

EMBEDDING SUSTAINABILITY INTO PROCUREMENT PRACTICE THROUGH E-PROCUREMENT.

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Abstract : The term sustainable development is gaining momentum in all elements of life be it on personal matters or on business matters. This being the current scenario, the organizations are keen on finding out ways and means to bring sustainable development in whatever field they are into. For every organization procurement process is one of the major and critical business activity consumes considerable resources. When principles of sustainability is implanted into our procurement practices we can consider it as sustainable procurement. Effective sustainable procurement supports sustainable development. This paper highlight the role of Procurement as a driving agent for sustainable procurement. Additionally how the challenges of sustainable procurement are addressed through e Procurement process

Index Terms - E procurement, Sustainable Procurement, Sustainable development

Introduction

Procurement can be defined as the act of buying or obtaining goods or service. The term procurement includes end to end process from preparation and processing of demands as well as the end receipt and subsequent processing of payment to the supplier. Organizations let it be small, medium or large, be it a private enterprise or a government owns enterprise procurement plays a vital role. In this context we may also think whether the terms procurement and purchase are one at the same. Viewing it more closely we can understand that both are different. Procurement as defined earlier it covers end to end sourcing process where as Purchase is just doing the act of buying.

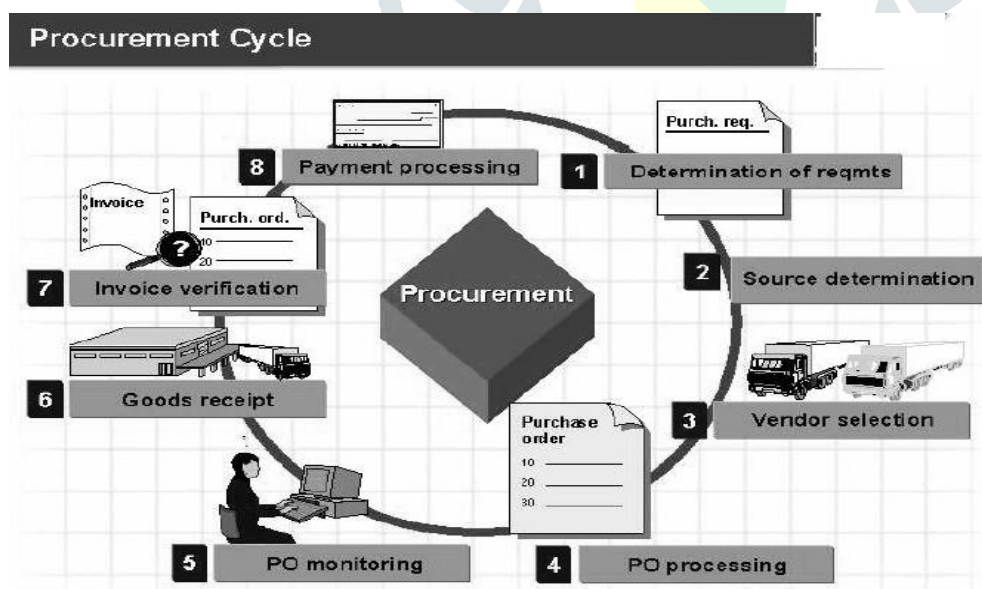


Figure-1

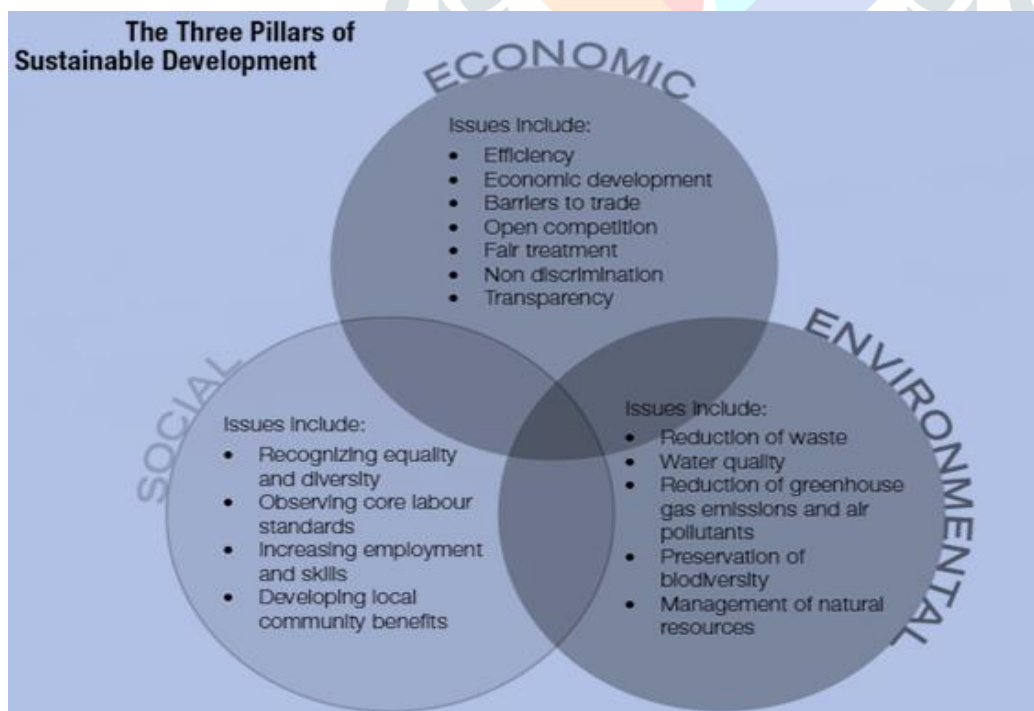
Procurement Cycle: The above figure (1) illustrates an end to end procurement process. Basic process covered in any procurement cycle is elaborated below .However forms and formats may vary from organisations to organisations.

- Determination of requirements: It all starts with WHAT, WHO and WHEN. The user need to raise a requirement for materials to the Purchasing department
- Determination of the source of supply: The purchaser determine possible sources of supply and will create requests for quotation (RFQs)
- Vendor selection: Selection of vendors by making technical and price comparisons,where ever applicable between the various quotations
- Purchase order processing: Release of Purchase order to selected Vendor
- Purchase order monitoring: The purchaser needs to monitor the processing status of the purchase order and the tracking of whether goods or an invoice have been received for the relevant purchase order item.
- Goods receipt: Taking inward receipt of goods against the Purchase Order.
- Invoice verification: Vendor invoices are checked for accuracy of prices and contents.
- Payment processing: Financial Accounting normally deals with vendor payments.

What is Sustainable development?

Sustainable development is the forming principle for achieving human development goals on the same time sustaining the capability of natural systems to provide the natural resources and ecosystem services upon which the economy and society depend. Brundtland commission set up by United Nations on 1987 with the mission of uniting the countries to pursue sustainable development together defined sustainable development as “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

The notion of sustainability is based on three pillars, namely: economic, environmental and Social



. Figure-2

The above figure depicts three pillars associated with sustainable development and its associated points.

Sustainable procurement

When principles of sustainability is embedded into our procurement practices we can consider it as sustainable procurement. Effective sustainable procurement supports sustainable development. Sustainable procurement is a process which integrates sustainability contemplations throughout the procurement progression in order to achieve optimal value for money in bringing development objectives

Caring our environment is the need of the hour. Over recent decades, businesses around the world have contained the concept of sustainable procurement.

Sustainable procurement is the process of acquiring goods and services that:

- Meet customers' needs
- Deliver extended value for money
- Make the most of social and economic benefits
- Minimalize damage to the environment and health

The Business benefits of sustainable procurement

As mentioned earlier procurement is one of the vital processes in any organization and any direct or indirect benefits attributed to procurement process will have direct impact on organization's performance.

- Significant cost savings from focusing on a "whole life costing" methodology for purchasing, and placing increased emphasis on reducing, reusing and recycling, to cut waste and improve the efficiency of resources.
- Improved management information enabling tighter control of business risk and facilitating better supplier management.
- Enhancing an organization's public image by demonstrating a sustainable approach to business and championing related environmental and social benefits.
- Opening up fresh markets for new products and services through technology and innovation.
- Stealing a march on the competition through the early adoption of practices dictated by increasingly environmentally-focused legislation.

Sustainable procurement can be a challenge

It is an already known concept that a company can benefit by balancing the concerns of economics, the environment and society in its procurement processes and operations. But growing price competitions, economic pressures, and stringent delivery timelines creates lot of challenges for organization while adopting sustainable procurement models.

A sustainable procurement agenda brings with it some significant challenges. The most significant one is that an organization's normal and existing market may not be capable of supporting their sustainable and environmental drives, added to which with the current procurement practices ,it may be more difficult to identify suitable suppliers. Over and above, the range of sustainably sourced or produced products and services will most likely be more limited, bringing the risk of higher purchasing prices.

With the traditional business practices organizations may take longer time to research, evaluate and engage sustainable suppliers for its need. Additional challenges are also associated with the implementation and enforcement of sustainable policy across buying teams and staff.

Challenges overcome with e Procurement?

Yes, to a larger extend.Science and technology has made human life easier. Like every other field, procurement also get revolutionized because of modern developments in science and technology. With the advancement of information technology traditional procurement process has been elevated to a hi-tech paperless environment.

What is e Procurement?

The information technology (IT) sector has very ably responded to the ongoing change in the needs of businesses. It has helped many businesses in improving their operational efficiencies by providing electronic solutions and internet based solutions for their supply chain networks.

e-Procurement refers to the use of Internet-based (integrated) information and communication technologies (ICTs) to carry out individual or all stages of the procurement process including search, sourcing, negotiation, ordering, receipt, and post-purchase review (Croom & Brandon-Jones, 2004)

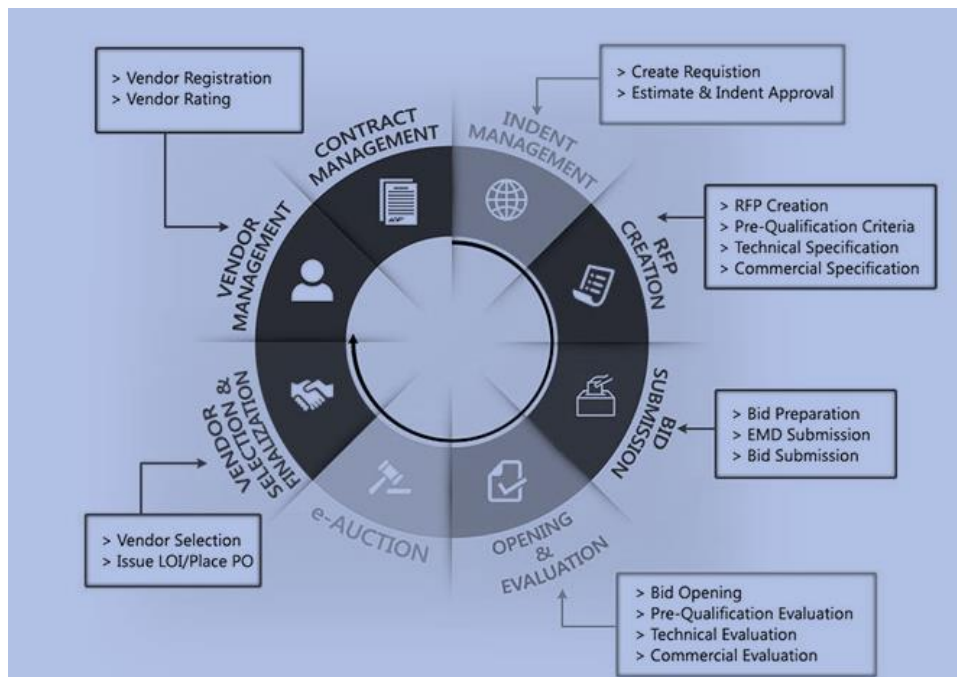


Figure-3

The above figure (3) illustrates different packages associated with an e procurement suite. All aspects of a procurement cycle- Indent management, RFP creation, Bid Submission, Bid opening and evaluation, e Auction, Vendor selection and finalization, Vendor management and contract management are electronically mapped in an e procurement package.

E Procurement can help organizations to overcome the challenges associated with sustainable procurement. Thanks to the way e Procurement has streamlined the processes, speeds up timeframes, reduces overheads and helps open up marketplaces. In essence, an e Procurement system will enable:

- Consolidated procurement governance is critical to the success and positioning of your sustainable procurement initiative. E Procurement can help by providing a central hub for broadcasting information, enforcing preferred supplier and product purchases, and maintaining visibility and control over the entire supply chain. Network.
- e-Procurement has long been pushed as the key pedal for keeping spend under control and, for all of the same reasons, can also be a great resource for managing sustainable purchasing
- Quicker, easier sourcing and engagement of new suppliers. As the process is working on internet there is no physical barriers such as region, state or country.
- Taking advantage of automated workflow approval process capabilities which is available in most e-procurement systems, you're able to better manage and monitor a sustainable procurement policy.
- Easier and more direct access to sustainable products and services, over a wider geographical area, via e-cataloguing. The e market place allows buyers and sellers a common platform for sharing their requirements and products respectively.

- Automated management, better visibility and more centralized control of existing suppliers. More transparency is embedded to whole process.
- Close-fitting Supplier management through reviewing, and credential-checking of environmental policies, certification and disclosures of suppliers.
- Automation of information and paper less document exchange with suppliers.
- Internal enforcement of sustainable procurement policy using automated workflow and process management. Furthermore, the reduction of manual processes results in the use of fewer resources and lower energy consumption.
- Automation of finance, invoicing and credit control processes, again reducing manual input and paper flow.
- Tracking and analyzing spend and savings more easily and accurately, enabling better price negotiation and management and helping to demonstrate the success and viability of sustainable procurement.

Balancing-Jiggling multiple balls at once

Organizations need to juggle a significant number of balls at once for implementing a successful sustainable procurement practices,

In many countries e-procurement is now an extensively preferred option and it is believed that besides improving efficiencies it has also given businesses a better chance to reach the unmapped markets. Through e procurement businesses have reduced their high-spending on their manufacturing costs and have had a positive impact on their profitability With the advent of e procurement many businesses can easily post their requirements or request for quotations (RFQs) online and in turn they get quotations from suppliers around the world without any hassle giving them so many options to choose the best and the most cost-effective one. It even gives organizations an opportunity to save on order processing and associated costs.

By the adoption of e Procurement practices organizations must be able to more closely monitor and control suppliers and employees, have tighter control of pricing, produce better management information and at the same time be able to clearly demonstrate the success of their programme to a variety of audiences.

Implementation of e Procurement solution involves capital investment. Additionally businesses also need to have the appropriate budgetary mechanisms in place to facilitate and promote sustainable procurement.

Finally organizations looking to deliver sustainable procurement must ensure they employ appropriately skilled resources – and then support them with the necessary technical infrastructure and tools. Organizations need to have a laid down policy for competency mapping, Gap analysis and Training need assessment for employees. Lastly but not at the least a systematic training package and protocol for all level of employees.

E Procurement as a driver of sustainable Procurement

E Procurement supports the key criteria behind sustainable Procurement connecting the three pillars of sustainable development, namely:

1. Economic factors, which include the costs of products and services with entire life cycle costing, acquirement, maintenance, operations and end-of-life management costs, including waste disposal in line with good financial management.
2. Social factors, which include identifying equality and diversity, observing core labor standards; ensuring fair-minded working conditions, growing employment and skills; developing local communities and their corporeal infrastructure.
3. Environmental factors, which include optimal use of natural resources use, emissions to air, climate change and biodiversity over the whole product life cycle.

Conclusion

E Procurement as a stimulant of sustainable Procurement assimilates requirements, specifications and criteria that are compatible and in favour of the defence of the environment, of social progress and in support of economic development, namely by seeking resource efficiency, improving the quality of products and services and ultimately optimizing costs.

Therefore, e Procurement processes considers the economic, social/ labor and environmental consequences of “design; non-renewable material use; manufacture and production methods; logistics; service delivery; use; operation; maintenance; reuse; recycling options; disposal; and suppliers’ capabilities to address these consequences throughout the supply chain

E Procurement supports the sustainable procurement’s aspect of looking beyond the initial purchase price and short-term costs, to comprehend the long-term value for the organization concerned and overall, for the society at large, in all acquisition projects, products and services.

Achieving an appropriate balance between these factors is of paramount importance for an organization to achieve its sustainable development objectives. E Procurement as a sustainable procurement tool has successfully assisted organizations to achieve its goals.

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