

LITERATURE REVIEW ON RESPONSIBLE PROCUREMENT PRACTICES

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Abstract

Ethical supply management is a critical issue due to the strategic dimension that is of the purchasing function within the company. The management of the supply chain must integrate issues related to sustainable development in procurement management. This article will seek the main levers of supply chain fair and ethical basis to establish, firstly, to promote best practices in supply management in the one hand and to assist procurement personnel to respond effectively to undesirable situations from an ethical point of view in the other hand. The paper also illustrates the problem of the selection of responsible suppliers through the application of the TOPSIS's method.

Keywords : responsible procurement, sourcing, green supply chain , sustainability

1. Introduction

Wanscoor (2010) develops the approach that the supply chain must go beyond logistics integration involving the coordination and planning in the sequence of the execution of operations. According to him, the supply chain will be more sustainable and ethical. Indeed, ethics is the most popular competence among buyers (Giunipero and Handfield, 2004). For thirty years, the purchasing function dominates thinking in strategic management and seeks to highlight the issues:

- What are the main challenges of ethical sourcing?
- The various players have an impact on the integration of ethics in procurement?
- The measures to be implemented to achieve ethical sourcing?

Barney (1991) indicates that the contribution of a function can be measured by the increased competitive sustainable advantage that it can provide to the business. This finding was supported by Richard Calvi et al. (2010) who state that procurement practices in companies are definitely geared towards reducing costs. Furthermore, Philipp Goebel et al. (2012) believe that companies are increasingly held responsible for actions of their suppliers and must, therefore, ensure a conduct of those compliant with ethical standards. In this context, the supply chain appears as an essential factor in protecting organizations of being accused of irresponsible and unethical behavior. Jaideep Motwani et al. (1998) concluded that the cause of conduct contrary to the ethics is not necessarily the absence of moral standards of the individual but the nature of the action of the manager, the ethical climate within a business and the absence of company policy addressing this issue are factors which contribute towards unethical behavior.

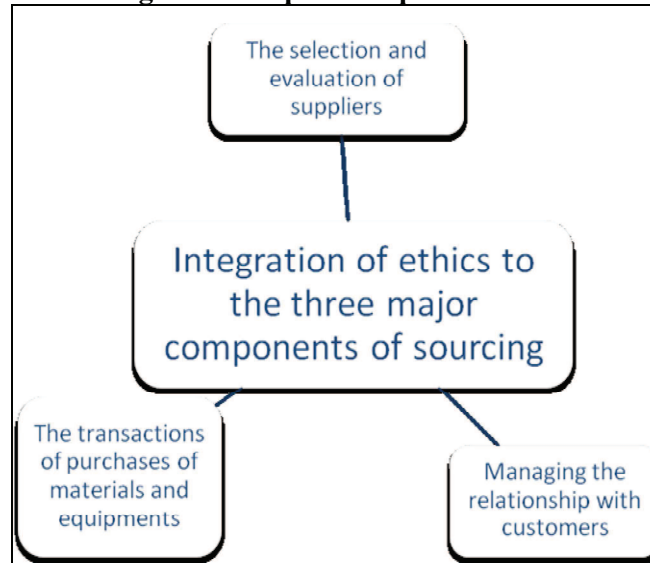
The purpose of this article is to understand the importance of ethical behavior in the purchasing function in maintaining relationships with reliable suppliers ethically and, therefore, satisfied customers. Indeed, identify elements, that influence ethical behavior in sourcing, are a particularly important step in the strategy for sustainable decision making.

2. Responsible procurement

Ethics is a critical challenge in supply chain management and procurement function is certainly the most vulnerable function in unethical practices. Jean Nollet and Christine Ouellette (2007), define ethics as the widespread and systematic integration of ethical variable to the various components of procurement management (Figure 1).

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Figure 1: Responsible procurement



The integration of responsible procurement is a delicate due to the involvement of several practices. Jean Nollet and Christine (2007), Cooper et al. (1997) list the parameters influencing these practices, most frequently observed on three levels:

- Preferences of senior management: to choose the preferred suppliers by management without consideration of objective criteria for the selection of suppliers;
- Purchasing Manager's personality: these authors consider that any unethical behavior is primarily a matter of individual;
- The timeliness and honesty: to meet the needs and queries of customers with honesty, integrity and professionalism while ensuring a responsible supply management whose objective is the general interest and compliance with laws.

Are there specific levers to ethical sourcing? Ethical sourcing is therefore a way of thinking and doing, to be well integrated. Indeed, the intense competition forces companies to focus on cost reduction than on the issue of ethics (Ramsey, 2003). Indeed, many goods are now produced in economies in transition, resulting in low production costs. At the same time, the chains of globalized supply pose new risks and challenges of environmental orders such as waste reduction, recycling, product design, and social issues such as child labor, working conditions and corruption.

The Quebec Area Consultation on Responsible Supply Practices ECPAR distinguishes two complementary approaches to responsible procurement process:

- Product approach aims to select goods with the best environmental and social performance throughout their life cycles;
- Supplier approach is to ensure that the company does business with responsible suppliers. In other words, promote the selection of suppliers with ethical practices.

Opt for ethical sourcing is particularly challenging (Harwood and Humby, 2008) because it leads to a dilemma for purchasing managers. These must now reconcile the search for the lowest possible price purchases and the consideration of social and environmental dimensions in making purchasing decisions. Jiang (2009), the lack of knowledge of the environment in which the products are manufactured for each supplier and the specific characteristics of each product encourages the responsible sourcing to lean more towards the providers that offer lower purchase price from a group of potential suppliers. Ethically, the choice of responsible procurement could be considered "partially correct" if he chooses the supplier offering the lowest purchase price and the savings on lower costs contribute to the sustainability and economic viability enterprise (Philipp Goebel et al., 2012).

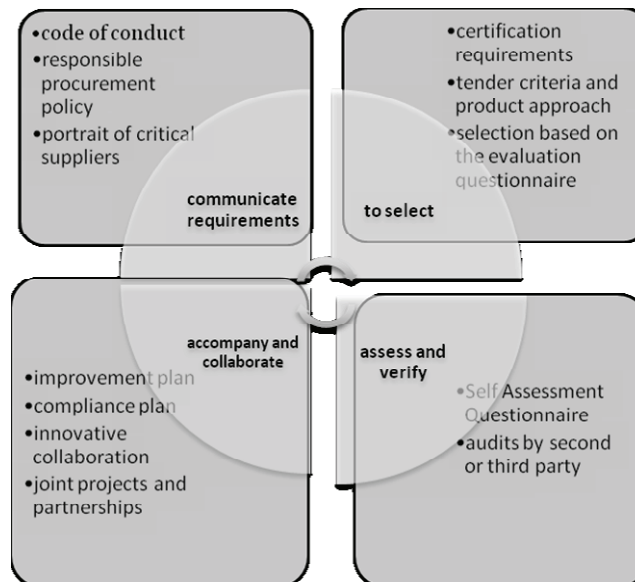
3. Selection of suppliers as a lever of responsible procurement

Svensson et al. (2009) argue that we can't have sustainable business practices without being really focused on being ethical and therefore on ethical behavior and sustainability. These two concepts are highly related, because if we adopt ethical behavior then we can naturally do business sustainably. Philipp et al. (2012); Harwood and Humby (2008) consider purchasing managers often have performance-related pay systems that are based solely on cost savings and do not have the means or margin to assess and ensure supplier compliance to ethical standards. Ethical culture is part of the organizational culture and is considered the means and the result of the social interaction of the company. Gonzalez et al. (2008) estimate that the presence of an appropriate ethical culture determines the way in which the purchasing managers assess the potential compromise between ethics and economics. Indeed, our research is mainly directed towards the impact of the perception of this ethical culture by the head of supplies on the selection of suppliers.

We have previously stated that a responsible procurement policy comes in two complementary approaches. By focusing on products designed and manufactured ethically in social and environmental conditions that meet the standards, the purchasing manager encourages suppliers to improve their practices. The product approach is so an easy lever to highlight social responsibility in the supply chain. The selection of suppliers is a key activity of the supply chain, and one of the most important lever for building a sustainable supply base (Schiele, 2007). Indeed, the supply may take a protective role when selecting suppliers on the basis of a certain number of criteria, that related to environmental and social sustainability, has been predefined well. For example, The responsible of procurement should refrain from buying from suppliers who fail to meet the conditions and labor laws, nor that harm the environment. But it is undoubtedly important to note that this approach is contrary to the strategic role of the purchasing function indicated by Calvi et al. (2010) which is to identify and develop suppliers inaccessible to competitors and buy a hardly imitable way.

To guide the responsible of supply side to arbitration indicated earlier in the selection of suppliers between the economic criteria of suppliers on one hand, and the social and environmental criteria on the other side, the company can press different elements to improve the ethics and decision making. The EPCAR proposes to encourage the improvement of supplier practices, integrating the principles and sustainable development issues in the analysis tools, evaluation, development and customer relationship management (Figure 2).

Figure 2: Implementation shutters of an responsible procurement policy



Source: EPCAR

Philipp Goebel et al. (2012) studied the influence of the ethical culture of the selection of socially and environmentally sustainable suppliers and they have concentrated not only efforts on the links between these and the ethical behavior of senior management but also the influence of incentives officials supply managers to act in a way that is ethical or unethical. The impact was also analyzed in the case of the establishment of a code of conduct and obedience to authority as having considerable influences on unethical behavior.

It was seen that procurement officers and senior management who face ethical problems and determine the ethical level of the company by their choice. When choosing suppliers, are ethical variables taken into account by the responsible purchasing? Jean Nollet and Christine Ouellette (2007) believe that ethical sourcing can only be achieved by individual responsibility and that it is essential to have awareness. As for the results obtained by Philipp et al. (2012) show that the senior management of the company doesn't reflect ethical behavior through specific actions and socially responsible, and that the use of traditional economic criteria dominates criteria integrating ethics. These results confirmed the finding of Maignan et al. (2002) that have sustainable procurement as overworked employees and explain the difficulty in integrating sustainable development into procurement practices. Indeed, an ethical sourcing strategy should be determined by the companies. This strategy should highlight the environmental objectives for each supplier and a regular audit of supplier's practices.

4. Conclusions and implications

The purpose of the article was to present the strategic nature of supply management for corporates and also evaluate the integration of responsible behavior in the procurement function. Maignan et al. (2002) indicate that ethical behavior in the specific context providers selection remains linked to senior management guidelines knowing that purchasing managers are overworked and without clear guidance. Goebel et al. (2012) show no significant influence of a code of conduct on the selection of socially responsible suppliers.

Based on all the conclusions we can draw some implications for reaching ethical sourcing. Nollet, and J. Ouellette, C. suggest that the starting point for ethical sourcing is to assess the state of the current situation and set goals. As such, we propose that senior management must lead by example through fair management of the company to encourage responsible purchasing to opt for ethical procurement and especially in the selection of suppliers.

The limit of this article is the choice of evaluation criteria that can be different for responsible purchase to another depending on the perception granted by each manager. Finally, analysis of questions on ethical sourcing can be different depending on the nature of organizations, a study on responsible sourcing in government or clinical seems very promising.

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