Green public procurement implementation challenges in Australian public healthcare sector

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ABSTRACT

This study investigates challenges of implementing green public procurement (GPP) in Australian public healthcare sector. Through an extensive literature review it develops a framework of GPP implementation that incorporates five challenge-categories and sixteen challenges. The problem is structured as an analytic hierarchy process (AHP) based multi-criteria decision-making model. The AHP-based structured interviews are conducted with the health-procurement executives to collect data and information. The results of the analysis reveal that the key challenge-categories of green health procurement are related to government, NGO and public issues, and organisational green issues. The most critical challenges found are lack of legislation on green procurement, senior management support for green, government incentives for green purchase, and lack of financial support. Some of the least important challenges identified are green preferences in purchasing, understanding of green policy, availability of green product supplier, and collaboration with supplier. The most critical challenges are mainly strategic, whereas, the least important challenges are operational in nature. An insight into the criticality of the challenges and a clear understanding of their decision-making domains could assist public health institutions devising strategies and policies on green procurement.

1. Introduction

Public procurement is usually bounded by sets of legal constraints, requirements, and regulations for fair, ethical, and transparent governance to ensure that the solicitation of vendors proceeds in a fair way (Correia et al., 2013; Lian and Laing, 2004; New et al., 2002). Globally, public procurement represents 15–30% of national GDP (UNEP, 2012). Owing to such massive procurement volume, it is suggested that the impetus for green procurement would be greatly enhance if green preferences are incorporated into public sector purchases (UNEP, 2012).

The concept of green procurement is used synonymously with terms such as environmentally responsible procurement (Bakir et al., 2013; Li and Geiser, 2005), sustainable procurement (Aktin and Gergin, 2016; Uttam and Roos, 2015), and eco procurement (Bolton, 2008). Green procurement considers environmental issues through total cost of product ownership and product life cycle analysis (UNEP, 2012). The focus of the specific task regarding green procurement differs based on organisations’ objectives. For example, organisations may consider purchase of products made from recycled materials, inclusion of environmental criteria in green supplier selection (Igarashi et al., 2013; Zhu et al., 2013), logistics practices such as the use of less energy and resources, and more environmentally friendly packaging and transport (Otsuki, 2011) as part of the green procurement. The concept may also include activities such as monitoring and auditing suppliers for ISO 14001 certification and actual green performance records (Seuring and Müller, 2008). Broadly, through GPP public sector organisations seek to procure goods and services, and works to meet environmental goals such as reducing greenhouse gas emissions, improving energy and water efficiency, and supporting recycling (UNEP, 2012).

Incentives for GPP practices are often limited (Thomson and Jackson, 2007; Zhu et al., 2013). Tensions may exist between green procurement and efficiency agenda. In cases where green procurement represents cost savings, the choice for green procurement is clear. However, in instances where there is no obvious or clear outcome and prevails substantial sentiment that green procurement results in the purchase of inferior products, additional burden is inflicted on procurement executives who must

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develop green procurement policies and procedures and graft them onto existing procurement systems (Coggburn, 2004). Over the recent past years, several studies have been conducted investigating issues regarding green procurement. However, these studies are mainly in the context of the private sector (Appolloni et al., 2014; Rizzi et al., 2014; Walker and Jones, 2012; Zhu et al., 2008) and relatively limited research are undertaken in the context of the public sector (Zhu et al., 2013). Furthermore, a vast majority of these studies have been pursued within few EU and North American countries (Appolloni et al., 2011; Faith-Ell et al., 2006; Günther and Scheibe, 2006; Hall, 2000; Hartshorn et al., 2005; Oruezabala and Rico, 2012). In a recent study, Walker and Brammer (2012) identify 32 GPP studies of which only four studies have been conducted in the healthcare sector. One of the rare studies on GPP in the health sector conducted by Walker and Brammer (2009) identifies several challenges and facilitators of sustainable procurement in the UK. However, their model is limited in its scope when comes to the challenges of green procurement in the public healthcare sector. With the aim of extending GPP research, the main objective of this research is to focus on the Australian public health purchasing and identify potential challenges of implementing GPP in the healthcare sector. Hence, the research questions (RQ) are:

RQ1. What are the critical challenges and challenge-categories of implementing GPP in Australian public health sector?

RQ2. To what extent are the most critical GPP challenges robust to the changes of the priority weights of the major challenge-categories?

To address the research questions and fulfill our research objective we review the extant literature and propose a framework for GPP implementation in public healthcare sector with five green procurement challenge-categories and 16 challenges. This framework is unique, as no previous study has considered GPP challenges at both macro and micro level simultaneously. We investigate GPP implementation challenges in the public healthcare sector of two major Australian states Victoria and Queensland, where Victoria is considered a leading state, and Queensland is considered an emerging state for green healthcare procurement. To the best of our knowledge no research on GPP challenges has been conducted in the context of Australian health sector.

The rest of the paper is structured as follows. Section 2 provides the contextual background of the study and reviews the relevant literature of GPP challenges. Section 3 describes the process of identifying the critical challenges. Section 4 presents the results of the analysis and a discussion on the findings including the policy implications is provided in Section 5. Finally, the paper concludes with a summary of results, limitations, and future research direction in Section 6.

2. Contextual background and literature review

2.1. Research background—procurement in Australian public healthcare sector

Healthcare procurement is one of the top procurement spending sectors of the Australian government. The expenditure in this sector has almost tripled from $58 billion in 2000–2001 to $147 billion in 2012–13 (AIHW, 2014). Given the size of the healthcare procurement the Australian government has the potential to play the role of a leading model green purchaser and encourage and incorporate green considerations into procurement decisions. The government considers green procurement as a process for organisations to meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis while minimizing damage to the environment (DSEWP, 2013). Every state in Australia have their own green procurement policy and state health systems issue specific environmental procurement guidelines encapsulating under the criteria of value for money and environmental protection (AEHA, 2014). This research aims to study the green procurement challenges in Australian public healthcare sector reflecting on two major states such as Victoria and Queensland.

In Victoria, the public healthcare sector spends over $1.6 billion per annum on procurement which is approximately 20% of the total Australian public healthcare spending (Department of Health, 2014). While purchasing the Victorian public healthcare sector gives a due consideration to suppliers’ environmental, social and ethical practices, and products energy and water usage, and waste generation over the period of use. Furthermore, internally, the sector considers demand-management assessment to reduce consumption and shift demand to more environmental sustainable goods and services where possible (CES, 2006; Department of Health, 2014). The sector procures goods and services directly, as well as through panel arrangements with Health Purchasing Victoria (HPV) which is a central procurement agency involved in organising purchase for public hospitals and health services, and assists in improving the collective purchasing power for the public health sector (Victorian Auditor-General, 2011).

The Queensland procurement policy aims to deliver excellence in procurement guided by six principles: value for money, working together across different government agencies, understanding needs, the market and deliver better outcomes, procurement to support sustainability, focus on stakeholders and community in procurement, and ensure accountability for outcomes (DHPW, June 2013). Health Services Purchasing and Logistics (HSPL) is the main governing body of Queensland Health that provides services to 17 hospitals and health services and the Department of Health (DHPW, June 2013). The mission of HSPL is to ensure ‘value for money’ in procurement of goods and services (which include medical equipment, medical consumables, facilities maintenance, specialist health services etc.) and support health service delivery. The roles of HSPL include overseeing cross-organisational procurement contracts management, and planning purchasing process improvement and staff development (HSPL, 2011). Through one of its units called Carbon Management Unit, HSPL plays an important role in raising green awareness in Queensland Health and help develop and implement a statewide eco-efficiency program to introduce energy and water conservation measures into health facilities.

2.2. Literature review of green procurement challenges

Several challenges of implementing green procurement has been suggested in the literature such as top management support (Hoejmose and Adrien-Kirby, 2012), limited knowledge and resources (Erridge and Hennigan, 2012); environmental orientation (Chan et al., 2012), organisational attitudes and incentives (Walker and Brammer, 2009), and cost-effectiveness of sustainable procurement (Brammer and Walker, 2011; Walker and Brammer, 2009). However, to study the GPP implementation it is crucial to identify and cluster the implementation challenges in a systematic manner. To this end we develop a GPP challenge framework based...
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