

Study of Responsible Purchasing Practice Awareness in manufacturing companies in the city of Johannesburg, South Africa

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Abstract (12 font)

This research study illustrates the growing importance of sustainable purchasing practices and answers two important questions: what is the current awareness of organizations on sustainable purchasing practices and to what extent are these practices being implemented? The research conducted is based upon an in-depth literature review of green purchasing and sustainability initiatives. With an ever increasing global economy with no intention of slowing down it is ever important to look towards sustainability practices and the biggest impact organizations can make is in the purchasing department. The researcher's methodology and ending results show the current awareness and implementation of organizations who participate in sustainable purchasing practices (SPP).

Keywords (12 font)

Sustainability, Responsible Purchasing Practice, Manufacturing

Introduction

The world is slowly realizing that manufacturing and retailers purchasing practices can have a considerable bad impact on working conditions in the organizations. Key purchasing processes and decisions including critical path management, terms and conditions in the buyer-supplier relationship, sourcing and merchandising affect how suppliers manage their labor force and produce, and can indirectly impact on working conditions.

There are many reasons why one should undertake a review of purchasing practices. These include ethical reasons (eg relating to the impact purchasing practices have on workers) and business reasons (relating to the impact on the buying business. (www.ethicaltrade.org/resources/key-eti-resources/eti-management-benchmarks)). This research study illustrates the importance of sustainable purchasing practices for organizations in South Africa, distribution industry and answers several important questions: what is the current awareness of organizations regarding sustainable purchasing practices; With an ever increasing global economy, is it critically important for organizations to put in place sustainability practices; the biggest impact organizations can make is often in an organization's purchasing department.

With Globalation and increased global interaction, one result is an increased chance of supply disruptions and potential brand image damage. Organizations need to focus on training their employees on sustainable purchasing practices (SPP) to ensure protection from external threats and supply disruptions. Countless organizations made the mistake of purchasing materials or products from unethical suppliers and had to deal with the resulting negative consequences. These consequences come in many forms but

all affect the organization's triple bottom line. To truly be sustainable an organization must eradicate risks to their business. An organization is only able to do this by adhering to practices supporting the three pillars that constitute sustainability: environmental, social, and economic responsibility. These three pillars are also described as an organization's triple bottom line performance

The purchasing staff and managers in the majority of Large corporate organizations in South Africa are already using sustainable practices directly or indirectly by participating in cross-functional teams that save millions of dollars by reducing waste. Some sustainable practices have been in implementation for decades such as lean production/ manufacturing, life cycle analysis (LCA), and product life extension (remanufacturing). Organizations' product development programs are now becoming more involved with their suppliers and the boundaries of organizations are beginning to blur.

Aims, Objectives and Methodology

The aim of this project to evaluate the level of awareness of ethical business practices in manufacturing companies in the city of Johannesburg, South Africa .The study aims to understand the level of awareness of responsible business practices in manufacturing and logistics industries in Johannesburg' South Africa. Ensuring ethical practices is a concern for companies looking to invest in the industry, but there are numerous opportunities for companies to operate in the 'right way'. Therefore the study seeks to understand where the industry stands. The study also seeks to establish external influences including; Top management influence; Employees orientation; purchasing intentions; Supplier selection and Supplier performance.

In order to do this in a scientific manner a 'complete' list of companies in these sectors was downloaded and the researcher randomly selected about 250 companies and contacted them to respond to the survey. An online google questionnaire was drafted and emailed to participants. It also enabled for easy data analysis as it arranges and describes data in Microsoft excel. The researcher aimed for at least 50 responses but the response rate was so low .

Results and Conclusions

Surveyed companies where from the private sector. It seemed like most of the responded positively maybe due to fear of social correctness. Most respondents indicated that their department's involvement in socially responsible business practice/purchasing has been motivated by current government legislation. the drivers of CC, particularly the social responsibility and accountability drivers, are very much part of the South African government's agenda, and, indeed, focus. Black Economic Empowerment (BEE) is a case in point (or perhaps, the case in point). BEE, given South Africa's Apartheid past, and the legacy of that regime and its policies, is a representation of the realities and priorities that the public sector in South Africa wishes Corporate South Africa to recognise and adopt. In terms of legislation, the Companies Act 71 of 2008 does not compel companies to engage in CSR activities or projects. However, various government policies and document, and King III all address the need and relevance of companies to acknowledge all stakeholders and to adopt the 'triple -bottom line' approach. The Triple bottom line approach focuses on social, environmental and economic concerns of the organisation. Some scholars have further simplified the three concerns to mean people, plant and profit respectively.

From 1994 till the present time, CSR as a concept has been embraced by many especially the big corporations and the conglomerates. There has been a lot of debate on why the big corporations are interested in CSR initiatives. Many writers have argued that these companies' interest lies mainly in the media attention or publicity they get for their CSR effort. While this may be true to a certain extent; it is not all there is to CSR. The truth is that there are many benefits to derive from driving a CSR initiative

and corporates and even some SMMEs have come to appreciate the benefits of CSR both in the short and long run. The goal has shifted from just profitability and the protection of the business owners. The focus is now bigger and wider to cater for all stakeholders in the business which will include the employees, customers or clients, suppliers, and the local community. The acceptance of CSR by SMMEs is rather very slow. Many business owners and managers approach the concept rather cautiously. For many small businesses, the survival of their businesses is uppermost on their minds, and profitability is their first priority. Many SMMEs do not appreciate what CSR is all about and they cannot fathom how such an initiative can assist them in their businesses. Businesses are beginning to appreciate the importance of CSR. Though the acceptance of the concept has been gradual, but the awareness is being created for businesses to take advantage of the benefits of CSR.

Most CSR activities have been motivated by Government legislature and the perceived benefits of CSR, including Winning new businesses, Attracting, retaining and maintaining a happy workforce, Enhanced relationship with stakeholders, Increase in customer retention, Saving money on energy and operating costs, Enhancing your influence in the industry, Differentiating yourself from the competition, Media interest and good reputation, Access to funding opportunities

Most respondents claimed that their Employees ethical orientation has been mostly driven by their morals, Desires of individuals to do what is right and underlying values. Most respondents also indicated that their purchasing function visits suppliers' plants to ensure that they are not using sweatshop labor, ensures that suppliers comply with child labor laws and asks suppliers to pay a "living wage" greater than a country's or region's minimum wage. The Supply managers' ethical intentions (SMEI) avoid using terms in our contracts that would allow us to take unfair advantage over suppliers, avoid tactics that could mislead supplier salespeople, never lie or exaggerate when dealing with suppliers and avoid blaming our suppliers for mistakes that were our own fault

All the organizations suggested that they did not partake in Carter and Jennins (2004) 'Ethics - Deceitful Practices' as they denied that their purchasing functions ; invents (makes up) a second source of supply to gain competitive advantage, exaggerates the seriousness of a problem to gain concessions, purposefully misleads a salesperson in a negotiation or uses obscure contract terms to gain an advantage over suppliers. They also denied participating in Subtle Practices including; accepting meals from a supplier even if it is not possible to reciprocate, sharing information about suppliers with their competitors and showing favoritism when selecting suppliers

Of the majority of organisations in this study, many did not include sustainability goals in their corporate goals. This shows the lack of knowledge that top management has regarding the subject of sustainability and the positive influence it could have on their business decisions. From the survey, more than half indicated that they have a good understanding of SPP, while the remaining population declared of having very bad to zero understanding of SPP and these were mostly SMMEs. Better training techniques need to be developed with a low cost mind frame so training can be provided to SMMEs such as those participating in this study. It was obvious that the study participants lacked awareness of the possible benefits that could be achieved from SPP training. They insisted that purchasing decisions should be made strictly based on the price and quality. The majority of the population had not broadened their concerns to the life cycle of their products nor any of the potential external impacts of their products as they move through their supply chains (SC). Every organization is different with different business factors that must be satisfied and their own route to managing their SC. Many do not have the resources to take advantage of the many opportunities afforded to them with a sustainable mind set. The more time a buyer interacts with a supplier, the more sustainability practices and cost savings can be achieved. Resource constraints play a role in the available time an individual has to participate in training or educating suppliers along with driving innovations into their daily operations.

One of the last questions related to the evaluation of SPP implementation when selecting suppliers. The respondents were asked to grade a list of six factors regarding how important they were in selecting a supplier. The top two factors were price and quality, which as stated earlier, have long been the traditional criteria for purchasing organizations. This is because these factors are easily evaluated and have been the focus in purchasing as cost saving and quality measures. But an organization with a sustainable mind set would have also ranked environmental impact and business practices as number two or three importance. This population ranked the business practices and environmental impact of suppliers as their lowest concerns. These two factors would require them to have further in-depth knowledge of their suppliers, and would require an evaluation audit of each supplier to be undertaken before a job was awarded to a particular supplier. Supplier location was ranked as a medium concern with this population which can be due to just-in-time modeling and lead-time concerns, rather of environmental or social impacts created by using local suppliers.

Recommendations

Training is recommended for SMMEs from the owners/management to the lower level employees. They also need to start thinking sustainably, and use guidelines such as ISO 140001 and the Global Reporting Initiative (GRI) to aid their development. The next recommendation is for these organizations to benchmark themselves against best practices both internally and externally for improvement year after year. A privately owned organization without the pressures of the government or shareholders has no reason to change or report unless it comes from top management. Organizations need to invest in monitoring their suppliers both foreign and domestic, but more importantly need to monitor themselves to protect their own facilities from regulative fines, and to be prepared for further state and national legislation.

Organizations are realizing benefits of SPP by incorporating suppliers into the initial steps of product development. Suppliers are sources of ideas, technology, time savings, energy, materials, and money; often acting as external consultants. However, more training is needed with small and medium enterprises (SMMEs) for both the supplier and buyer organizations to fully achieve sustainability. The study examined the notion that resource restrictions were often the reason that SMEs were unwilling or unable to participate in training their purchasing departments on SPP. The need for larger organizations to aid their SMME suppliers in the effort to educate the purchasing department is evident when one stops to consider the potential positive outcomes of such actions. A ripple effect could occur if large buying organizations used their market power to transform their supply base into more efficient and sustainable suppliers. Other buying organizations from the same suppliers would have the benefit of more efficient products and/or processes in place. The overall end result could be reduced prices in the marketplace and a potential competitive advantage for all organizations in the vertical channels impacted.

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