

THE GREEN PROCUREMENT MEANING, SIGNIFICANCE AND MAIN PRACTICES

Stručni članak

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Abstract

In an era where environmental consciousness is paramount, businesses are redefining their operational strategies to align with sustainable practices. At the forefront of this transformative movement is the adoption of green procurement practices. Unlike traditional procurement methods solely focused on cost and quality, green procurement introduces a paradigm shift by incorporating environmental considerations into purchasing decisions. This strategic approach extends beyond the immediate transaction, aiming to mitigate the ecological impact of goods and services throughout their life cycle. This paper can immensely assist to local policymakers, business leaders and managers to better understand the significance of green procurement and to align traditional procurement practices with core sustainability goals. As organizations increasingly recognize the interconnectedness between economic activities and environmental well-being, the embrace of green procurement emerges as a powerful tool to drive positive change, promote responsible consumption, and contribute to a more sustainable future.

Keywords: green procurement, green procurement practices, sustainable business, sustainability

JEL classification: F18, P28, Q56

1. Introduction

Today's global challenges, such as climate change, resource depletion, and biodiversity loss, necessitate a radical shift in business approach to procurement. In order to conserve resources and minimize negative effects on the environment, all stakeholders need to take urgent remedial and visible moves to halt extravagant natural resources' usage (Govindan et al., 2016). Worldwide, environmentally friendly practices and products are being introduced by organizations in private sector and public policy as a means to conserve natural resources. Organizations have become aware that they need to embrace a mindset that goes beyond short-term gains and prioritizes the long-term well-being of planet. It is not merely a matter of compliance with regulations; it is a moral obligation to be stewards of the Earth for future generations. Incorporating environmental issues can help enterprises save money in the long run, contribute to the conservation of nature, and enhance the quality of life for people (Ahmić, 2022a).

In recent years, the concept of green procurement has emerged as a beacon of hope, a commitment to harmonize economic development with environmental stewardship. At its core, green procurement is about making proactive, informed and environmentally conscious purchasing choices throughout the entire supply chain. This involves the careful selection of products and services that minimize environmental harm, promote resource efficiency, and contribute to a circular economy. By favoring suppliers with robust sustainability credentials, firms encourage the adoption of responsible practices throughout the production chain. Additional benefits of adopting the green procurement practices within organizations can be viewed not only in reducing their carbon footprint but also fostering innovation, supporting local economies, and inspiring a positive ripple effect across industries.

While green procurement is a common practice in many developed countries, it is not well understood and practiced in emerging markets, such as Bosnia and Herzegovina. Therefore, the aim of this paper is to explain its meaning, significance and the main practices inherent in integrating environmentally sustainable principles into the procurement processes of businesses and organizations.

2. Defining green procurement

There are miscellaneous terminologies used by different authors to describe green procurement such as green purchasing, eco procurement and sustainable procurement/purchasing (Appolloni et al., 2014). The Green Council depicted green procurement as selecting services/products based on incorporating environmental concerns into prime buying policies, strategies and guidelines so that organizations' purchases will have a minimum or positive impact on the environment (as cited in Wong et al., 2016., pp: 860). Furthermore, green procurement is viewed from the perspective of other authors as the united pack of purchasing practices, policies, and built relations as answer to better ecological understanding (Shen, Zhang, & Long, 2017). Additionally, green procurement or environmentally preferable purchasing involves the conscious selection of eco products and services that have a reduced environmental impact throughout their lifecycle. This encompasses the extraction of raw materials, production, distribution, usage, and eventual disposal or recycling. Among the many types of green products are equipment, packaging materials, raw materials, technology, office items, parts, supply

materials, renewable energy and recyclable products. The overarching goal is to minimize the ecological footprint associated with procurement activities.

3. The significance of green procurement

The significance of embracing green procurement practices cannot be overstated. Through the collective purchasing power, whether wielded by individuals, businesses, or governments, the green procurement can serve as a formidable catalyst for positive change. By selecting products and services that adhere to stringent environmental standards, firms and costumers contribute to the conservation of resources, the reduction of pollution, and the mitigation of climate change.

There are a few key significances of green procurement:

- a) **Environmental Stewardship:** Green procurement plays a pivotal role in fostering environmental stewardship within organizations. By selecting products and services with lower environmental footprints, businesses contribute to the reduction of pollution, resource depletion, and overall environmental degradation.
- b) **Regulatory Compliance:** Governments and international bodies are increasingly implementing stringent environmental regulations. Green Procurement ensures compliance with these evolving standards, safeguarding organizations from legal repercussions and fostering a culture of responsible business conduct.
- c) **Brand Reputation and Customer Loyalty:** In an era where consumers are becoming more environmentally conscious, a commitment to green procurement can enhance a company's brand reputation and promote a positive firm image in public that leads to more business possibilities with local/international investors who share the similar vision (Chen et al., 2014). Thus, by aligning with sustainable practices, businesses can attract environmentally aware consumers, leading to increased customer loyalty and positive brand perception.
- d) **Cost Savings and Efficiency:** Contrary to a common misconception, green procurement can lead to cost savings in the long run. Efficient use of resources, reduced waste, and streamlined supply chains contribute to operational efficiency and, consequently, financial benefits.
- e) **Supply Chain Resilience:** Adopting green procurement practices contributes to building a resilient and sustainable supply chain. By engaging with suppliers who prioritize environmental responsibility, organizations reduce the risk of supply chain disruptions related to environmental issues, ensuring continuity in operations.
- f) **Market Differentiation:** As sustainability becomes a key criterion for consumers and business partners alike, organizations that prioritize green procurement gain a competitive edge. This commitment can be a differentiator in the market, attracting environmentally conscious clients and partners.
- g) **Innovation and Collaboration:** Embracing environmentally friendly procurement practices often necessitates collaboration with suppliers to develop and source sustainable alternatives. This collaborative effort fosters innovation within the supply chain, driving positive change throughout the industry.

4. Green procurement practices

Green procurement practices refer to the systematic integration and adoption of environmentally responsible and sustainable principles in the procurement or purchasing process. This approach emphasizes the selection and acquisition of goods and services that have a reduced impact on the environment throughout their entire life cycle. Sustainability or greening of the supply chain may focus on achieving the sustainability of three resources: (1) natural resources (for example: preferring green suppliers; a joint effort to reduce CO₂ emissions and harmful raw materials); economic resources (like deliveries and procurements made just-in-time reduce procurement costs; using less packaging or disposing of it); and social resources (green certification requests for the suppliers; to execute auditing for green work practices by suppliers) (Ahmić, 2022b).

The authors Blomea et al. (2013) highlighted in their research paper the three primary green procurement practices namely, selection of suppliers, e-procurement and development of suppliers. In addition to previously mentioned green practices, Carvalho and Cruz-Machado (2009) examined the lean way of performing supply, as the application of lean principles within the supply chain and procurement processes of an organization, which aims to optimize efficiency, eliminate waste, and improve overall performance. These practices are explained more thoroughly in the next part.

4.1. Green supplier selection

As the businesses move towards a more sustainable future, the process of supplier selection becomes a critical nexus where commerce and conservation converge. By choosing suppliers who share firms' commitment to environmental responsibility, they continue to contribute mutually to the larger goal of reducing the ecological footprint. Green suppliers adopt practices that minimize waste, conserve resources, and prioritize renewable energy sources. In doing so, they not only align with firms' values but also serve as catalysts for positive change in the broader business landscape.

In the process of green supplier selection, it is imperative for enterprises to establish transparent and rigorous criteria which will enable to scrutinize potential partners not only for the quality and cost-effectiveness of their products and services but also for their commitment to sustainable practices. This includes evaluating supply chain processes, energy consumption, waste management, and overall environmental impact. Based on the Guo and Tsai (2015) research, the following criteria were used to evaluate green supply chain suppliers: eco-friendly materials involving supplies; eco design; adopting of green sales, processes and packaging with minimal ecological impact; recycling and eco-safe transportation. As the foundation in the suppliers' assessing process is commonly recognized the application of ISO 14001 certification standards and information and communication technologies (ICT) (Burt et al., 2010).

An active collaboration and engagement with suppliers in a meaningful way enable for firms to encourage the adoption of sustainable practices throughout the entire value chain. This collaborative effort extends beyond mere transactional relationships; it transforms firms' suppliers into strategic partners in their collective journey towards a greener, more sustainable future.

4.2. E-procurement

E-procurement represents a paradigm shift, moving away from traditional, paper-based manual methods toward a streamlined, electronic approach. It encompasses the use of internet-based platforms, software, and automated systems to manage and streamline the entire procurement lifecycle – from requisition to final payment. More specifically, authors Croom and Brandon-Jones (2005) described the e-procurement within the companies as the utilization of an online service platform for automating all classical procurement steps such as planning process, choosing the right suppliers, ordering system, payment and evaluation/monitoring through post-procurement process.

Digital platforms provide real-time visibility into the procurement process, offering stakeholders a clear view of transactions, approvals, and spending patterns. This transparency not only fosters trust within an organization but also facilitates compliance with regulatory requirements and internal policies.

Cost-effectiveness is another compelling advantage of e-procurement. By automating processes, organizations can significantly cut down on operational costs associated with manual handling, errors, and inefficiencies. Negotiating better terms with suppliers, leveraging economies of scale, and optimizing procurement strategies become achievable goals in the digital landscape.

4.3. Lean supply

Lean supply, at its core, is a philosophy and methodology aimed at minimizing waste, optimizing processes, and delivering maximum value to customers. It originates from the principles developed by Toyota and has evolved into a widely embraced practice across various industries worldwide.

In essence, lean supply is about doing more with less – reducing excess inventory, streamlining production processes, and fostering a culture of continuous improvement. By eliminating non-value-added activities and focusing on what truly matters to the customer, organizations can achieve higher levels of efficiency, lower costs, and enhanced customer satisfaction. According to Alvim and Oliveria (2020) the ability to simultaneously run smaller stocks, provide greater service to customers and increase flexibility calls for a very cohesive logic, which simplicity can often be surprising. Furthermore, authors Alvim and Oliveria (2020) noted that the key lean logistics' features are:

- a) oriented towards customer demand which motivates systematic production;
- b) quick, correct and timely (“quickly” signifies customers demand’ response speed and broadcasting cargo rapidity in the logistic network; “correct” refers to many elements – from exact information/communication, correct storage, customer demand’ forecasting and shipping amount; “timely” denotes on time completion of material during every flow phase);
- c) cost-efficiency (shrinking costs and rising efficiency achieved through resource allocation in a reasonable manner)
- d) systematic integration (calls for an enhanced resources allocation – involving equipment/facility sharing, sharing of information and overall benefits)

- e) informatization (contemporary logistics as a complex undertaking requires the convenient electronic information for the purposes of computing, saving and transmitting)

The lean supply paradigm extends beyond the manufacturing realm and has found application in diverse sectors such as services, healthcare, and technology. Its principles can be adapted to virtually any organizational setting, creating a framework for sustained excellence and adaptability in the face of ever-changing market dynamics.

4.4. Green supplier development

The concept of green supplier development revolves around the idea of cultivating and nurturing a network of suppliers who share the commitment to environmental sustainability with the companies. It goes beyond mere compliance with regulations and signifies a collective effort to reduce the ecological footprint of supply chain operations while simultaneously fostering innovation, resilience, and long-term viability. More concretely, Thakker and Rane (2018) highlighted that various development strategies need to be executed as an outcome of mutual efforts between firms and their supplier network, such as tailored eco training for suppliers; field-based communication for enhancing green practices with suppliers regarding processes/operations in manufacturing; and cooperative project of creating technologies in a green way.

Supplier development, in essence, is the strategic process of enhancing the capabilities and performance (financial, social and ecological) of the suppliers with whom the companies collaborate. It goes beyond the conventional buyer-supplier relationship, aiming to build long-term, mutually beneficial partnerships. The key elements of supplier development involve from capacity building and quality management to collaborative innovation and risk mitigation. As the saying goes, a chain is only as strong as its weakest link, and in the intricate network of modern supply chains, suppliers play a pivotal role.

In today's dynamic and competitive business landscape, organizations are recognizing the need to invest in the growth and improvement of their suppliers. This is not just an ethical commitment but a strategic imperative. Supplier development is not merely a philanthropic gesture; it is a shrewd business strategy that fosters innovation, increases efficiency, and ensures a resilient supply chain.

5. Conclusion

In conclusion, green procurement emerges as a pivotal strategy in contemporary business operations, embodying a transformative approach towards sustainable and environmentally responsible practices. The significance of green procurement is multifaceted, encompassing environmental, social, and economic dimensions. Through the adoption of green procurement practices, organizations can actively contribute to mitigating environmental degradation, reducing carbon footprints, and fostering a more sustainable future.

One of the paramount advantages of green procurement lies in its potential to drive innovation and promote the development of eco-friendly technologies and products. By favoring suppliers and partners committed to sustainable practices, businesses create a demand for green

alternatives, thereby encouraging research and development in the renewable energy sector, waste reduction technologies, and other environmentally friendly innovations.

Moreover, green procurement addresses social considerations by promoting ethical and fair labor practices. Organizations engaging in green procurement often scrutinize the entire supply chain, ensuring that suppliers adhere to responsible labor practices, safeguarding the well-being of workers involved in the production process. This ethical dimension not only enhances a company's reputation but also contributes to the broader goal of fostering social responsibility and inclusivity within the business ecosystem.

Economically, green procurement is increasingly recognized as a strategy that not only aligns with environmental and social goals but also enhances financial performance. Through resource efficiency, waste reduction, and the optimization of energy consumption, organizations can achieve cost savings in the long term. Additionally, as consumers and investors become more environmentally conscious, businesses that prioritize green procurement are likely to attract a wider customer base and enjoy enhanced brand loyalty.

Practical implementation of green procurement involves a comprehensive approach, encompassing policy development, supplier engagement, and continuous performance monitoring. Organizations need to establish clear guidelines and criteria for environmentally sustainable products and services, fostering a corporate culture that values and prioritizes sustainability. Supplier engagement is crucial, as close collaboration with vendors facilitates the integration of green principles throughout the supply chain.

Monitoring and reporting mechanisms play a pivotal role in ensuring the effectiveness of green procurement practices. Regular audits, performance assessments, and transparent reporting enable organizations to track their progress, identify areas for improvement, and demonstrate their commitment to sustainability to stakeholders. By embracing green procurement practices, organizations can position themselves as leaders in sustainable business practices, contributing to a healthier planet while securing long-term success and resilience in an ever-evolving global market.

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