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Sustainable procurement concept: Does it all add up?

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Abstract

Sustainable procurement sits under the umbrella of sustainability, which involves making decisions that maintain the right balance between the environment, society and economy to ensure long-term organizational success. Recent studies indicate that organizations have embraced sustainability in procurement processes however the balancing act is missing. Yet SP play key roles of minimal impact to environment, cost reduction, quality goods /services and service delivery to ensure organization achieve a competitive edge. The purpose of this study was to establish the best combination that organization can adapt to achieve sustainability. The objective of this study was to establish the balancing act of sustainability by finding out the best combination: (environmental and economic, social and economic, environmental and social or economic, environmental and social). Literature review was adopted as a method of the study. Six studies were reviewed and interpenetrated using aggregative meta-synthesis. From the study it was found out that the best combination was environmental, social and economic. The study concluded that SP will all add up if organizations adapt the best combination. The study recommends that organization to start viewing SP as a strategic function.

Keywords: Sustainable Procurement; Procurement; Performance

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1. Introduction

Procurement function within organizations is playing a pivotal role in the success of organizations both in private and public sectors. Procurement has been recognized as a subject of immense strategic importance that has high impact on organizational performance, since it is guided by principles of transparency, accountability and value for money as stipulated in the Public Procurement and Disposal Act (PPDA) (Republic of Kenya, 2015b). Until recently procurement practitioners and professional focused their initiatives primary on three dimensions; price, quality and time. With dynamics in modern procurement practices there has emerged yet another (fourth) dimension: sustainability.

Sustainability is a balancing act, involving methods that do not completely use up or destroy natural resources. The United Nations (2012) report of the world commission development: “The future we want” noted that sustainable development meets the needs of the present without compromising the well-being of generations. In 2012, the ‘Earth charter’ further define sustainability to include the idea of global society” respect for nature, universal human rights, economic justice and a culture of peace” as illustrated by the triple bottom line. The phrase “the triple bottom line” was first coined in 1994 by John Elkington, the founder of a British consultancy called Sustainability. He argued that organizations should be planning for three different bottom lines. The first line one is the traditional measure of corporate profit—the bottom line of the profit and loss account. The second bottom line is the line of an organization’s people account a measure in some shape or form of how socially responsible an organization has been throughout its operations. The last bottom line is the organization’s planet account—a measure of how environmentally responsible it has been”. The triple bottom line (TBL) thus consists of: profit, people and planet (3Ps). This 3ps measure the financial, social and environmental performance of an organization over a period of time. For example, the Ouru Owino lead poisoning case in Mombasa (Okeyo and Wangila, 2012).

The managers of organizations only looked at the organization profit bottom line and ignore the people and planet lines leading to lead poisoning of the society and safety of employees surrounding the company. If the company had integrated all pillars of sustainability then the scenario could be different. Sustainable procurement (SP) builds on the traditional procurement practices which seek to extend through adoption of procurement principles. Procurement is defined as the acquisition of goods, works and or services from suppliers (CIPS) (Chartered Institute of Purchasing and Supplies, 2014). Sustainable procurement is a component of the broad concept of sustainable development, although its focus is far wider than just the development as it also aims at meeting the varied needs of all people in the current as well as future communities, promoting personal wellbeing, social cohesion and inclusion, and creating equal opportunity.

Sustainability in procurement is based on sustainable development theory of the Worldwide Conference of Environmental Development (WCED, 2012), which gained more prominence during RIO declaration in Brazil, 2012 and 3rd United Nation conference on environment and development in Johannesburg South Africa. This theory highlights the efforts of sustainability as economic growth, environmental protection and social equality. This effort forms the pillars/aspects of sustainable procurement practices.

From recent studies it can be acknowledged that SP has been adopted and implemented but few or no comparative studies have been carried out on different economies (developed and developing countries) to establish sustainability in procurement processes yet sustainable procurement play same roles across the globe. The reasons for companies to be involved in sustainable procurement are varied. Some are due to; the increasing regulatory pressure from government a better environment (UNEP, 2012), the role SP plays in the organization; minimal impact to environment, cost reduction, quality goods /services and service delivery, others concern with the impacts of social and environmental performance on financial performance.

Even though organizations have adopted Sustainable procurement the balancing act of sustainability is missing. This paper sought to establish why organizations are missing the balancing act? Yet SP plays key roles of minimal impact to environment cost reduction, quality goods/services and service delivery to ensure organization achieve a competitive edge. This paper's focus is on the balancing act of sustainability by establishing which combination, (Environmental and Economic or Social and Economic or Environmental and social or environmental, economic and social) aspects of sustainability gives the best result for sustainable procurement to perform its organizational role. Most organization concentrates on customers and the society and assumes employees who are the implementers of sustainability in procurement process.

2. Literature review

United Nation Environmental Program (2013) indicates that sustainable procurement is becoming a trend in most organizations due to the increasing regulatory pressure from government and public demand for a better environment. In Kenya, the government has put in place a wide range of policy, institutional and legislative policies to govern all business activities in a move towards sustainability in procurement processes. These include; Environmental Management and Coordination Act (EMCA) 2015 (Republic of Kenya, 2015a), Kenya Solid Waste Management by laws of 2014 (Republic of Kenya (2014a), the Environmental Management and Coordination Regulations, (Republic of Kenya, 2014b) and ISO (14001) environmental standards certification. The main objective of these policies is to help a country meet the goal of sustainable development and environmental friendliness. It is argued by some, that integrating sustainability into business is an approach to achieve corporate competitive edge (Porter, 1998).

A Part from carbon footprints, greenhouse gases and ecosystem that make us think of sustainability, there are others aspects like economic and social factors that we tend to forget. Together these three aspects form the pillars of sustainability in procurement process.

2.1. Environmental aspects of sustainability pillar

Environmental aspects of sustainability tend to affect resources utilization and non-environmental friendly matters. Environmental consideration in procurement process can only be achieved through embracing green procurement in the entire lifecycle of products right from acquisition to disposal. The Public Procurement and Oversight Authority (PPOA) (Republic of Kenya, 2015c) has a green procurement clause, which entails practices that encourage organizations to safeguard the environment. These practices include;

products made by recyclable materials, low energy consuming products, use bio-degradable materials and non-ozone layer depleting substances to increase organizational performance.

Various scholars have highlighted on organizational practices which tend to line with green practices. These green practices enable organizations achieve the environmental aspect of sustainability hence improving in performance. Zhu and Sarkis (2011) in their study acknowledged that organizations can improve environmental practices in organization if quality control is carried out continuously and mastering the art of quality management activities.

2.2. Social aspect of sustainability pillar

Social aspect programs are inclined to the main actors (employees, customers and the community) who implement these activities. These activities often have benefits in terms of positive profile of customer and community support. Organizational leaders are increasingly being expected to ensure that their organizations behave as 'good corporate citizens, not only at home, but in their dealings internationally (Brammer, 2012). However, this means that organizational leaders face tough decisions, including how to balance the interests of shareholders, and their expectations of high returns. In the sustainable concept, procurement professionals must take social responsibility purchasing (SRP) into account, along with other corporate considerations, such as 'value for money' and low cost sourcing, as well as consumer expectations of low prices.

Delmas and Pekovic's (2013) indicated that there was a considerable body of evidence that social interactions within organizations impact on organizational outcomes, such as engaging in sustainable procurement, this was based on an employer- employee survey of 5220 firms that revealed adoption of environmental standards, associated with increased employee training and interpersonal contacts, which was linked to improved labor productivity. Sammalisto and Brown (2012) acknowledged that empowering managers to change their perception is an essential in implementing management systems which are in line with environmental aspect of sustainability.

2.3. Economic aspect of sustainability pillar

Economic sustainability activities focus on business efficiency, productivity and profit.

Public procurement can be a lever to deliver broader government objectives, such as stimulating innovation in supply markets, using public money to support environmental, social and economic objectives and for supporting domestic markets (McCrudden, 2014). This forms the basis of integrating sustainability in the procurement processes to ensure the above objectives are achieved.

From the reviews of the pillars of SP it can be asserted that each pillar plays a role in ensuring organizations achieve a competitive edge. Even though the three plays are key in sustainability, organization tend to concentrate on economic and environmental pillar while ignoring the social aspect yet the pillar is key in balancing act of sustainability.

3. Methodology

This study used secondary data by searching literature from recent studies from Emerald Insight Database using the criteria of keywords. The keywords used were sustainability, performance and sector. The study settled on six studies on the basis of relevance to the topic, sector and type of economy. The study looked at public sectors both in developed and developing economy, with a focus on countries in the UK, State corporations in Kenya and sisal factories in Nakuru, as illustrated in the cases below.

Case #1: The relationship between sustainable procurement and e-procurement in the public sector (UK): In the United Kingdom (UK) Walker and Brammer (2012) carried out a research to examine the relationship between sustainable procurement and e-procurement (a SP practice) in the public sector. They carried a survey with a sample of 280 public procurement practitioners from 20 countries, they used multi-regression model to establish the relationship, the model established that there was a positive relationship between SP and e-procurement and concluded that communication with suppliers may help environmental, labour, health and safety aspects of sustainable procurement. From the conclusion above, it's clear that the public sector need to get a right balance of sustainable pillars to achieve the roles of SP. Even though the public sector in UK embraced the economic and social aspects of sustainability, one key area in social aspects was ignored. Employees are the implementers of new concepts and they need to be included in the entire process right from inception stages so that they part of the system however organizations tend to overlook this.

Case #2: Sustainable procurement in the UK public sector: In the UK Walker and Bramme (2014), carried out a research to investigate sustainable procurement in the public sector. A total of 160 procurement officers were given questionnaires. The findings of the research were; cost was found to be a leading barrier in sustainable procurement implementation and top management support leading facilitators. From the above findings an assumption can be made that, if organizations balance the three aspects of sustainability in implementing sustainable procurement, cost can no longer be a barrier in implementing SP since the role of SP is to reduce cost if the right balance is achieved.

Case #3: Addressing sustainable development through public procurement in England's local government: In England, Lutz (2012) carried out a study to explore ways in which the local government authorities used their procurement function to foster sustainable development. The researcher reviewed existing literature using exploratory approach and the findings were: Local government had adopted wide range initiatives that address all three aspects of sustainability: Economic, Environmental and Social. They concluded that local government had managed to perform because the three aspects of sustainability were rightly balanced and other local governments are using England as a benchmark. This is a clear indication that sustainable procurement will only play its roles: cost reduction, minimal impact to the environment, quality and service delivery, in organization if the economic, environmental and social aspects sustainable are rightly balanced and integrated in the procurement process.

Case #4: Role sustainable procurement practices in supply chain performance in manufacturing sector, Kenya: In Kenya Nyile and Ismail (2016) did a research on the role of sustainable procurement practices (SPP) in supply chain management performance in manufacturing sector (EAPCC). They applied stratified random

sampling technique, data was classified, tabulated and summarized using descriptive measures and used Pearson correlation coefficient to establish the relationship between independent variables and dependent variable. The study findings indicated that 76% of supply chain performance of EAPCC was explained by four variables namely, green procurement, e-procurement, SCR and reverse logistics.

Through these variables EAPCC has continued to be at the heart of Kenya's economic success story. They concluded that, there was a positive relationship between SPP and supply chain performance. From the above findings it can be explained that EACCP is enjoying the benefits of sustainable procurement because it has integrated the three aspects of sustainability: economic, environmental and social in their procurement processes.

Case #5: Comparative study on sustainable procurement practices in sisal processing firms in Nakuru, Kenya (Athina Sisal Estate and Lomolo): In Kenya, Waruguru, Muma, Mundia and Karuri, (2015) carried out a comparative study on sustainable procurement practices in sisal processing firms: Nakuru county. The researchers established that the two firms: Athina sisal estate and Lomolo estate had adopted similar SP practices, leading to cost reduction, minimal impact to environment and service delivery. The researchers recommended that, further studies should be carried out in other organizations to establish the role that SP plays in operations and other aspects of organizational performance. From the above findings it is clear that the three aspects sustainability were rightly balanced that's why, the researchers recommended further studies over the same to validate their findings and establish whether SP plays the same roles across all organizations in an economy of a country.

Case #6: Green procurement practices in State Corporation and public sector in Kenya: In Kenya, Nabiswa (2012) carried a research on green procurement practices in public sector and Ondieki (2012) carried out similar research in state corporations in Kenya, these researchers found out that, green procurement practices among public sector and state corporation were on the rise due to consumer awareness on green product through government policies which put emphasize on adopting these practice. From the findings of these researches it can be acknowledged that state corporation was implementing the environmental aspect of sustainability and economical aspect, one aspect however was missing, the social aspects was not coming out strongly yet its key in implementation process.

4. Discussion

Some of the issues observed from the above cases are key for SP to play its role of minimal impact to the environment, quality goods/services, cost reduction and service delivery. It can be argued from the finding of the researchers that SP will play its role effectively if the three aspects of sustainability are rightly balanced. This paper has reviewed organizational performance in terms of roles played by SP and the performance indicators are the three aspects of sustainability.

From Case #1 Walker and Brammer (2012) it can be observed that the public sector in UK concentrated on the economic and social aspect partially overlooking the employees who are key implementers.

Employees are key implementers of SP, when organizations fail to notice them, the process tend to flop in the long run hence they need to be recognized and included in the entire implementation process.

In Case #2 by Walker and Brammer (2012) the scenario is similar, but with another area of social aspect being overlooked (stakeholders) being left out. Stakeholders have roles to play in organizations and if ignored they tend to slow implementation process of new concepts in organizations. While these two cases ignore different areas of social aspect of sustainability, Case #3 concentrated on the three aspects of sustainability economic, environmental and social. From the findings it can be concluded that the organization (England's local government) rightly balanced the three pillars since the organization was being used by other organizations for benchmarking (Lutz, 2012).

Similarly from Nyile and Ismail (2016) findings in Case #4 it can be asserted that the organization in Kenya rightly balanced the three pillars of sustainability that's at the heart of Kenya's success story (ECCAP). Waruguru, Muma, Mundia and Karuri (2015) in Case #5 the sisal factories had implemented the three aspects sustainability but social aspects were done partly as the area of employees was not coming up strongly. Lastly, Naibiswa and Ondieki (2012) in their Case #6 had concentrated on the economic, environmental aspects and social aspect to smaller extend.

Sustainable development theory highlights its efforts of sustainability to be economic growth, environmental protection and social aspects. This theory defines sustainable procurement as forms of progress that meet the needs of the present without compromising the ability of future generations to meet their needs. This definition of sustainability stresses the importance of future orientation as a basic requirement (UN, 2013). The focus on future impacts suggests prudent undertaking and use of natural resources and the environmental footprint.

This theory by Brundtland Commission stipulates that organizations can only be declared sustainable if and only if the three aspects of sustainability environmental, economic and social are rightly balanced and integrated in the organizational processes together (procurement processes). It can be acknowledged that the three aspects of sustainability if well balanced they will ensure minimal impact of the environment, quality goods/services and customer satisfaction hence organizations achieving competitive edge. From the cases discussed it can be confirmed that only two cases one in UK and one in Kenya illustrate sustainability in the procurement processes. Organizations can only be declared sustainable if they rightly balance the three aspects of sustainability economic, social and environment as illustrated in Case #3 and Case #4. Findings from these reviews are summarized in the Table 1.

Table 1 indicates how different organizations in the public sector are implementing the three aspects of sustainability. Aggregative meta-synthesis has been used to review and interpret the studies to come with the summaries. From the summary it can be asserted that organizations in the public sectors in developed and developing economies have adopted and are implementing sustainable procurement in their procurement functions. From the six studies reviewed only two firms in public sector of developed and developing economies meant the criteria of sustainability as indicated by sustainable development theory. The remaining four firms were not sustainable as they implemented any two of the three aspects of

sustainability. The result of two firms can be integrated directly to the sustainable development theory since they are implementing sustainability as the theory requires.

Table 1. Implementation of Sustainability

Cases	Author(s) and year	Firm Type /Sector	Country	Sustainable Pillar (s) adopted	Performance indicator	Sustainability
#1	Walker & Bammer (2014)	Public sector	UK (20 countries)	ECSO	Moderate	×
#2	Walker & Bammer (2014)	Public sector	UK (1 country)	ENEC	Moderate	×
#3	Lutz (2012)	Public sector	England	ENECSO	Best	√
#4	Nyile & Ismail (2016)	Private sector	Kenya	ENECSO	Best	√
#5	Waruguru, Muma, Mundia & Karuri, (2015)	Public sector	Kenya (2 firms)	ENECSO	Good	√
#6	Naibiswa & Ondieki (2012)	Public sector	Kenya	ENEC	Moderate	×

EN- Environment; EC- Economic; SO- Social. Source: Synthesis from Emerald Insight Database (2017).

5. Conclusion

Sustainable procurement sits under the umbrella of sustainability which refers to making decisions that maintain the right balance between the environment, society and economy to ensure long-term organizational success. The pillars of sustainable procurement if well balanced as indicated in Case #3 and Case #4, organizations both in developed and developing economies can meet the varied needs of all people in the current as well as future communities, promoting personal wellbeing, social cohesion and inclusion and creating equal opportunities. From the findings of Case #3 and Case #4 it can be concluded that, the best combination of sustainability is Environmental, Economic and all areas of social aspects (employees, customers and society) as stipulated by employee motivation theories. With this, sustainable procurement will all add up and procurement expert will use this combination to make decisions which will enhance sustainability in organizations.

6. Recommendations

Given the roles of sustainable procurement in organizational performance, it is imperative that organizations start to view sustainable procurement as strategic in value and that SP will not only change the future of organizations but will also impact positively on the environment, economy and the society at large.

To address sustainability issues, organizations need a big change in their culture by managing and seeking to improve environmental, social and economic performance throughout procurement process (sustainable balancing act), organizations act in their own interests, the interests of their stakeholders and the interests of society (employees and customers).

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