

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,  
KUMASI, GHANA**

**Sustainable Procurement Practice in Ghana: the Perspective of the Banking  
Sector**

by

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A Thesis submitted to the Department of Building Technology,  
College of Art and Built Environment  
in partial fulfilment of the requirements for the degree of

**MASTER OF SCIENCE**

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## DECLARATION

I hereby declare that this submission is my own work towards the MSc Procurement Management and that, to the best of my knowledge, it contains no materials previously published by another person, nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made the text.

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## ABSTRACT

The research work explored how environmental and social considerations are factored in sustainable procurement practice in the banking sector of Ghana. There are some short falls in implemented procurement policies and framework of banks in Ghana and these had made it difficult for most banks to practice sustainability. However, meeting the needs of an outfit for goods, services and infrastructure, value for money, quality life style and protection of the environment is one of the benefits of sustainable procurement. Questionnaires and interviews were used and the questions included close-ended questions ranked on Likert scale rating. A multi-purpose sampling technique was adopted that is stratified and purposive research methods; which were used to determine seven banks for this study. Out of twenty-eight questionnaires administered, sixteen was received and was analysed quantitatively. The data was transformed using descriptive analysis to determine the mean and frequencies distributions with the aid of the Statistical Package for Social Sciences (SPSS version 16) and Microsoft excel 2007. Even though some banks initiated corporate social responsibility, it was discovered that few practitioners have knowledge in sustainable procurement. The most rated factors under the categories of environmental and social considerations were organization should have a policy to check the performance of stakeholders, specified a disposal method and collective bargaining of suppliers, health and safety management system respectively. Some challenges most encountered in the implementation of sustainable procurement were competitive priority and cost. The study recommended that environmental and social considerations should be factored in the procurement practice of the banking sector and a strategic concern of managers. Corresponding training and documents should be readily available to stakeholders.

**Key words:** Procurement, environment, social, sustainable, banking sector, Ghana

## TABLE OF CONTENT

DECLARATION .....	ii
ABSTRACT.....	iii
TABLE OF CONTENT .....	iv
LIST OF TABLES .....	viii
LIST OF FIGURES .....	ix
ACKNOWLEDGEMENT .....	x
DEDICATION .....	xi
CHAPTER ONE: INTRODUCTION .....	1
1.1 BACKGROUND OF RESEARCH .....	1
1.2 STATEMENT OF PROBLEM .....	4
1.3 AIM OF RESEARCH .....	5
1.4 OBJECTIVES OF RESEARCH .....	5
1.5 SIGNIFICANCE OF THE STUDY .....	6
1.6 SCOPE OF STUDY .....	6
1.7 METHODOLOGY.....	7
1.8 DESIGN OF RESEARCH .....	8

1.9 LIMITATION OF STUDY .....	8
<b>CHAPTER TWO: REVIEW OF LITERATURE .....</b>	<b>10</b>
2.1 INTRODUCTION .....	10
2.2 THE CONCEPT OF SUSTAINABILITY .....	10
2.2.1 Economic Consideration .....	11
2.2.2 Environmental Aspects .....	11
2.2.3 Social Consideration .....	12
2.3 THE CONCEPT OF SUSTAINABLE DEVELOPMENT .....	12
2.4 THE CONCEPT OF SUSTAINABLE PROCUREMENT .....	13
2.4.1 Economic considerations: .....	14
2.4.2 Environmental aspects: .....	14
2.4.3 Social aspects: .....	14
2.5 SUSTAINABILITY AND BANKING SECTOR PROCUREMENT.....	16
2.6 SIGNIFICANCE OF SUSTAINABLE PROCUREMENT .....	17
2.7 BENEFITS OF SUSTAINABLE PROCUREMENT .....	18
2.8 DRIVERS FOR SUSTAINABLE PROCUREMENT .....	19
2.9 ENVIRONMENTAL CONSIDERATION IN SUSTAINABLE PROCUREMENT .....	22
2.10 SOCIAL CONSIDERATION IN SUSTAINABLE PROCUREMENT .....	22



2.11 BARRIERS TO SUSTAINABLE PROCUREMENT .....	23
2.11.1 Cost .....	23
2.11.2 Unclear definition of what entails in sustainable procurement. ....	24
2.11.3 Engaging management on sustainability .....	24
2.11.4 Lack of experts on sustainable procurement .....	24
2.11.5 Lack of metrics and/or knowledge in sustainable procurement standards .....	24
2.11.6 Competitive priority .....	25
2.11.7 Information management of suppliers .....	25
2.11.8 Lack of insight on sustainable procurement .....	25
2.11.9 Ineffective monitoring and evaluation of procurement activities .....	25
2.12 THE BANKING SECTOR IN GHANA .....	26
2.13 ROLE OF THE BANKING SECTOR.....	27
<b>CHAPTER THREE: 3.1 INTRODUCTION .....</b>	<b>29</b>
3.2 RESEARCH DESIGN .....	29
3.3 RESEARCH APPROACH .....	30
3.3.1 Quantitative Research .....	30
3.4 POPULATION.....	30
3.4.1 Barclays Bank of Ghana limited .....	31
3.4.2 Ecobank Ghana limited .....	31
3.4.3 Fidelity Bank Ghana limited .....	31
3.4.4 GCB Bank limited .....	32
3.4.5 Stanbic Bank Ghana Limited .....	32

3.4.6 Standard Chartered Bank Ghana Limited .....	32
3.4.7 Zenith Bank (Ghana) Limited .....	32
3.4.8 Generic Hierarchy of the Department .....	33
3.5 SAMPLING TECHNIQUE AND SAMPLE SIZE DETERMINATION .....	34
3.6 DATA COLLECTION .....	34
3.7 DATA ANALYSIS .....	35
3.8 DESIGNING THE QUESTIONNAIRE .....	36
<b>CHAPTER FOUR: DATA ANALYSIS AND RESULTS DISCUSSION .....</b>	<b>38</b>
4.1 INTRODUCTION .....	38
4.2 SECTION A: DEMOGRAPHIC DATA OF RESPONDENT .....	38
4.3 SECTION B: ENVIRONMENTAL CONSIDERATION IN SUSTAINABLE PROCUREMENT .....	46
4.4 SECTION C: SOCIAL CONSIDERATION IN SUSTAINABLE PROCUREMENT .....	49
4.5 SECTION D: CHALLENGES AFFECTING SUSTAINABLE PROCUREMENT .....	52
<b>CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ..</b>	<b>55</b>
5.1 INTRODUCTION .....	55
5.1.1 To Identify Environmental Considerations in Sustainable Procurement Practice in the Banking Sector Of Ghana .....	56
5.1.2 To Identify Considerations of Social Sustainable Procurement Practice in The	

Banking Sector Of Ghana .....	57
5.1.3 To Identify Challenges in Application of Environmental and Social Criterion into the Banking Sector Procurement Process. ....	57
5.2 CONCLUSION .....	57
5.3 RECOMMENDATION .....	58
5.4 RECOMMENDATION FOR FUTURE RESEARCH .....	58
<b>REFERENCES .....</b>	<b>59</b>
<b>APPENDIX .....</b>	<b>64</b>
QUESTIONNAIRE .....	64
 <b>LIST OF TABLES</b>	
Table 2.1 General External Drivers for Sustainable Procurement .....	20
Table 2.2 General Internal Drivers for Sustainable Procurement .....	21
Table 2.3 Banks quartile .....	27
Table 3.1 Analysis of questionnaire objective .....	37
Table 4.1 Environmental consideration in sustainable procurement .....	47
Table 4.2 Social consideration in sustainable procurement .....	50
Table 4.3 Challenges in affecting sustainable procurement .....	52



**LIST OF FIGURES** Figure 1.1 Research work flow diagram**Error! Bookmark not defined.**

Figure 2.1 Procurement cycle extracted from Facilities Society (2012).....	13
Figure 2.2 Triangular features of Sustainable Procurement.....	15
Figure 2.3 Trio Dimensional Line of sustainability adopted from Kalubanga, 2012 .....	18
Figure 3.1 Generic hierarchy of the department.....	31
Figure 4.1 Departmental name .....	36
Figure 4.2 Position of respondents .....	37
Figure 4.3 Educational background of respondents .....	38
Figure 4.4 Field of specialization of respondents.....	39
Figure 4.5a & 4.5b Experience in practice of Procurement & at current position .....	40
Figure 4.6 Sustainable procurement awareness of respondents .....	41
Figure 4.7 Respondents affiliate to professional body against knowledge of sustainable procurement.....	42
Figure 4.8 Environmental and corporate social policy of organization .....	43

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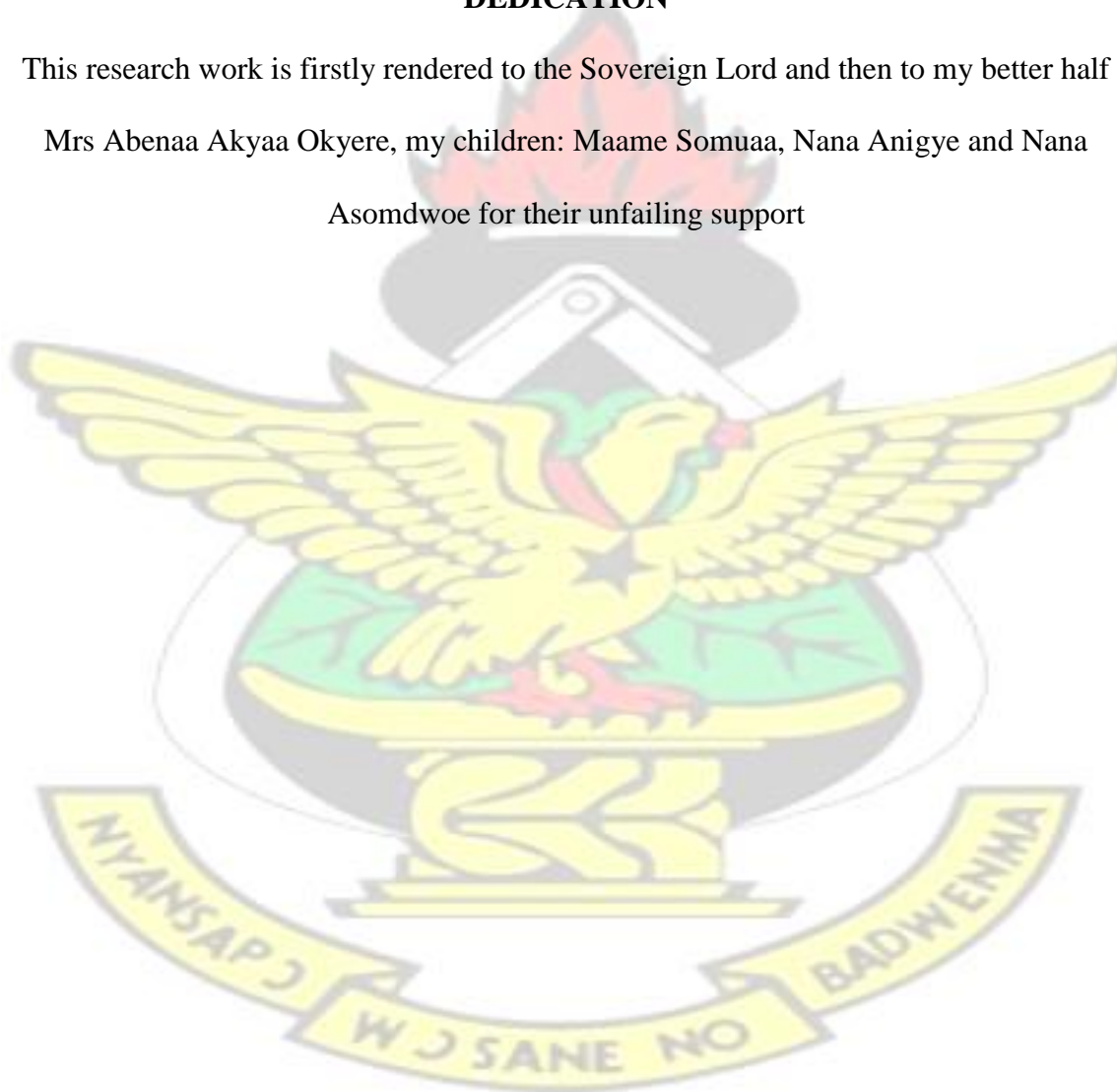
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# KNUST

## **DEDICATION**

This research work is firstly rendered to the Sovereign Lord and then to my better half  
Mrs Abenaa Akyaa Okyere, my children: Maame Somuaa, Nana Anigye and Nana  
Asomdwoe for their unfailing support



## CHAPTER ONE INTRODUCTION

### 1.1 BACKGROUND OF RESEARCH

It is imperative for industry suppliers or service providers to appreciate the sustainability strategy of their stakeholders and specification development (Walker and Brammer, 2011). In addition Walker and Brammer (2011) said that some institutions have introduced the concept of sustainable procurement into their corporate policy and they have immensely benefited from its practice.

Procurement is a process of determining the method for acquisition, setting of standards, specification design, market and product segmentation, value for money, budgeting, supplier selection, mode of supply, supervision, inventory management and mode of disposal. Nelson and Millet (2001) added that purchasing is the major organizational spending but Monczka *et al.*, (1998) averse that procurement is satisfied by cost saving, impact on quality and contribution to technology development.

QGCPO (2006) reported that sustainable procurement is an act of meeting a firm's needs for goods, services and economic with the intention to spend within budget, quality life style and protection of the environment. Sustainable procurement goes beyond the traditional procurement activities; apart from economic factor it considers the environmental and social factors. Cost control, improved organisational practices to conform to recognise international models, conformity to environmental and social regulations, effective risk management and future sustainable supply chain are benefits for implementing sustainable procurement (Kennard, 2006). From the theory of Porter and Van der Linde (1999), pollution is a sign of inefficient use of resources.

Therefore organisations that balance economic development with social development and environmental protection should be considered responsive during evaluation process of tenders.

Just a handful of studies have contributed to the debate of attaining sustainability in procurement in the banking sector. Boomsma (2008) argued that there are some short fall in implemented procurement policies and framework of organisations in most countries. These had made it difficult for most banks to practice sustainability. There are several benefits connected with sustainable procurement in the banking sector which include increased revenues, improved access to international financing, reduced risk, cost savings, improved brand value and developed new business (International Finance Corporation, n.d). However, in Ghana the challenges that remain are enormous because majority of procurement officers are not adequately informed on issues of sustainability and its implementation in terms of compliance to social and environmental factors, they are still evolving. Additionally, procurement legislation is usually relatively new with environment and social emphasis is almost absent and had led to weaker law enforcement of best practice. These challenges in the Ghanaian procurement system require rigorous and conscious efforts to alleviate them.

According to the Ghana Banking Survey (2014) one of the ways the sector could grow and survive is sustainability planning and implementation. The contribution of the financial and insurance institutions to Ghana's Gross Domestic Product was about 12.1% in 2013 and there are 27 universal banks in Ghana. This shows that the banking sector significantly contributed to the Ghanaian economy; therefore, the issue of sustainability could be vital when successfully implemented in this area of the economy. Abedin (2015) submitted that due to the significant role been played by the banking sector for national growth, they must be directly associated with sustainability driving



goals. The banks significant role is measurable because the stakeholders of the industry transfer their risk to the banks by contributing and saving with an expectation of return on investment and rate of return. Due to this notion of the stakeholders, efficient strict credit approval systems are employed to maximize the corporate funds. However the banks then analyse the risks and uncertainty involved and adopt steps to avert them. The position of the banks is to maximise profit and the consideration of sustainability in the banking procurement could enhance it. Another strategy for banks is to engineer packages like a fund which is geared towards protection of the environment. Abedin (2015) realised that banks lack policies that will enhance its environmental performance.

Though banks have rapidly grown, it is yet to set standards in the functional operations. It is yet to develop a clear guideline on the procurement framework for the banks. Time to time, banks in Ghana have rolled out various circular on the subject of procurement but there are no set guidelines for banking procurement. Some of the banks are practicing their own policy and procedures which is of a high standard but some of the banks are lacking behind. Very little works have been done to streamline this problem. The Public Procurement Act (Acts 663) provided solutions to this problem to the public banks. Yet there remain issues for private and foreign banks. This clearly shows that there is a scope to work on the banking procurement in Ghana.

## **1.2 STATEMENT OF PROBLEM**

Successful procurement management system is one that has the following features; high transparency level, responsibility and economically valuable (Humphreys *et al.*, 2012). Hence, organizations in the local context of procurement advancing must develop the intension to promoting good governance (Nijaki and Worre, 2012). The advancing of



procurement, contribute to fair competition, good performance of the markets and effective utilisation of available resources. Mismanagement or unethical conducts upset procurement practice and Lund-Thomsen *et al.*, (2011) think there is an increase of interests, distortion and internal acts that affect sustainability practice. Despite its implied objectives, the current procurement system had a number of weaknesses:-

The inadequate concentration in the existing framework and policies by public and private sector on green sustainability, give rise to poor decisions and choice selections of service providers and products. These were deprived from objectivity, responsibility and candidness, outcome of poor and wasteful procurement and high cost (Lund-Thomsen *et al.*, 2011). Report on the banking sector in Ghana has shown that sustainability is not a core policy of many bank executives (Ghana Banking Survey, 2014). Ross (2013) indicated that most low income countries are lagging behind. Even though the banking sector stand to benefit when it introduces measures and policies that relate to sustainable procurement. The challenge that remains is that the issue of sustainable procurement is complicated and professionalism is gradually being developed in the developing countries where sustainable procurement was recently recognised with weak legislation.

Limitation in green procurement knowledge and lack of expertise on policy of green products is relevant to operational levels (Stonebraker *et al.*, 2009). This could lead to non-achievement of value for money, low quality and late completion of project; with non - compliance to environmental and social factors in the procurement processes.

The role of procurement specialist was contradictory among various procuring organisations using similar existing sustainable procurement system (Walker *et al.*, 2009). Who to take the procurement decision and how to properly execute the

procurement activity were problems which were on the increase due to poor management practices, both at the buyer and the seller's end (Nijaki and Worre, 2012). DEFRA (2006) stated that a handful of policies and practices on sustainable procurement are documented for officers to adhere during decision on procurement. Even though sustainable procurement is a global concern, relatively few professionals are abreast with the scope to which parameters of sustainability could be embedded in the procurement system of the banks in Ghana. It is therefore essential to critically identify how environmental and social considerations are factored in sustainable procurement of Ghana's banking sector.

### **1.3 AIM OF RESEARCH**

This study primarily aims to explore how environmental and social considerations are factored in sustainable procurement practices in the banking sector of Ghana.

### **1.4 OBJECTIVES OF RESEARCH**

1. To identify environmental considerations in sustainable procurement practice in the banking sector of Ghana.
2. To identify considerations of social sustainable procurement practice in the banking sector of Ghana.
3. To identify challenges in the application of environmental and social criterion into the banking sector procurement process.

### **1.5 SIGNIFICANCE OF THE STUDY**

An organisation benefits immensely when committed to sustainable procurement policy. The benefits includes: control cost by implementing variety of approaches to whole life cycle cost, improvement of standard through assessment of efficiency, conformity to sustainability parameters, facilitate the improvement of strategic supply

chain system and manage risk (Kennard, 2006). Inadequate knowledge on sustainable procurement, ethics and non structured training are the main impediments to capacity building, Kennard (2006) added. This implies that relevant training and knowledge on sustainable procurement will generate some fresh breath into the banking sector and transformational changes in the future (Ghana Banking Survey, 2014). The study will provide managers and all stakeholders in the banking sector knowledge of integrating the environmental and social factors in procurement decisions and its impact. The stakeholders will also be encouraged to sign up to sustainable principles and conform to national and international regulations. This will also assist the sector to make sustainable policies corner stone of all procurement decisions.

## **1.6 SCOPE OF STUDY**

The study is centred on the procurement practice of the banking industry; with the reason been that a handful of research work has been done on sustainable procurement practice in the banking sector. This research work sought to explore the extent to which sustainability (environmental and social factors) is considered in the procurement practice of the banking sector in Ghana and the challenges it's been confronted with in its implementation. The study is limited to the head offices of the banks which are situated in the Greater Accra Region and where most of the procurement decisions are made and managed.

The banks in Ghana are grouped by the quartile analysis (grouped based on the book amounts of their operating assets) and this study is focused on the first quartile banks which are seven in number. What facilitated the determination of the scope was that these banks were ranked the highest according to the availability of resources for shareholders on their earn returns, capacity of bank operation, technology level and the

number of specialised staff (Ghana Banking Survey 2014). The Ghana Banking Survey (2014), indicated that seven banks constituted the first quartile and they include: Barclays Bank of Ghana limited, Ecobank Ghana limited, Fidelity Bank Ghana limited, GCB Bank limited, Standard Chartered Bank Ghana Limited, Stanbic Bank Ghana Limited and Zenith Bank (Ghana) Limited.

## **1.7 METHODOLOGY**

The methodology for the study discussed the existing literature review on sustainable procurement practice relating to the banking sector of Ghana. The review was sourced from credible and scientific data through thesis, books, journals and abstracts. The collection of data from the institutions was conducted by administering questionnaires, thus a descriptive research. The design of the questionnaires included close and open end questions and ranked on Likert scale rating. Four (4) questionnaires each was sent to the banks listed above for completion. The collected data was analysed using quantitative approach.

## **1.8 DESIGN OF RESEARCH**

The structure of the study was organized into five (5) independent but related chapters. The chapter one comprised the introduction. The introduction comprised the background of study and brief literature review, the statement of problem, research questions, the aim and objectives, significance of the study, as well as scope of study. The chapter two consisted of the discussion of existing literature review on sustainable procurement practice relating to the banking sector of Ghana. The review examined related research and authority carried out. Chapter three focused on the methodology used. This section throws light on the method used to gather data whilst chapter four



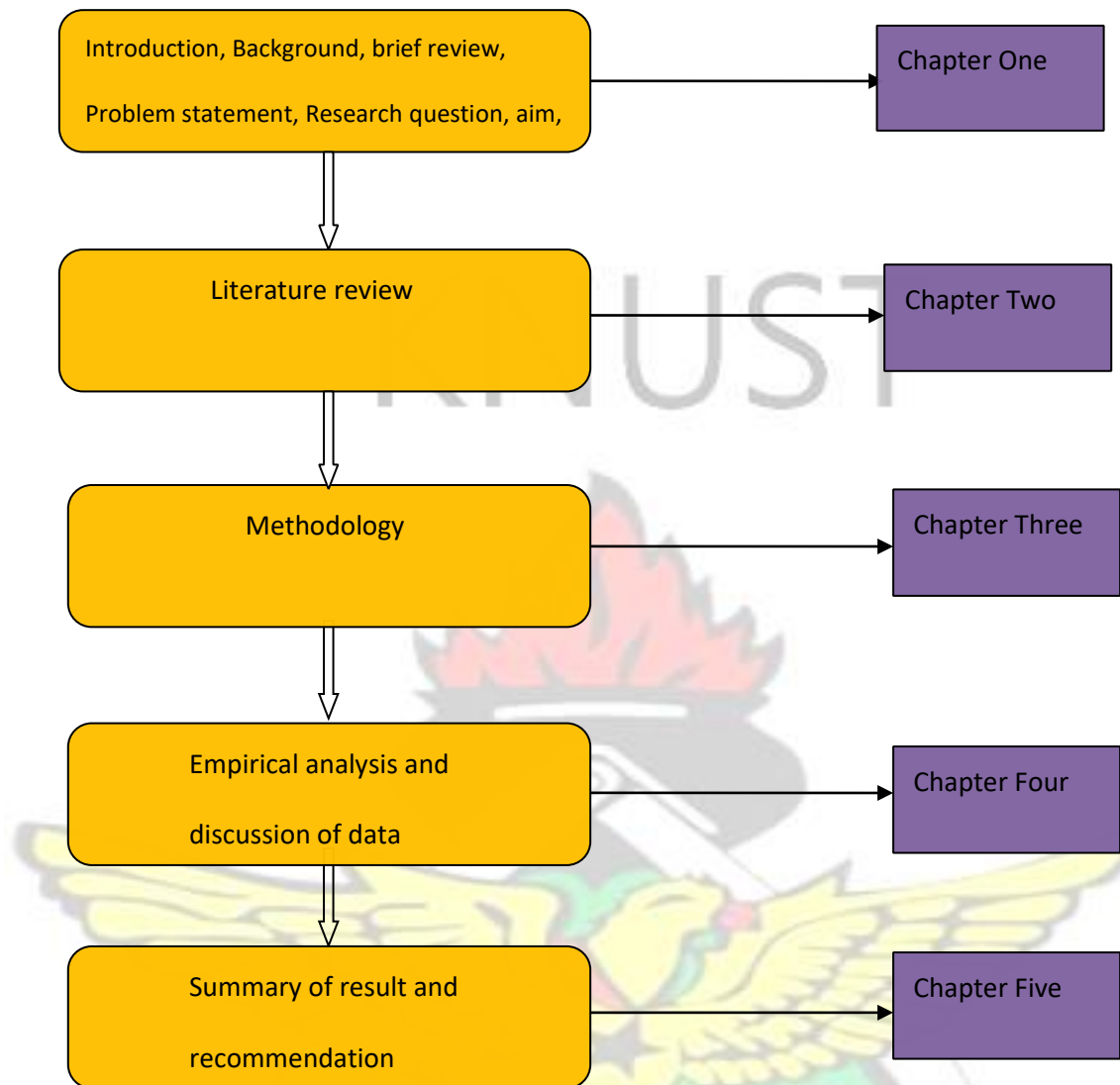
composes of presentation and discussion of the study's findings and with the last chapter, the summary of findings as well as the conclusion and recommendations.

### **1.9 LIMITATION OF STUDY**

The study was limited by the following factors: The sampling and measurement procedures used may have affected the collection of data and the kind of analysis and the interpretations offered. Respondents were not willing to respond to the questionnaire due to the fact that, they were not gaining any immediate benefit from the study being conducted by the researcher. Some organization's policy did not permit respondents responding to questionnaires. Despite these limitations, the researcher put in enough efforts to ensure the reliability and validity of measurement and data collected. Research participants were encouraged to respond to the questionnaire and subsequently present true responses.







**Figure 1.1 Research work flow diagram**

**Source: Researchers survey, 2016**

## **CHAPTER TWO REVIEW OF LITERATURE**

### **2.1 INTRODUCTION**

This chapter introduces the existing theories of sustainable procurement and establishes how pertinent sustainable procurement is from a perspective of banking sector. Some of the concepts relevant to sustainable procurement have also been presented and elaborated on. This chapter entails an insightful review of existing theories which centred on the concept of sustainability, sustainable development and sustainable

procurement. It further considers the banking sector procurement, the banking sector in Ghana, the banking sector role, significance and benefits of sustainable procurement, potential drivers, and challenges in relation with the banking sustainable procurement practice in Ghana. For an exhaustive understanding of sustainable procurement, literature was from primary (thesis), secondary (journals and internet) and tertiary (abstract) sources. In addition, some organizations were visited in order to be acquainted with the latest sustainable procurement practices.

## **2.2 THE CONCEPT OF SUSTAINABILITY**

The concept of sustainability first became an issue of concern in 1972, at United Nations (UN) Conference on the Human and Environment. During this period the environment began to deplete as a result of pollutants emanating from the industries and illegal practices (illegal mining). At the conference, delegates were torn between these two issues; economic advancement and guard to the environment, one was more impressive. After a lengthy elaboration the conference realised that both the economic advancement and guard to the environment were mutually extricating (Blackburn, 2007). The basic outlined was that improving the living and working conditions of a person and curbing the pollution of air and water, depleting the environment and resources will both satisfy the well being of humans both now and in the future. The UN Conference then adopted the concept of sustainability which constitutes the people (social), planet (environment) and profit (economic) considerations, Blackburn (2007) added.

### **2.2.1 Economic Consideration**

Economic aspects deal with cash flow. Depending on the situation, it may consider looking into profit and the rate of spending, organisational culture, strategic management and competitive advantage of an organisation. In the area of procurement,

this consideration may be best attended to through economic due diligence, inventory management and effective monitoring. Banking sector procurement should also look into job establishment and survival, wealth creation and distribution and equal opportunity by all stakeholders (Abedin, 2015).

### **2.2.2 Environmental Aspects**

Environmental aspects is concerned with protecting the natural resources and environment from deteriorating and making the world a safe place to live both now and the future. As part of keeping the environment safe, the following areas should be considered; natural resources quality, energy consumption, waste management and land utilisation. Environmental impact assessment should be performed before any decision is made on the procurement cycle. The impact assessment may include energy generation and consumption (electricity, fuel), pollution emanating from its developmental activities and wild life and public protection (Offei, 2014).

### **2.2.3 Social Consideration**

Social consideration seeks to provide communities with amenities like education (good infrastructure and availability of teachers), accessibility to social supports, hospitals and health, housing and accessible roads. The banking sector procurement could tackle this aspect by introducing corporate social policies which seek to eradicate poverty, respect to human right erection of infrastructure such as schools and hospitals and sponsorship package (Offei, 2014).

## **2.3 THE CONCEPT OF SUSTAINABLE DEVELOPMENT**

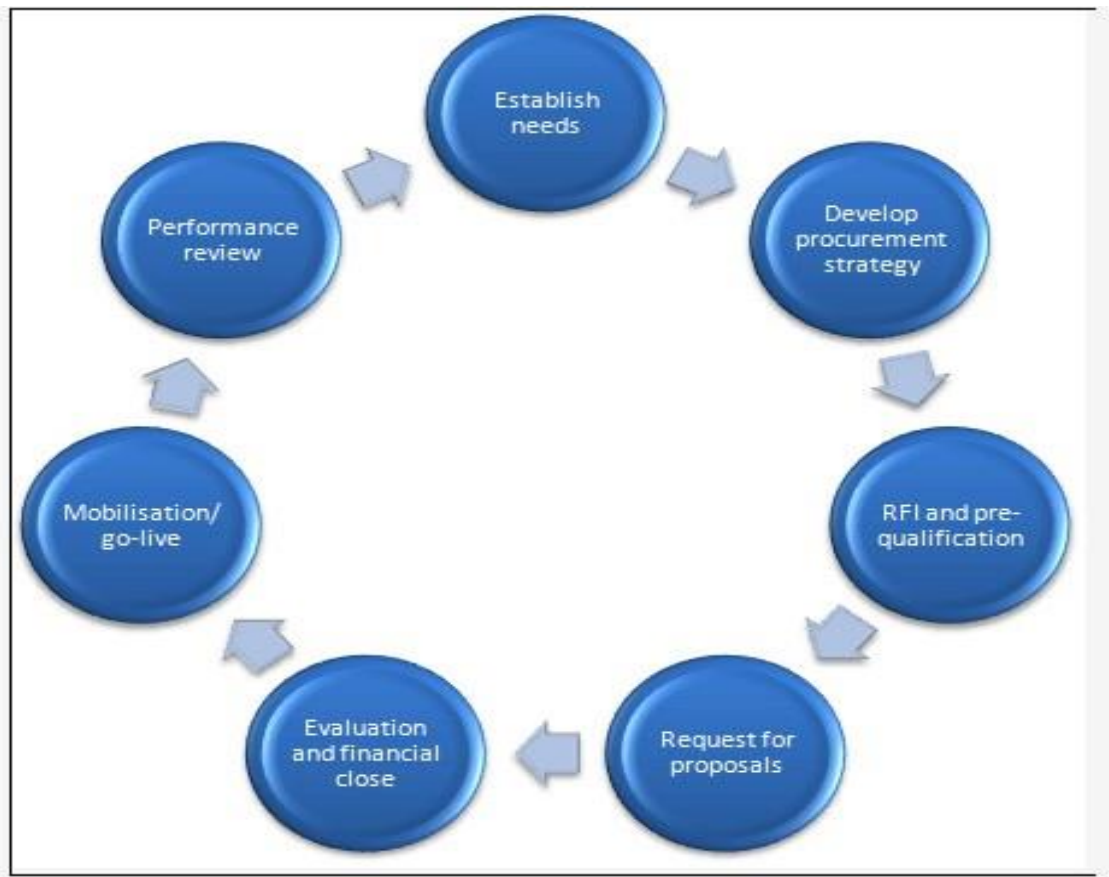
Development represents series of activities intended to improve the social and wellbeing of humans. This intension is achieved through the job establishment and survival, wealth creation and distribution, equal opportunity, social infrastructure development,

education and technology. Sustainable development comprises two directions; the first direction is to develop economically for better living standards and the second direction, seek to enrich the environment and guard it from degradation for now and the future generation (Abedin, 2015). According to Brundtland Commission Report (1987), the UN's attention was to elevate the stage of relationship between the people and the environment. This was characterised with the notion for the future generation to enjoy better life as it is at present. These intentions were amended at the UN Conference, Rio Declaration on Environment and Development held at Rio de Janeiro in 1992. Social justice and human rights related issues were imbedded in the amendment. This trio-dimensional (people-planet-profit) view of sustainability since then had been adopted worldwide. Furthermore, in 1997, the term 'triple bottom line' (TBL) was also adopted by John Elkington to emphasise on the need for member countries of the United Nation and institutions to bench mark their outcomes on these three areas. The trio-dimensional view of sustainable development could be described in diverse forms like; 3Ps that is People (social wellbeing), Planet (guard of the environment) and Profit (economic advancement). 3Es that is Economics, Environment and Equity. According to Brundtland Commission (1987), sustainable development is defined as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. This connotes that social well-being, economic advancement and environmental protection should all be considered during procurement decisions.

## **2.4 THE CONCEPT OF SUSTAINABLE PROCUREMENT**

According to (Figure 2.1), the procurement cycle involves determination of needs, development of strategy, solicitation, evaluation and selection, contract management, closure and performance review





**Figure 2.1 Procurement cycle extracted from Facilities Society (2012)**

According to the United Nation (UN) requirement, procurement is said to be sustainable when it satisfies the following features: standards and principles, which are factored in a procurement decision must lead to preservation of the environment, social wellbeing and supporting economic advancement; such as minimization of waste, effective budgeting and control and quality life (UNGM, 2011). An organisation which embeds sustainable procurement into its strategic policy has a competitive advantage over others because its products are environmental friendly and economic optimisation for better living standards.

#### **2.4.1 Economic considerations:**

Effective pricing, optimisation of cost, accountability, availability and wealth creation.

#### **2.4.2 Environmental aspects:**

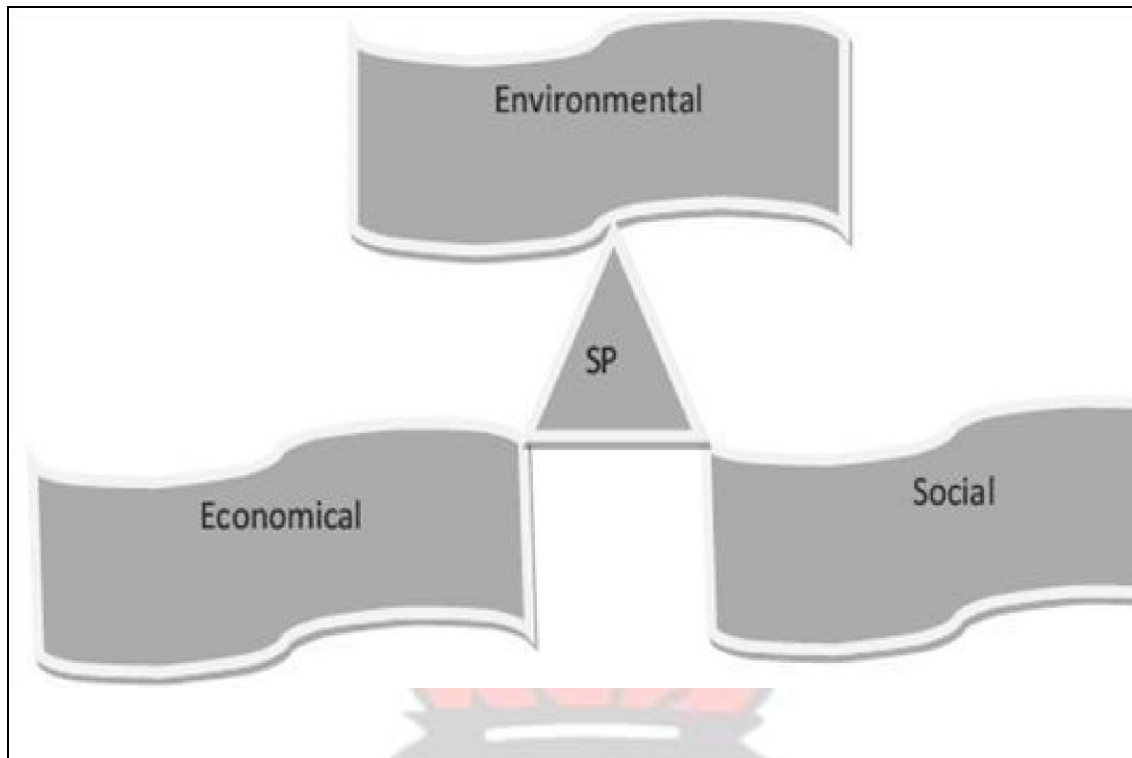
The effects that a product or an activity has on the environment



### **2.4.3 Social aspects:**

How procurement decisions will impact on the aspect of life such as poverty reduction, equal distribution of resources, jobs creation and freedom and justice. Sustainable procurement should consider the consequences on cost, environmental and people from activities like, material preservation, planning and production methods, transportation, service delivery, after sale services, reengineering of products, recycling, disposal option and how true the value chain stakeholders will be able to address these consequences (UNGM, 2011).

In other words, sustainable procurement should consider the whole lifecycle (maintenance, replacement, refurbishment, upgrading, etc) cost of a product, mode of supply and inventory management. Therefore, sustainable procurement is defined as an act of acquiring goods, works and services from a seller that provides the optimum combination of whole life costs and benefits to meet the customer's requirements (Walker, 2008). The UK Sustainable Procurement Task Force defines sustainable procurement as “a process whereby organizations 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 organization, but also to society and the economy whilst minimizing damage to the environment” (DEFRA, 2006). As shown in Fig. 2.2, sustainable procurement is about the process of purchasing works, goods and services that takes into account the effect that it will have on the social well-being, cost optimisation and environmental preservation. This includes optimizing price, quality, availability but also environmental life-cycle impact and social impacts linked to the source of the product or services (Walker and Brammer, 2011, Mensah and Ameyaw, 2012).



**Figure 2.2 Triangular features of Sustainable Procurement**

Source: Mensah and Ameyaw (2012)

## **2.5 SUSTAINABILITY AND BANKING SECTOR PROCUREMENT**

Environmental sustainable procurement has been a canker in sustainability of most developed and developing countries for many years (reference). The banking sectors (both private and public) are affected with the issue of environmental sustainability and how it could be well managed. Not long ago, the focus on environmental sustainability has expanded to a bigger topic, ‘sustainability’ (environmental preservation, social well-being and cost maximisation). However, while sustainable procurement practices are mainly recognised in Europe and other parts of the world, it is relatively low in most African countries in terms of knowledge and practice (Abedin, 2015). The banking procurement is mainly centred on how to utilize the contribution of shareholders on products, social amenities and facility providers been influenced by the ethics of openness, responsibility and gaining return on investment which is the basis of wealth maximisation. Due to the concept of banking

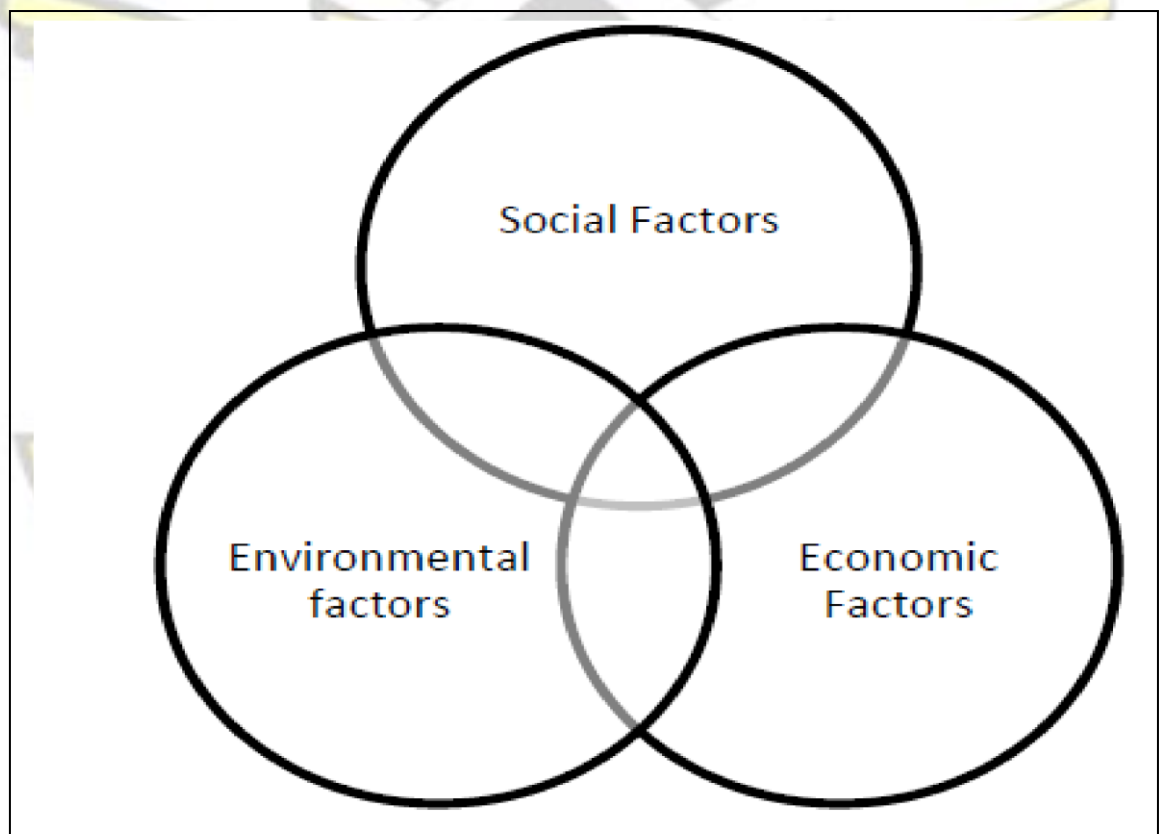
procurement, the banks then insist that all activities of the stakeholders conform to the parameters of sustainability as it is a determinant for profit maximisation to the shareholders and the society at large. Sustainable procurement internationally is strongly controlled by banking procurement strategies and is mostly classified as being discovered by banking industry Abedin (2015) added.

The concept of banking sustainable procurement is an unfamiliar area of practice for the procurement experts who are generally aware of the traditional procurement system (procurement decisions mainly based on cost, period and durability). Banking procurement contributes substantially to the economic growth of most countries. It is (banking procurement) one of the economic indicators if well looked at will attract massive development in the economy of any country. In conclusion, banking procurement could cause an innovation of products (Abedin, 2015).

## **2.6 SIGNIFICANCE OF SUSTAINABLE PROCUREMENT**

The stakeholders (owners, government, etc) of the private and public institutions in most countries increasingly demands for the implementation of sustainable procurement (Walker and Brammer, 2011). The United Nations World Summit on Sustainable Development in 2002 urged all relevant authorities in both developed and developing countries to join the campaign of sustainable procurement considerations by all institutions which bring about economic development and environmental friendly products. In view of this, procurement experts and practitioners have introduced policies and strategies embedding sustainable development concerns (McLennan, 2004). Kalubanga (2012) research reviewed studies in the EU; found out that in 2009, over 50% of suppliers began implementing sustainable procurement agenda in 2008, while a little above 80% see sustainable procurement agenda as vital to their trade intensity. Organisations that currently practice sustainable procurement satisfy their

goods, services and works obligations not for only short-term price gains, but optimise long-term financial earnings for their organisations and the world at large (Pennanen *et al.*, 2005). Kalubanga (2012) also highlighted that these facts are basically classified as “Environmental”, “Economic” and “Social” (also known as the trio dimensional line) (Figure 2.3), (Kalubanga, 2012)





**Figure 2.3 Trio Dimensional Line of sustainability adopted from Kalubanga, 2012**

## **2.7 BENEFITS OF SUSTAINABLE PROCUREMENT**

A review of existing theories has revealed that if sustainable procurement is effectively practiced, it has the likelihood to reduce expenditure, get on well with stakeholders, increase sales, control risks, enhance reputation and increase profit. Kennard (2006) and Kalubanga (2012) indicated that sustainable procurement plan initiative by an organization will lead to the following benefits:-

1. Effectively regulate costs by considering the whole life-cycle costing approach.
2. Efficient way of determining outcome (Tucker and Pitt, 2009).
3. Conform to laws concerning the social and environmental related issues (DEFRA, 2007).
4. Risks control and Corporate Social Responsibility (Jones *et al.*, 2006).
5. Maintaining sustainable value chain (Mohd-Noor and Pitt, 2009; Booty, 2009).
6. Involvement of the local SME business in the industry (Asian Development Bank, 2011)

CIPS, 2008 knowledge summary outlined the following benefit for sustainable procurement practice

- i. Conformance to local and international sustainable procurement control and models.
- ii. Appreciating of risks in the value chain procurement (Lamming and Hampson, 1996).
- iii. Immense contribution to the organizational procurement policy.
- iv. Well informed decisions-making on procurement and its consequences on the environment and society.



- v. Sustainable advantage over reengineering, expertise inputs and strategic logistics (Drejer, 2007 and Jensen, 2011) vi. Knowledgeable and well trained staffs that satisfactorily perform task relating to procurement. vii. Well structured organization and healthy relationship between staff and superiors; viii. More accurate bids, solicitation and sustainable supply chain.

## 2.8 DRIVERS FOR SUSTAINABLE PROCUREMENT

Drivers are the determinants that propel the initiation of sustainable procurement. Factors such as resource scarcity, legislation, reputational risk or opportunity, shareholder pressure are likely to drive organizational measures for sustainability.

Drivers for sustainable procurement will be classified as external and internal. Table 2.2 and Table 2.3 depict some of the general external and internal key drivers for sustainable procurement respectively.

**Table 2.1 General External Drivers for Sustainable Procurement**

DRIVERS	INDICATORS OF THE DRIVERS
Political factors	Government policy, strategy, influence, incentives and penalties
Economic	factors Loss of market demand for unsustainable products, inflation, demand and supply and taxation
Social factors	Social attitudes and values of organisations, social amenities emerging social justice, believes and ethical issues
Technological factors	Competitor/ market innovation and take-up of sustainable technologies (new products, materials, and processes), exposure of unsustainable technologies (e.g. resource usage, wastes), immergence and reengineering (eg alternative energy).
Legal factors	Internal and external standards and regulation on sustainability, waste control, employment rights, health and safety, consumer rights, corporate governance, banking sector procurement.

Environmental factors	Resource degradation, climate change, GHG emissions, deforestation, water management, conservation, biodiversity, pollution, waste, recycle reduction, solid waste management and national targets under international agreements.
External stakeholder factors	Interest and influence in any or all of the above factors, creating threats and opportunities for the organization in obtaining resources and collaboration (eg customers, labor, investors, pressure group activism, potential for cause-related marketing)

**Source: sustainable procurement, the official CIPS course book in partnership with PROFEX publishing (2012)**

**Table 2.2 General Internal Drivers for Sustainable Procurement**

<b>DRIVERS</b>	<b>INDICATORS OF THE DRIVERS</b>
Corporate goals	Corporate strategy tactical and operational goals (vision, mission and objectives including sustainability values).
Organizational status	Existing Corporate Social Responsibility and organisational culture
Top level buy-in	Senior management visionaries, champions and supporters of sustainability.
Business factors	Business case arguments for sustainability, enhanced reputation, brand strength and sales revenue, cost/ waste reduction (eco-efficiencies), enhanced supply chain innovation and efficiency, reduced regulatory burden.
Accountability factors	Accountability mechanisms, which demonstrate seriousness, and make reward contingent on sustainability progress/ performance.
Risk awareness	Priority given to risk management, perception of business, reputational and supply risk from non-sustainability, reputational damage.
Stakeholders factors	Priority given to risk management, perception of business, reputational and supply risk from non-sustainability, reputational damage.

**Source: sustainable procurement, the official CIPS course book in partnership with PROFEX publishing (2012)**

The drivers would obviously be directly relevant and consequential in some areas than others. Hence, the banking sector needs to settle on the drivers it might adopt to use as an initiative.

## **2.9 ENVIRONMENTAL CONSIDERATION IN SUSTAINABLE PROCUREMENT**

According to Warner and Ryall (2001) majority of the indigenous stakeholders embedded environmental consideration into their procurement strategies. In addition they realised that initiating such strategy had led to higher cost on the sustainable product which was a hindrance; however, they were immensely successful in adopting environmental sustainability. Non existence of policy on environmental related issues, irrelevant training and knowledge and clue to manage associated risk; such setbacks could be encountered. Handfield *et al.*, (2002) are also of the view that prior to implementation of sustainable initiative, there is the need to conduct an assessment on all prevailing risk and impact of the suppliers and communicate to all parties. It is also important to adopt a monitoring scheme for the purpose of determining whether or desired aim is attained.

## **2.10 SOCIAL CONSIDERATION IN SUSTAINABLE PROCUREMENT**

Sustainability and innovation are both vital in the value chain Walker and Philip (2009) stated. Sustainability relates to the environment, social and economic while innovation has a direct relation to sustainability. A requirement on social sustainability is designed by the International Organization for Standardization (ISO 26000); the issues it talks about are mainly centered on social responsibility including; openness, fairness, rule of

law and recognition of all parties involved. It further talks about the basis of social responsibility and detail management procedure that will enhance or restrain sustainable procurement. According to ISO 26000, it is realized that institutions are directed on how to initiate social sustainable obligation and how it could best be introduced into an organizational culture or setting. Some relevant institutional indicators outlined by the scheme (ISO 26000) are; institutional leadership, employer and employee obligation, safety at work, stakeholders related issues, introduction of the general public and expansion. Mode of leadership by an institution is an overriding event that assists managers to successfully control all development.

With reference to CIPS 2014, publication sustainable procurement practice, ways that organizations could successfully implement social sustainability is to clearly establish the procurement specialist function and mandate for an activity. The coordinator of the procurement activity should be determined with backing and recognition from management. These additional strategies should be followed to foster development of social sustainability that is; relative training of procurement professionals on sustainable procurement approved procedures. An essential quality of procurement professional is to be transparent and accountable. Employees could be involved to determine the bench marks and indicators for procurement practice. Management must ensure that all procurement documents are accessible by all staff.

## **2.11 BARRIERS TO SUSTAINABLE PROCUREMENT**

Barriers are factors which may obstruct an organization's progress towards sustainable procurement. Summary of the barriers are as follows;



### **2.11.1 Cost**

Sustainable option may be more expensive because it may involve the purchase of products and services which are innovative, based on new technologies. More labor and management intensive process may be required. The organization will be exposed to additional risks and prevent the organization to have the best competitive price. It will cause some changes within the organization and its supply chain requires investment of resources, loss of productivity and training (Offei, 2014).

### **2.11.2 Unclear definition of what entails in sustainable procurement.**

While identified as a barrier (Gattiker et al., 2008), it generally occur in organizations who take no action on sustainable procurement. In addition some stakeholders may resist sustainability practice due to their indifference.

### **2.11.3 Engaging management on sustainability**

Often sustainable procurements are not seen as legitimate or necessary initiatives for upper management or administration to address (Ghana Banking Survey, 2014). The measures are often seen as an added cost with little immediate benefit to the organization.

### **2.11.4 Lack of experts on sustainable procurement**

Lack of resources can refer to costs, but more specifically refers to a lack of time or trained employees to take on sustainable procurement initiatives. Purchasing specialists and supply chain managers are increasingly seeing their roles expand and are being required to perform multiple tasks in an organization (Ross, 2013). These individuals are often without enough time or additional assistance to balance sustainable purchasing initiatives on top of their growing job load.

### **2.11.5 Lack of metrics and/or knowledge in sustainable procurement standards**

Some authors have identified a lack of standard metrics for assessing sustainable procurement initiatives as key barriers to integrating environmental factors (Thomson and Jackson, 2007). Metrics are often used as guidance, and with the absence of such metrics, organizations need an understanding of metrics, which is often a limiting factor to integrating environmental and social factors.

#### **2.11.6 Competitive priority**

According to OECD (2007), most countries in Africa and part of Asia needs resource capacity upgrade so that introducing sustainable procurement into a company's strategic, tactical and operation policy will be successfully implemented. In addition the requirements for acquisition of commodities are not well defined and documented hence, impossible to comply by external models like ISO 26000.

#### **2.11.7 Information management of suppliers**

Most indigenous suppliers do not have the capacity to conform to e-procurement. Even though this approach stream lines the procurement process, protect the environment and transparency but a barrier to these local contractor/ suppliers because it is difficult acquiring basic data from the suppliers (Abdul, 2013)

#### **2.11.8 Lack of insight on sustainable procurement**

Institutions are unable to meet internal and external standards of sustainable procurement as a result of inefficient policy and uninformed employees coupled with inadequate attention of managers. Unsatisfactory procurement could be as a result of insufficient and dented information available such as contract document, quantities and unit price and sustainable (environment and social) considerations ( Buying a better world, 2007).

### **2.11.9 Ineffective monitoring and evaluation of procurement activities**

Any contract which constitutes sustainability consideration, are effectively managed because all progress is measured against these considerations of sustainable procurement. It is important to acknowledge that all considerations should be 'SMART' (Specific, Measurable, Attainable, Realistic and Time bound) which is based on the company's capacity. Monitoring and evaluation procurement activities may include: Specification development, requirement for suppliers to conform to sustainable procurement standards, determination of method for project reporting and progress update (Government of Western Australia sustainable procurement practice guidelines, 2014)

### **2.12 THE BANKING SECTOR IN GHANA**

The banking sector in Ghana measures its members by their operating capabilities which depend on the available resources to pay the dividends for the shareholders and interest for lenders and depositors. The earning capacity is the operating assets of the bank. Additional recognized factors are level of technology been used, availability of specialized employees and the banks operation capabilities. The banks' operating assets is the primary business performance indicator and the basis for which dividends for stakeholders are determined. Operating assets include all assets that are directly deployed to generate interest or related fee income. These include cash and liquid assets, investments and loans. It excludes investments in resources like property, plant and equipment that provide a platform to facilitate a bank's business. The banks in Ghana are grouped on their basis on the book amount of their total operating assets (Ghana Banking Survey, 2014).

**Table 2.3 Banks quartile**

QUARTILE	NUMBER OF BANK	NAME OF BANK
First	7	Barclays Bank of Ghana limited, Ecobank Ghana limited, Fidelity Bank Ghana limited, GCB Bank limited, Standard Chartered Bank Ghana Limited, Stanbic Bank Ghana Limited, Zenith Bank (Ghana) Limited
Second	6	United Bank for Africa (Ghana) Limited, Agric Development Bank Limited, CAL Bank Limited, UT Bank Ghana Limited, Unibank Ghana Limited, National Investment Bank Limited
Third	6	Societe General Ghana Limited, HFC Bank (Ghana) Limited, Access Bank (Ghana) Limited, Guaranty Trust Bank (Ghana) Limited, Prudential Bank Limited, Bank of Africa
Fourth	8	First Atlantic Bank Limited, International Commercial Bank Limited, The Royal Bank Limited, Energy Bank Ghana Limited, Sahel-Sahara Bank Limited, Bank of Baroda Limited, FCPB
<b>TOTAL</b>	<b>27</b>	

**Source: Ghana Banking Survey (2014)**

### **2.13 ROLE OF THE BANKING SECTOR**

Jeucken and Bouma (1999) said that banks play an intermediary role between the stakeholders; that is customers who lack capital and those of surplus capital. The services the banks provide include: savings, lending, investment, mediation, and advice, payment, guarantees, and ownership and trust of real estate. The operation of the banks generate two main source of income thus interest earnings and provision earnings. The bank is responsible for the risk been transferred by the stakeholders; within these circumstances the bank needs to grow, sustain and satisfy the requirement of its



stakeholders. Banks constitute departments which offer various services to its clients including investment banking, commercial banking, corporate banking, private banking, trade financing, electronic banking, securities, financing and loan and savings. Some banks operate in one or more of the following areas unlike the universal banks which normally operate in all activities under listed:

1. Transforms money by scale.
2. Interest earning on money with regards to the time frame; creditors for shortterm duration while debtors mainly for long –term.
3. Money transaction by location; thus transactions locally and internally (electronic banking).
4. Managers of risk and uncertainty.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

The chapter three of the study describes in detail the research design and methodology that was adopted under the following headings: research design, research approach, population, sample technique and size determination, data collection and data analysis procedures.

#### **3.2 RESEARCH DESIGN**

The exploratory, descriptive and explanatory researches are the main intended classifications of a research, indicated by Saunders *et al.* (2009). In detail, Robson (2002) emphasized that an exploratory research is a considerable way to successfully discover, identify the general tendency, enquire of new knowledge and practice,

interrogate and identify the importance of new knowledge and practice. This type of research is relevant if the researcher intends to grasp the meaning of an ambiguous situation or short fall. What makes exploratory research outstanding from the others is its ductile nature (flexible and easy to change); with this type of research, there is mainly allowance for change of development, that is, new discovery or knowledge identified latter by the researcher necessary could be added (Saunders *et al*, 2009). An important feature of the type of research is, the interest of the researcher wider at the onset could becomes more focused as the study develops Saunder *et al*. (2009) further indicated. Explanatory research survey was designed to carefully examine the practice of sustainable procurement in the banking sector in Ghana. Researchers have adopted the use of explanatory research method for many years across various disciplines. In addition, it was the best choice for this study because it was meant to identify the existing practice, perceptions and level of acceptability of issues relating to the environment, social and constrains associated with implementation of sustainable procurement in the banking sector.

### **3.3 RESEARCH APPROACH**

Quantitative research approach was used to validate the results which were obtained from the research method. Quantitative research permits detailed examination of a sort; identifies what brought about it, phenomenon, general attitude and practice of respondents (Liu and Fellows, 2003).

#### **3.3.1 Quantitative Research**

Quantitative research produces results that can be used to describe variation of statistical characteristics of an aimed group (respondents). A non-experimental research design commonly used in instances where the variable has already occurred was selected. Such non-experimental methods include the causal comparative method, the survey method,

and the correlation method (Kraska, 2010). The most common non-experimental design is through survey (Trochim and Donnelly, 2008). A survey, in the form of a structured questionnaire was conducted as part of the quantitative research approach. It was used to collect data from experts and professionals who were expected to be representative of the population. Statistical procedures for reporting survey data includes, frequencies, percentages, cross-tabulations (Kraska, 2010).

### **3.4 POPULATION**

The population is defined as the number of individuals, places or things gathered with a common observable characteristic. The population of this study comprises all the officers of the corporate or general services of the selected banks in Ghana. The seven universal banks in Ghana selected were Barclays Bank of Ghana limited, Ecobank Ghana limited, Fidelity Bank Ghana limited, GCB Bank limited, Stanbic Bank Ghana Limited, Standard Chartered Bank Ghana Limited, , Zenith Bank (Ghana) Limited. A brief highlight of the banks is submitted below:

#### **3.4.1 Barclays Bank of Ghana limited**

Barclays bank is an international bank which was formed in 1917 and it is part of Barclays PLC. Barclays Bank Ghana has 59 branches nationwide in Ghana (Ghana Bank Survey, 2014). It has the head office at the High Street in central Accra and has an employment capacity of 144,000 worldwide. Some corporate social responsibility the bank embarks on comprises: youth education and entrepreneurship, 'streetism' a programme for citizen of the street and computer training. The bank also had some collaboration with Plana Ghana, Care International, 'StreetInvest' and more. Finally, it invested 1% of its profit before tax in sustainable development programmes and

80% of staff are involved in voluntary programmes for community development (Barclays Bank Ghana).

#### **3.4.2 Ecobank Ghana limited**

Ecobank Ghana Limited was formed in 1990, it could boast of 78 branches and a foreign bank (Ghana bank survey, 2014). It has its office at Ridge in Accra. In 2012 it acquired 100% shares of The Trust Bank Ghana (Ecobank Ghana Limited)

#### **3.4.3 Fidelity Bank Ghana limited**

Fidelity bank is the youngest among the category of banks being discussed and was registered in Ghana in 2006 and could boast of 43 branches (Ghana bank survey, 2014). Fidelity is mainly owned by local investors.

#### **3.4.4 GCB Bank limited**

GCB Bank, the only local bank among the category, has 158 branches and founded in 1952 (Ghana bank survey, 2014). It has its head office at the High Street in central Accra. It has engaged 2,143 staff in the operations and as part of its corporate responsibility, GCB rehabilitated 11, 549 kilometres trunk road (Sackitey, 2007).

#### **3.4.5 Stanbic Bank Ghana Limited**

Stanbic Bank is a foreign bank, formed in 1999 with 26 branches (Ghana bank survey, 2014). The head office is situated at Airport city in the Greater Accra Region. Stanbic Bank has more than 1500 employees (Stanbic Bank Ghana).

#### **3.4.6 Standard Chartered Bank Ghana Limited**

This is a bank which has 25 branches, formed in 1996 and a foreign bank (Ghana bank survey, 2014). It has the head office adjacent GCB Bank at the High Street in Greater Accra Region.



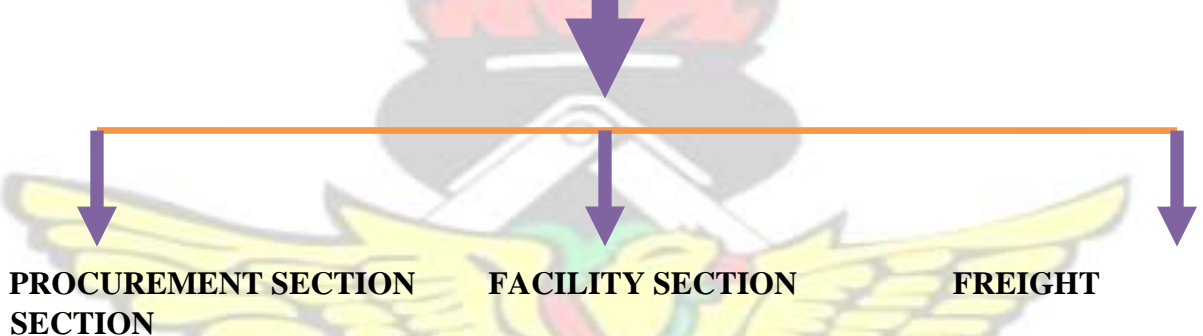
### 3.4.7 Zenith Bank (Ghana) Limited

The Zenith Bank has its head office located at National theatre in the Greater Accra Region. According to Ghana bank survey (2014), it was formed in 2005, with foreign shares dominating and with 28 branches spread over Ghana. One of the strategies of the bank is monitoring competitors, improving stakeholder's relationship and supplier's development

### 3.4.8 Generic Hierarchy of the Department

Most banks generically have the hierarchy of the department as:

**CORPORATE / GENERAL SERVICES / ADMINISTRATION DEPARTMENT**



**Figure 3.1 Generic hierarchy of the department**

**Source: Respondents survey (2016)**

The procurement section is responsible for acquisition of general goods like stationary and general logistics whiles facility sector is mainly responsible for managing the life cycle of a facility (project inception through project management to disposal). Facility manager is also responsible for acquiring space for banking activities and general facilities of the bank. Freight mainly is into international trading, import and export of commodities, special and huge logistics are the role of this section.

An initial survey (interview) was conducted with intent to interact with professionals of the banking sector. During this exercise, it was realized that the procurement activities

of the banks were mainly related. Upon critical assessment of the interaction, it was realized that selecting these banks will be possible to achieve a reliable and scientific result. In addition, these banks are into variety of development which would be vital to procurement practices relating to sustainability and most of the professionals had work another bank before the present bank. This was brought to bare during the interview section.

### **3.5 SAMPLING TECHNIQUE AND SAMPLE SIZE DETERMINATION**

Multi-purpose sampling technique was used for this research work. Even though weak, in reality, the time was limited for this study to sample the whole population (twenty-seven banks). The stratified random sampling was used to select seven banks out of the twenty- seven universal banks in Ghana according to the Ghana Banking Survey (2014). Purposive sampling technique was adopted in selecting only the corporate or general services of the banks and was further applied to select purposively the research participants. The number of units or analysis constituting a sample is known as the sample size. A sample size for a particular investigation is firmly determined, but in the situation of multi units' occurrence, it's therefore imperative to select beyond the units of the actual sample size to enable elimination of repetition (Nwana, 1996). For this research work, a sample size of twenty-eight (28) officers within the seven banks was engaged. This composed of four (4) officers from each of the corporate or general services of the sampled universal banks. In most cases, the head of department and the three heads for procurement or sourcing, facility or infrastructure and freight of the banks were willing to part take in the answering of the questionnaires for the study.

### **3.6 DATA COLLECTION**

The instrument used in data collection was questionnaire. A survey questionnaire was selected due to its capability to widespread findings across the devise. It also fosters

scientific perception and enhances reproduction because of the existing standardized identification and sampling techniques (Oppenheim, 1996). The primary sources were the responses to questionnaires and interviews after interacting with sampled officers of the general or corporate services of the banking sector in Ghana. The questions included close-ended questions ranked on Likert scale rating to allow easy categorization and synthesis. Open-ended questions were asked to source the opinion of procurement officers on social and environmental considerations in the banking procurement practice and constraints in implementing these considerations. The choice of questionnaire was informed by the ability of the respondents to read and write as well as the researcher's desire to get accurate information from the procurement officials without imputing possible personal biases in the case of using interview guide. Questionnaires were administered to the officers of the corporate services, general services and administration of the banks. These departments generally constitute the procurement, facility and freight sections.

### **3.7 DATA ANALYSIS**

The data collected was analyzed quantitatively. The data was transformed using the Statistical Package for Social Sciences (SPSS version 16). This involved the preparation of coding scheme, coding, data entry analysis and Microsoft Excel 2007 was used to transfer the processed data. The statistical tool employed in analyzing the data was descriptive statistics. The descriptive analysis test was conducted to establish whether the respondents consider the dimensions presented in the table to be significant or not and then Microsoft excel 2007 was used to extract the processed data under the following heading; Considerations, Mean, Standard Deviation and descended rankings. Rating of significant and highly significant was given to 4 and 5 respectively. The population mean value was set to 3.5 and the confident interval was set to 95%. It was

based on the Likert scaling of 1-5 and deemed significant if it had a mean value of 3.5 or more. The mean values of the variables were used to rank the variables in order of importance. The ranking of dimension was in the descending order of significance; the one with the highest mean value would be most significant among the rest. Data is presented using frequencies and bar graph as well as tables.

### **3.8 DESIGNING THE QUESTIONNAIRE**

Questionnaires are a comparatively less expensive aid to manage and can reach a wide range of respondents. On the other hand Trochim and Donnelly (2008) and Holyk, (2008) agreed that response ranked for questionnaires are mainly very low. The questionnaire for this study includes questions related to sustainability (social and environmental considerations) in the banking procurement practice in Ghana and constraints in implementing these considerations.

Malhotra *et al.* (2002) indicated three major considerations for an effective questionnaire. The points raised by those authors include providing questions such that it is attractive and easy for respondents to answer, variety in the style of questions to stimulate respondents, and avoid ambiguity to minimize mistakes of respondent. The above facts were considered in preparing the questionnaire. The development of the questionnaire involves outlines below:

- (i) Exactly indicate the aim and objectives of the study: The objective of the questionnaire is to identify the current status of sustainable procurement in the banking industry in Ghana (environmental and social considerations). Specific research questions were generated based on the research objectives. A briefing of the purpose of the questionnaire and information about the



concepts (i.e. sustainable procurement) was included before the questionnaire.

- (ii) To ask straight forward questions in reducing the burden of respondents when reading the questionnaire. Therefore questions were structured in simple English.
- (iii) Testing the questions: Unclear concepts and response options might make the questionnaire uneasy for respondents. Hence, the tool for gathering the information was checked for language and questions and was reviewed. The questionnaire were developed based on the literature review

**Table 3.1 Analysis of questionnaire objective**

Question	Purpose of the questions
SECTION A 1-6	Obtain understanding of the respondent and his/her organisation, nature and functionality of his procurement role in his organisation.
7-8	To identify the knowledge on sustainable procurement to respondent
SECTION B 9-10	Identify the environmental policy been used by the organisation and the extend of its consideration
SECTION C 11-12	Identify the social policy been used by the organisation and the extend of its consideration of procurement practice in the banking sector
SECTION D 13	Identify challenges for implementing sustainable procurement

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**Source: Respondents survey (2016)**

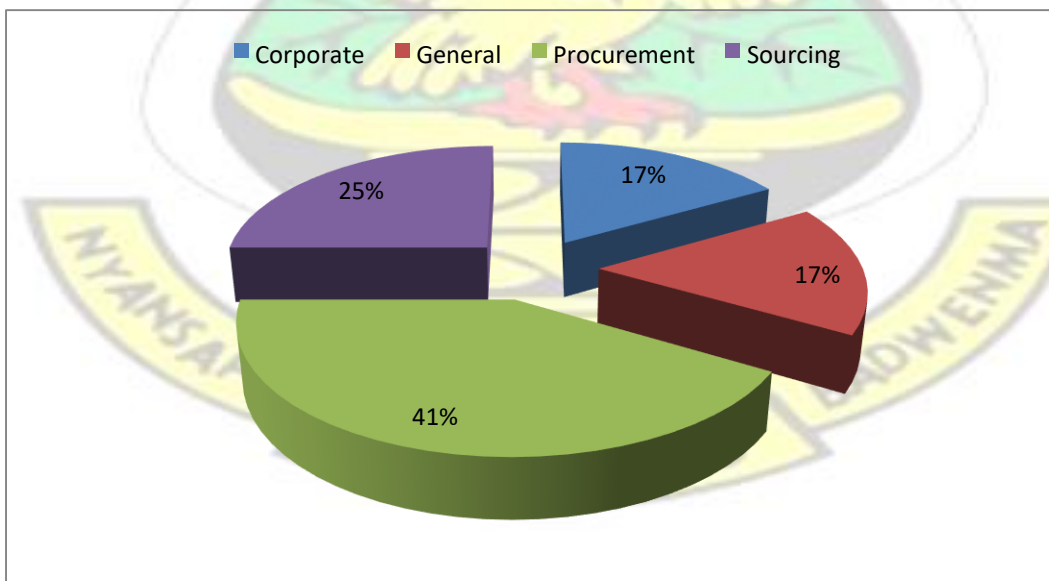
## CHAPTER FOUR

### DATA ANALYSIS AND RESULTS DISCUSSION

#### 4.1 INTRODUCTION

This chapter presents the results, analysis, discussions and findings of the data collected. Out of the sample size of twenty-eight (28) questionnaires administered (four each to the seven banks) four banks responded summing up to sixteen (16) questionnaires representing a percentage of fifty- eight (58). These were the reasons conveyed by the no respondents' banks: Zenith Bank (Ghana) Limited, according to their policy they are deterred from responding to questionnaires and for GCB Bank limited and the Standard Chartered Bank Ghana Limited, the process the respondent is expected to go through might not aid the progress of the research work due to the limited time. The responses gathered from the survey were analysed using various statistical methods outlined in the methodology. This is represented in the figures and tables below. Analysis and responses were done to satisfy the research objectives.

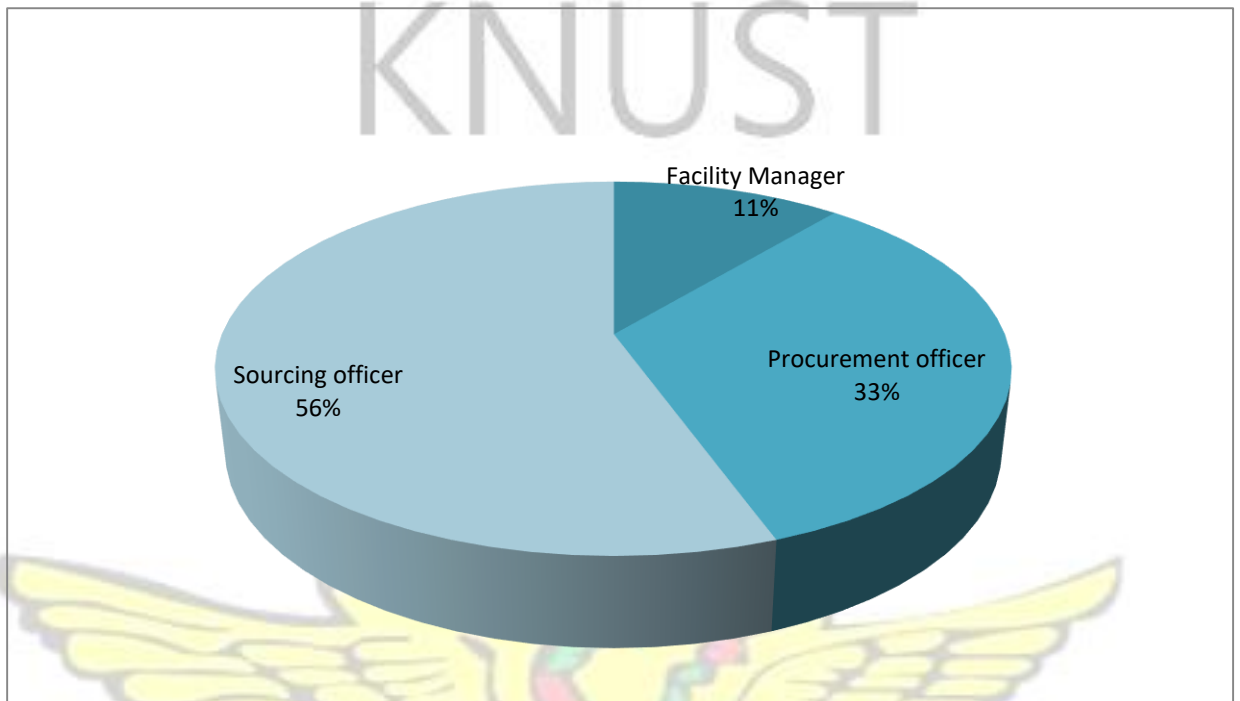
#### 4.2 SECTION A: DEMOGRAPHIC DATA OF RESPONDENT



**Figure 4.1 Departmental name**

Source: Researchers survey (2016)

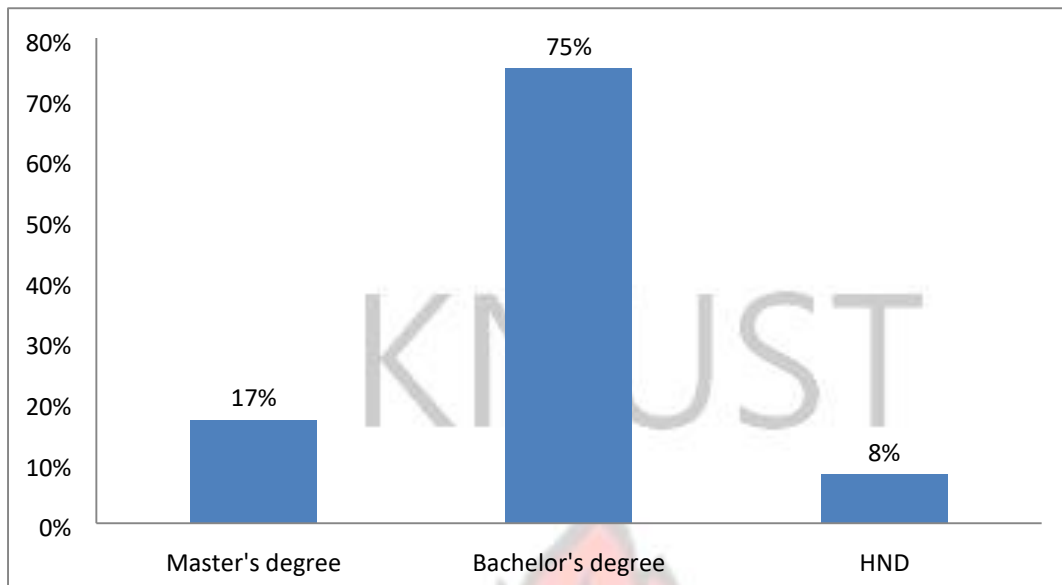
From figure 4.1, 41% were from the department of procurement, 25% were at sourcing department while 17% each were from the corporate and general department. This indicates that the main departments where procurement decisions are taken are corporate, general, procurement and sourcing.



**Figure 4.2 Position of respondents**

Source: Researchers survey (2016)

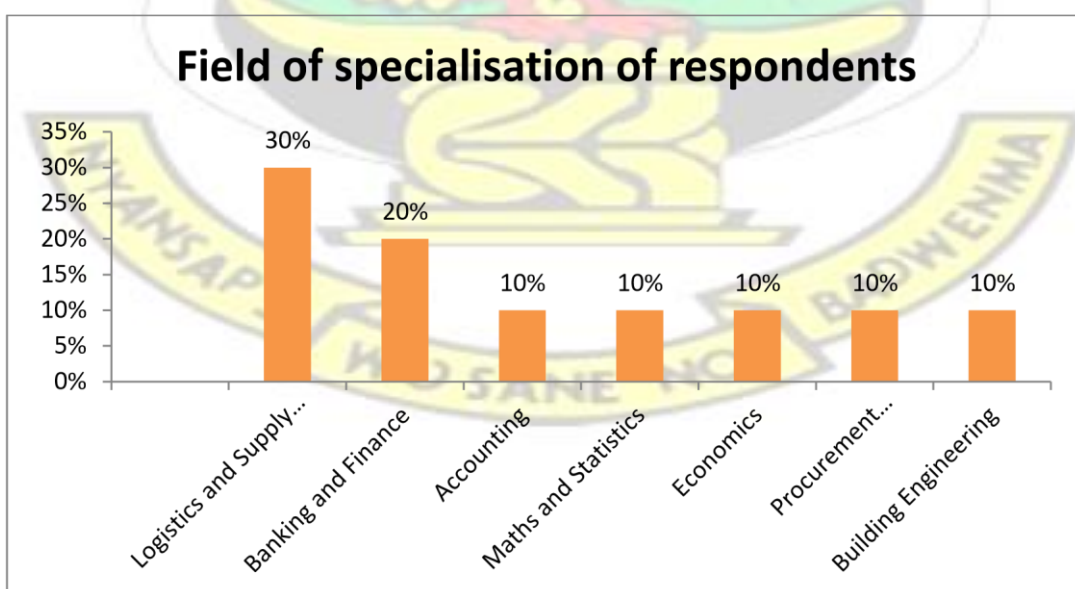
Figure 4.2 categorises the key positions of respondents for the department indicated at figure 4.1. It was realized that sourcing officers were the highest with 56%, followed by procurement officers with 33% and the least facility managers with 11%. This depicts that there are few facility management specialist in the banking sector in Ghana.



**Figure 4.3 Educational background of respondents**

Source: Researchers survey (2016)

Figure 4.3, the highest respondents were bachelor's degree holders representing 75% followed by master's degree representing 17% and HND certificate holder representing 8%. This shows that there is a higher rate of graduate engagement in the banking sector which could be as a result of competition among the banks (Ghana Banking Survey, 2014).

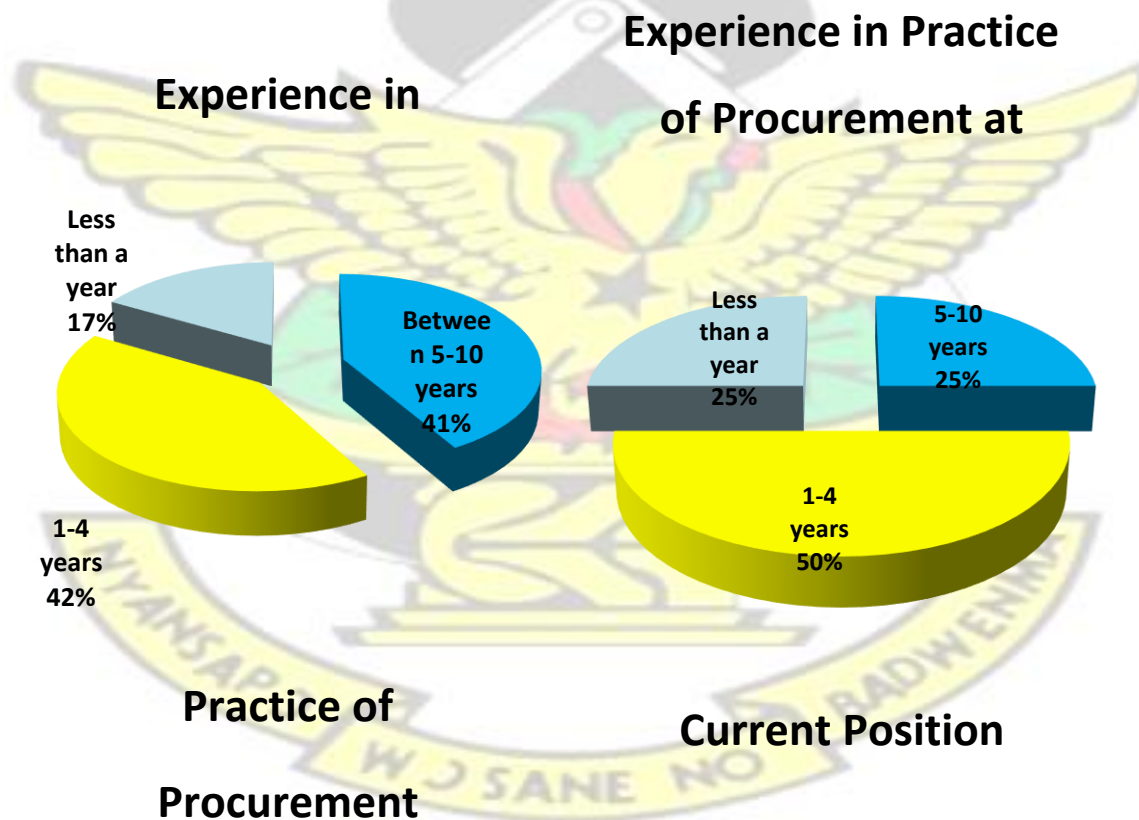




#### Figure 4.4 Field of specialization of respondents

Source: Researchers survey (2016)

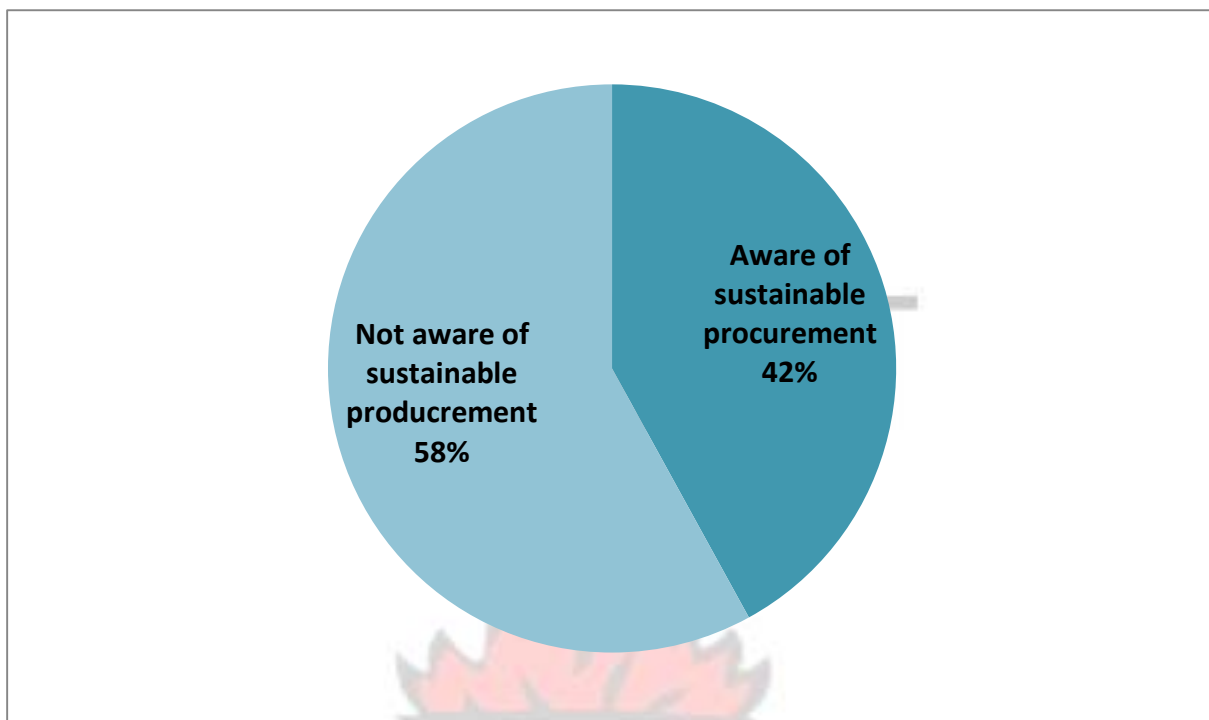
From Figure 4.4, the least respondents were building engineering, procurement management, Economics, Maths and statistics and accounting all representing 10% each, while banking and finance professionals represented 20% but the highest were logistics and supply chain management representing 30% of the entire respondents. This shows that majority of the respondents are not procurement experts which is a main set back to sustainable procurement decisions. This hereby confirms the argument of Kennard (2006), that inadequate knowledge on sustainable procurement, ethics and non structured training are the main impediments to capacity building



#### **Figure 4.5a & 4.5b Experience in practice of Procurement & at current position**

Source: Researchers survey (2016)

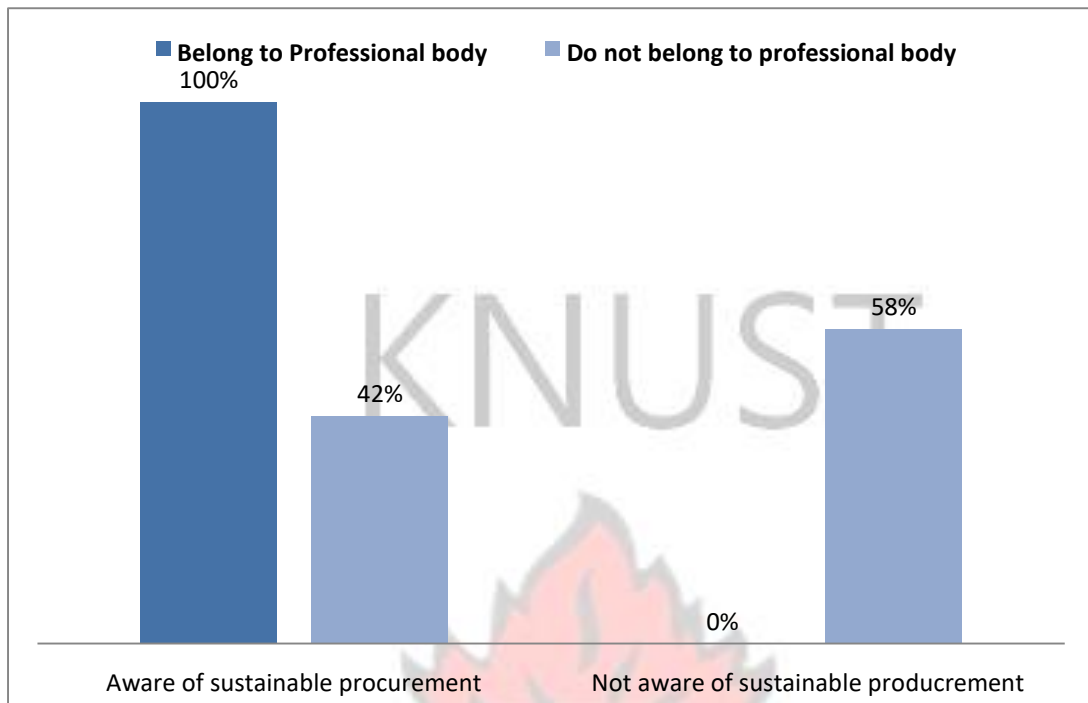
The results in figure 4.5a and figure 4.5b depict the experience as a procurement specialist and as a procurement specialist at the current position. According to figure 4.5a, 42% have worked within the period of 1-4 years as the highest, while 5-10 years were represented by 41% and the least less than a year representing 17%. On the other hand, figure 4.5b showed that 1-4 years were represented by 50%, while between 5-10 years and less than a year were represented by 25% each. Comparing figures 4.4a and 4.5b, it indicates that 41% of respondent's experience of procurement practice had drastically reduced to 25% for experience of procurement practice at the current position. This implies that there is a high labor turnover within the period leading to high budget allocation for recruiting and training of specialist. This may be a challenge for management recruiting experienced procurement specialist since it is not a core activity of the banking supply chain. This may be one of the reasons why inconsistency of procurement responsibilities exist in organizations submitted by Walker *et al.*, (2009).



**Figure 4.6 Sustainable procurement awareness of respondents**

Source: Researchers survey (2016)

Figure 4.6 above shows that 58% of respondents are not aware of sustainable procurement while 42% are aware of sustainable procurement. This may be as a result of the following; cost (official CIPS course book), little incentives, (Ghana banking survey, 2014) and corporate goals, (Nijaki and Worre, 2012). This result calls for a response by managers of the banking sector to educate and train employees on sustainable procurement and create a convenient environment for its practice. The strategy of training and convenience will help address the problem of low awareness and implementation of sustainable procurement (Abedin, 2015).

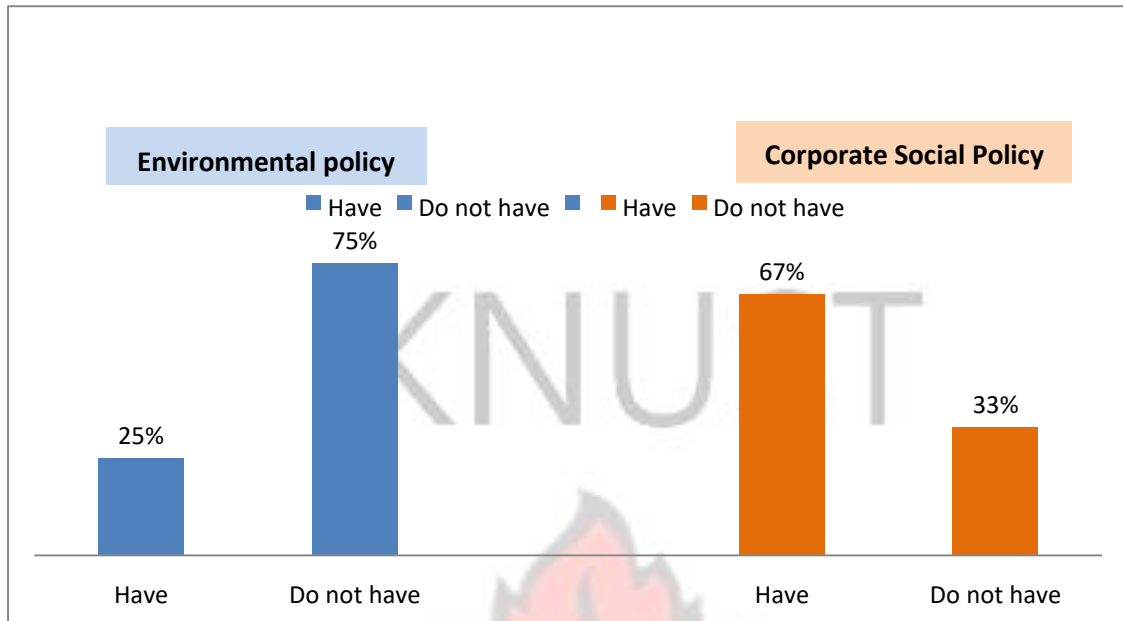


**Figure 4.7 Respondents affiliate to professional body against knowledge of sustainable procurement**

Source: Researchers survey (2016)

Figure 4.7, shows that respondents with professional affiliation were completely aware of sustainable procurement representing 100%, 42% of respondents who do not belong to any professional body are aware of sustainable procurement. This is another finding that needs to be critically attended to; could it be that professional bodies like Chartered Institute of Procurement and Supply (CIPS), Chartered Institute of Logistics and Transport (CILT), Institute of Chartered Accountants (ICA) train its member on sustainable procurement related courses?





**Figure 4.8 Environmental and corporate social policy of organization**

Source: Researchers survey (2016)

It may interest you to know that according to figure 4.8, 25% and 67% have environmental policy and corporate social policy respectively. This fact indicates that most organizations embark on social responsibilities than environmental responsibilities. Some examples of corporate social policies indicated by respondents were ready to work, make a difference and education and environmental policies were contract and supplies and sustainable procurement. According to DEFRA (2007) one of the benefits of sustainable procurement is conformity to laws concerning the social and environmental related issues. However, could it be that managing risk of Corporate Social Responsibility according to Jones *et al.* (2006) is more feasible than that of environmental responsibilities?

The following tabular questions are related to environmental consideration in sustainable procurement, corporate social consideration in sustainable procurement and challenges affecting implementation of sustainable procurement in the banking sector in Ghana. Here, respondents were given these factors to rank on a scale from not at all

to completely true to determine how these factors are considered in sustainability practice in the banking sector. The first part of the table is the factors for consideration, the second part represent the mean value and the third and fourth part represents the standard deviation and the ranking of the mean value respectively. The mean score of all the factors under the three categories are greater than the neutral value 3.50( $p < 0.05$ ).

#### **4.3 SECTION B: ENVIRONMENTAL CONSIDERATION IN SUSTAINABLE PROCUREMENT**

The results of table 4.1, showed that almost all the factors under this category are significant environmental considerations in the banking sustainable procurement practice in Ghana. The table shows that organisations should have a policy to monitor the environmental activities of stakeholders which emerged the highest ranked criteria under this category. However, this contradicts with the assertion of McLennan (2004) that procurement professionals have introduced policies and strategies embedding sustainability concerns. During the interaction with respondents, it was realized that even though response on environmental policy was negative; there was some extent of environmental consideration in their procurement practice. The non documented policy might be the responsibility of managers in the banking sector, as stated by the Ghana Banking Survey (2014) that managers give less attention to sustainability. On the contrary, Kalubanga (2012) said research by EU proved that in 2009 over 75% of buyers initiated sustainable procurement programs in 2008. Specify a disposal method for end use of products was ranked second under this category; this is an activity that is rarely considered in specification development for goods and works procurement.

**Table 4.1 Environmental consideration in sustainable procurement**

<b>Environmental considerations</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Ranking</b>
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Organization should have a policy to check the environmental performance of contractors and suppliers	4.333	0.651	1 <sup>st</sup>
Specify a disposal method for end use of products	4.250	0.965	2 <sup>nd</sup>
There is a need to consider environmental impact when taking sustainable procurement decisions	4.083	1.165	3 <sup>rd</sup>
Prioritize environmental sustainability	3.909	1.044	4 <sup>th</sup>
Risk management process for sustainability impacts on all procurement activities	3.818	1.079	5 <sup>th</sup>
Training of stakeholders on environmental sustainability	3.750	1.422	6 <sup>th</sup>
Sustainable procurement decisions could help mitigate environmental degradation	3.727	1.104	7 <sup>th</sup>
Communication of sustainability goals and policies stakeholders	3.600	1.506	8 <sup>th</sup>
Establish an environmental initiative to be carried out by the organization	3.583	1.084	9 <sup>th</sup>
Banking procurement decisions could contribute to the reduction of global climate change	3.333	1.371	10 <sup>th</sup>

Source: Researchers survey (2016)

From table 4.1; there is a need to consider environmental impact when taking sustainable procurement decisions, prioritized environmental sustainability were third and fourth respectively. These factors confirms the decision at the United Nation World Summit on Sustainable Development in 2002, which urged all relevant authorities in both developed and developing countries to join the campaign of sustainable procurement considerations by all institutions which brings about economic development and environmental friendly products. The fifth ranked factor was risk

management process for sustainability impacts on all procurement activities, this is also a very important but less attended to aspect of sustainable procurement. One of the internal drivers for sustainable procurement is risk awareness and it talks about priority given to risk management, perception of business, reputational and supply risk from non-sustainability and reputational damage. The sixth under this category is training of stakeholders on environmental sustainability. Figure 4.6 shows training and professionalism in this area promotes awareness on sustainable procurement, this has been supported by Kennard (2006). The seventh and eighth ranked factors were sustainable procurement decisions and these could help mitigate environmental degradation and communication of sustainability goals and policies to stakeholders. Walker and Brammer (2011) said it is important for suppliers and service providers to be informed on sustainability drivers of their client procurement specifications. And sustainable procurement decisions could help mitigate environmental degradation when features of sustainability are embedded at the planning stage of procurement process. During the interaction with some procurement professionals in the banking sector, it was identified that some banks comply with ISO certification. However, this factor under the environmental consideration was discussed by Offei (2014) that before a procurement decision is taken, the impact of environment on the product and services must be considered because it has an effect on the life cycle.

#### **4.4 SECTION C: SOCIAL CONSIDERATION IN SUSTAINABLE PROCUREMENT**

From table 4.2, respondents were asked whether their organisations have any corporate social responsibility initiative and the extent that their outfits consider these ten (10) social factors as primary concern in relation to sustainable procurement practice



in the banking sector in Ghana. Upon a vivid observation, it was identified that the mean value of all the 10 variables were all greater than the neutral value (3.5); this implies that all are significant social considerations of sustainable procurement practice. Surprisingly, an average of 3.919 said collective bargaining of suppliers was most considered under the social sustainable factors. This means that suppliers have an urge to bargain with the organisations, on the contrary a respondent hinted that suppliers do not have the bargaining power because banks are expected to earn returns for stakeholders and their organisation. The respondent added, this scenario had made it difficult for professionals to negotiate on behalf of the organisation. The second ranked variable is health and safety management system; DEFRA (2007) spoke about benefit of sustainable procurement as compliance with environmental and social legislations. During the questionnaire administering, it was realised that some banks were ISO certified and some staffs were working with hand gloves and respirators. An obvious variable, to meet client expectation is ranked third; one of the ways a bank could grow and survive is to meet the expectation of the client. It was realised that most banks have a corporate social responsibility initiative as compared with environmental initiative; this justifies the perception that clients are satisfied when sustainable social initiative is implemented. In addition Walker (2008) submitted that sustainable procurement has two main pillars, optimum whole life cost of a product and benefit that meet customers' requirement (satisfaction). The fourth and fifth considerations were, this is the right thing to do for the planet and society and code of conduct for stakeholders respectively; while training on business ethics and conduct was eighth. Code of conduct for stakeholders in the banking sector pertaining to sustainable procurement will inform stakeholders to do the right thing to the earth and people living on it. Hence, training on the code of business ethics could eradicate the canker of Kennard (2006) that is

inadequate training, knowledge and professionalism. Furthermore, CIPS (2008) support the eighth factor that better (informed) purchasing staff generate satisfaction and improved performance. Offei (2014) was emphatic that emission of pollutant in the environment, electricity and fuel consumption, solid generation and waste management should be considered during procurement decision making.

**Table 4.2 Social consideration in sustainable procurement**

<b>Social considerations</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Ranking</b>
Collective bargaining of suppliers	3.917	1.2401	1 <sup>st</sup>
Health and safety management system	3.909	1.2210	2 <sup>nd</sup>
Meet your clients expectations	3.833	1.1146	3 <sup>rd</sup>
This is the right thing to do for the planet and society	3.833	1.0299	4 <sup>th</sup>
Code of conduct for stakeholders	3.833	0.9374	5 <sup>th</sup>
Considering social improvement of the public during procurement decisions	3.750	0.7538	6 <sup>th</sup>
Non- discrimination of suppliers	3.667	1.2309	7 <sup>th</sup>
Training on business ethics and conduct	3.583	1.3114	8 <sup>th</sup>
Tender specification development always consider social related issues	3.583	1.3790	9 <sup>th</sup>
The use of sustainability as a driver for key innovation	3.583	1.2401	10 <sup>th</sup>

Source: Researchers survey (2016)

With reference to table 4.2, considering social improvement of the public during procurement decision was sixth under this category; Offei (2014) refers to social factors as the provision for communities with amenities like education (good infrastructure and availability of teachers), accessibility to social supports, hospitals and health, housing and accessible roads. Most banks embark on this social improvement initiative which confirmed the conviction of Nijaki and Worre (2012); organizations must be interested

in promoting good governance during their procurement development process. With doubt non-discrimination of suppliers and tender specification development always consider social related issues, they were seventh and ninth respectively. According to Rio Declaration on Environment and Development held at Rio de Janeiro on 1992, social justice and human rights related issues were imbedded in the amendment to sustainable development; this denotes that non-discrimination of suppliers must be a primary concern at the procurement decision making stage. Jones *et al.*, (2006) indicated that one of the benefits of sustainable procurement is managing risk and corporate social responsibility which supports the ninth considered variable. However, this specification on social related issues will curtail any risk and challenge during implementation of the work. Finally, the use of sustainability as a driver for key innovation was the tenth. CIPS (2008), added that sustainable procurement contribute to the organizational strategy and effectively evaluate proposals, bids and sustainable source of supply. Abedin (2015) was convinced that banking procurement could be used as basis for innovative product.

#### **4.5 SECTION D: CHALLENGES AFFECTING SUSTAINABLE PROCUREMENT**

**Table 4.3 Challenges in affecting sustainable procurement**

<b>Challenges</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Ranking</b>
Competitive priority	3.750	1.138	1 <sup>st</sup>
Balancing sustainability efforts with concerns about cost	3.667	1.371	2 <sup>nd</sup>
Difficulty quantifying sustainability-related risk	3.667	1.073	3 <sup>rd</sup>
Engaging management on sustainability	3.667	1.073	4 <sup>th</sup>
Understanding how sustainability relates to us	3.500	1.000	5 <sup>th</sup>

Obtaining sustainability data internally and from suppliers	3.500	1.168	6 <sup>th</sup>
Lack of internal expertise on Sustainability topics	3.417	1.240	7 <sup>th</sup>
Lack of metrics (KPI) to measure and monitor progress	3.417	1.311	8 <sup>th</sup>
Failure to have effective monitoring and evaluation of procurement activities	3.333	1.371	9 <sup>th</sup>
Lack of information and knowledge about the environmental and its impact	3.333	1.371	10 <sup>th</sup>

Source: Researchers survey (2016)

Finally, Table 4.3 required of respondents to indicate the extent to which the above challenges affects sustainable procurement in the banking sector. On assessing these ten variables it was noted that over 60% under this category were greater than the mean value (3.5); Boomsma (2008) argued that there are some short falls in implemented procurement policies and framework of organisations in most countries. The banking sustainable procurement practice in Ghana is confronted with a lot of challenges and these need urgent attention by key players of the sector. Competitive priority was the highest under this category; even Ghana Banking Survey 2014, indicated that competition ranked the top most among the four main factors which influence business in the banking sector in Ghana. No doubt this is the highest headache for sustainable procurement implementation in the banking sector. Abedin (2015) added that the banking procurement is much more concerned with how it spends stakeholder's money on commodities and achieving value for money for its stakeholders.

According to Table 2.2, one of the external drivers for sustainable procurement is competitors, market innovation, opportunities and threats. Balancing sustainable effort with concern about cost and difficulty quantifying sustainability-related risk were second and third respectively. Offei, 2014, said sustainability may be cost to



organizations on because its cost changes, its supply chain require investment resource, training and loss of production. This is a very sensitive challenge which needs the attention of management, and Table 2.3 added that corporate vision, mission and objectives should include sustainable values. Another major challenge but less considered is the ability to quantify sustainability – related risk; this could be as a result of inadequate expertise (Stonebraker *et al.*, 2009) and non availability of information on sustainable procurement (DEFRA, 2006).

However, the fourth ranked factor is engaging management on sustainability. Ghana Banking Survey (20014) reported that the banking sector in Ghana has shown that sustainability is not a core policy of many bank executives. Another contributing factor is the unclear understanding of management of sustainable procurement (Gattiker *et al.*, 2008) which management may resist its implementation instead of buying-in to champion and support it. The fifth and sixth ranked variables were understanding how sustainability relate to us and obtaining sustainable data internally and from suppliers respectively. These challenges could be as a result of lack of matrix on sustainability (Thomson and Jackson, 2007). Lack of resources could also be another factor in terms of cost, experts and logistics; Purchasing specialists and supply chain managers admits they are over tasked in their outfits (Ross, 2013) and mismanagement and unethical conducts could restrain the procurement system of an organization.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

The last chapter of the research work seeks to unravel the outcome of the study and recommend how the aim (explore how environmental and social considerations is factored in sustainable procurement practice in the banking sector of Ghana) and objectives (identify considerations of environmental and social sustainable procurement practice in the banking sector of Ghana with possible challenges in its implementation) at the initial chapter could be achieved.

Over the years, economic consideration has been the most recognized factor for procurement practice in the banking sector and other businesses. However, the consideration of environmental protection and social well-being have been absent in our procurement decisions and implementation. Until recently the concept of sustainable procurement emerges as a universal concern. Most researchers admitted that environmental consideration in banking procurement has been a canker and in our part of the world, sustainable procurement practice is relatively low in terms of knowledge and practice. Due to the concept of banking sustainable procurement, the banks in no time will insist that all stakeholders' activities will conform to the parameters of sustainability literature envisaged as it is a determinant for profit maximization.

The section A of the questionnaire was about the general information of the respondents.

Under this section respondents were mainly sourcing officers (56%) with most of them been holders of bachelor's degree (75%). Logistics and supply chain managers emerged

the highest (30%) followed by banking and finance and surprisingly, among the least were procurement officers (10%). It was also revealed that the working experience of professionals was higher than the experience at their current positions indicating a higher labor turn over. It was quite disturbing to know more professionals (58%) were not aware of sustainable procurement but all (100%) of respondents affiliated to a professional body were aware of the subject while 58% of unaffiliated staff were not aware of sustainable procurement. It was interesting to know that fewer respondents (25%) were aware of the environmental policy of their organization but more (67%) were informed of the organization corporate social policy (responsibility). Could it be the respondents are merely not aware or their organizations do not have any documented environmental policy?

#### **5.1.1 To Identify Environmental Considerations in Sustainable Procurement Practice in the Banking Sector Of Ghana**

There were ten (10) factors considered under this category and nine (9) were significantly responsive (mean score > 3.5). Organizations should have a policy to check the environment, performance of contractors and suppliers emerged the highest. Furthermore, others followed this order of significance; specifies a disposal method for end use of product, need to consider environmental impact when taking sustainable procurement decisions, prioritize environmental sustainability, risk management process for sustainable procurement impact, training of stakeholders on environmental sustainability, sustainable procurement decision could help mitigate environmental degradation, communicating to stakeholders on sustainable goals and policies and lastly, to establish an environmental initiative. Respondents were of the view that banking procurement decision could not contribute to reducing global climate change.

### **5.1.2 To Identify Considerations of Social Sustainable Procurement Practice in The Banking Sector Of Ghana**

Under this category, respondents were asked the extent to which their outfit consider these ten (10) social responsibility initiatives. All ten factors were considered significant responsive by professionals; collective bargaining of suppliers was the highest. The following nine factors stated in the order of significance: health and safety management system, meets client expectation, the right thing to do for the planet and society, code of conduct for stakeholders, considering social improvement of the public during procurement decisions, non-discrimination of suppliers, training on business ethics and conduct, tendering specification development always in relation to social issues and lastly, use of sustainability as a drive for key innovation.

### **5.1.3 To Identify Challenges in Application of Environmental and Social Criterion into the Banking Sector Procurement Process.**

The last category was to sort from respondents how these challenges were considered by their outfit during sustainability implementation. Out of the ten (10) factors, six (6) were considered responsive and competitive priority was considered the most threat. The others were, balancing sustainability efforts with concerns about cost, difficulty quantifying sustainable related risk, engaging management on sustainability, Understanding how sustainability relate to us and obtaining sustainability data internally and from suppliers.

## **5.2 CONCLUSION**

In general, it was realized that most respondents recognized the importance for integration of environmental and social sustainability into the banking procurement decisions and implementation due to its immense benefits (Kennard, 2006 and Kalubanga, 2012). In addition inadequate training and knowledge on the subject,



limited policy on environment and social considerations are some challenges faced in the banking sector.

### **5.3 RECOMMENDATION**

The research work recommends that environmental and social considerations could be factored in the procurement practice of the banking sector and could be used as a basis of classifying a supplier's responsiveness.

Environment and social sustainable procurement considerations should be a strategic concern of managers; this will edge professionals to effectively practice sustainability. In addition the environmental and social sustainable drives should be readily available to employees and suppliers.

Appropriate training on sustainability should be conducted regularly for all stakeholders and employees should be appraised upon. Both secondary and tertiary institutions should integrate sustainability into their curricular.

### **5.4 RECOMMENDATION FOR FUTURE RESEARCH**

The issue of environmental and social sustainability needs to be further studied in relation to the banking procurement practice which should include all the financial institutions in Ghana like the banks including Rural Banks, Loans and Savings and Insurance.

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## **APPENDIX**

### **QUESTIONNAIRE**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,**

**KUMASI**

**COLLEGE OF ARTS AND BUILT ENVIRONMENT**

## DEPARTMENT OF BUILDING TECHNOLOGY



### QUESTIONNAIRE

#### **Sustainable Procurement Practice in Ghana: The Perspective of the Banking Sector**

This is a questionnaire for conducting a research on the scope and constraint of sustainable procurement practice in the banking sector. It is a requirement for the fulfillment of the degree, Masters of Science (MSc.), Procurement Management at the Department of Building Technology, KNUST, Kumasi. Your honest response is valuable for the researcher. **The researcher does assure that the information given by you will be kept confidential and will be used only for the academic purpose.**

Yours faithfully,

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# KNUST





## SECTION A: DEMOGRAPHIC DATA OF RESPONDENT

1. Please what is the name of the Department .....

2. Designation of your Office .....

3. Please what is your highest qualification

*Please tick (✓) the appropriate box*

☐ Masters/Postgraduate

Specify the field of specialization .....

☐ Bachelor Degrees

Specify the field of specialization .....

☐ Higher National Diploma

Specify the field of specialization .....

☐ SSCE

☐ Others, please specify .....

4. How long have you been practicing as a procurement officer/specialist

a. More than 10 ☐ years      b. Between 5 and 10 years ☐ c. Between 1 and 4 years ☐ d. ☐ Less than a year

5. How long have you been at your current position

a. More than 10 ☐ years      b. Between 5 and 10 years ☐ c. Between 1 and 4 years ☐ d. ☐ Less than a year

6. Do you belong to any professional body Yes No ☐ if Yes please state it  
.....

7.1 Please are you aware of sustainable procurement? Yes ☐ No ☐

7.2 Please what are the three dimensional- view of sustainable procurement  
.....

8. What type of procurement are you responsible (Please tick where applicable)

a. Goods ☐ b. Works ☐ c. Services ☐

## SECTION B: ENVIRONMENTAL CONSIDERATION IN SUSTAINABLE PROCUREMENT

9. Does your organization have any environmental policy/ management system

Yes ☐ No ☐

Please if Yes specify.....

10. To what extent do your organization agree with the following environmental consideration in sustainable procurement practice? Please respond by ticking (✓) the corresponding boxes.

1- Not at all, 2- Slightly true, 3- Moderately true, 4- Mostly true, 5- Completely true

Environmental consideration	Level of consideration				
	1	2	3	4	5
Organization should have a policy to check the environmental performance of contractors and suppliers					
Establish an environmental initiative to be carried out by the organization					
Specify a disposal method for end use of products					
Prioritize environmental sustainability					
Banking procurement decisions could contribute to the reduction of global climate change					
Sustainable procurement decisions could help mitigate environmental degradation					
There is a need to consider environmental impact when taking sustainable procurement decisions					
Training of stakeholders on environmental sustainability					
Risk management process for sustainability impacts on all procurement activities					
Communication of sustainability goals and policies stakeholders					
Others (please specify)					

**SECTION C: SOCIAL CONSIDERATION IN SUSTAINABLE  
PROCUREMENT**

**11.** Does your outfit have any corporate social responsibility initiative (s)? Yes ☐ No ☐

Please if Yes specify.....

**12.** To what extend does your organization consider as a primary social concern in connection with sustainable procurement practice? Please respond by ticking (√) the corresponding boxes.

*1- Not at all, 2- Slightly true, 3- Moderately true, 4- Mostly true, 5- Completely true*

Social consideration	Level of consideration				
	1	2	3	4	5
Considering social improvement of the public during procurement decisions					
Meet your clients expectations					
This is the right thing to do for the planet and society					
Code of conduct for stakeholders					
Training on business ethics and conduct					
Tender specification development always consider social related issues					
The use of sustainability as a driver for key innovation					
Health and safety management system					
Non- discrimination of suppliers					
Collective bargaining of suppliers					
<b>Others (please specify)</b>					

## SECTION D: CHALLENGES AFFECTING SUSTAINABLE PROCUREMENT

**13.** Indicate the extent to which the following challenges affect sustainable procurement in the banking sector? Please respond by ticking (✓) the corresponding boxes.

*1- Not at all, 2- Slightly true, 3- Moderately true, 4- Mostly true, 5- Completely true*

Challenges affecting sustainable procurement					
	1	2	3	4	5
Balancing sustainability efforts with concerns about cost					
Failure to have effective monitoring and evaluation of procurement activities					
Lack of internal expertise on Sustainability topics					
Difficulty quantifying sustainability-related risk					
Engaging management on sustainability					
Competitive priority					
Understanding how sustainability relates to us					
Lack of metrics (KPI) to measure and monitor progress					
Obtaining sustainability data internally and from suppliers					
Lack of information and knowledge about the environmental and its impact					
<b>Others (please specify)</b>					

Any more suggestions/opinions/comments regarding the scope and constrain of sustainable procurement practice in the banking sector



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**Thank you very much for your co-operation.**

