahead with transformation. Procurement in particular has a key role to play here, as it is the interface between business partners, suppliers and service providers. Procurement therefore has the greatest leverage to achieve a successful transformation through policies, ideation with partners, transparency creation and performance monitoring.

Less Talk, More Action

The results of the latest INVERTO study on the state of sustainable procurement reveal that companies are currently most concerned about the stability of their supply chains. 82% indicated that this was currently one of the top three issues for their procurement. This was followed by the issue of sustainability, which 62% of respondents included in their top three.

Many companies have now put structures in place, such as sustainability departments and officers, whose responsibility it is to promote the issue of sustainability in the company, even when other problems occur. 93% of respondents in our survey already have a company-wide sustainability strategy in place, or are in the process of developing one. As many as 61% have a corresponding strategy for their procurement.

/ Sustainability strategies in companies

→ 93%

have a corporate sustainability strategy in place or in progress

→ 61%

also have a procurement sustainability strategy



That is a great first step, but there is a lack of actual implementation. Even when it comes to CO₂ emissions – the leading sustainability issue – very few companies get down to the specifics. Only 20% have included a fixed target in their strategy. 44% don't have one at all. This is an example of the fundamental problem with sustainability strategies: there is a lack of clear KPIs, both company-wide and in procurement, which enable sustainable development to be tracked.

This may be because it's often not that easy to measure the relevant KPIs effectively, especially when they are related to supply chains. The necessary transparency is often missing when it comes to production processes and suppliers' consumption of resources. However, as this is the source of most emissions and the focus of other sustainability risks, transparency is urgently needed to define a realistic strategy and to bring about change. >

It should be clear to everyone by now that the pressure to act on this issue is huge and will no longer go away.

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Management is Key

If a company-wide sustainability strategy is to be successful, the issue has to be firmly anchored at the highest level. It also needs people to be responsible for driving its implementation. A Chief Sustainability Officer could be appointed specifically for this purpose, for example, or it could also be assigned to another area of executive management.

It is important to set interim targets: milestones that need to be achieved in two, four or ten years.

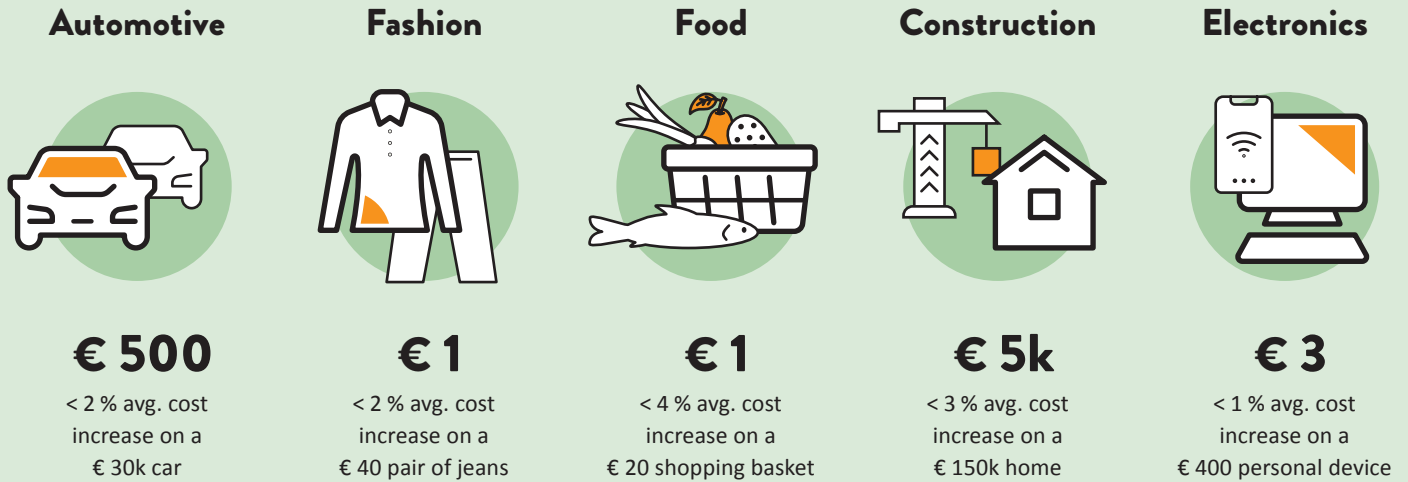
As well as this internal organization and defining of objectives, it is also of utmost importance to look outside the company. This means that managers need to consider their customers' wishes in detail. Just meeting targets set by the regulatory authorities, to reduce CO₂ for example, may not be enough. According to our study, legal requirements remain the most important driver of sustainable measures today. If your customers have higher standards (and they often do now), it is essential that this is reflected in your sustainability strategy. As a result of this, your own business model needs to have much more ambitious targets.

It is therefore important to set interim targets: milestones that need to be achieved in two, four or ten years. This will make the change seem more manageable, and high expectations will not immediately dampen enthusiasm for the subject. These interim targets do, however, need to cover the full impact of your company from the outset. This means that emissions throughout the supply chain need to be included.



/ Elimination of Scope 3 emissions only leads to low cost increases

Examples of cost increase for selected products:



Source: BCG

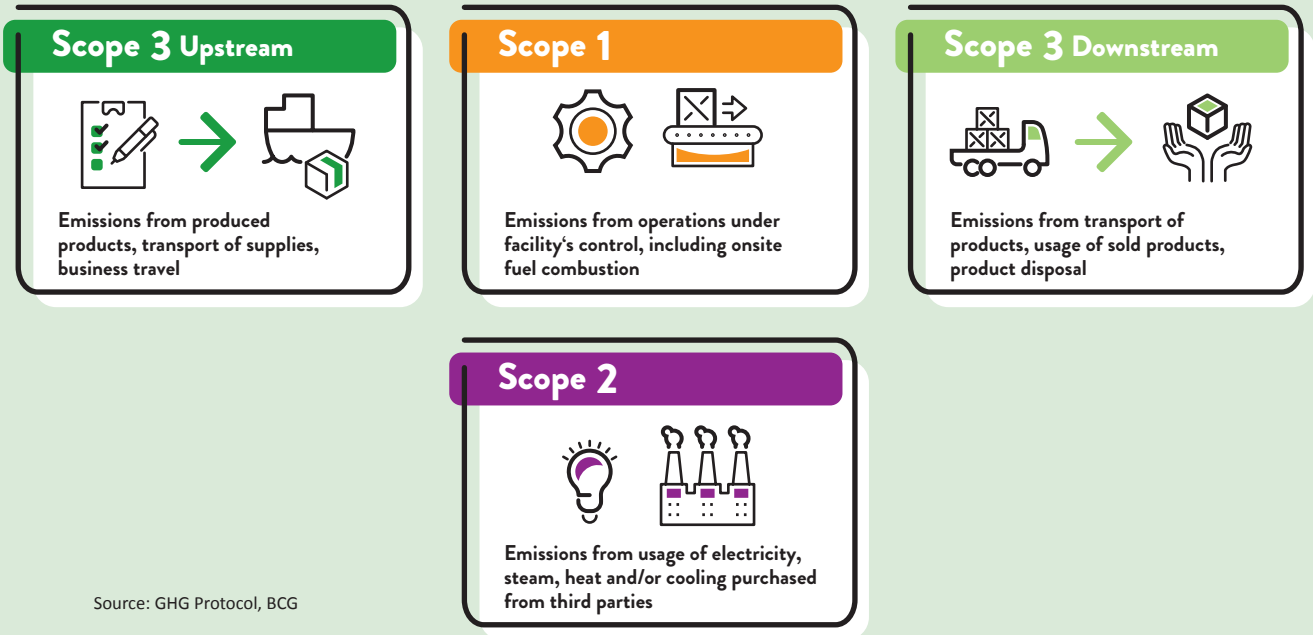
In reality, defining this current status is often the point at which strategies fail. Let's stay with the issue of CO₂ emissions: it is important to define a baseline for this, in other words current emission levels. Many companies make mistakes here, especially when it comes to emissions in the supply chain. They calculate emissions based on expenditure for products (spend-based baseline), but this only creates an incentive to save. In our study on sustainable procurement, 22% of respondents indicated that financial aspects were the key drivers for sustainably transforming procurement. Sustainability does not – as is often believed – conflict with cost-saving objectives: the actual additional costs of change are usually much lower than assumed.

However, if the baseline for emissions is already flawed, then the strategy won't last. A combination of location- and volume-based baselines is much more effective, for example calculating emissions based on suppliers' locations. Such a solution allows for a more adequate calculation of emissions.

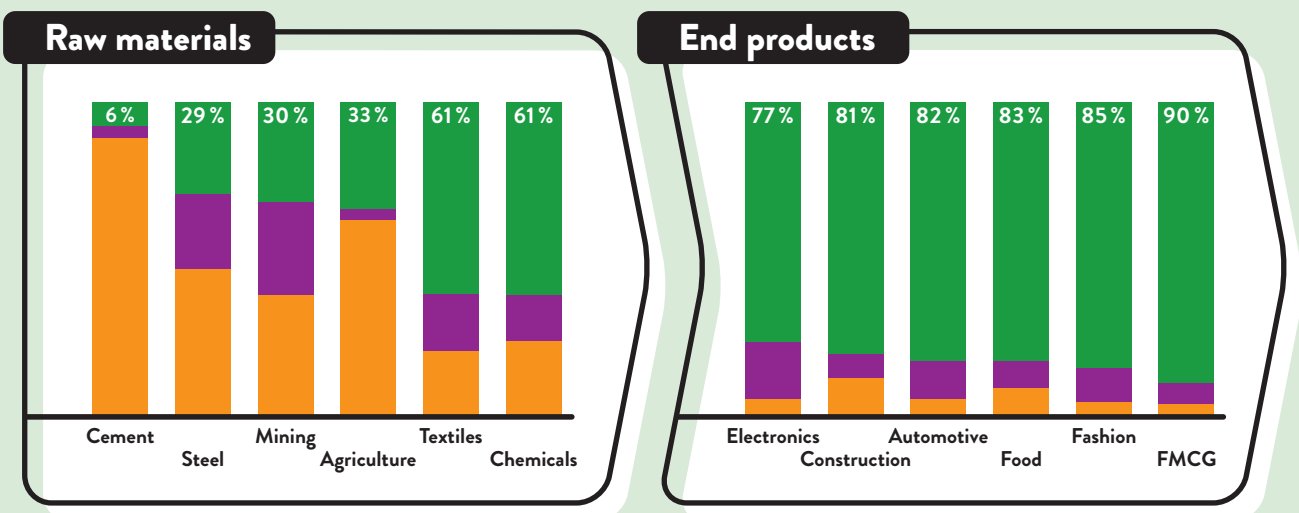
Then, when the strategy is communicated from the top down, the targets need to be broken down for individual departments and clear tasks assigned. The status of the targets and the methods available to them must be made clear to every team member, with clear incentives attached. >



/ To define suitable measures, procurement needs transparency regarding company-wide emissions



/ Emission split in Scopes 1, 2 and 3 upstream for selected industries (CO₂e, 2019)



Scope 1 ■ 2 ■ 3 ■

Note: Top companies selected based on number of reported Scope 3 upstream categories and industry fit;
FMCG = fast-moving consumer goods

Source: CDP, BCG

Procurement and Its Role

Ideally, procurement will be given targets with clear KPIs, just like every other department, and become part of the sustainability strategy. However, as procurement is the only department that has a view of Scope 3 upstream emissions and the ability to reduce them, it has a key role to play. Scope 3 emissions are one of three categories of emissions. Scope 1 means emissions that the company causes directly, such as at its production facilities. Scope 2 includes a company's own indirect emissions, such as gas or electricity. Scope 3 denotes all the other emissions that occur in a company's value chain. While in some raw material-intensive industries, such as cement or steel production, Scope 1 emissions account for the largest share, in many industries, for example in the consumer goods sector, upstream emissions account for the largest share. It is sometimes the case that 80 to 90 % of a company's emissions can be classed as Scope 3. This means that, however hard a company tries, without procurement it won't be able to significantly reduce its emissions. Many companies have already recognized this. In our study, more than 50% indicated that procurement is aligned well or very well with their company's sustainability strategy.

As procurement is able to have an influence on the majority of emissions, it also has the hardest job when it comes to creating transparency. This is a mammoth task in today's world of complex supply chains. It therefore makes sense to prioritize and plan some interim steps. Most important is to identify emissions per category and per supplier to assess which suppliers and categories are most critical. Based on this, companies should review where they need to work closely with suppliers on innovating and where they can let the category transform itself.

In order to deliver this aspect of the corporate strategy and make it operational with its partners, procurement has several levers at its disposal. These generally fall into two categories. The first concerns the review of the business' needs, products and services. The second relates to suppliers: their selection, footprint, and operating model.

However hard a company tries, without procurement it won't be able to significantly reduce its emissions.



Thus, procurement through its sustainability mandate has to challenge the status quo. This involves cross-functional teamwork with other departments, for example to identify eco-design or redesign opportunities, implying raw material sourcing changes, substitutes, and lower consumption. It is extremely important to work in partnership with suppliers on this issue. This sometimes requires a significant change in supplier relationship management as sustainability requires new governance. Procurement must be able to address its suppliers with the appropriate resources proportionate to their impact on Scope 3 emissions and their role in the company's procurement activities. New procedures are appearing where suppliers are expected to comply with requirements set by certification providers, to agree to audits and openly share data on a regular basis. Open discussion with key partners can help enormously in pushing ahead with measures and co-defining targets together. Wherever possible, suppliers need to understand the benefits of the actions themselves. If they can see a benefit in the change for themselves, they will be more willing to buy into the initiative and not just see the issue as an annoying obligation in order to comply with their customer's code of conduct. Price arguments are also always helpful here. For example, a supplier will be more inclined to commit to an objective of using green energy if, in return, a review of requirements allows for a simplification of the product, and thus a simplification of its production by the supplier. Procurement can steer their partners towards initiatives via supplier development activities, such as energy generation by installing solar panels as an alternative to purchasing electricity. The investment needed can be covered by low-interest ESG loans.

ESG funding to combat greenwashing

For banks and funds, sustainable financing is a fast-growing, attractive business segment. In the first three quarters of last year, the share of sustainable funds increased to 44 percent, according to Commerzbank research. Investors now show a wide range of ESG preferences. Credit institutions are therefore working flat out to reduce the carbon footprint of their portfolios. Sustainability Linked Loans (SLL) are becoming more commonplace. With these, the interest rate is linked to a company's general sustainability goals and the achievement of certain key figures. This is intended to put a stop to greenwashing.

Since the majority of emissions are procured via the supply chain, this must not be ignored in the analysis. It is partly responsible for dubious business practices, violations of the law, environmental sins or unfair treatment of employees on the supplier side. To meet this responsibility, the entire supply chain, including the use of sustainable raw materials, product design, production, distribution channel, as well as disposal and recycling, must be considered and evaluated. One example is the procurement of chemical feedstocks. The EU wants to phase out a number of critical chemicals. However, the conversion process of chemical raw materials takes months to several years. This challenge can only be met through close, cross-functional cooperation between procurement, research & development, sales and quality management.



Include the Workforce Too

Internally, the key is to involve the whole organization. To do this, KPIs need to be incorporated into the procurement strategy. Established and shared company-wide KPIs can include energy consumption, waste generation, or the recycling quota for manufactured products and raw materials. In this way, companies can ensure that sustainability doesn't recede into the background as soon as the global situation takes a slight downturn. The more firmly sustainability is anchored in a company's structures, the sooner these targets will be achieved.

As effective as the top-down approach is for implementing a sustainability strategy, without the commitment of the employees, this will not lead to success. Procurement managers are responsible for drawing up and kick-starting the strategy, but they can only implement it effectively with the help of their staff. Getting them on board and keeping them motivated is an important mission that will determine either success or failure.

Teams need to know what the company defines as sustainable and understand the value of the impact of their individual contributions. Achieving sustainability targets should also be linked to bonuses: a system that already works well for other KPIs.

There is still work to be done in many companies, with 41 % of study participants indicating that there is still potential for improvement when it comes to sustainability incentives. As for every change, teams must be guided with appropriate learning on the topic of sustainability and developing the required skillset so that they can take on the challenge.

These changes come at a cost but the resulting benefits are much larger, as companies focusing on sustainable procurement become more attractive for employees, talent acquisition, investors and customers.



For our “**Sustainability in Procurement**” study, we surveyed around 90 companies from Europe and the USA. The companies predominantly came from the mechanical and plant engineering, consumer goods, automotive, logistics and retail sectors. Over 40 percent of the respondents generate more than one billion euros in sales per year.



www.inverto.com/en/sustainability-study



Celebrate Milestones

Companies need to closely monitor and support progress with sustainability measures in the supply chain in order to verify whether the defined interim targets are being achieved. This task in particular is a complex one if companies undertake to do it themselves. There are already established NGOs and auditing companies that can help to create effective monitoring systems and offer corresponding training. They also bring expertise with them that cannot be gained within your own organization in the short term. External partners can therefore be used to speed things up until your own staff have the skills to monitor the progress in sustainability effectively themselves. They are also useful sparring partners afterwards and can give you an outside perspective.

Companies should also make use of technological resources. Thanks to advances in AI, it is now possible to use digital twin or blockchain applications to track production processes and their impacts consistently – CO₂ emissions, for example. In case of doubt, good algorithms are able to identify errors or deviations even better than humans. Companies are also starting to work on technologies to carry out supplier audits remotely. This all makes it much easier for staff to focus on strategic issues, as they no longer have to spend as much time constantly monitoring the implementation of decisions once they have been made. //

CONCLUSION: Secure Your Own Future

The issue of sustainability needs to remain at the top of the agenda during the difficult times we are currently facing. Unfortunately though, even in 2022, many companies are still shying away from the enormity of the task, but this fear is not justified. Companies that divide their sustainability strategy into sub-projects with clear interim targets will see that transformation is possible. Developing the relevant skills may take some time, but with external help and clear incentive systems, sustainability will ideally soon become just as much a part of a company's DNA as cost efficiency. To conclude, prioritizing sustainability is an essential part of a company's future. Regulators, customers and staff are increasingly expecting companies to take the issue of sustainability seriously. Businesses that act quickly, transparently and credibly in this respect will be able to stand apart from the competition, because only genuinely sustainable companies will be able to remain competitive in the future.



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Experts

on
**SUSTAINABLE
PROCUREMENT**

“We privatize success and
socialize environmental costs”

Dirk Gratzel was the first person to have his eco-balance calculated down to the last cent and wants to completely offset his environmental costs. With his Green.Zero company group, he wants to encourage companies to follow his example. In this interview, he talks about the dilemma of economic success through wear and tear on the environment – and where managers should start with sustainable transformation.



This lifestyle takes its toll,
so I had my own personal
eco-balance drawn up
by scientists.

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Dirk, you had your own life cycle assessment calculated. What was the result?

I used to travel a lot as an entrepreneur, especially flying, and ate meat regularly. This lifestyle takes its toll, so I had my own personal eco-balance drawn up by the scientists at TU Berlin. This includes CO₂ emissions, but also other factors. This is very important, because only the complete life cycle assessment gives you a complete picture of all environmental emissions. But to stay with the CO₂ emissions, because they are very tangible: In my 54 years of life, I caused more than 1100 tons of CO₂, which is many times more than the average person should cause if we want to achieve the 2-degree target. That would be only two tons per person per year; in my case, it was more like 24 tons per year.

What did this result do to you?

I realized right away that I couldn't carry on like this. I then discussed with environmental organizations like NABU and WWF how I could reduce my footprint. We found 60 measures, from renovating my house to taking the train instead of flying or eating a vegan diet. I now only buy new clothes when I really need them. That's how I was able to reduce my footprint to six tons per year – that's all I could achieve in our Western consumer society. So I thought: How can I offset the six tons per year – and the thousand before that? That was complex. I calculated how high my environmental costs would be. There is a European procedure for monetizing environmental emissions, and I came up with the equivalent of 350,000 euros. That's how much I would have to invest in renaturation and rebuilding the environment to reduce my footprint to zero. So I realized: it's going to be pretty expensive.



Dr. Dirk C. Gratzel

Surely you can plant a lot of trees from that, right?

Unfortunately, it's not that simple, and I had to learn that first. Simply planting a forest is not a fair compensation, the scientists explained to me. Instead, they emphasized three points: First, it requires full compensation across all impact categories, so not only CO₂ compensation, but also soil acidification or biodiversity, for example. Second, I need to give the money back to nature in the long term, not just make a one-time investment. And the area I need for this must also be able to continue to be used. Because otherwise I'm buying 15 hectares of forest that no one is ever allowed to enter and thus taking away from nature and people land that is needed. That was my starting point.

What did you end up doing with it?

I was looking for an area where nature is in a bad state and I found it in an old mine in North Rhine Westphalia. I am investing the money to renaturalize the entire area. This will not just be a few planted trees, but various biotopes in which many species will find a home. My children will take over this area one day, when I have paid back my debts to nature, and they can think about what they want to do with it. Maybe then it will make sense to put wind turbines there to promote sustainability. Many things are possible. >



That all sounds very elaborate and expensive, and you're just one individual. Can a company with billions in revenue even tackle it sensibly?

The clear answer: yes. We have companies that cause environmental damage in the hundreds of millions. They approach our company to jointly develop a sustainability concept. We start at the beginning and consider: Where can environmental damage be reduced? Which products can be produced with other materials that are better for the environment and possibly also economically more favorably in the long term? This always results in a huge potential that the company can exploit first. In addition, we develop projects for compensation. At Green.Zero, for example, we have purchased 150,000 hectares of devastated forest land, which we are restoring with money from companies willing to invest. Personally, I think it's important that money is invested in environmental projects here on site, where the damage occurs, and not far away, for example through reforestation in South America. Because that only externalizes our costs again: We dredge lignite for our prosperity, and in South America we are supposed to plant trees to compensate us. I don't think that's right.

In the current crisis, clients unfortunately don't consider sustainability, but rather focus on the price. How can they be convinced?

In times of economic hardship, there is indeed the dictate of price. But that is not so decisive. Because this crisis is hitting the people who have a low environmental footprint anyway. The wealthy cost the environment much more, and for them it doesn't matter whether the shampoo costs 2.50 or 2.70 euros. I also expect them to take responsibility. Because up to now, we've been privatizing success and socializing environmental costs. Every smart manager must understand that this cannot work in the long term. Our economic wealth is dependent on ecological wealth, and this will become much clearer in the coming years. The EU assumes a price of 500 euros per ton of CO₂ by 2030. Managers who adapt this today will align their companies accordingly and try to emit as little CO₂ as possible. Managers who don't understand this will disappear – and so will their companies and products.

What has been holding companies back from focusing on the topic so far?

Winning makes you stupid. The more successful companies are, the less inclined they are to question anything. Economic success is therefore often a brake on transformation. In addition, there is uncertainty among managers who see risks rather than opportunities in change. And then they are also inundated with diverse information: Life cycle assessment, compensation, sustainability reports: Where do I start? For some, this leads to a state of shock.

So where should companies start?

With a pilot. They should select an initial product for which they prepare an unsparing life cycle assessment and analyze where there is potential for optimization. Only when these have been implemented should companies think about compensation measures. Successful pilot products give confidence for the transformation process and companies will realize that it is not so difficult and can adapt other products step by step.

Do you think companies are getting their act together?

I have no doubt about that. Business and companies are the drivers of transformation, and especially those with a long corporate history understand: We have to change. We shouldn't wait for politics because it's too slow. But successful entrepreneurs think in terms of opportunities – and there are plenty of them right now.

Thank you very much for the interview. //





Thomas Udesen is CPO at Bayer. In this interview, he talks to us about changes in procurement, how a Life Science company with core competencies in the areas of healthcare and agriculture can become sustainable, and why he is actually teaming up with the competition to make this happen.

“If you want to go far,
go together”

Mr. Udesen, if you look at the current situation when it comes to sustainability in business, what stands out to you?

There are two very different groups in business, with entirely different views on the importance of sustainable procurement. The first refuses to face up to the issue, consistently taking a defensive approach, with sustainability only a secondary consideration. They delay implementing regulations or measures as much as possible and exert, at most, the minimum of effort – and usually only to avoid getting into trouble. These companies aren’t focused on long-term planning and a better future, but on short-term financial interest. They leave the big issues such as climate change or inequality to other people – and to the next generation.

And how would you characterize the second group?

These are the businesses that have understood how important the issue is, and how important it will remain. They’ve grasped that it will play a deciding part in whether they can continue to be successful in the future. They’ve also recognized that sustainable procurement is by far the most significant lever to improve products, drive innovation or even safeguard human rights. >



And which side of the fence are you on?

Here at Bayer, we are definitely in the second group. It's embedded so deeply in our DNA that sustainability targets even help determine our bonus payments, which no longer depend solely on financial results. We were also one of the first companies to sign up to the UN Global Compact, and we encourage our suppliers to do the same.

How do you achieve that?

We always follow a similar approach: "Engage, Act and Disclose." Engaging means putting the issue on your agenda and strategy and asking yourself questions such as "what is the human rights situation in our supply chain?" Then it's a matter of acting: putting it into practice by providing sufficient resources for it and ensuring it's monitored accordingly. Then the last step is disclosure; for example, in annual reports.

Why should suppliers accept the presumably high costs of implementing these changes in procurement?

Suppliers who meet very high standards have quite different privileges with us and we make this very clear. But I want to underline that our interest is not to work solely with perfectly sustainable companies, but also to improve things individually with each supplier. The only suppliers we have to stop working with are the ones who don't show any initiative in this direction in the long term. That is unfortunate, but it's unavoidable. And these rules also apply with all the members of the TFS (Together for Sustainability / www.tfs-initiative.com) Initiative, that we're founding member of. It's really helpful as more companies are following the same standards.

What is TFS exactly?

TFS is the most significant initiative for sustainable standards in the chemical industry. We set up TFS in 2011; back then there were six founding members, including BASF and Solvay as well as Bayer. Before then, we were all setting standards for the industry that were broadly similar with only slight differences. Our suppliers, who were often dealing with all of us, rightly complained that they had to fill out questionnaires on sustainability on a daily basis without ever getting round to doing anything about their gaps. So we decided to create common standards; for codes of conduct and audits, for example. We currently have 42 members with a turnover of well over 500 billion euros, more than 1,000 audits and 14,000 current assessments. Our biggest achievement was launching a standard for determining a CO₂ footprint in chemistry. It reminds me of an African saying: If you want to go fast, go alone; if you want to go far, go together. And we want to go a lot further.





If we join forces, we can actually transform every supply chain so the Sustainable Development Goals (SDGs) can be met by 2030.



“Together” is the key word. You’re also responsible for creating the Sustainable Procurement Pledge (SPP) Initiative. How did that come about?

At TFS, we noticed how well cooperation works, how important close collaboration is and what an effect it can have. This led to the idea for SPP in 2019. Together with Bertrand Conqueret, CPO of Henkel I co-founded SPP. It is a registered and independent non-profit (gGmbH) organization with own funders. We are lucky that Bayer has also decided to become a “Champion” and provides funding. Back then, climate strikes were happening everywhere and the question came to me – how can it be that humans, who have achieved so much, are now in the process of destroying the planet? It’s a scenario that we’d all like to prevent. And the great thing is that in procurement, we have enormous clout when it comes to this. There are a million people working in this area alone; a million people spending more than ten trillion euros every year and who have access to virtually every market. So the idea is that if we join forces, we can actually transform every supply chain so the Sustainable Development Goals (SDGs) can be met by 2030. So far, we are well on our way and we’ve found 10,000 ambassadors from 145 countries

What do you want the project’s focus to be?

We want to create and freely share knowledge. So far, we’ve been a voluntary community, which is now being funded with an executive management team. Next we’ll develop a digital platform that we’ll use to share knowledge on often very specific issues relating to sustainability and sustainable procurement. In the long term, we want people in our field to say “let’s SPP it” instead of “let’s Google it”.

Regulators are also pressing ahead, not just businesses. The EU wants to ban certain chemical products.

What do you think about that?

I think it’s mostly helpful. Improving the legal framework benefits us as a company; not least because we’re already well ahead of many of the regulations. It’s important that we base regulations on scientific facts and not on emotions. I see this as a great opportunity for us to get better, more sustainable products that help us progress as a society. Procurement will also play a key role in this.

You’ve been working in procurement for many years.

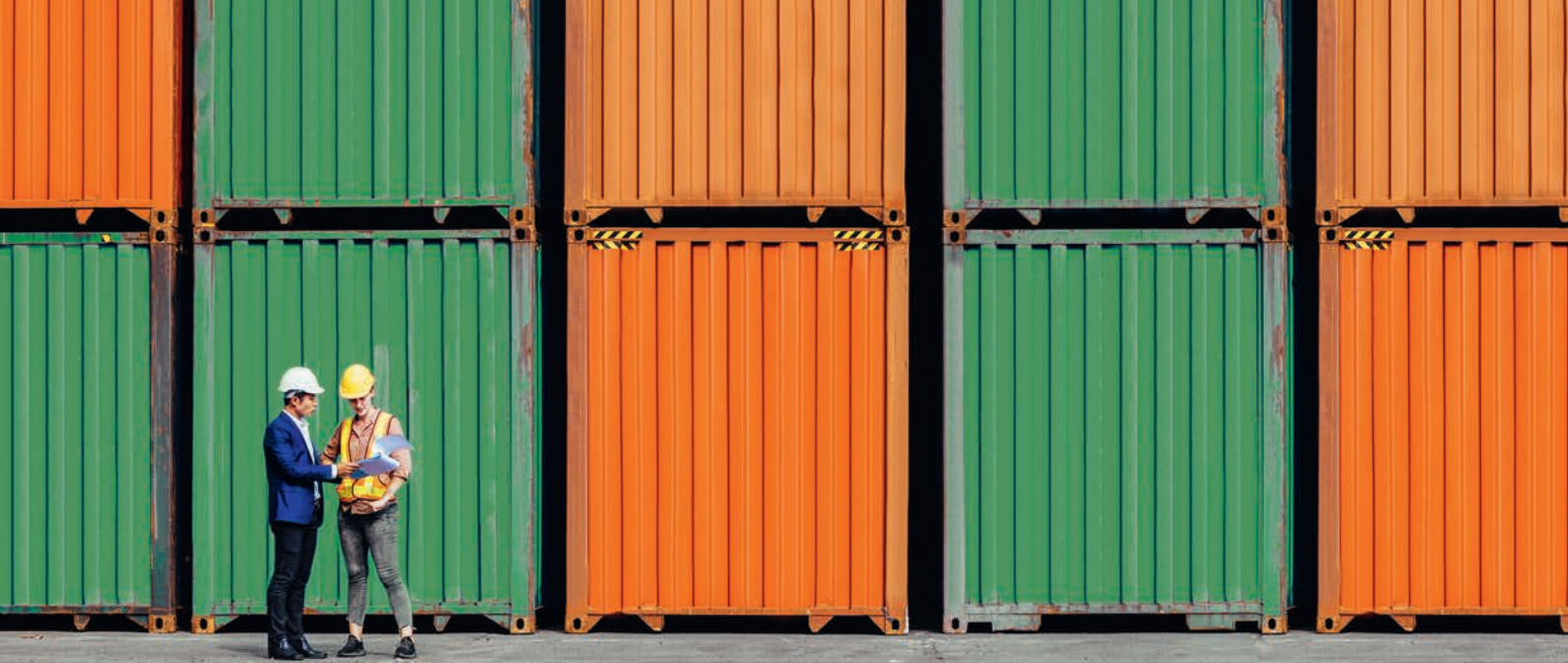
What are the biggest changes you have seen?

There have been four major changes. First of all, procurement has taken on a central coordination role, internally as well as externally. It has become increasingly credible in recent years and is now much more strategic than it was just a few years ago. The third change is the arrival of competence profiles: we’ve been joined by plenty of staff who didn’t start out in procurement, and their varied experience has made us stronger. The fourth big change is the implementation of new technology that makes it possible for us to do things more easily and efficiently.

Is this change helpful with sustainable transformation?

Definitely. Start-ups have managed to develop entirely new technologies and a heterogeneous tech landscape that’s changing traditional views and giving us entirely new perspectives. When it comes to transparency and risk analysis, new tools have come along that have a far bigger impact in companies beyond just procurement. That’s why I have to agree that of course technology has helped us. But ultimately it can’t bring about transformation on its own. We need people for that – and ideally every single one of us. Bayer has been around for over 150 years, and I want us to be successful for another 150 years and beyond.

Thank you very much for talking to us. //



“We are all in this together”

Interview with Manish Bhasin, Global Head of Sustainable Procurement at Maersk, on sustainability in the logistics sector

Although our global economy would grind to a halt without the logistics sector, it is also a significant factor in climate change. What steps is Maersk taking to become more sustainable?

Maersk is well aware of its role and responsibilities and is proud to be one of the first movers in the logistics industry when it comes to implementing sustainability initiatives. More specifically, we are in the process of creating a company-wide sustainability strategy that is embedded at management level and underpinned by concrete measures across a range of workstreams.

What role does procurement play in this transformation?

Sustainable procurement is part of the ESG workstream but we are also closely integrated into the other workstreams. In cross-functional teams, we support pilot projects in areas including CO₂ reduction and human rights; at the end of the day, there are very few initiatives that we can implement without the support of our suppliers.

Supply chains in particular are hugely complex. How did the sustainable procurement initiatives get started?

By creating a detailed implementation plan. We analyzed the goals for the next five years for our business sectors and put specific action plans in place for each of them. This included developing an organizational structure that allows us to take an effective approach to the issue.

Getting the implementation phase off the ground involved a lot of paperwork. Gaining an overview of the status quo in a global organization was quite a challenge – it involved things like checking supplier contracts, analyzing the structure of our pool of suppliers, and mapping country-specific requirements. The first thing we did with all that information was to make sure we were fulfilling all the necessary compliance regulations and safety requirements. We’re just getting started on the next step, which is about specific strategic issues – like reducing Scope 3 emissions in transport, actively improving safety conditions during loading operations, and implementing provisions for human rights in developing countries – above and beyond statutory requirements. We’re working very closely with our suppliers during this phase.

Could you give us an insight into what’s involved in practical terms? Is your team having to work hard to get people on board with this?

Not really because, at the end of the day, we’re all in the same boat. I think there are hardly any companies that aren’t aware of the urgency of the situation right now. Some of our core suppliers are major corporations and they now tend to have dedicated sustainability officers. So we and our suppliers share the same goals as a rule; we just have different needs. Understanding them and responding appropriately is an important part of our transformation. Rather than everyone working to further their own interests as quickly as possible, it’s about working with our suppliers to come up with the best solutions.



Manish Bhasin is Global Head of Sustainable Procurement at A.P. Moller Maersk and responsible for their global sustainable procurement strategy. As Managing Director, he also heads up Maersk's procurement unit in Mumbai – with 300 employees, this is the logistics service provider's largest procurement department.

Some of our suppliers are still near the start of their sustainability journey and often don't have the corresponding resources, so we're supporting them in meeting statutory requirements, developing targeted improvement plans, and setting objectives. But others have already made a lot of progress and are meeting or surpassing all the conditions in our code of conduct, so we're discussing options for further improvement with them. We've also adapted our total cost model to support this and added ESG criteria, so our Category Managers have a basis for their negotiations.

But we need to be prepared to compromise as these negotiations often involve trade offs; sometimes more sustainability entails costs, while sometimes it's the other way round. We always try to set mutual goals with our suppliers so that we create win-win situations for both sides.

But does this mean you've significantly changed what you need from your team? How do make sure that all your employees are on board with you?

You need the backing of a strong management team. The clear message from our management is that sustainability is our top priority, but that doesn't mean that the transformation as a whole will follow a top-down sequence. When we developed the strategy, it was very important to us that everyone had a say and was involved in the process, to make sure that sustainability also genuinely becomes an intrinsic part of our corporate culture. Stakeholder management is a crucial factor in our success and that includes ensuring that everyone has access to the strategy. Everyone needs to understand their individual role in the process and what needs to be done. Setting objectives and acknowledging when they are achieved underlines the importance we attach to the issue and ensures that everyone remains committed.

What are the main challenges you've faced so far?

Good question. The process of implementing transformation on this scale is definitely not as straightforward as it sounds. Maersk is a highly complex organization; we operate in a very diverse range of countries around the world and, as an integrated logistics service provider, we also cover a variety of business sectors and industry specifications. Making sure we serve all the relevant interests is a mammoth task, so we've taken a long-term approach to designing the program and put in place very structured processes for our action plans. There's an Indian saying that goes "You can't carve the elephant in one go" – what's important is that you don't give up and you take it one step at a time.

Data transparency was the biggest challenge during implementation. You need to develop a powerful digital platform to maintain an overview of procurement data on a global scale, and we're still in the early stages with that. In the long term, we want to link up with our suppliers on it as well.

How do you motivate yourself to successfully implement a transformation project on this scale?

One question drove me to focus on this priority: "What kind of a planet are we bequeathing to our children?" That angle wasn't actually part of my career path but it genuinely moved me. And it gives me a really positive boost whenever I see that passion in my contacts in other organizations as well. Fighting to stop climate change is probably the most complex challenge that humanity has ever tackled, but I believe we will find ways to succeed. //

Quantis is the youngest member of the BCG family and an international consulting firm for corporate sustainability that supports leading companies in the transformation to make their business future-proof and successful within planetary boundaries. As Global Organizational Change Lead, Cordula Richter advises companies on the **implementation of sustainability strategies** – in this interview, she explains that it is high time to look at the topic of sustainability in the company not only technically, but above all strategically and culturally.



“What do I have to do differently from tomorrow on?”

Quantis are the experts for sustainability. Can you describe a typical project?

There is no such thing as the typical project because, what we do with our clients always depends on their individual situation and the maturity of their sustainability strategy of the business. Our team of experts develops innovative solutions based on the latest scientific findings and a deep understanding. In order to develop measures that fit the client’s situation, we divide our consulting services into three work phases: “Assess”, “Plan” and “Transform”.

In the first step, we record the company’s footprint and create the greatest possible transparency about all sustainability factors that are relevant. This involves much more than just looking at greenhouse gas emissions, but also other dimensions such as biodiversity and water. To simulate the impact of measures and make the findings digitally accessible to stakeholders within the company, we use the eQoinsight tool. It enables us to compare the company’s key figures with science-based data, identify hotspots and set priorities for the next steps. For a subsequent transformation, it is crucial that the assessment includes not only technical data but also the current level of perception and knowledge on the topic of sustainability at management level and among employees, as well as the extent to which it is embedded in the corporate strategy, governance structures and KPIs.

Once this hurdle has been cleared, what is the second step?

We use the results of the first phase to make the client, but also possible stakeholders, aware of their responsibility and to show what influence changes can have. On this basis, we then work with the client in the „Plan“ phase to develop a realistic target picture for the company, to which the roadmap is oriented. In turn, we define all concrete individual measures, the time horizon, and individual interim goals. It is important here that we also describe the roles and responsibilities of all those involved, especially for the management team.

What role should it play in the transformation process?

Management must act as a role model in the transformation, closely support the teams and repeatedly raise awareness of sustainability issues. To be able to do this credibly, sustainability must not only be regarded as an individual initiative, but must also be firmly anchored in the company’s business model. Management must not only ask itself the question of the target image and design a governance model, but also what sustainability means in concrete terms for the company, and also for each individual. What are the guard rails to which we orient ourselves? And what trade-offs do we as management allow? The goal is environmentally conscious corporate governance within planetary boundaries.



What are the success factors in the third phase, the actual implementation?

In the “Transform” phase, we support companies in the individual measures defined for successful implementation of the roadmap. An essential factor in this process is the topic of organizational development. Particularly in the case of very complex topics, it is important to also plan the change journey in detail and to accompany it with suitable measures. If companies want to achieve their sustainability goals, a transformation of the corporate culture is essential. New targets must be created and all employees must be involved at an early stage. Each member of the team should be able to answer the question „What do I have to do differently from tomorrow?“ Communication is the be-all and end-all and the most important management tool. In order to meet the needs of all employees, their individual situation must also be taken into account. To do this, it helps to work with personas models – so that management can understand how they can best motivate individual employees and ensure that everyone is pulling in the same direction. As the current Inverto study also shows, a lack of knowledge and expertise- confirmed by 56 % of respondents – are among the three biggest challenges in the internal implementation of sustainability strategies. Common visions, further training opportunities for the teams, but also clear incentives can be helpful, for example. Once I have achieved the cultural transformation in my company, the topic of sustainability automatically moves into daily business and creates a domino effect, so to speak, which also has an impact on my stakeholders and supply chains.

The topic of sustainability automatically moves into daily business and creates a domino effect.



Let's take the target CO₂ reduction as an example. What does the next step in the company look like in concrete terms?

As a rule, it makes sense to take care of oneself first and reduce Scope 1 and 2 emissions. This is because the companies themselves are in control of this, it can be planned in concrete terms, and it also ensures an initial sense of achievement as part of the organizational transformation. Scope 3 reduction is much more complex, and many companies and their supply chains lack transparency. Yet the supply chain is usually the largest source of environmental impact in the big picture. Just as the maturity level of one's own company has been determined, it is now the task of procurement teams, among others, to communicate with key suppliers on the topic of sustainability and assess their maturity level in the Sustainability Transformation Journey. This is the basis for the individual strategy. Supportive communication and training are also the means of choice when working with suppliers. On the one hand, procurement should set clear guidelines, but on the other hand, it should work with suppliers as cooperation partners towards a common goal. This may require trade-offs and assistance, depending on the supplier's situation.

In your view, what factors are important for companies to achieve the sustainability transformation?

Embedding sustainability into corporate strategy and culture is, as mentioned above, the most important aspect that companies need to create, as this is the linchpin for true transformation to operate within planetary boundaries. Many companies currently view sustainability as a very technical issue and one of many items on the agenda. Similar to digital transformation, where companies are already a step ahead, sustainability needs to be integrated into corporate strategy and business models as a matter of course. It must go from being a “nice to have” to a “must have.” Only in this way will companies also be fit for the future. However, it is also important to note that the transformation to greater sustainability cannot be completed in a few years. Companies must constantly evolve. Once the initial goals have been achieved, for example in terms of emissions reduction, new questions come to the fore. An example of this is the topic of the circular economy, and questions such as “How do I, as a company, deal with the resources I have in such a way that I can grow without further exploiting the planet?”. Ultimately, it is about nothing less than the responsibility to be able to continue to exist as humanity on our planet and that there is no longer an either-or for environmental protection or business. //

Raw Materials

Reduced carbon – but at what cost?



In the fight against climate change, we find ourselves in a dilemma: On the one hand, we must achieve the energy transition within a few years; on the other hand, we need vast quantities of raw materials for this, which are not always found in regions of the world with strong environmental protection or fair living and working conditions. How can we succeed therefore in purchasing raw materials based on sustainability criteria?

The path to a clean and carbon-neutral future often begins in the ground: Many raw materials needed in the switch to renewable energies still need to be brought to light – in complex mining or opencast mining, with the help of water and chemicals, by melting or evaporation. These measures are often not environmentally friendly. But in view of the global climate crisis, a rethink has begun. In the past, the environmental damage and emissions that occurred in other regions of the world were mostly ignored by industrialized nations. Today, however, politicians, companies and consumers have understood that climate neutrality cannot simply stop at national borders.

The demand for key materials for the energy transition – such as lithium – will rise sharply in the coming years. The challenge lies in meeting the growing demand while at the same time extracting the raw materials in the most environmentally and climate-friendly way possible. For increasing numbers of companies, it is also becoming mandatory to identify and remedy possible violations of environmental protection and human rights in their supply chains: Several European countries have already passed legislation to this effect, and the EU is also planning regulation. From that point on, raw material extraction that meets ethical standards will no longer be a purely strategic decision, but a legal requirement.

The production of tried-and-tested raw materials will also have to be increasingly converted to low-carbon processes in the coming years. The technologies for green steel for example, have long existed. However, the green energy needed to apply them at scale is still lacking. In view of the urgency of the problems, we therefore need to tackle both tasks – the switch to renewable energies and the use of environmentally friendly industrial processes – in parallel.

Security of supply and cost increases top the most important current issues

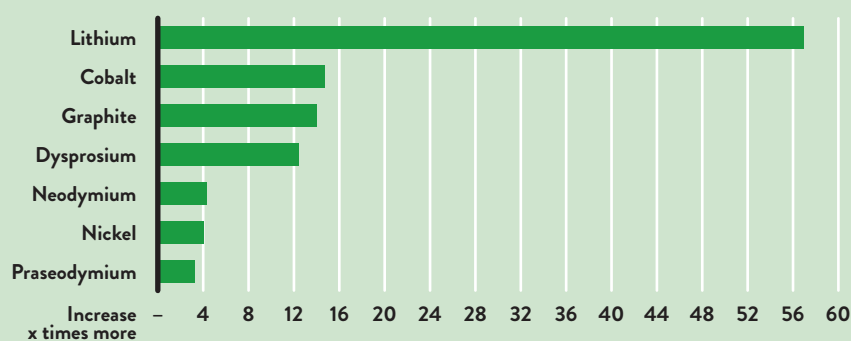
Nevertheless, for many procurement managers, sustainability remains just a topic for the future. In our latest raw materials study, the massive cost increases for raw materials and energy as well as security of supply dominate the agenda. 77 to 90% of the study participants see these as the greatest risks to corporate success.

The Ukraine war has exacerbated shortages, but it is leading to higher prices and instability rather than real shortages. The companies we surveyed complain of delays and poorer planning ability, but not of defaults on goods already ordered.

The study participants do not expect the situation to ease in the next two years. In fact, 80% expect prices to continue to rise. In contrast, the World Bank expects commodity prices to stabilize at a high level in its October analysis: As global growth is slowing, demand is falling. This will put the brakes on price increases. In fact, many industrial raw materials are now trading at lower prices than in early summer. A survey by the IFO Institute in November nevertheless proves the price skeptics in our survey right: 50% of the companies surveyed revealed that they would pass on increased prices in the coming months.

Two thirds (69%) of the respondents of our raw materials study also want to pass on price increases. To benefit from any future price reductions, a majority of almost 60% now agree contracts with price escalation clauses, which were still the exception just a few years ago. Solutions for the use of recycled materials or substitutes as well as general material savings are considered sensible by half of the study participants, but only used by about one third. Companies should work more intensively on these initiatives because substitutes and the use of recycled materials are generally associated with cost savings. >

/ Additional material consumption for batteries, fuel cells, wind turbines and photovoltaics in 2050 compared to current EU consumption of the material in all applications



Source: European Commission

An intensified use of recycled materials would also reduce Europe's dependence on the countries where the raw materials are stored or refined. Currently, the EU produces only three percent of the raw materials it consumes.



EU strategy: Reduce dependence on raw material-producing countries



An intensified use of recycled materials would also reduce Europe's dependence on the countries where the raw materials are stored or refined. Currently, the EU produces only three % of the raw materials it consumes. China has built up a central position of power: For rare earth, for example, almost 100 % of imports come from China, and for magnesium, the figure is just under 90 %. Around two-thirds of cobalt come from Congo, despite criticism of the human rights protections in the Central African country. Lithium is mainly supplied from Latin America – but because of the environmental damage, more and more inhabitants are fighting against existing and planned plants.

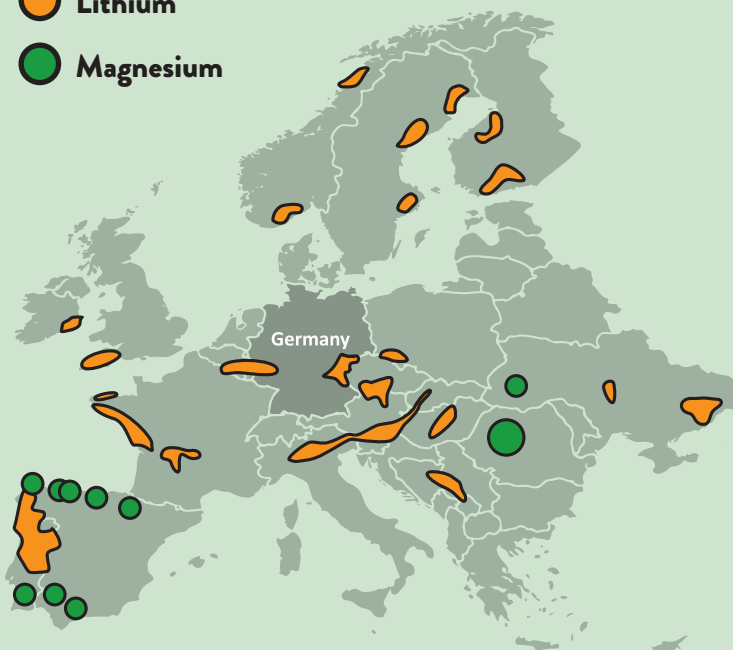
For rare earth, cobalt and lithium, recycling is not yet a real option. For cobalt, the raw material required for batteries, more and more customers – such as car manufacturers – are choosing individual solutions by concluding contracts directly with mine operators operating in ESG-compliant countries such as Australia or Canada. Lithium, on the other hand, is not actually a rare commodity. Currently, there are pilot and research projects in many European countries to develop the deposits. However, local protests have been staged in each of these countries – from Portugal to Finland to Serbia.

Politicians and operating companies therefore still need to build up trust before the first lithium is extracted from European soil. The advantages are obvious: in Europe, it is easier to monitor whether companies are complying with labor and environmental protection laws, additional requirements could further curb environmental risks and, last but not least, transport routes are significantly shorter. Europe could thus create models for sustainable mining. The expertise is there, after all, the continent boasts a centuries-old mining tradition, and environmental protection has also long played a role in the EU. However, it is doubtful that there will be any short-term success here: When even a wind turbine quickly becomes a political issue, companies need transparency, good arguments and staying power to implement projects.

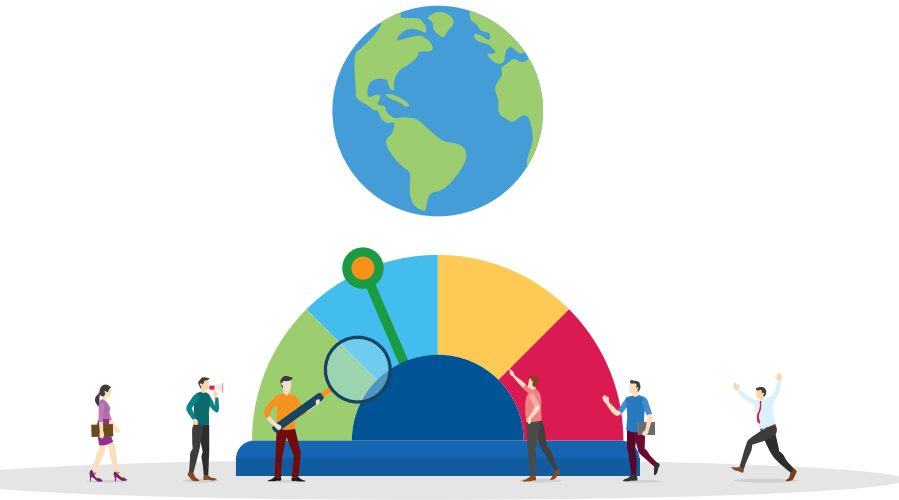
/ Raw materials in Europe

Lithium and magnesium deposits

-  Lithium
-  Magnesium



Source: Frame, europe-geology.eu



Levers for sustainable raw material sourcing

Instead of waiting for ESG-compliant raw material procurement right on their doorstep, procurement departments need faster solutions. Support for this comes from organizations such as the Responsible Minerals Initiative. Companies from all over the world have joined forces here to identify and certify reputable sources of mineral raw materials. The organization is guided by globally applicable governance standards. Similar associations exist for many raw materials, and the OECD and the EU also provide guidance. The most sustainable approach, however, is to extract as few raw materials as possible from the earth and instead rely on recyclates or renewable substitutes. In the case of metals, the use of secondary raw materials- i.e. melted-down scrap metals- is now very successful: In the EU, according to the European Recycling Association, 90 % of stainless steel and aluminum is collected, processed and reused, for example. Compared to new production, the reuse of scrap metal can save anywhere from 50 to over 90 % of CO₂ emissions. Metals, however, have properties that make recycling relatively easy. This is not true for plastics and many minerals. Recyclates may have different characteristics than virgin materials. The same applies to substitutes made from renewable raw materials. Companies that want to switch to recyclates or bio-based materials should therefore test them early on in pilot projects to see whether they have the desired capabilities and whether their machinery can work with these products. //

CONCLUSION

To create a truly sustainable and carbon-neutral economy, growth must be decoupled from resource consumption. The use of recyclates and the establishment of a genuine circular economy are necessary prerequisites for this. In addition, recycling should be thought of directly at the outset of product design and the life cycle of products should be extended. Companies that take this path now are laying the foundation for long-term success: not only from a reputational standpoint, but also because it gives them the chance to secure access to valuable secondary raw materials and primary products.



Justus Brinkmann

is a Senior Project Manager at INVERTO in Cologne and an expert in raw materials; among other things, he is responsible for the topic of raw materials in the “Industrial Goods” practice area and has overseen our annual study for several years. Brinkmann mainly advises clients from the chemical and metal processing industries.

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Theresa Schwämmlein

is a Project Manager and works in INVERTO’s Munich office. A mechanical engineer, she is a key advisor to companies in the mechanical and plant engineering sector. In the “Industrial Goods” practice area, she is responsible for the topic of Climate & Sustainability.

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Giovanni Grillo has been Managing Director of our new Italian office in Milan since summer 2022. In this interview, he tells us about the first few months, his team, and his plans for the future.



Milan's INVERTO Office

“Grow as One”

Could you give us a brief rundown of your background and tell us how you came to join INVERTO?

After studying in France and Italy, I actually started out as a quality engineer in the UK, focusing on quality assurance and process capability. While I was working there, a consulting firm carried out an optimization project within the company. I came into contact with them and then my second job was consultant ...

It was love at first sight and I've been in consulting ever since. I kept coming across BCG in my projects back then, and then I found out that one of our competitors – INVERTO – had become part of BCG and was planning to open an office in Italy. I decided to get in touch and soon found myself facing a new decision.

What in particular attracted you to the launch of our new office?

First of all, I'd already demonstrated that I knew what was involved in setting up a subsidiary. I also remember being impressed from the start by our discussions by the company culture and its extremely professional structure. I didn't think it would be hard for me to fit into the INVERTO culture.

Being part of BCG also attracted me a lot. Over the last 20 years in sales, I always had to work flat out to have enough projects for my team, whereas here it seemed to be the other way round: I could focus more on developing the team and client relationships.





**What challenges are your clients currently facing?
Are there differences to other European countries?**

At the moment, Italian businesses are also concerned with the resilience of their supply chains, high energy prices, and pressure from inflation.

Italy has been hit harder by high energy costs in particular than France or Spain, for example, as we don't have any nuclear power stations. In addition, stagflation means that the government's resilience fund that was set up to help and support businesses during the pandemic is no longer as generous, and as usual, bureaucracy means companies struggle to get the help they need in time.

Italy has a higher proportion of medium-sized, family-run businesses than France or Germany. Although these businesses have a competitive advantage because they can react quickly, flexibility and responsiveness alone can't solve every problem if a big tsunami comes along. This is where we can help by providing smart cost management solutions so that management teams can concentrate on their strategy for survival.

How do you see our future in the Italian market?

We have a three-phase business plan. Our slogan for the first year was "Grow as one", focused primarily on building up an experienced and diverse team. We're currently starting on the second phase, in which we are pushing to double our team and our turnover in the next 12 months. The key word for 2023 will be "consolidation": consolidating the team and its project capabilities as well as delivering the highest quality projects to our customers. We want to make our mark on the Italian market as well as within BCG.

After that, the main focus will be on adapting structures and integrating them into all INVERTO processes. We also want to continue to build a close working relationship with BCG. If we keep up our current pace, the Italian office could have a team of over 50 by 2026.

How do you get a completely new team to adopt the "INVERTO culture"?

I have to say it's been easier than I expected. INVERTO has an unbelievably structured and professional onboarding process. Newcomers only need a couple of weeks to feel VERY INVERTO. With projects, we also have the active support of experienced colleagues from the other locations, who can show the Italian newcomers the INVERTO way of working on a daily basis. This help has been invaluable for the Italian team, and particularly for me, so we can build up a powerful and efficient company in Italy!

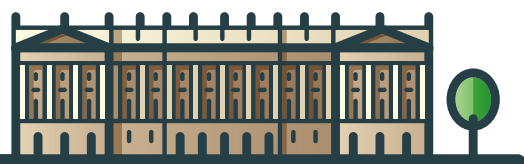
These are exciting and challenging times for INVERTO and for you personally – what do you do to unwind in your spare time?

Ten years ago, my wife and I decided to leave the urban inner city and move to the outskirts, to a more rural setting. There are no traffic lights in our little town, so it's very easy for us to unwind. We just walk out of our front door and we can take our dog for a walk, take the children out to play tennis, or go surfing, if the surf's up.

As you have the inside track, what's an absolute must on a visit to Milan?

I'd say a stroll along the Via Montenapoleone to breathe in the most fashion-conscious air in the world, then exploring the Brera district (and maybe also a visit to the Pinacoteca museum), and then last but not least... coming to our INVERTO office! Every Friday from 6pm, we serve great aperitifs on the 6th floor, with a view of Milan Cathedral.

See you soon in Milan! //





Sushank Agarwal



INVERTO's New Managing Directors

“Team on a Mission”

As well as driving growth at our new locations, we're also maintaining a focus on ongoing development in our existing markets. With this in mind, we welcomed two new members to the team over the past year: Sushank Agarwal in London and Jürgen Wetzstein in Munich. Both of them have 20 years of experience in consulting and industry under their belts and we sat down with them to talk about what is currently at the top of their list of priorities ...

Could you give us a brief description of your current responsibilities?

Jürgen: My teams and I support customers from the automotive industry and the industrial goods sector to implement performance improvement and transformation projects. I'm also responsible for the Indirect Spend Center of Excellence at INVERTO.

Sushank: I am responsible for the PIPE practice area, where we work in close collaboration with BCG to develop and deliver a portfolio of services to PE investors. As well as the private equity sector, I primarily support clients from retail, consumer products and the telecommunications industries.

Thinking about everyday life in consulting, what drives you personally and what fascinates you in particular?

Sushank: No question: driving INVERTO UK's sustainable growth by creating an enjoyable and steep learning environment for our consultants is paramount. That also includes aligning our clients' expectations with our team members' aspirations and development needs: a positive working atmosphere creates the perfect conditions for developing innovative ideas to drive maximum value for our clients.

Jürgen: I agree with that, and I'm intrigued above all by the intelligent and highly motivated colleagues with whom I get to work and from whom I learn new things every day. The complex issues are what fascinate me and what help us grow as a company. Life is never boring at INVERTO because every project is different on so many levels – the business problem, the client's situation, the client's project teams and stakeholders and, above all, the solutions that we come up with together.

Both of you have worked previously for other consulting companies. What do you think is special about INVERTO?

Jürgen: INVERTO has a distinctly unique culture. It's open and friendly, there is no hierarchy, and it definitely has the feel of a "team on a mission". The focus on procurement is a distinctive feature compared to the consulting companies I worked for previously. This focus gives us an extraordinary depth of expertise and, in conjunction with BCG, we are leading the way with regard to the future of business and society.



Jürgen Wetzstein



Sushank: Being part of BCG is genuinely a unique competitive advantage that allows us to offer our clients truly holistic value propositions and keeps us a step ahead of other procurement consulting firms. The joint client value that combined BCG-INVERTO teams create is typically unmatched by our competition. Another special aspect is the fact that INVERTO heavily prioritizes the wellbeing of its staff and teams – going an extra mile!

And where are we heading? As Managing Directors, what are your priorities for the coming years?

Sushank: Diversity is very close to my heart. We are currently working to make consulting more attractive for women and working parents. I want INVERTO to be the best employer for every consultant – whatever their nationality, gender, and personal circumstances, we want to offer strong career growth prospects in an enjoyable environment that offers extensive learning opportunities. Leveraging our continued UK growth, we aim to be the partner of choice for FTSE 50 companies and leading PE firms.

Jürgen: We also want to keep driving growth in Germany, and to support INVERTO’s internationalization from here. We’ve just moved to a new and larger office in Munich, so we can create a working environment for our teams that is as attractive as possible.

If we are to offer good opportunities for highly talented employees, I believe our priorities need to include continuing to position ourselves as thought leaders and developing solutions for the significant challenges the world is currently facing. Sustainability is an issue that is particularly close to my heart; we want to come up with innovative ideas to help our customers achieve their sustainability goals.

Sustainability is definitely a key issue for customers right now.

What are the other main challenges that you are currently working on?

Jürgen: We are living in difficult times and our clients are facing a multitude of challenges. Inflation, rising energy prices, and material shortages – semiconductors, for example – are definitely the most urgent issues, while helping to develop supply chains that are both resilient and competitive is currently a priority for most projects.

Sushank: The situation is the same in the UK – ensuring supply reliability and fighting inflation are at the top of the list of priorities. As well as global crises, we are also dealing with Brexit, which is creating additional capacity constraints and resource bottlenecks. Leading UK businesses are driving closer supplier relationships and innovation to mitigate some of the current business challenges.

After all of that, what do you do to unwind?

Sushank: Outside work, I try to catch up on sleep as much as possible and spend a time with my wife and our two children, go for walks in the park or for bike rides. I also use my weekends specifically to go for long runs and spend time reading.

Jürgen: Yes, being able to relax is always important, and the best way for me to do that is being with my family and friends. I enjoy going to concerts and sport is another important way for me to really clear my mind.

If we were to visit where you work, what things should definitely be on our bucket list?

Jürgen: You can’t visit Munich without going to the Viktualienmarkt food market. Apart from that, Munich is synonymous with socializing, our unique wheat beer, and traditional Bavarian food. One of my favorite taverns is the “Servus Heidi”.

Sushank: I recommend a stroll along the River Thames when it’s quiet, on an early Sunday morning. In the evenings, London has some great bars and restaurants with wonderful views, like the roof terrace at the Shard. The area around London is also always worth a visit; villages like Bourton-on-the-Water have a unique charm that is hard to resist. //

Regionalization of supply chains: Resilient supply chains



For decades, global sourcing was the order of the day – but the crises of recent years, above all the coronavirus pandemic and the war in Ukraine, have shown how fragile many supply chains are. To ensure supply and meet sustainability requirements, Europe is becoming relevant again as a procurement market. We show which factors are important when near-shoring and building local supply chains and how you can approach the process.

**Cover story in
the next issue**

Risk Management:

Be prepared for unexpected events

Around 120 corporate and procurement decision-makers shared their opinions and current approaches to risk management in procurement with us in October and November 2022. The result: companies rank the issue of energy supply as the most common risk. They expect further increases in purchasing prices and increasing cost pressure as a result of inflation. For procurement, security of supply remains the top priority: alternative suppliers and extensive storage capacities should protect against supply bottlenecks.

Download the results of our latest study:
www.inverto.com/en/riskmanagement

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