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Sustainable Purchasing in an International Context: A relational perspective

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Learning goals

After studying this chapter, readers will have the ability to:

- 1 Appreciate the difference between standard purchasing and *sustainable* purchasing;
- 2 Understand the complexity of ensuring sustainable development in international purchasing;
- 3 Know that sustainable purchasing goes further than environmental sustainable purchasing;
- 4 Appreciate solutions to ensure more sustainable international purchasing practices.

Introduction

Sustainable value creation depends not only on the internal organisation of businesses, but also on their relations with others in the wider international supply chain. Particularly with increasing levels of outsourcing, it can be argued that businesses nowadays are no more sustainable than their suppliers (Krause *et al.*, 2009). Although this is increasingly acknowledged within manufacturing industry, it is as much the case in service-oriented industries, such as hospitality and tourism. However, awareness, willingness and ability to act and integrate measures of sustainability into purchasing and supply management has only received limited attention from hospitality and tourism stakeholders (Schwartz *et al.*, 2008). In the academic literature too, ways of achieving sustainable development within purchasing and supply chain management in the hospitality industry have received little attention – to the extent that some have argued “there is a clear

dearth in existing research” (Al-Aomar and Hussain, 2017: 42). This suggests that there is a lack of knowledge and understanding about this topic, which can lead to purchasing not being done in the most sustainable way possible, even when there is a willingness to do so. This chapter deals with this issue by focusing on the international aspects of purchasing in the value chain.

Purchasing is closely related to supply management and to appreciate the relationships a concise version of a hotel supply chain is provided in Figure 10.1.

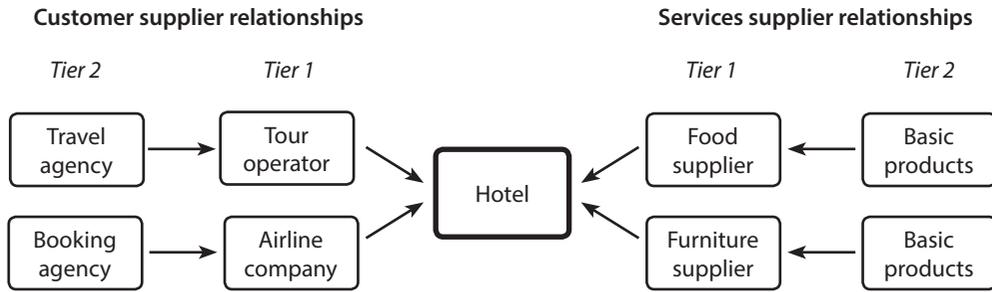


Figure 10.1: Simplified depiction of hotel supply chain (based on Lambert and Cooper, 2000: 68)

It is important to highlight the distinction between different tiers of suppliers, before detailing the different chains that can be identified in the hotel industry. First tier suppliers directly supply to the hotel, second tier suppliers supply the service providers of the first tier, third tier suppliers supply the second tier service providers, and so on (Zhang *et al.*, 2009). Within the current chapter the focus lies on purchasing activities with first tier suppliers, although there may be some discussion of second tier activities too.

When looking at the supply chains, it is important to recognise that there are two distinct channels within the hospitality industry supply chain, both with different purchasing characteristics. Hotels (and other hospitality providers) commonly purchase goods and services in order to be able to offer a good-quality product. These suppliers of goods and services form the first supply channel. The first tier here tends to be product and service providers (e.g. food, facilities, furniture) who in their turn purchase their products from second tier producers. Whereas there is an increasing tendency of hospitality providers to purchase from local suppliers, at least for the first tier, second or third tier providers can still be based abroad. The second channel concerns the way in which hotels are ‘supplied’ with customers. Here first tier suppliers are tour operators, taxis and/or airline companies, whereas second tier agents are inbound travel agents or travel agencies in the country of origin of the visitor. At the same time hotels provide tour operators and others also with customers, thus inverting the supply chain relationship. As will be argued below, this characteristic may offer possibilities to make the purchasing process within the hospitality sector more sustainable.

Given that the subject of this chapter is *sustainable* purchasing in the hotel sector, it is useful to provide greater clarity on this concept, as it may be interpreted in

different ways. Whereas *purchasing* commonly entails the management of external resources with the aim of managing a company's activities at the most favourable economic conditions (Van Weele, 2014), *sustainable purchasing* goes beyond this economic paradigm. It can be defined as "the consideration of environmental, social, ethical and economic issues in the management of the organization's external resources in such a way that the supply of all goods, services, capabilities and knowledge that are necessary for running, maintaining and managing the organization's primary and support activities provide value not only to the organization but also to society and the economy" (Miemczyk *et al.*, 2012: 489).

Three main types of buyer-supplier relationships can be discerned, largely depending on the interdependency of buyers and sellers. *Transactional* relationships are the most common. The focus in these relationships is mostly on price, with neither party is particularly involved in the well-being of the other and there is little sharing of information. Within *collaborative* relationships there is an awareness of interdependence and the benefits of long-term cooperation. This will require trust, planning and communication, but makes it less likely that supplies will be disrupted and allows for easier implementation of improvements. *Supply alliances* differ from collaborative relationships in that they include institutional trust, where trust is placed in the rules, roles and norms or even the 'values' of the organisation rather than the people who occupy these roles. Such alliances are difficult to achieve, but allow for greater openness and shared responsibilities. In this way supply alliances allow for more sustainable purchasing (Burt *et al.*, 2002).

The scope of sustainable purchasing may be wider than with normal purchasing, but the purchasing concept itself remains largely the same. Commonly purchasing is said to cover six core activities (Van Weele, 2014):

- 1 Determining the purchasing specifications of products and services;
- 2 Selecting the best possible suppliers;
- 3 Conducting negotiations to come to a legal contractual agreement;
- 4 Placing the order with the chosen suppliers;
- 5 Monitoring and controlling the order;
- 6 Follow up and evaluation.

In describing the scope of purchasing, it is important to acknowledge that these activities are closely interrelated and intermingled, so actions do not necessarily happen in this order and in this structured a fashion. Instead, the purchasing process can be seen as one of continuous negotiation, where decisions are based not simply on rational decision making, but also on the basis of the quality of networks and relations between old and new potential stakeholders (Van der Duim and Caalders, 2008). These characteristics complicate international purchasing practices, as will be discussed in the following section where sustainability challenges regarding international purchasing in the hospitality sector are discussed.

When looking at the international context in business, it is tempting to focus on geographical distance as a potential hindrance. However, while geographical