

The ethical issues raised in its supply chain business essay

[Business](#)



PROCUREMENT MANAGEMENT INDIVIDUAL ASSIGNMENT

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This is a report that Discusses the ethical issues in the supply chain management of Kyerico Company and its implications of such issues on the society as a whole. It further suggests appropriate way of addressing the identified ethical issues and proposing rules and regulations in addressing them in the long run. Kyerico is a distribution and wholesale company of pharmaceutical products with particular interest in eye drops. However in recent times the company is facing declines in their sales volumes in its market share. It is therefore suggested that Kyerico undertake certain innovative measures by adopting policies such as e-procurement, development of supplier relations, corporate social responsibilities and proper business practices in the hope that they can achieve their set goals.

Table of content

Executive

summery.....2Table

of content.....

3QUESTION 1a

4-9QUESTION 1b

10-14QUESTION 2.....

..... 15-21QUESTION

3.....

22-

26References.....

...26

QUESTION 1a: DEVELOP AND RECOMMEND A PLAN FOR KYERICO WHICH WILL ADDRESS THE ETHICAL ISSUES RAISED IN ITS SUPPLY CHAIN.

Supply chain is a network of facilities, functions and activities that are involved in fulfilling customer demands. It covers the procurement of materials, transformation of these materials into intermediate and finished products to customers and distributing of these finished products to customers. (Mensal, O. 2012).[1]Supply chain can therefore be said to be the combination of art and science that goes into improving the way a company finds the raw materials and components its needs to make a product or service and deliver to its customers.[2]According to the council of Supply Chain Management Professionals (CSMP), supply chain management encompasses the planning and management of all activities involved in sourcing, procurement, converting raw materials into finished product and logistics management. It also includes the crucial components of coordinating and collaboration with channels partners which can be suppliers, intermediaries through to the final customer. With this role played by supplier chain, it therefore makes it imperative to know all practices and procedures that goes on in these partner suppliers operations. One of these issues that are very critical are ethical issues that are undertaking in the partner organization. Therefore purchasing officials are to demonstrate that, the supply chain that they manage take it calm and corporate social

responsibilities issues seriously into consideration before considering to do business with such an organization. Since ethics in purchasing and supply management can relate to a wide range of issues including doubt, business procedures and practices through to corruption and also taking into account issues that have arisen throughout their business regarding social responsibilities, personal accountability and corporate governance. From the case study, examining one of the supplier, it can be identified that, Felico, one of the suppliers of Kyerico was engaged in a number of unethical business practices. One of the unethical practice identified was that, Felico workers were working in an unhealthy environment. This is one serious and fundamental ethical behavior that is critical in the evaluation as a supplier. Every business organization should endeavour to provide a healthy business environment for its workers to work in as specified in the provision of International Labour Organization (ILO) business requirements. This means that, to avoid this kind of situation, Kyerico should ensure that the environment in which the workers work are hygienic enough not only to meet international standards but also to meet local regulations. Another unethical business practice by Felico was the use of child labourers (i. e. under aged children) it is against the United Nations right for children to engage under aged children in any business activity no matter how small the task is, it is against children's right and therefore Felico should not have employed children since they stand the chance of been abused. Felico should therefore ensure that proper laid down rules regarding the employment of staff are clearly spelt out indicating the employment age suitable for consideration for employment. However, Kyerico should also

ensure that partners engaged as suppliers do not engage minor in their operations. Again, another unethical identified in the case study is that, Felico punishing its staff for their inability to complete an order on time. This practice of punishment in whatever form is against human right and seen as an abuse of the human right of the staff of Felico. In a normal business practice, when staff are unable to complete their task on schedule, staff are allowed to perform extra hours of work and pay as overtime allowance with the consent of the employee. Again, the staff member could have been given additional training to learn new ways of meeting target and doing the same thing better rather than punishment. These actions are against human rights and are deemed unethical and should be considered in the selection of the supplier. So when it is identified that, a supplier is engaged in such a practice, the buying organization should not select such an organization as a supplier since its activities may have a negative impact on the buying company. In addition to some of the unethical business practices identified is the payment of low wages of the staff of Felico. It is enshrined in the ILO that employees are entitled to a fair wage and salaries and therefore any employer who pays less than minimum wage related to the trade union in any country is considered to have bridged to legal requirement and seen as unethical practice. Internally, another unethical business practice that was identified in house of Kyerico was the number of discrepancies between the automated stock figures in the warehouse and the actual stock figures. As this practice has the tendency of making one suggest several reasons why this kind of practice would be undertaken in an organization. As this gives room to speculate task avoidance or other purposes. This kind of practices

tends to conceal a lot of information and as such it must be taken seriously into consideration in the selection criteria of the supplier. It could also suggest that the supplier does not have enough security practices in place at his premises the reasons for these discrepancies. Again, another unethical practice that raised a lot of suspicion was the fact that senior managers of Kyerico have been sponsored by Alexco Company to attend premium sporting events and staying in exclusive hotels and attending expensive banquets. Although attending these expensive banquets are not conclusive enough in suggesting a direct attempt to corrupt officials, it can go a long way in affecting decisions that may be in favour of Alexco in future therefore seen as unethical business practice. Kyerico must therefore direct its employees not to accept these offers since it does not help in building a good image for the company. Staff can accept gifts but should declare such a gift to a senior authority. The last but not the least unethical issue identified is the issue of gender discrimination in Kyerico. It is against human right that people are paid equal work for equal pay and that irrespective of the gender assigned the task, the same remuneration must be paid for the same task irrespective of who is performing the task. This issue is a recipe for disaster if found out by women advocate and as such seen as unethical practice. Kyerico must therefore ensure that the human resource department assign appropriate pay levels to every task performed irrespective of the gender performing that task. In moving forward for Kyerico, it must put in place as part of their strategic plan not to be associated with any supplier with any unethical behavior. Kyerico should incorporate in their procurement policy that, as part of the criteria for

selecting a particular supplier, the supplier must as part of their documents to submit an ethical policy declaring their stand against poor working environment and that that supplier supports workers to work in a safe and healthy environment. This policy of the supplier must not only be said in its policy but rather must be seen to practice this by having a healthy and safety certifications. Again, Kyerico must include as part of his selecting criteria a policy from the supplier that states their position against the use of child labours and the use of underage children in the performance of their work. This stand against the use of children by the supplier must be exhibited in the kind of people employed and also site visit by the buying company must clearly show the evidence of this position taken by the supplier before that supplier is considered as a supplier. Another policy that must be clearly stated by the supplier and to be incorporated as part of criteria in the selection of the supplier must be the stand to respect human right and to pay fair wages to its employees. This should be evident in the organization, the presence of the trade union and the existence of a collective bargaining agreement between management and workers having a mutual understanding of working hours and the collection of service. This would ensure that employees who wants to meet target are paid for the extra hours worked as an overtime allowance to complete assigned task and also to be trained and equipped enough to be able to meet target. Again, it must be as a matter of policy by Kyerico that no member of staff must accept gift in excess of \$50 and even any offer made by any supplier must be so declared to management. Any offer made by a supplier that may suggest to influence an officer of Kyerico must be rejected and supplier

blacklisted from its list of preferred suppliers. This policy when followed religiously may deter suppliers from making advances in that direction. Furthermore, Kyerico must restructure the processes and procedures between the automatic stock figures and the actual stock figures at the warehouse to have complementary figures. This can be done by ensuring that, the automatic stock declares are actually what the warehouse has and acknowledges by receipt. Again, any stock released from the warehouse must have a corresponding paying receipt from the finance department. Furthermore, any issuance of stock from the warehouse must be accompanied by appropriate authorization and also security measures put in place so that copies of all way bill covering consignment from the warehouse must be submitted to the security at the gate of exit to be submitted to the authorizing officer to avoid theft. Lastly, the administration must assign wage levels to every task that is performed. This would resolve the issuance and discrimination against the payment of varying wages to persons performing the same task. This will ensure that equal work irrespective of gender will receive equal pay. As part of the proposed plan above, Kyerico must put in place a communication plan. Kyerico must have a more interaction with Felico so that some of the issues identified can be talked about and probably brought to their attention as unethical. Last but not the least, is that, Kyerico must embark on frequent visitation to suppliers sites. This is abreast itself frequently with whatever is going on supplier's organization. This will make Kyerico know at firsthand what its suppliers are doing wrong or right at firsthand. In conclusion, it will be recommended that Kyerico incorporate into his procurement policy to ensure that all suppliers

comply and meet practices such as fair trade, ethical training, ethical sourcing, social accountability, corporate social responsibility, codes of conduct, and reputation assurance so that the credibility of Kyerico can be recognized and not to be seen as condoning and conspiring with organizations who engage in unethical practices as it is said in the Ghanaian proverb " show me your friend and I will show you your character." It is recommended that Kyerico restructure its operating processes and adopt much more efficient practices by introducing information technology. Also, it is recommended that all suppliers are given a fair and competitive avenue to bid so that the best supplier is selected rather than awarding over 40% who is also not giving value for money.

QUESTION 1b: CREATE A SET OF RULES FOR ETHICAL BEHAVIOR THAT WILL ENABLE KYERICO TO PREVENT THESE INTERNAL AND EXTERNAL ISSUES OCCURRING IN THE FUTURE.

Most professions have internally enforced codes of practice that members of the profession must follow to prevent exploitation of the client and preserve the integrity of the profession. This is not only for the benefit of a client but also the benefit of those belonging to the profession. Ethical codes allow the members to define a standard of conduct and ensure that individual practitioners meet these standards by disciplining them from the professional body if they do not practice accordingly. It is therefore seen as a set of standard adopted by a professional community. The code of ethics is very important because it gives us boundaries that we have to stay within in our professional career. The Chartered Institute of Purchasing and Supply

(CIPS) has a personal ethical code with which members undertake to comply. These codes set out the principles of integrity, professionalism, high standards, and optimal use of resources, compliance with legal and other obligations, honesty, transparency, confidentiality and objective in the performance of their work .[3]. As quoted by Max Killan (cited in David 1999) " if a business is not based on ethical ground, it is of no benefit to society and will, like all other unethical combinations pass into oblivion." (Akrofi 2013). Every organization must have a purpose to exist and to do this it must have goals and strategies in place if the organization is to function effectively. Ethics can be viewed from two dimensions; one from the business operating ethics and other, personal professional ethical conduct. The business operating ethics is the form of applied ethics that examines ethical rules and principles within a commercial context and the personal professional ethics involves the individuals performing that function. The CIPS personal ethical code is the starting point for business to business ethics. This deals with how one business should be with another business. From the case study, it has been identified that, Kyerico has several issues with both internal and external customers. Some of the internal unethical issues identified are as follows: First and foremost, a breach of sex discrimination act and amendment regulation 2008 where it was identified that one female buyer was complaining of being paid less than a male colleague who was also performing the same task. These offenses also breach the equal pay act 1970 and amendment regulation 2003. Secondly, it was also identified that, there was pilfering or stealing going on internally in the operations of Kyerico. This activity led to rumors that some of their

product have been found on the market which means that some of the staff of Kyerico are engaging in theft which is unethical. Another unethical activity identified from the case study is the issue of automatic stock figures in the warehouse not synchronizing with actual stock figures and finally some senior managers staying in expensive hotels at the expense of suppliers. Externally, a couple of unethical issues were also identified. One of such unethical issues identified is the activities within one of the supplier with name, Felico in its operations. Activities such as the use of underage children which contravenes age discriminating act and amendment 2006 & 2008, also, it was identified that Felico has breached the health and safety at work act 1974 by allowing employees work in unhealthy and unsafe working environment. Finally, is the abuse of the human right of the employee by punishing them when they do not complete their task. For Kyerico to deal with the above stated issues, a set of rules must be created to govern these identified unethical practices in Kyerico and their suppliers. The first set of rules that Kyerico must consider is the transparency, confidentiality and fairness rule. The purchasing and supply management process stipulates that practitioners should be as transparent as possible. This means that Kyerico must be opened with all those involved in its operations especially the suppliers for them to understand the procedures, time scales, expectations, requirement criteria for selection of a supplier so that they may know what practices are acceptable by Kyerico and what are not acceptable when one wants to deal with Kyerico. The second rule that must be adopted by Kyerico is the declaration of interest role. Purchasing professionals in Kyerico should be encouraged to declare any material or

personal interest in all business transactions that are undertaken by a purchasing official in Kyerico.[4]This interest if declared must not affect or be seen to affect their impartiality or judgement in respect of their duties. This declaration of interest policy if adopted by Kyerico will specify what business gift can be accepted as against the current situation where senior managers while senior managers are attending expensive banquet at the expense of suppliers. Accepting such offers are unethical. CIPS believes that normally, the only acceptable gifts are items of small intrinsic value such as desk calendars, diaries, key rings etc. It further states that purchasing professionals should not accept hospitality which may be perceived as influencing their judgement or impartiality.[5]The ethical implication of accepting these offers without full transparency can be damaging to both the buyer and the buying organization. Another important rule that Kyerico must create is the corporate social responsibility rule. Kyerico must inculcate into its criteria for selection a rule that states that the supplier states its position in the Ethical Trading Position (ETI). Conventions of the International Labour Organisation (ILO), the United Nation's declaration on human right indicate that these positions are taken by a supplier would mean that the supplier will not engage in the abuse of human rights in it organization neither will he be engaged in unfair labour practice against it labour force. Therefore Kyerico should work with its suppliers to improve their status in this respect. Another critical rule that Kyerico should create as part of its rule of engagement is the health and safety rule. As part of the above mentioned rules, the suppliers of Kyerico should have appropriate health and safety policies and procedures and these should be demonstrated in the work place and that the

supplier should provide health and safety protection and equipment such as helmet, gloves, goggles, safety boots, overalls etc. to all employees and the employees must be trained in health and safety policies procedures. The suppliers must also comply with all health and safety regulations provided by law and the supplier should specify clearly to the employees equipment and substances that are hazardous and ways and manner to minimize risk to the employees. Another rule that must be created by Kyerico as part of its criteria for selection as a supplier is the principle against child's labour. CIPS is against the use of child labour and believes that its long term elimination is ultimately in the best interest of children.[6]Kyerico should include in its rule a policy that states that any underage child found to be working with a supplier is made to attend and remain in a quality institution until the child is no longer deemed to be under aged. It must further state that the supplier should not employ children and persons under the age of 18 years or age specified by the local authority. Another rule that Kyerico should have as part of its selection criteria is for the supplier to subscribe to a policy of equality for all in the workplace with no discrimination on the basis of race, caste, religion, nationality, age, gender, marital status, sexual orientation, disability, union membership, political, social and economic affiliations. This policy will ensure that equal opportunity is given to all and that no employee is discriminated against in any manner or form. This will again ensure that, equal work for equal pay is practiced in the supplier's organisation. In addition to the above rule is the rule of treatment of employees. Kyerico must state clearly as part of rules for selecting a supplier that under no circumstance should a supplier abuse or intimidate an employee in any form.

The suppliers should have a grievance and appeal procedures that is clear and understood by all employees. Also, payment of leaving wage must be part of the rules that must be created by Kyerico. The rule should state that, employees must be paid a leaving wage. This must state that, the suppliers employees wages and benefit should at least meet industry bench marks or national legal standards as the minimum wage and that the wages paid must meet the employees basic needs and that the supplier should not make any deductions from the employee's salary unless permitted by law. The last but not the least rule that Kyerico must create is that supplier must always work within the confines of the law and that must not act in any manner that contravenes the law of the nation. In conclusion, setting these specific rules as part of Kyerico's rules and regulations in the selection of the supplier will ensure that suppliers selected by Kyerico will not engage in unethical business practice and will go a long way in promoting the professional ethics of the procurement profession.

QUESTION 2: CRITICALLY EVALUATE HOW THE PROCUREMENT FUNCTION CAN CONTRIBUTE TO PRODUCT DEVELOPMENT BY THE IMPROVEMENT OF INTERNAL AND EXTERNAL RELATIONSHIPS.

The link between customer relationship actively and improved organizational performance has received empirical support based on measures of stock price.[7]. However, preliminary work in this area has also been tempered by the result that, the important moderating effect (Reinarts & Kumar, 2000)[8]. Thus, " it is probably not true that more relationship building is always better rather than the building the right type of relationship (which depends on

situational factors)"[9]therefore building the right type of relationship is key in the development of any relationship. The term relationship covers a lot of grounds in the supply chain management. There are several types of relationships that can be developed with external and internal customers. There are strategic relationships, tactical relationships, transactional relationships and also relationship with a broader supplier chain community. [10]There are vital relationships that has to be built and nurtured between the buying company and its key suppliers and also between the company and its customers. If the organization wishes to develop and compete favourably in the industry it operates. This means that the procurement functions can be one of these tools that can assist in this regard. The main procurement function is responsible in determining the organisation's requirement, selecting an optimal source of supply, insuring a fair and reasonable price and for both and purchasing organization and the supplier and establishing and maintaining mutually beneficial relationship with the most desirable suppliers. The purchasing department is responsible for and determine what to buy, where to buy it, how much to pay and ensure it availability by managing the contract and maintaining strong relationship with suppliers. These relationships are in two folds; the external relationship which is a relationship with the external suppliers i. e. being the upstream relationship and the internal customers being the downstream relationship with the other functional departments that relates with the purchasing function. In dealing with external suppliers, several factors comes to play in the development of the type of relationship that the purchasing function needs to have with the supplier. According to Kraljic, 1983 he noted " that to

better characterized the transaction; the importance of the purchase and the complexity of the market often plays a significant role in the determination of the relationship that a buyer needs to establish with the supplier." [11] (Olsen and Ellram 1997) and (Fiocca 1982) both oriented towards a portfolio of approach in managing relationship. They defined the strategic importance or relevance of the purchase by describing those factors internal to the organization that characterize the purchase itself. These may include the participation in the development of the material and service requirements and its related specification, conducting material and value analysis inbound transportation and even management of recovery activities such as surplus, scrap, salvage as well as its implication for environmental management. When the procurement function is involved in the planning from the conception stage, it goes a long way in making the final output complete since it contributes to the input from the beginning. Another internal factor that can contribute to the development of the product within the procurement is the cross functional team development where a wide range of members across the organization are involved in the decisions of what to take into consideration. This approach when adopted can greatly improve the outcome of the final product. Early supplier involvement is another important approach in developing a product. It is generally defined as a form of vertical cooperation in which manufacturers involve suppliers at an early stage in the product development and/ or innovation process. Involving suppliers in new product development is one way of gaining strategic flexibility through reduced cost, reduced concept-to-customer development time, improved quality, and access to innovative technologies that can help

firms gain capture market share.[12]One of the main advantageous in involving suppliers early in the new product development process is to gain better leverage of suppliers' technical capabilities and expertise to improve product development efficiency and effectiveness. Using suppliers' knowledge and expertise to complement internal capabilities reduce concept-to-customer cycle time, costs, quality problems, and improve the overall design effort. If the supplier does not have the technical capabilities, then the firm has to either help the supplier to improve its capabilities, or substitute the supplier for a better one. Problems may rise, such as resistance from purchasing and engineering departments when the supplier does not have a finished product to base their decision on. Another critical factor that can influence greatly the development of a product within the purchasing function is communication. Effective communication between the purchasing department and the other functional departments such as marketing, engineering and finance can have a great impact on the development of the product by effective communicating. Finance can inform procurement if funds are available to fund the new ideas, marketing would also express their opinion on the new product and views on how marketable the final product could be thereby helping to come out with the product that can be well marketed increasing the eventual profit of the organization. In determining a criteria for selecting the type of relationship that the buying transition would consider must first and foremost consider four main classifications. Non critical purchasesBottle necks purchasesLeverage purchasesStrategic purchasesIn deciding a supplier relationship, the buying company must see if the supplier input falls within any of these

categorizations. Non Critical Purchases: These purchases have a lower strategic importance and are easy to manage, the key issue here is to reduce the administrative cost by standardizing and consolidating as much as possible the purchases. In this situation, the buyer could concentrate from few suppliers among the best bidders. The relationships with these suppliers are mainly at arm's length based on the supplier market characteristics that allow it. Bottle Necks Purchases: These are characterized by low strategic importance but difficult to manage. The supplier market complexities stimulate the company to try and standardize the purchases or find some substitute. The buyer should find reliable relationship focusing on practices like concurrent engineering and value analysis in order to lower the cost of operations. Relating this to the case study, Kyerico must critically analyse the eyes drop that fall within this category and act accordingly. Leverage Purchases: Leverage purchases are items that have the high strategic importance and are easy to manage, the company should leverage volumes across product lines and impress upon the suppliers to lower the material cost. With these type of suppliers, medium term of contracts and two ways relationship are struck with such suppliers. A reliable supplier could be established to maintain the quality of product and to lower the total cost as much as possible. Strategic Purchases: These are the most critical to manage as they are relevant and the supplier market is complex. The buying company Kyerico should build close relationship with the most reliable supplier establishing an alliance and focusing on improving both parties performance. The supplier should be viewed as the natural extension of the company. A further step is to identify the right supplier's attractiveness and

the strength of the relationship according to factors such as economic, financial, cultural, volumes, corporations, technological, capabilities, organizational strength, performance and strategic issues. These classifications purchased by Kyerico a kind of relationship to develop with a particular supplier. This will go a long way in developing the product dealt in by Kyerico thereby increasing their turnover and eventual profit margin. Additional ways of developing the products of Kyerico can be in the area of attending conferences on the products they deal in within the industry and also attending exhibitions. This is critical since these competitions are gradually taking over and also with the introduction of laser treatment. The organization would know the going trends and also align with what is current in the industry. These are normally identified when they attend exhibitions, workshops and networking events. Finally, a SWOT analysis by Kyerico can help the organization to uncover opportunities that are well placed to exploit and also understanding the weaknesses of the business whereby managing those weakness and eliminating all these factors that threaten their survival in the industry and their profit potentials. By looking at these factors, Kyerico can start to craft a strategy to help tem distinguish themselves from their competitors and thereby competing successfully in the market and sustaining their products. For Kyerico to identify its strength, it has to analyse what advantages they have in the organization or perhaps its core competencies. From the case study, it can be identified that it has a strong capital base, it also as has a long standing goodwill by operating for long in the industry and having many of the well noted retailers as its customer base, a strong workforce can be strengthened by consolidating the customer

base by engaging them to know what their needs are and how they can best meet their needs and strengthen the existing relationship. This can be done by giving credit lines to these long and loyal customers; this would reduce their financial burden and continue to do business with Kyerico. Also, by analyzing the weakness would also mean looking at those things that they can improve, what should be considered and what other competitors in the market see as weaknesses. From the case, it can be identified that the senior managers attending premium sporting events sponsored by suppliers thereby giving these supplier over 40% of their total supply needs irrespective of the high cost even in the face of changing trends are signs of worry and needs to be avoided. Managers should not be seen to indulge in corrupt practices so that proper and objective value analysis could be done before awarding contract and not being led by favours received from supplier. These actions when taken would a long way in minimizing their weaknesses and putting Kyerico in a better position in developing its products to compete favourably in the market. Further analysis of the threats of Kyerico would look at obstacles that they face, what its competitors are doing, and also are the standards specifications for the products sold changing in the industry; is technology threatening their position and therefore can the treats weaken their business. By analyzing, Kyerico can notice that they face a lot of threats by not fully introducing electronic order and aligning the stock levels at the warehouse with the automated stock system. This would not make Kyerico take advantage of the new emerging ways of doing business online. When these new changes are introduced in reducing their threats, they can comfortably. Also, Kyerico is faced with the

new ways of treating eye problems and that they would have to adopt the new ways and seek opportunities in that area by doing this it will have to go a long way in assisting developing internal systems thereby developing the product to compete favourably in the market. Lastly is the opportunities that Kyerico can spot in the industry meaning, what are the interesting trends that Kyerico is aware of and also changes in social patterns that can better Kyerico's position in the market. From the case study, there are numerous opportunities that are available for Kyerico to exploit by taking a closer look at the new trends of treating the eye (i. e. the laser) and what needs to be supplied to the quick healing of this new treatment. Again, to possibly look at introducing lenses since after surgery people would be advised to wear lenses to protect their sight, this will give Kyerico a new area of developing a new product line. In conclusion, it can be said that, the purchasing function can contribute immensely in the development of any product as an organization. This is possible only when the function of purchasing department is seen as central to the firm's operation and is included in the strategic planning process including securing partnering arrangement and strategic alliance with suppliers.

QUESTION 3: CRITICALLY EVALUATE THE BENEFITS AND RISKS TO SUSTAINABLE PROCUREMENT POLICY OF THE FOLLOWING RELATIONSHIP.

Sustainable procurement can be described as that procurement activity that can be sustained or kept up over the long term. This means that that activity would not undermine or put at risk the condition and resources required to

preserve well-being into the future. (CIPS. org) The most significant exchange can be the need to conserve or replace non renewable resources, exhausting of what would impact on the well-being and further development of future generations. In view of this understanding of sustainable procurement, procurement professionals must see to it that contracts entered into with suppliers must not contravene this principle that the inputs relationship are renewable and as such does not have a devastating impact on the environment. This sustainability must include all the economic benefits and social activities in producing, transporting and distributing the items to the buyer. It also includes all ethical conducts since sustainability and ethics are not mutually exclusive and as such cannot be divorced of the other. Ethical practices must be inculcated in the principle of sustainable procurement. This must go further that the buyer must collaborate with the supplier to see the social, economic and environmental impact of such asset such as building, capital equipment, etc, the total life cost considerations of the equipment, availability and sustainability of spares and inputs and the disposal and end use of the product and whether its disposal can be recycled or would cause environmental hazards. When sustainable procurement principles are considered in procurement it affects the type of approach that a buyer must adopt in dealing with these three identified supplier relationship. A supplier relations can be described as the discipline of strategically placing for and managing all interactions with a third organization that supply goods or services to an organization in order to maximize the value of those interactions. (Ref: en. m. wikipedia. org/wiki/supplier_relationship-management). This means that the buying

company must strategically plan and set out in its obligations the kind of relationships and partnership that they would want to have with each and every supplier depending on the level of commitment they have with the supplier with regards to building sustainability in its procurement. Taking a supplier that a buyer has a long term relationship with, means this supplier must be a partner that the buying organization has a strategic alliance with. This means that the buying organization must have a lot of common agenda and share opportunities together. This would necessitate that the buying company would have a close collaboration and share a common vision and objectives. This kind of supplier the buyer must support and assist in achieving sustainable procurement. There are a lot of benefits associated with this kind of strategic partnership with the supplier. One of the most important benefits can be that both the supplier and the buyer would have to align their strategies so that it would have a mutual benefit. By this, both entities would strive to achieve a common goal and this will ensure that all sides of the divide put in their maximum best to achieve the stated goal. Another significant benefit that can be obtained to this kind of strategic partnership would be the creation of new ideas together. When buyer and supplier have a close collaboration there are always innovative ways in approaching the stated objective in a more sustainable ways and also striving to minimize the impact on the environment and the society at large. For example, both companies gaining competitive advantage. Another benefit for having a long term partnership with a strategic partner in the performance of a sustainable procurement is the continuity of supplies. The supplier of the buyer is guaranteed continuous supply and that the supplier

is not uncertain of the prospective buyer of its product as it already have a market for the products and that have to concentrate on his core competencies and not to worry about its market share. However, there are some inherent risks associated with the long term supplier relationship with regards to sustainability. One of such risk associated with this relationship is complacency on the part of the supplier. When a supplier is confident of his output by a name buyer the supplier has the tendency to be complacent in the sense that since he has a guaranteed buyer there is no more the need to strive to perform better. Another risk that can be identified is the tendency for the supplier to rely on the buyer for financial injection and therefore tends to be over reliant on the buyer for capital injection. This would happen since the supplier would imagine that since all efforts are to the benefits of the buyer, the buyer should therefore not hesitate in injecting capital to improve their operations which should have been the responsibility of the supplier. Another approach with regards to supplier relationship management is the choice of preferred suppliers. These are suppliers who are moderately important and that are a selected few who are normally selected. These suppliers are often selected as a result of pre-qualification against a specific set of sourcing criteria. Normally, such preferred suppliers may be selected due to their specialty or specific standards that they profess. Some of the benefit that can be experience with this kind of relationship can be that the buyer can have a few suppliers to manage, thereby making it less difficult in management and development to preferred standards. This also means that the preferred suppliers have been selected based on the sustainability procurement criteria that have been laid down

making the supplier a preferred supplier. However, this preferred supplier also has its own challenges. Some of these risks can be identified in the form of the buyer losing and on other suppliers that can offer much more value added as against the preferred selected supplier who were selected based on sustainability criteria. Another risk associated with preferred supply approach with supply management with regards sustainability is the risk of the buyer not reacting to new development in market trends and as such will not be responsive to current marketing risk. This will be as a result that the buyer is already selected by the supplier with it already laid down sustainability criteria which the supplier has already met for which he or she has not been selected therefore the supplier see no need to update and keep to current trend thereby behaving comfortably in his comfort zone. The third and final approach to supplier relationship management is the Public Private Partnership (PPP). This partnership is normally suitable when one party lacks capital and wishes the private partner to partner normally the government in the injection of capital or infrastructure construction project making use of the capital infusing from the private partner or sector. This form of alliance is normally is a long term relation with specific year span normally 25 to 30 years life span. This kind of partnership is normally employed when the requirement is strategic in nature. This would require that a joint venture is created to execute the project. Some project that are normally categorized under PPP can be (BOT) Build, Operate and Transfer Project, turnkey project etc. these project are normally based on sharing the risk of capital injection in the benefit of expertise across the various sectors. The relationship enjoyed under PPP can also be said to be mutual. Some of the benefit

enjoyed under this partnership can be seen in the area of financial risk sharing. Where the financial risk is shared by both the government and the private partner. In most cases the government financial commitment are less than contributed portion of the private sector. Another benefit that can be identified under this relationship under the sustainability principle can be the enjoyment of government, engagement of best practice in the industry since the choice of the partnership is obviously based on some proposals which met the desires of the public sector or government which necessitated the agreement of the project. Additional benefit that can be enjoyed under this relationship is the benefits that are accrued from private sector investment in the community projects. This means that capitals accrued are ploughed back into the communities for the benefit of the entire society. However, PPP also has some associated risk in its approach. Some of the identified risks are the repayment period which is normally seen as lengthy and thus making these type of project not attractive of private investors. Again, is the expensive nature of the repayment of the money invested. These kind of partnership usually carry a payback interest of over 50 to 70% thereby making it very expensive paying back the investment. Another risk associated with PPP project are that, since these are long term partnership project, there turn to be a great deal of imbalance of the economic, social and environmental priorities that is needed to be considered before the engagement of such project. In conclusion, since sustainable procurement should consider the environmental, social and economic consequences, design, use of non renewable materials, manufacture and production methods, logistics service decline, usage, operations, maintenance, reuse,

recycling options, disposal, and suppliers capabilities to address these consequences throughout the supply chain must be fully considered in the selection of a particular approach in the various supplier relationships that are adopted by any buyer. Making a decision where applicable to consider the whole life cost in the associated risk in the implication for the society and the environment as a whole therefore procurement can make a significant contribution to the goals of sustainable economic development and resource minimization by insuring that goods and services that are procured by the procuring organization consider options of environmental preferences.