The Impact of Green Purchasing Capabilities and Practices on Firm Sustainability

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Research Highlights

The Conceptual framework of this study consists of the three main hypotheses to examine and reflect the positive relationship between the green purchasing capabilities (integration, intra-organizational, innovative, financial and manufacturing) and green purchasing practices (supplier selection, development, collaboration, and evaluation) on triple bottom line performance. (Environmental, economic and intangible performance). The results of the study revealed that green manufacturing, financial, intraorganisational, and integration capabilities have positive significant effects on green purchasing practices. Nevertheless, innovation capabilities have no significant effect on green purchasing practices. On the other hand, the survey results indicate that green purchasing practices have positive effects on the triple bottom line performance of the firms. The research finding shows that there is a positive effect of green manufacturing capabilities, green integration capabilities and green intraorganisational capabilities on the triple bottom line performance. Meanwhile, there is no effect of green innovative and green financial capabilities on the triple bottom line performance of the firms.

Graphical Abstract

Figure 1: The Effect of Green Purchasing Capabilities, Green Purchasing Practices on triple bottom line

Research Objectives

Over the last two decades, green environmental issues, scarcity of resources and ecosystem quality have gained attention, awareness, and interest among the general public and stakeholders (Wu, Liao, Tseng & Chiu, 2017). Firms need to be more transparent and aggressive in addressing and managing environmental and social issues and are forced to “go green” due to institutional pressures (Muslan, Hamid, Tan & Idris, 2013). Most of the previous research focuses on the broad area of the supply chain without specifically addressing supplier related environmental purchasing impact. Those forward-thinking organization has pro-actively build sustainability principles into their supply chain management where the supplier is one of the most critical factors for the success of sustainable supply chains. The purpose of this quantitative research is to discover how the buyer firms are using their internal capabilities, with the focus exclusively on external supplier involvement in the green practices toward the triple bottom line performance that could be significant gap and areas of interest of this study. In short, firms should consider the ecological and social responses to environmental issues, and not solely focus on traditional financial performance as their bottom line. Through their supply base, firm need to utilize the internal green capabilities and practices to assess the actual environmental, economic, and intangible of firm performance (Winter & Knemeyer, 2013).

Methodology

This study presents the analysis of data and the results of the quantitative survey of ISO 14001 manufacturing firms pertaining to green purchasing in Malaysia. A total of 163 usable response samples were drawn from all the 673 ISO 14001 certified companies. These companies are those who are certified as manufacturing firms in Malaysia, listed in Standard and Industrial Research Institute [SIRIM] and the Federation of Malaysian Manufacturers' [FMM] directory. The result indicate a response rate of 23% using 5 points Likert scale. The first part analyzes the companies' features, evaluate for non-response bias and common bias method and the results indicated no evidence of non-response bias and common method bias in the sample. Subsequent analysis proceeded with descriptive analysis, followed by the measuring of the multiple items to simultaneously assess the dimensionality, reliability, and validity of measurement instrument, measurement model and structural model by using PLS-SEM analysis. Based on the analysis of composite reliability, Cronbach's alpha, convergent, and discriminant validity, the test results confirmed the validity and reliability of the measurement models and suitability to establish the structural models. Finally, hypothesis testing was carried out to test the underlying theoretical variables of this study.

Results

This study using the RBV theory as the theoretical foundation, it provides the fundamental theoretical understanding of the effects of green purchasing capabilities and reveals the relationship of each of the capabilities and the significant effects on the green purchasing practices and triple bottom line performance. Further investigation should be carried out on why both green innovative and financial capabilities are not prominent factors contributing to firm performance in the Malaysian context. This research found some fundamentals with a new perspective on green capabilities, practices and TPL performance for manufacturing firms in Malaysia. to ensure firm sustainability, manufacturing firms need to know the specific capabilities, coupled with their supply base by taking TBL into account, with clear communication, to support and manage the internally and externally integrated approach for firm sustainability. Manufacturing firms could enhance a specific and exclusive set of green capabilities, reconfiguring and redesigning resources and competency through using a reliable pool of the suppliers for firm sustainability (Govindan, Rajendran, Sarkis & Murugesan, 2015). Even those companies that have incorporated sustainability policies are finding it a challenge to tackle the sustainability issues in practice. Since dealing with TBL integration cannot be discounted, therefore managing sustainability remains a challenge.

Findings

In the research by Walker, Miemczyk, Johnsen and Spencer (2012) indicated purchasing function has changed over the years and it would continue in such a manner in the future. In conclusion, the findings show that environmental purchasing activities positively affect firm TBL performance and that purchasing and supply managers should focus on such activities. The Malaysian Government is committed to developing a long-term green initiative, at the same time; the private sector requires a paradigm shift to a more holistic in their environmental and intangible dimensions from the conventional association which only focuses on the financial parameters in order to gain a sustainable strategic advantage to the firm sustainability.

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