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Sustainable procurement disclosure practices in central public sector enterprises: Evidence from India

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ABSTRACT

The objective of this study is to explore sustainable procurement practices across Central Public Sector Enterprises (CPSE) in India, and particularly to understand how CPSEs operationalise and disclose sustainable procurement (SP) practices. This study uses a content analysis methodology to review the SP disclosure practices of top 50 CPSEs selected on the basis of annual turnover. Out of the eight SP dimensions examined in this study, it is interesting to note that the maximum disclosures were under economic development, philanthropy and community development practices. This study finds that 'product responsibility' reporting is minimal in quantity and is not combined with other elements of sustainable procurement. The study developed a strong and robust SP disclosure index (SPDI) comprising the eight dimensions of sustainable procurement. This study breaks new ground and provides a springboard for future research to investigate SP practices in India and other developing countries. This study provides several important implications and is an original contribution to the literature.

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1. Introduction

Sustainable procurement can be defined as 'giving due consideration to the impact of the procurement on the environment, on the community and on the social conditions of those delivering or receiving the product of the service' (Welsh Procurement Initiative, 2004, p. 5). In other words, SP means 'thinking carefully about what to buy, buying only what you really need, purchasing products and services with high environmental performance and considering the social and economic impacts of purchasing decisions' (Tepper et al., 2008, p. 7). The Department for Environment Food and Rural Affairs (2006), p. 10 states that 'Sustainable Procurement is a process whereby organisations meet their needs for goods, services, 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 the economy, whilst minimising damage to the environment.

This study explores the sustainable procurement disclosures across Central Public Sector Enterprises (CPSE) in India, and in particular endeavours to understand how CPSEs operationalise and disclose sustainable procurement (SP) practices. SP practices,

if implemented appropriately, possess a huge potential to impact socio-economic and environmental concerns. The author states that there is a need to understand sustainable procurement practices across developing economies such as India and China because of concerns with a range of issues: climate change issues, sustainability challenges, inappropriate industrialisation, poor safety and health standards, consumption patterns and huge production expenditures in these countries. These concerns make this study important and timely.

The current study is motivated by Tate et al. (2010) and Schoenherr et al. (2012) to investigate SP reporting and disclosure practices and to extend the procurement research within a developing country. Despite growing interest, globally there is a lack of public procurement studies (Walker and Brammer, 2012). 'Public sector enterprises in India are being urged to internalise the practice of sustainability reporting' (Sustainability Reporting Policies Worldwide—Today's Best Practice, Tomorrow's Trends, 2013, p. 33). 'Green' procurement is one of the most significant responsibilities of the governments because purchasing capacity impacts the environment. Therefore, it is expected that the public sector should be the leader in green consumption, green buying and promulgating environment-friendly activities (Erdmenger et al., 2001). Government and public organisations act as a benchmark and exert a pressure on organisations to follow environment-friendly ways of procurement. In India, approximately 20% to 30% of the GDP is spent on public procurement, and there are several ministries in which 50% of the total budget is spent on procurement (India: Probity in

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Public Procurement, 2013). Thus, it is worthwhile exploring the SP disclosure practices of CPSEs in India.

This study is important primarily for three reasons. First, despite the unique position of CPSEs in India, the literature does not address the sustainable procurement reporting and disclosure practices of these enterprises. Second, the public sector enterprises in India are one of the largest purchasers of goods and services and a key instrument in implementing sustainable procurement policies (Sustainable Public Procurement: Towards a Low Carbon Economy, 2008). CPSEs include the top energy producers of India, are amongst the largest employers, and simultaneously possess a huge potential to impact the environment and other socio-economic-related concerns. One of the most peculiar characteristics of CPSEs, unlike other enterprises in India, is that they have strong dominance of government shareholding and dominate the mining, power and energy sectors in India. For example, Coal India Limited has 90% government shareholding, Hindustan Paper Corporation Ltd (HPC) has 100% government shareholding, National Thermal Power Corporation has (NTPC) has 84.50% government shareholding and Indian Oil has 78.2% of government shareholding (Department of Public Enterprises, 2013). Therefore, the CPSEs spend a huge amount of money on procurement activities, and exercise public buying. Finally, the current study provides a motive for future research to extend the sustainable procurement reporting practices in developing regions. The work addresses the gap in the literature and is underpinned by the following research question: 'What do CPSEs in India report on sustainable procurement practices'?

2. Sustainable procurement: Review of literature

According to Walker and Brammer (2009), p. 128, 'Sustainable procurement is a procurement that is consistent with the principles of sustainable development, such as ensuring a strong healthy and just society, living within environmental limits, and promoting good governance. In a similar vein, Walker and Brammer (2012), p. 260 state that 'Sustainable procurement in its various guises is a policy objective in public procurement and is the pursuit of sustainability objectives in the purchasing and supply process. Another definition of SP states that 'Sustainable procurement means thinking carefully about what to buy, buying only what you really need, purchasing products and services with high environmental performance and considering the social and economic impacts of purchasing decisions' (UNEP, 2008, p. 6). The sustainable procurement definitions shed light that the SP concept is broad, wide-ranging and complex. It stands on various interrelated elements such as buying and purchasing, supply process, value for money, environment, society, sustainable development, economy and good governance. Thomson and Jackson (2007) state that the UK government has taken several initiatives to attain a strong level of SP practices inside organisations. They further state that there is a strong possibility at the organisational level to ignore green procurement consideration while making sustainable procurement decisions. Similarly, Walker and Brammer (2009) state that the public sector stands on taxpayers' money, and thus it is their responsibility to deliver social and environmental objectives in the honest manner. Whereas in practice, Michelsen and De Boer (2009) find that larger municipalities compared with small municipalities in Norway tend to focus on green procurement; however, the 'Public Procurement Act' is not rigorously implemented.

The decade of 2000–2010 saw several scholarly sustainable procurement studies—Carter (2004), Cousins et al. (2004, 2006), Carter and Rogers (2008), Walker and Brammer (2009) and Pagell et al. (2010). According to Correia et al. (2013), p.58 'because of its scale, public procurement is widely seen as one of the most effective potential mechanisms available to governments to drive public policies such as the low carbon agenda'. Their study presents several

challenges in achieving 'EUROPE 2020' strategy of a low carbon economy. Cost is an important barrier in implementing sustainable procurement within organisations (Zhu et al., 2005). Long-term cost reduction is an incentive and goal of organisations, however several internal and external drivers (such as cost, organisational culture, policies and strategies) influence sustainable procurement implementation (Walker et al., 2009). Additionally, socially responsible purchasing can be administered by various indirect ethical practices inside the organisation (Blome and Paulraj, 2013). Overall, cost, ethics, transparency, environmental regulations are some of the challenges in integrating sustainable procurement into practice (Min and Galle, 2001; Walker et al., 2009; Walker and Preuss, 2008).

There are studies which have investigated CSR practices in India (Sahay, 2004; Sangle, 2010; Gautam and Singh, 2010; Mishra and Suar, 2010), however the sustainable procurement practices of Indian companies is still an under-researched area. Therefore, this study is timely and opportune. CPSEs are considered the benchmarks or standard-setting institutions in India because of their industrial growth, international presence and strong impact on the Indian economy; hence, it is worthwhile exploring SP disclosure practices inside CPSEs.

Morali and Searcy (2013) explore the supply chain management practices of Canadian companies. Their content analysis based study noted that 'the integration of all three dimensions of sustainability into supply chain operations is relatively limited and most companies focus their SSCM strategies primarily on the economic dimension of sustainability' (p. 17). Thomson and Jackson (2007) state that Japan is an exemplary country in green public procurement and has developed a mandatory reporting system along with other procurement policies. In a recent study Ahi and Searcy (2015) also used content analysis to explore green supply chain management (GSCM) and sustainable supply chain management (SSCM) metrics. They found that there is a sharp increase in the scholarly literature addressing GSCM and SSCM dimensions and the application of GSCM and SSCM are still expanding. Therefore, SP, green supply chain, sustainable supply chain have few common elements and most importantly their aim is to enhance the organisational sustainability practices.

Two basic themes have emerged from the literature review. First, sustainable procurement studies are predominantly researched within the developed countries (Thomson and Jackson, 2007; Preuss, 2007; Walker et al., 2009; Pullman et al., 2009; Varnäs et al., 2009; Brammer and Walker, 2011; Walker and Jones, 2012; Walker and Brammer, 2012; Ehgott et al., 2013; Blome and Paulraj, 2013). The number of sustainable procurement studies within developing and/or underdeveloped countries is typically low, and in most cases, the sustainable procurement literature is unavailable or unexplored for such countries. Second, there is a critical lack of sustainable procurement disclosure studies from the South Asian and Indian sub-continent regions, particularly India. Although the literature suggests there is an urgent need to investigate SP practices globally (Walker and Brammer, 2012), sustainable procurement studies within the Indian context has been neglected. In response, this study details the need for a rigorous understanding and application of the sustainable procurement disclosure practices of CPSEs in a developing country like India. The next section addresses the SP frameworks in India.

3. Sustainable procurement frameworks in India

The emergence of CPSEs began with the independence of India in 1947. The CPSEs were formed to strengthen India's industrial growth, particularly mining and energy, manufacturing, iron and steel, heavy machinery, etc., and are considered the backbone of industrial growth from 1960 to 1980 (Mukherjee, 2013). The Indian economy

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