

Effects of Sustainable Procurement Practices on Procurement Performance in Manufacturing Sector in Kenya: A Case of Unilever Kenya Limited

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Abstract: Today, we are living in a world where temperatures are rising, water shortages are more frequent, food supplies are increasingly scarce and the gap between rich and poor increasing. As a result, organizations locally and worldwide are reviewing their procurement operations and processes so as to yield a sustainable life. Sustainable procurement is not simply being 'green' but it is all about socially and ethically responsible purchasing, minimizing environmental impacts through supply chain, delivering economically sound solutions and business practice. The study aimed at assessing the effects of sustainable procurement practices on procurement performance in manufacturing sector a case of Unilever Kenya Ltd. The main findings of the study are that environmental framework results to effective efficient procurement performance; as a result of organizational culture being introduced to new staff there is teamwork among the employees and the values within the organization are line with the culture thus resulting to transparent and efficient procurement performance; ICT adoption have led to cost saving and transparent procurement performance while early supplier involvement in product design and development have led to cost control measures within the organization. This in turn results to efficient and efficiency procurement performance within the organization, transparent procurement performance which leads to cost saving. From the findings of the study, it was recommended that the 'WE' attitude be fully encouraged while the organization fully adopts automation to all the activities within procurement department. Since most studies on sustainable procurement practices have concentrated on overseas countries, further studies should be done concentrating on African countries with a key concentration on the benefits of sustainable procurement practices on procurement performance.

Keywords: Sustainable, Procurement, Performance.

1. BACKGROUND OF THE STUDY

Today, we are living in a world where temperatures are rising, water shortages are more frequent, food supplies are increasingly scarce and the gap between rich and poor increasing. Populations are growing fast, making basic hygiene and sanitation even more of a challenge. The changes in environmental world are already affecting people and commodity costs are fluctuating, markets are becoming unstable and raw materials are hard to source. Businesses must be part of a solution so they have to change

In the recent years, academics and practitioners have become increasingly interested in how organisations and their suppliers impact on the environment, society and the economy (Walker and Wendy, 2006). The effect of environmental problems on the living conditions of the world's population has become more apparent and emphasis on the environmental awareness has become more prominent. The general public has started to pay more attention to the potential consequences of this global environmental problem.

Some of the most pressing environmental issues include ozone layer depletion, global warming and hazardous wastes. There has also been a repeat of events such as energy crisis and prevailing consumerist behaviour which encourages high demand especially for raw materials by individuals and organizations and as a result this has led to reduced sources of raw materials hence the focus on conservation and use of recycled materials. In an effort to mitigate the negative impacts of such environmental problems, many nations have passed laws and regulations and have set environmental standards aimed at reducing industry carbon and greenhouse gas emissions to the atmosphere. Some of these standards include End of Life Vehicle (ELV); Restriction of Hazardous Substances (RoHS); Waste electrical and Electronic Equipment (WEEE); eco-design of Energy-Using Products (EuP); and Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) (Wang, 2009).

The strategic role of purchasing and supply as a lever for sustainable development is much more manifested now than before. Contemporary commercial practices show that business organizations and business partners are focusing their procurement strategies on reducing the environmental “foot prints” of their procurement and supply chain activities (Sarkis, 2005). Over the last two decades, the global manufacturing sector has rapidly changed thus making the environment and social issues to become more important in managing any business thus the need to improve organizational efficiency, reduce waste overcome supply chain risk and achieve competitive position has made companies to start considering environmental issues from a competitive view point (Humphreys, P.K., 2003). This has resulted to sustainable procurement adoption by major organization.

Sustainable procurement (SP) also referred to Green procurement or environmentally friendly procurement (EFP) is not simply being ‘green’. It is about socially and ethically responsible purchasing, minimizing environmental impact through supply chain, delivering economically sound solutions and good business practice (CIPS, 2014). The UK Governments Sustainable Procurement Task Force (2012) identified sustainable procurement as a purchasing investment process that takes into account the economic, environmentally and social impacts of the entity’s spending. Hsu & Hu, 2008 argued that the concept of sustainable procurement is an approach to improve performance of the process and products according to the requirements of the environments regulation.

Sustainable procurement draws its roots from the broad concept of sustainable development but the focus of sustainable procurement is far broader than just the development, it aims at meeting the diverse needs of all people in existing and future communities, promoting personal wellbeing, social cohesion, and creating equal opportunity (CIPS, 2014). It also allows organisations to meet their needs for goods, services, construction works and utilities in a way that achieves value for money on a whole life-basis in terms of generating benefits not only to the organisation, but also to society and economy, while maintain within the carrying capacity of the environment (UK Governments Sustainable Procurement Task Force & CIPS, 2012).

Procuring organisations and other supply chain partners are more seriously involved in designing and implementing sustainable procurement policies focusing on how environmental issues and issues relating to other aspects of the sustainable development pillars (Society and Economy) can be integrated in the procurement process activities (Hsu & Hu, 2008)

Statement of the Problem:

Sustainable procurement is an emerging concept from the traditional procurement. In practical business environment and procurement operations, many organisations adopt sustainable procurement as a strategic approach to take care of the environmental, economic and social demands originating from the government, social and environmental bodies and general public (Kennard, 2012)

In ideal environment, adoption of sustainable procurement practices is directly linked with organizational performance such as reduced costs, enhanced productivity and reduced wages. Organisations are paying more and close attention to their environment due to the complexity and rapid changes thus formulating and implementing policies and strategies that will enhance their survival and growth (Otokiti & Awodum, 2003).

Available statistics from Kenya Association of Manufactures indicate that there are over 1000 registered manufacturing industries in Kenya. Unilever registered a production turnover of 10.8 billion in 2012 which was 1.6% of the production turnover of the manufacturing sector. GOK economic survey reported that, Unilever remit to government an average of

1.5 billion annually through direct and indirect taxes and rates and employ over 2000 people directly with an average wage bill of approximately Ksh 2 billion thus contributing to Vision 2030 on the employment issues.

With a contribution of 1% to the country's GDP, Unilever's activities have been associated with the increased use of plastic bags to package the manufactured goods. Besides being a major cause of aesthetic pollution as they are spotted all over roadsides, parks and rivers the plastic bags and containers are a threat to biodiversity. An urgent action is needed to combat climate change and to do so, it is deepening its efforts to eliminate deforestation by using its scale, influence and resources to create transformational change.

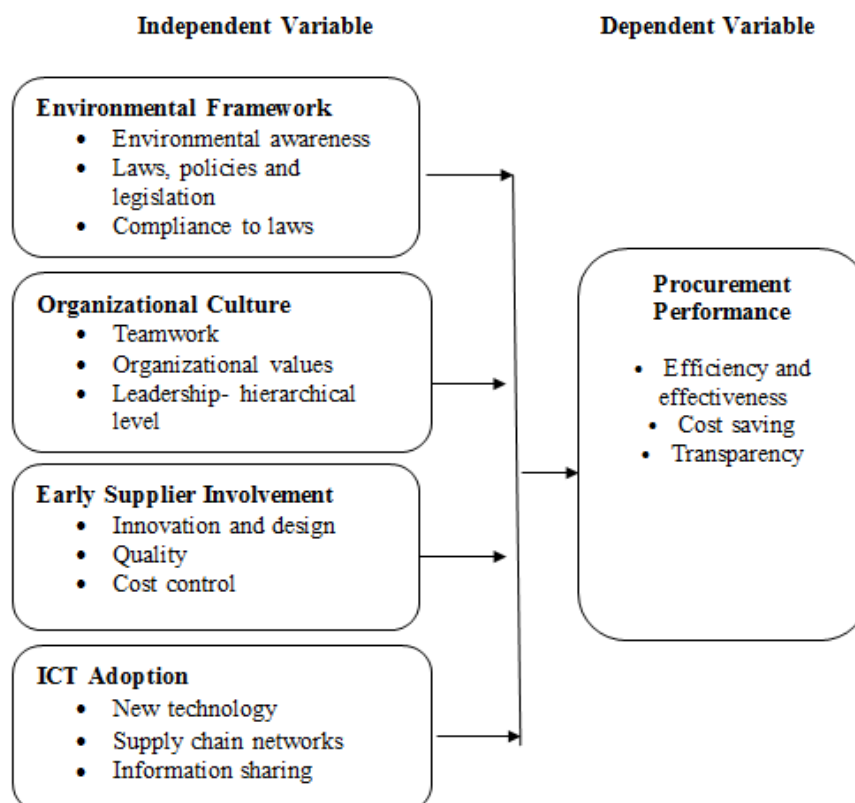
To tackle this challenge, it has a strategic vision to double the size of their business as they reduce their environmental footprint and increase positive social impact for it has been facing the challenge of depending on raw materials, imported materials, environmental issues, high cost of exercise duty on plastic shopping bags and threat of ban on the use of plastic in EAC region (Kenya Association of Manufacturers, 2013).

Objectives of the Study:

1. To determine the effect of environmental frameworks on procurement performance in manufacturing sector in Kenya.
2. To assess the effect of organizational culture on procurement performance in manufacturing sector in Kenya.
3. To investigate the effect of ICT adoption on procurement performance in manufacturing sector in Kenya.
4. To evaluate the effect of early supplier involvement (ESI) on procurement performance in manufacturing sector in Kenya.

2. CONCEPTUAL FRAMEWORK

Mugenda and Mugenda (2003), defines conceptual framework as collection of ideas and precepts taken from the relevant study field and are used to give outlined structure on the feasibility and presentation of study. The framework is used to distinguish the relationship between independent and dependent research variables. The conceptual framework relevant for this study will present research objectives as independent variable while organizational performance as a dependent variable.



3. RESEARCH METHODOLOGY

Introduction:

This chapter explains the research design, target population, sample and sampling technique, instrument, data collection procedure, pilot test, data processing and analysis.

Research Design:

Research design means the general plan or roadmap of how one goes about the research questions. It is a structure that helps to obtain answers to research questions (Cooper & Schindler, 2006). It serves to ensure that evidence is obtained to enable the researcher get the response to the initial question (Rowley, 2002).

This study adopted a descriptive research design. A descriptive research design is a method of collecting information by interviewing and or administering questionnaires to a sample of individuals (Orodho, 2003)

Target Population:

The target population relates to a group of people whom the researcher is targeting with his or her research study (Ngechu, 2006). According to Mutai (2000), target population is a group of individuals, objects or items from which a sample is drawn and that which the sample will represent. The research will be carried out at Unilevel Kenya Limited. In this research the target population will consist the senior management, middle management and low level management staff in the head office totaling to 400 who are working in various departments and sections at Unilever Kenya Limited.

Data Collection Instruments:

Data collection is a means by which information is obtained from selected subjects of an investigation (Creswell, 2003). The instruments of data collection are tools used to collect both primary and secondary data. The study used self-administered questionnaires to obtain primary data. Self-administered questionnaires were used because they are fast, cheap and effective data collection instruments that allow respondents to give much of their opinions relating to the researched problem. The questionnaire contained both open and close ended questions.

The study also used secondary data obtained from e-resources, published scholarly articles, journals, magazines, books and other relevant literature.

Data Collection Procedures:

The study used both primary and secondary data. Primary data was collected through the use self-administrative questionnaires. A self-administered questionnaire is desirable because of low cost, adequacy of time for respondents to give responses, it is free from researcher's bias and is capable of reaching a large number of respondents (Kothari, 2004). The questionnaires will contain structured and non-structured questions for employees. Secondary data will be collected from past and current reports, journals, documents, website and books. Secondary data collected from management will help to clarify research questions.

The researcher sought permission from the respondents through the human resources department to conduct the study by the use of an introductory letter from Jomo Kenyatta University of Agriculture and Technology. The researcher then issued the respondents questionnaires to fill at their convenience but within the research schedule. The questionnaires will then be picked after four (4) days for analysis.

Pilot Testing:

Pilot test refers to feasibility studies or tests which are small scale versions or trial runs done in preparation for the major study. Basson (2005) defines a pilot test as a trial run to check the validity and reliability of data collection instrument. It assists in providing the information about the research itself as well as different opinions and suggestions from the prospective respondents. Prior to embarking the main study, the researcher carried out a pilot study with the aim of verifying both the reliability and validity of the data collection instruments. The pilot study involved collecting data from Bidco Kenya Ltd officials. The respondents were not part of the main study.

A pilot study enables avoidance of costly errors and paves way for assessing the objectives and also making adjustments on the questionnaire.

Data Analysis and Presentation:

Data analysis is the ordering and organizing of raw data to extract useful information from it (Saunders, Lewis, & Thornhill, 2009). Data analysis was done using Statistical Package for Social Sciences computer software (SPSS) version 21 and Excel 2013. Descriptive statistics such as mean, standard deviation was used to present various characteristics for data sets. Quantitative data was edited to eliminate inconsistencies, summarized and coded for easy classification in order to facilitate tabulation and interpretation. Data presentation was done by the use of tables, percentages, bar charts and pie-charts.

4. RESEARCH FINDINGS AND DISCUSSIONS**Introduction:**

This chapter focuses on the analysis of the data collected and the interpretation of the findings made in the study. The findings were arranged as per the objectives of the study. The purpose of this study was to assess the effects of sustainable procurement practices in the manufacturing sector, a case of Unilever Kenya Ltd. The specific objectives of the study were; to determine the effect of environmental frameworks on procurement performance; to assess the effect of organisational culture on procurement performance in the manufacturing sector; to investigate the effect of ICT adoption on procurement performance in the manufacturing sector; to evaluate the effect of early supplier involvement on procurement performance in the manufacturing sector. The research findings were presented in pie and bar charts and also in form of tables.

Response rate:

The sample size for the study was 200 respondents. Out of these, 138 responses were obtained which were fully completed representing a response rate of 69%. According to Mugenda and Mugenda (2003), a response rate that is 50 percent is adequate to be used in research, 60 percent is good and above 70 percent is very good and hence the response rate in this study was enough to make inferences and conclusions.

General information:

The respondents were required to indicate their gender, age bracket, level of education, for how long they have worked in the organisation and the department.

Gender of the Respondents:

The respondents were required to indicate their gender. The findings are presented in figure 4.1. From the findings, 61.1% of the respondents indicated that they are male while 38.9% were female. This shows that most of the respondents in this study were male.

Education Level:

The respondents were requested to indicate their highest level of education. The findings are shown in table below.

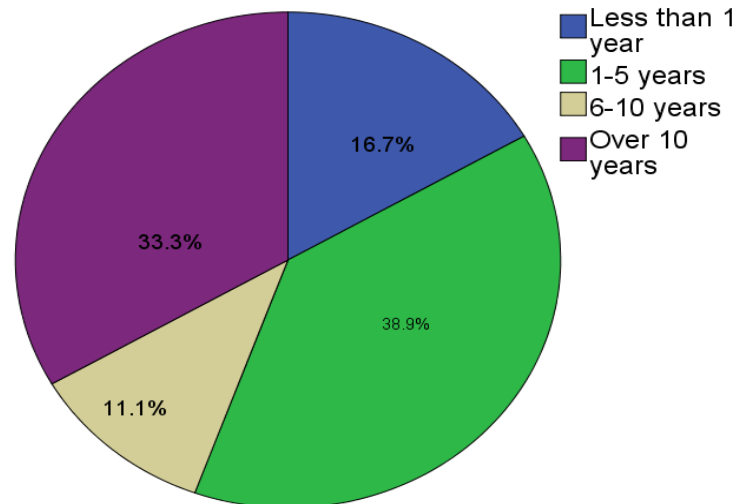
Education level

Response	Frequency	Percentage
Certificate	8	5.6
Advanced diploma	8	5.6
Diploma	15	10.8
Degree	76	55.7
Masters	23	16.7
Doctorate	8	5.6
Total	138	100

From above, majority (55.6%) of the respondents are degree holders, 16.7% are master's holders, while certificate, advanced diploma and doctorate each had 5.6% holders. From the results it is clear that majority of the respondents are aware of procurement performance operations.

Duration of Service in the organization

The respondents were asked to indicate the duration they have worked in the organization. The findings are as shown in figure below.



From above, it is clear that majority (38.9%) of the respondents have worked for 1-5 years, 33.3% have worked for over 10 years, and 16.7% have worked for less than 1 year while 11.1% have worked for 6-10 years. This indicates that most of the respondents are aware of the procurement operations in the organization.

Department of work:

The respondents were asked to indicate the department they are working in the organisation. The findings are as shown below.

Department of work

Response	Frequency	Percentage
Supply chain	53	38.4
Finance	46	33.3
Planning	23	16.7
Sales/customer care	8	5.8
Marketing	8	5.8
Total	138	100

The results were also represented in a figure as shown below.

Department of work:

From table majority (38.4%) of the respondents are working in the supply chain department, 33.3% are working in the finance department, 16.7% are working in the planning department while customer care and marketing had 5.8% each. This indicates that most of the respondents are aware of the sustainable procurement practices in the organization.

Environment Framework:

Whether the organization have an environmental framework policy

Availability of environmental framework policy the study found that majority (83.3%) of the respondents agreed that the organization have an environmental framework policy while very few (16.7%) of the respondents thought otherwise. Whether there is environmental awareness procedures, strategies and policies set in the organisation. The respondents were asked whether there is environmental awareness procedures, strategies and policies in the organization

Environmental awareness procedures, strategies and policies set by the organization:

Majority (50%) strongly agreed that there is environmental awareness procedures, strategies and policies set in the organization, 27.8% agreed with the statement there is environmental awareness procedures, strategies and policies set in the organization, 11.6% were neutral of the statement that there is environmental awareness procedures, strategies and policies set in the organization while 10.9% strongly disagreed with the statement

Whether the organization has complied with the laws guiding sustainable procurement practices:

The researcher wanted to find if the organization has complied with the laws guiding sustainable procurement practices.

Whether the organization has complied with laws guiding sustainable procurement practices:

55.8% strongly agreed that the organization have complied with the laws guiding sustainable procurement performance, 27.5% agreed that the organization have complied with the laws guiding sustainable procurement performance, 5.8% were neutral while 10.9% strongly disagreed that the organization have not complied to the laws guiding sustainable procurement performance.

Existence of laws, policies and regulations leads to effective and efficient procurement performance:

From the figure above, majority 44.2% of the respondents agreed that existence of laws, policies and regulations is leading to an effective and efficient procurement performance, 43.5% strongly agreed while 12.3% strongly disagreed that existence of laws, policies and regulations is leading to an effective and efficient procurement performance.

Whether compliance to laws results to cost saving on procurement performance:

The respondents were asked whether compliance to laws results to cost saving on procurement performance. Majority (45.7%) of the respondents agreed that compliance to laws has resulted to cost saving on procurement performance, 43.5% strongly agreed while 10.9% strongly disagreed with the statement that compliance to laws results to cost saving on procurement performance.

Organizational Culture:

Whether organizational culture encourages teamwork rather than individualism.

In a scale of 1-5 where 1 was Strongly agree and 5 was strongly disagree, the researcher wanted to find out if the culture in the organization encourages teamwork rather than individualism 45.7% agreed that the organizational culture has encouraged teamwork rather than individualism, 31.9% strongly agreed, 11.6% were neutral while 10.9% strongly disagreed that organizational culture has encouraged teamwork rather than individualism.

ICT Adoption:

Adoption of ICT in procurement department. The researcher wanted to find out if the organization's procurement department has adopted ICT. As shown in table 4.19, all (138) of the respondents said that the procurement department has adopted ICT.

Extent to which adoption of new technologies have improved operations in the organization.

The researcher wanted to know the extent to which adoption of new technologies have improved operations in the organization.

5. SUMMARY, CONCLUSIONS AND RECCOMENDATIONS

The study concludes that;

- i. Existence of laws, policies and regulations have resulted to effective and efficient procurement performance in the manufacturing sector. On the other hand compliance to the laws have resulted to cost saving procurement performance in the manufacturing sector.
- ii. Teamwork in the organisation have led to effective and efficient procurement performance in the organisation. This is due to the organization's top management introducing to the new staff to the organisation's existing culture. This

culture awareness have encouraged teamwork which in turn have resulted to effective and efficient procurement performance,

- iii. The organisation is fully automated. As a result there is adoption of new technologies which have resulted to improve its operations, buyer-supplier relationship and communication.
- iv. ESI is a key tool in the manufacturing sector. It results to quality products thus saving cost in redoing works

Recommendations:

Based on the findings, this study recommends that;

- i. To improve transparent procurement performance, the management of manufacturing sectors should emphasize on ICT adoption and embrace E-procurement systems that are conversant to bot employees and suppliers.
- ii. Organisational culture is a key factor to improving the procurement performance of the organisation. To have a better procurement performance through culture, the new employees should always be reminded of the culture of the organisation.
- iii. The 'WE' attitude should be fully encouraged in the organisation rather than supporting 'I' efforts. Teamwork is very important in achieving departmental objectives.

Suggestion for further study:

Most studies regarding sustainable procurement practices have concentrated on oversee countries which have fully embraced sustainable procurement practices therefore the concept is still an emerging issue in majority of African countries. Further studies should be done on sustainable procurement performance concentrating on the African countries. Further studies should also be done on the benefits of sustainable procurement performance.

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