

Chapter 7

Role of Sustainable Procurement in Sustainable Manufacturing Operations An Indian Insight

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ABSTRACT

Sustainable Procurement is an emerging concept in India in the recent times. It is imperative for the production firms to look the procurement activity as one of the strategic enabler for sustaining the business in the competitive global environment. Moreover, sustainability in India has been understood in multiple meanings and it is essential to bring the awareness on sustainable procurement and its impact on manufacturing. This chapter elucidates the key drivers of sustainable procurement along with a complete discussion on the importance of those practices in the Indian context. It also lists some of the key trends in the current business environment. The study endorses that manufacturing industry dominated by SMEs are highly reluctant to adopt sustainability as they lack awareness and perceive them as a cost escalation activity. It also reveals challenges faced by the firms and gives a conclusion on the future directions for sustainable procurement research in Indian context.

INTRODUCTION

In the emerging markets like India, sustainable manufacturing has taken a new momentum as there is a focus beyond Green operations. Industry professionals also started practicing the principles in multiple operational domains with diversified objectives. The concept is to be supported by sustainable procurement in the upstream and sustainable transport/Logistics in the downstream directions. Both of them are having an effective role on the core operations and look for including the partners inclusively and to

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work in the long term focus. In recent decade, governments across the world have become increasingly conscious about the adverse and undesirable impact of their purchases on society and environment, and are adopting sustainable procurement practices facilitated by legal reforms and policy guidelines (Terrin report, 2012). At present, Indian government is looking for a momentum in manufacturing domain through its new policy program called “*Make in India*” and for that Sustainability is becoming an essential element of Supply Chain (SC) systems. Due to this, many of the foreign players are trying to establish in Indian market with advanced and inclusive concepts in manufacturing, which have to be inducted to Indian system diligently. These firms are looking at India as an emerging market as a potential one because of abundant and versatility in resources’ availability. Naturally, when they try to invest in manufacturing domains, they bring in the latest trends and to be adopted in the localized condition to sustain in the market. They also give the directions to their Indian counterparts to be ready to implement and go further on their current level of understanding on sustainability. Also, it would help Indian players to compete globally by adopting stringent global norms followed in the operations which are considered to be sustainable.

As earlier said, Sustainable procurement is becoming an integrated component in the supply chain systems with many players are becoming aware of the regulations and needs of the customers closely. Moreover, the research in the said domains is in nascent stage and any work in sustainable manufacturing, procurement and logistics would help industry policy makers to look upon and devise their strategy accordingly. The domain is explored in the public procurement domain at the global level with very few research reports on private firm orientation. Further, Indian industries face lots of challenges in implementing the same. This chapter will identify and discuss those challenges along with a brief report on the current status of sustainable procurement in India.

Sustainable Procurement: An Insight

Supply chain domain is currently dominated by the buzz word “Sustainability” in its processes and practices. Of late, it has been used as a misnomer with “Green approach,” while Chartered Institute of Purchasing and Supply defines it as a process beyond “Green”. Welsh Procurement Initiative (2004) defines Supply Chain Management (SCM) as a process that considers the negative ecological and societal impacts of the procurement while distributing or receiving the services/products. The firms are expected to draft a holistic procurement practices with socially, ethically and environmental responsible procurement activities. This is to minimize environmental impact through the supply chain and to deliver economically accepted solutions as well. So, these practices would create the values beyond the usage and not only to the purchasing organization, but also express the tangible benefits to the society and economy are generally named as Sustainable procurement practices. In today’s competitive environment, organizations are also in need of continuous and swift improvements to get new competitive advantages. For that purchasing plays a major role in sustainable development. Therefore, these practices, strategies and policies must be extended across all levels of their SCs irrespective of firms’ boundaries (Luthra et al., 2014a). That includes involvement of the suppliers in all the levels to create a value in the transformation process. In the similar lines, Walker et al. (2012) suggested that the Sustainable Procurement (SP) is the planning of long term development plans/objectives to include environmental, social and economic aspects in the purchasing and supply processes. Sustainable procurement practices may be a good solution to achieve that as well environment and social benefits in the SC activities. A sustainable purchasing means consideration of economic, technical, and legal purchasing requirement to achieve

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