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UTeM

GREEN PROCUREMENT STRATEGY FOR ECO-
PROFITABILITY: A CASE STUDY AT KONICA
MINOLTA BUSINESS TECHNOLOGIES
(MALAYSIA) SDN. BHD.

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I hereby acknowledge that I have read this works and in my opinion this works is sufficient interns of scope and quality for the submission and award of a Bachelor Degree of Technology Management (Innovation) with Honors‘

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STUDY AT KONICA MINOLTA BUSINESS TECHNOLOGIES (MALAYSIA)
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DECLARATION

I hereby declare that this thesis entitled "Green Procurement Strategy for Eco-Profitability: A Case Study At Konica Minolta Business Technologies (Malaysia) Sdn. Bhd." is my own work except for the quotations summaries that have been duly acknowledged"

Signature :
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DEDICATION

I dedicated this research to my parents and supervisor, who taught me to think, understand and express. Thank you for motivation, inspiration and guidance to pass through the process of this research.

ACKNOWLEDGEMENT

Firstly I would like to express my grateful to my parents for their support and love to motivate me in completed this final year project. Next, I sincerely appreciate and thank for the help, teaching, monitoring, support and contribution to my beloved supervisor Dr. Chew Boon Cheong who teach me the right ways to write a thesis, point out my mistake and help me to get a better understanding about my topic Millions of appreciation and infinite of gratitude to all those assist and support either directly or indirectly to lead me completed this research.

ABSTRACT

Green procurement practice is about the process of purchasing goods and services that takes into account the socio-economic and environmental impact that such purchasing has on people and communities. The general objective of this study is to investigate the adoption of green procurement at Konica Minolta Business Technologies (Malaysia) Sdn. Bhd. The study was guided by three objectives; to identify the drivers that encourage the implementation of green procurement, to examine the green procurement strategies and to propose the innovative solution in order to foster the efficiency of green procurement strategies implementation. The study adopted a descriptive research design. The target respondents of this research comprised of twenty employees in the procurement department and purchasing department at Konica Minolta Business Technologies (Malaysia) Sdn. Bhd. The researcher used semi structured questionnaire to collect primary data for making conclusions and recommendations. The result of this research will be the factors and strategies of green procurement. This research has been able to provide innovative suggestion that will help the firms transform their business become sustainable.

Keywords: green procurement, eco-profitability

ABSTRAK

Amalan perolehan hijau adalah proses pembelian barangan dan perkhidmatan yang mengambil kira kesan sosio-ekonomi dan alam sekitar kepada manusia dan masyarakat. Objektif umum kajian ini adalah untuk menyiasat pelaksanaan perolehan hijau di Konica Minolta Business Technologies (Malaysia) Sdn Bhd. Kajian ini adalah berpandukan kepada tiga objektif iaitu mengenalpasti faktor yang menggalakkan pelaksanaan perolehan hijau, untuk memeriksa strategi perolehan hijau dan mencadangkan penyelesaian yang inovatif untuk memupuk kecekapan pelaksanaan strategi perolehan hijau. Kajian ini menggunakan penyelidikan deskriptif sebagai reka bentuk penyelidikan. Sasaran responden kajian ini terdiri daripada dua puluh pekerja di Konica Minolta Business Technologies (Malaysia) Sdn. Bhd. Penyelidik menggunakan soal-selidik semi struktur untuk mendapatkan maklumat untuk membuat kesimpulan dan cadangan. Hasil daripada kajian ini adalah faktor-faktor dan strategi perolehan hijau. Kajian ini memberi cadangan yang inovatif yang dapat membantu filem-filem menjadikan perniagaan mereka menjadi mampan.

Kata kunci: perolehan hijau, eko-keutungan

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CHAPTER 1

INTRODUCTION

1.1 Introduction/Background

According to Huang, et al. (2009), more than three quarters of the greenhouse gas (GHG) emissions associate with many industry sectors. For that reason, a growing number of leading companies are engaging their suppliers about managing GHG emissions. Over the past few years, these companies have incorporated systems for reducing GHG emissions into their own business practices and are now seeking ways to drive down emissions beyond their own operations. Victor and John (2009) in Nderitu and Ngugi (2014) suggest that green procurement is a holistic approach on that it encompasses organization, people, processes and technology. It is also known as the sustainable procurement, and some companies realized a long time efficiency in energy usage, waste generation and water consumption along with use of recycled materials resulted in reducing costs. Profitability and cost reduction are some of the main motivators for businesses to become 'green' in the supply chain (Srivastava, 2007).

Kennard (2006) in Nderitu and Ngugi (2014) states that green procurement is the process whereby economic development, social development and environmental protection are balanced against business needs. He outlines the benefits of adopting a

sustainable procurement policy as a cost control, improved internal and external standards through performance assessment and compliance with environmental and social legislation. Besides that, Nderitu and Ngugi (2014) explain green procurement entails taking social and environmental factors into consideration alongside financial factors in making procurement decisions. Green procurement involves looking beyond the traditional economic parameters and making decisions based on the whole life cost, the associated risks, measures of success and implications on society and the environment. The potential aim of green procurement is to eliminate waste, and purchasing department will focus on value by comprehensive considering the total cost in the process of eliminating waste, which should focus on the business of waste disposal activities (Martha and Houston, 2010).

Green Purchasing Network Malaysia (2003) claims that despite the importance of green purchasing in combating environmental problems and generating economic benefits to complying firms, available evidence shows that green purchasing is still not widely adopted in Malaysia. Nderitu and Ngugi (2014) highlights the utilization of green procurement has been quite limited such that a decade ago, only some high-profile organizations mainly chemical firms and/or those firms in the consumer goods sectors that have experienced green consumer pressures directly in order to practice it. On the other hand, Qinghu (2005) in Nderitu and Ngugi (2014) observes that green procurement in the developed nations has become a key approach for enterprises seeking to become environmental sustainable and increase performance in instances where there is increased competition, a lot of regulations and market pressure and drivers. Procuring organizations and other supply chain partners are more seriously involved in designing and implementing green procurement practices focusing on how environmental issues and issues relating to other aspects of the sustainable development pillars can be integrated in the procurement process activities (Hussein & Shale, 2014).

1.2 Problem Statement/ Research Question

Today, environmental issues receive an increasing level of attention at both local and global levels. This attention raises questions on how to integrate environmental concerns in business operations and strategies. Effective integration is expected to help in improving the role of business organizations in the society as well as generating significant benefits to these organizations (Eltayeb and Zailani, 2010). However, most of the green procurement practices are undertaken by foreign companies, while many local industries are still lagging behind and yet to adopt the practices (Eltayeb and Zailani, 2009). A lot of companies in Malaysia are still behind and yet to adopt the green supply chain concept in their business strategy (Goh and Zailani, 2010). Besides that, Walker and Phillips (2009) states that sustainable procurement is rising in many countries but knowledge remains limited. In addition, Eltayeb and Zailani (2010) found that there is a lack of empirical studies that investigates the mere existence of green supply chain initiatives in Malaysia. Therefore, the research questions will lead researcher to more understand about the efficient way to implement green procurement toward eco profitability.

The Research question can be list as follows:

1. What are drivers that motivate the implementation of green procurement in Konica Minolta Business Technologies (Malaysia) Sdn Bhd.?
2. How to implement green procurement in the Konica Minolta Business Technologies (Malaysia) Sdn Bhd.?
3. What are the innovative suggestions in order to foster efficiency of green procurement implementation towards eco profitability in Konica Minolta Business Technologies (Malaysia) Sdn Bhd.?

1.3 Research Objective

This research consist several objectives. The objectives are shown as follows:

1. To identify the drivers that encourages Konica Minolta Business Technologies (Malaysia) Sdn Bhd to adopt green procurement initiatives.
2. To examine the green procurement strategies in Konica Minolta Business Technologies (Malaysia) Sdn Bhd.
3. To propose the innovative solution in order to foster the efficiency of green procurement strategies implementation.

1.4 Scope, Limitation and Key Assumption

The scope of this project is to investigate the drivers of green procurement within organizations. The study will identify the strategies that involved at each implement stage. Besides that, this research will develop innovation solution that could wilder the strategy.

The study will conduct in Konica Minolta Business Technologies (Malaysia) Sdn Bhd., Melacca that implements green procurement and promote sustainable development. The responders will be focused on the employees in purchasing and procurement department to gain sufficient and comprehensive information.

Two limitations are identified in this case. Firstly, researcher assumed the all respondents will answer the interview questions honestly and factually. Second, respondents may have different understanding towards same questions, so researcher

assumed that as long as a brief and clear explanation is provided, then this research will be able to gain access to the respondents.

1.5 Significance of the Research

Firstly, this research would contribute back to manufacturing industry by transform the industry become more sustainable. This research perhaps can be useful in providing some valuable information to the manufacturing firms in the effective way for the diffusion of green initiatives into procurement practices. Moreover, this research may help to develop a more strategic approach that encourages business firms to adopt green purchasing activities for eco profitability. Organizations stand a chance to create competitive advantages and increase the performances in the aspects of environmental and financial through green procurement theory and practice.

1.6 Summary

Green procurement is an effective strategy for a company towards eco profitability. The case study in Konica Minolta Business Technologies (Malaysia) Sdn Bhd. is focused on the drivers of green procurement and how the company implemented green initiatives into the existing procurement activities. It is hope this study could contribute back to manufacturing industry and provide insights for motivate firms to adopt green procurement.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter is started to discuss about the concept of green procurement and eco-profitability. Therefore, the theories of procurement activities, the drivers of green procurement and strategies to implement green procurement are elaborated in detail to provide clear understanding and help the researcher to construct a theoretical framework.

2.2 Definition of Green procurement

According to Mangan et al. (2008), procurement is the activities of sourcing and purchasing from identifying potential suppliers through to delivery from supplier to the customer. The procurement plays an important function in implementing a company's overall business strategy which obtain materials, parts, components that are needed for the production of goods or providing services (Li, 2007). Salam (2008) defines green procurement as an environmental purchasing consisting of involvement in activities that include the reduction, reuse and recycling of materials in the process of purchasing. Besides green procurement is a solution for environmentally concerned and economically conservative business, and a concept of acquiring a selection of products and services that minimizes environmental impact.

2.3 Definition of Eco-profitability

Eco-profitability define as the degree to which a business or activity yields profit or financial gain (Stevenson, 2010) by tapping the green gap. This is because to achieve profitability by lowering down the cost is no more a sustainable solution. Transform to the opportunity by green economic, eco-profitability provides another chance to make profit through environmental friendly purchase and investment (Chew, 2016).

2.4 Activities of procurement

In general, there are six steps involved in the procurement process as illustrated in Figure 1 that proposed by Mangan et al. (2008).

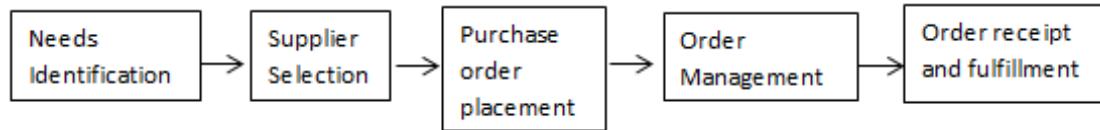


Figure 1: Procurement process

2.4.1 Needs Identification

According to Li (2007), the procurement process starts from the recognition of need from an individual or a department of the company. The needs must be clear, unambiguous and confirmed by the originator of the request in order to purchase the right products or service. The request may include the kind of material, quantity, delivery time, as well as quality standards (Li, 2007).

2.4.2 Supplier Selection

Sourcing is the component of the procurement process that deals with supplier selection to find potential suppliers that are able to meet performance expectations or certain criteria before proper consideration are given to suppliers (Mangan et al., 2008). Mangan et al. (2008) explain sourcing relates to identifying and working with appropriate suppliers. After the user communicates the need to the purchaser, the purchaser will conduct an analysis on the price trend, supplier availability, and market

condition. In general, cost is one of the important competitive factors. Other factors considered include material quality, on-time delivery, service, and so on (Li, 2007).

2.4.3 Purchase order placement

Referring to Li (2007), the buyer issue the purchase order after the buyer and supplier have signed the purchasing contract. The purchase order form includes information such as the purchased product, quantity, unit price, total cost, company address, delivery arrangement, payment provision, free on board (FOB) provision, and other relevant issues. Once the supplier receives the order form from the buyer, the purchaser order becomes an effective legal document.

2.4.4 Order management

Mangan et al. (2008) point out Order management involved on-going monitoring, tracking and modifying as appropriate. The purchaser should keep track of the order status after the supplier receives the order form and make sure that is promptly filled. If there any change in quantity and delivery date from the user side, the purchaser should contact the supplier immediately (Li, 2007).