

Building a Sustainability and Social Responsibility Business Case for Supply Management



Presented by



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Introduction

Sustainability and social responsibility are about action. Responsible decisions and behaviors are important to:

- Our planet
- Our companies
- Our industries
- Our communities
- Our supply chains
- Key Stakeholders
- Our careers
- Future generations

Every moment of every day brings more evidence that humans live in a globally connected world. Our boundaries extend well beyond those of local communities and local cultures.

Many companies have discovered that linking social performance to product differentiation gives them an important competitive advantage. The supply management professional might ask, “Does my organization have the vision and core principles in place to compete?” and “What can I do to influence the behavior and commitment of my employer and of the supplier community?”

Supply management is a key contributor to the development, implementation and support of sustainability and social responsibility initiatives. As organizations strive to compete, they will seek professionals with credentials and proven success with sustainability and social responsibility initiatives.

As with any initiative, executive support and internal consensus are critical elements of success.

This white paper provides a template that can be used to create, communicate and implement a business case.

Your plan should suit your organization's goals or your specific supply chain strategy. You may create a business case around a very narrow aspect of your business, or a broader department-wide initiative. This document provides you with a flexible framework that can be adapted.

1. Reason for Change. This area lists examples of motivation for transformation. Executive sponsorship at this stage is critical.

2. Problem to Be Avoided or Solved. It is important to study consequences of prior actions or maintaining the status quo that may be pertinent to a business case. Stakeholder engagement needs to be introduced at this stage and continued throughout.

3. Expected Outcomes. Questions to be answered relative to an expected outcome, future state or goal of the initiative are presented.

4. Key Steps to Business Case Implementation Suggestions for policy, planning, processes/procedures, measurement, tracking and reporting, and dedicated resources are spelled out.

5. Program Costs. Potential types of costs are identified and discussed.

6. Benefits and Risks — including Financial Benefit. Potential benefits to accrue from program implementation, and potential risks to which the organization is exposed if a program is not in place, are presented.

7. Resources. Finally, other resources needed to complete the project for building a business case are presented.

Whether selecting one or more of the principles for program implementation, each supply management professional, the company and affected suppliers will be:

- Contributing to the well-being of the planet and global society
- Ensuring the well-being of employees and workers in the supply chain
- Improving the organization's brand equity and competitive edge
- Ensuring alignment with global best practices and compliance with regulations
- Building skills and career opportunities.

ISM Principles and Standards

ISM's Principles of Sustainability and Social Responsibility include:

- Anti-Corruption
- Diversity & Inclusion
- Environment
- Ethics & Business Conduct
- Financial Integrity
- Global Citizenship
- Health & Safety
- Human Rights
- Labor Rights
- Supply Chain Sustainability
- Transparency.

To get the full guidebook "*ISM Principles of Sustainability and Social Responsibility*" including a guide to adoption and implementation [click here](#).

Why Are Principles Important?

You may use one or all of the principles to build a specific business case for organizational plans for all or specific aspects of sustainability and social responsibility.

Implementation of a comprehensive program dealing with any one of the sustainability and social responsibility principles is important for a number of reasons, as described below:

- **Culture:** Strengthens the organization's culture, supports greater consistency in standards and quality of products and services, and cultivates sensitivity to the impact of the organization's values and messages.
- **Compliance:** Helps ensure that actions taken are lawful, ensures that policies and actions are ethical, and fulfills legal responsibilities to ensure the health and safety of employees, customers, suppliers and others.
- **Management:** Guides managerial actions and commitments, reduces risk and lowers total cost of operations.

- **Public Messaging:** Facilitates strong, positive public relations, and helps recruit and retain customers.
- **Employees:** Supports employee growth, guides employee actions, helps recruit and retain employees, and allows for equal opportunity and nondiscriminatory treatment.
- **Communication:** Provides a clear and unambiguous message, both internally and externally, guides supplier actions, and improves trust in both internal and external (suppliers, customers and others) relationships.
- **Global Community Engagement:** Ensures that all individuals are treated with dignity and respect, provides for support, respect and development of international human rights, avoids complicity in human or employment rights abuses, promotes the inherent dignity and the equal and inalienable rights of all members of the human family, protects the right of personal security, allows for the right to family, and prohibits the existence of child labor and forced labor.

To help ensure buy-in across the organization, the business case should include rationale for change.

Reasons for Change

The business case document should include a description of the event or other catalyst that brought about the focus and decision to develop the business case for sustainability and social responsibility in the organization. In other words, the business case should detail the reasons for the change being contemplated.

Executive sponsorship and support is critical.

Among the reasons that cause organizations to decide to implement sustainability and social responsibility programs are to:

- Communicate values and hold all to stated standards of conduct
- Enhance market share, business volume and revenue.
- Become a favored supplier
- Positively influence the community
- Earn respect from suppliers, customers, employees and other stakeholders
- Attract the best talent and retain employees
- Improve public image
- Build the brand
- Avoid litigation
- Reduce legal costs
- Manage risk

Work through Table 1 to identify reasons for change that are most important to the business case being developed in your organization. And, of course, include additional rationale as appropriate.

Table 1: Sustainability and Social Responsibility — Reasons for Change

Principle	Reasons for Change
Global Citizenship	<ul style="list-style-type: none"> • Market development — growing healthier and stronger communities • Builds and enhances relationships with community stakeholders
Anti-Corruption	<ul style="list-style-type: none"> • Ensure compliance with regulations and corporate policy • Strengthen business performance • Grow professionalism within employee ranks
Diversity and Inclusiveness	<ul style="list-style-type: none"> • Increase competition in the supply base • Grow capability in the supplier base • Encourage innovation and savings in the supply base • Enhances diversity within organization • Provides equal access to employment and promotion opportunities • Encourages diverse employment practices throughout the supply chain
Environment	<ul style="list-style-type: none"> • Allows for more effective management of environmental impacts • May reduce or eliminate hazards, loss of access to commodities, misuse or waste of important resources • Ensures compliance with legal and regulatory requirements
Ethics and Business Conduct	<ul style="list-style-type: none"> • Counteracts past unethical actions and supports prevention of future occurrences. • Build an infrastructure to protect privacy and data integrity
Financial Integrity	<ul style="list-style-type: none"> • Can ensure accounting and financial principles are adequately applied and managed • Provides methods and processes to identify new and changing legal and regulatory requirements
Health and Safety	<ul style="list-style-type: none"> • Facilitates compliance with laws and regulations • Provides a way to implement and support international standards • Prevents/reduces exposure to environmental hazardous waste • Reduces insurance costs • Reduces cost of absenteeism • Can positively impact the cost of medical coverage/care • Reduces mental and emotional anguish and loss
Human Rights	<ul style="list-style-type: none"> • Prevent the use of forced labor or other forms of modern slavery in the supply chain • Provides equal opportunities to all internal and external associates • Protects individual identity and privacy • Protects maternal employment rights • Ensures right to freedom and safety • Provides for a living wage • Enhances relations with indigenous peoples
Labor Rights	<ul style="list-style-type: none"> • Prevents work disruptions • Ensures compliance with union and governmental protections • Contributes to status as “employer of choice”
Supply Chain Sustainability	<ul style="list-style-type: none"> • Supports organizational sustainability goals and measurements and demonstrates the organization’s commitment. • Develops socially and sustainability aware suppliers • Builds customer loyalty • Often reduces the cost of business over the longer term • May ensure access to natural resources over a longer time horizon • May positively impact innovation strategies and outcomes • Reduces risk
Transparency	<ul style="list-style-type: none"> • Builds customer confidence • Builds a culture of collaboration and cooperation • Ensures compliance with regulations and industry guidelines • Builds awareness of sustainability and social responsibility throughout the supply chain

Another way to look at the rationale for committing resources to build a business case for a sustainability and social responsibility initiative is to identify and convey the problems that can be avoided or solved.

Problem to Be Avoided or Solved

The business case must clearly communicate each problem to be avoided or solved and what potential consequences of prior actions or maintaining the status quo might be. Consider how the business case can be used to:

- Manage or avoid loss of business and business opportunities
- Avoid loss of customers
- Maintain the reputation of the company and avoid negative publicity
- Minimize and avoid costs of litigation and related settlements and fines
- Remove ambiguous company direction and provide clear direction from the top down
- Remove the need to manage and satisfy court findings, directives and oversight
- Remove even the chance for substandard levels of organizational morality
- Influence compromised employee and community morale.

Expected Outcomes

The business case must clearly articulate the expected outcome(s), future state or goal. There are soft, as well as hard, benefits in most business cases, and the more measurable the benefit, the easier it is to sell to the organization and gain approval for resources that will be needed to affect change and implement new policies, procedures and programs.

While it may sound simple, it is key to understand the who, what, when, where, why and how of each element of the business plan, how barriers will be overcome, who will be assigned responsibility and how success will be measured. Some questions useful to the supply management professional or team might include:

1. How is "principle" defined in the workplace?
2. Are there tangible benefits that can be identified?
3. What are the hard costs of implementing a program?
4. What resources will be required?
5. What are the drivers?
6. What are the barriers?
7. How should good practices be measured?
8. How will outcomes be measured?
9. Who will collect data and be responsible for reporting?

Key Steps to Business Case Implementation

Key steps to business case implementation include developing policy, plans, processes and procedures; identifying what will be measured by what tracking mechanisms and how reports will be generated and shared; and identifying the resources that will be necessary.

Developing Policy

Executive management defines and establishes the organization's program policies including goals, standards, acceptable actions, rewards for exemplary behavior, and sanctions for improper behavior. Some of the key best practice policy elements include:

- **Organization Policy.** Establish, document, and maintain program policy as a means of ensuring behavior reflecting the organization's values. The policy is aligned with the organization's values and all applicable laws. It is updated as new challenges emerge.
- **Management Support.** Subscribe to the program policy and act accordingly. Further, communicate, both internally and externally, expectation for compliance with program standards.
- **Management Review.** Review the organization's policy and its impact at defined intervals to ensure continuing suitability and effectiveness. Also, maintain records of reviews.
- **Policy Considerations.** Recognize the need to accommodate different cultural and legal systems and changing technologies. The board of directors and other functions are involved in the many aspects of sustainability and social responsibility initiatives of the firm and suppliers.

As policy is established, parallel action is often taken to identify relevant business impacts and the structure that will be required to ensure successful program implementation.

Planning

Program planning best practices include:

- Developing clear definitions of organizational values
- Defining who should have input into the program
- Ranking principles in order based on assessment and business need
- Securing adequate funding and staffing
- Establishing program components, for example,
 - Policy and/or code of conduct
 - Internal and external communications
 - Training
 - Rewards and sanctions
 - Whistleblowing
 - Hotline or help line

- Audit and evaluation programs
- Reporting and tracking mechanisms

Processes and Guidance

The organization must have clearly defined and documented processes that implement policy and achieve specified goals. Some of the key best practice process elements include:

Training — The organization develops a comprehensive training program that enables employees to become active participants in their own learning. Training is regularly updated and includes practice preventing, eliminating and resolving problems. It is an ongoing, not onetime, occurrence.

As applicable, the organization develops a comprehensive training program to educate and develop suppliers and other members of the supply chain.

Internal Communication — The organization integrates program sensitivity into all aspects of communication to demonstrate that it is an integral part of all operations and decision-making. It has identified a person responsible for the program who monitors and implements the initiative internally and externally. It may have established a hotline or help line. The organization ensures that the program is a regular agenda item for the board of directors.

External Communication — The organization publishes its program policy and incorporates it into its communications with customers, suppliers and the public. It regularly publishes detailed reports on performance and responds openly to inquiries from stakeholders, investors and activist groups. The organization assesses practices of its suppliers to ensure that its trading partners are aligned with its values.

Measurement, Tracking and Reporting — The organization has established a system to monitor, document and report adherence to the program. Key elements include:

- **Performance.** The organization includes program elements as a dimension in both employee and supplier performance appraisals. It recognizes the value of having a “program committee” within its leadership core.
- **Evaluation.** The organization follows up on training with regular evaluations to ensure employees retain and act on what they have learned. It also demands compliant behavior from its suppliers and considers this in supplier selection.

- **Audit.** The organization establishes and maintains documented procedures for the audit of both internal and external programs to determine the effectiveness of program policy, planning, processes and metrics. It tracks changes/enhancements as required due to audit findings. Audits are used for learning and enhancing performance. The organization also establishes mechanisms for investigating potential program lapses and holding management, employees and suppliers accountable for transgressions.

Dedicated Resources

A business case must include reasonable requirements for resources to successfully execute the plan. This includes human resources, as well as funding.

Program Costs

The scope of sustainability and social responsibility programs can be significant. Resources and costs will be dependent on the particular program(s) to be implemented and supported. Key costs to consider include:

- Salary of a program officer or champion
- Maintenance and updates of policy, code and/or other documentation
- Program management
- Legal counsel
- Insurance
- Training and certification (of staff and suppliers)
- Communication
- Hotline or help line
- Evaluation
- Audit

Business Benefits and Risks – including Financial

Any business case for sustainability and social responsibility should also include positive benefits to the organization, including revenue or cost reductions.

Benefits to accrue to the organization for developing and implementing a sustainability and social responsibility program are many. The business case may address some or all of the following:

- Revenue generation through expanded customer base or access to new markets
- Cost reductions generated through supplier programs, reduction of waste or other positive offsets
- Eliminating or mitigating risk
- Influencing how the community sees the organization as a good corporate citizen
- Strengthening the organization’s culture
- Strengthening the organization’s industry leadership potential
- Enhancing the respect of customers and suppliers

- Attracting superior employees, suppliers and customers
- Guiding managerial actions
- Supporting employee growth
- Guiding employee actions
- Leading supply chain partners by example
- Influencing supplier actions
- Enhancing market share
- Improving public relations
- Reducing legal costs and legal exposure
- Focusing on long-term results.

The flip side of the benefit/risk coin is those risks that can result when an organization does not develop, implement and support a sustainability and social responsibility program. The business case might include a discussion of the following points:

- Lost market share (or downfall of organization)
- Consequences of failure to eliminate or mitigate risk
- Loss of employees, suppliers, customers and investors
- Bad publicity
- Lack of leadership
- Unpredictable employee behavior
- Substandard level of organizational morality
- Compromised employee and community morale
- Increased legal, insurance or other costs
- The focus on short-term gains.

Conclusion

Actions, reactions and business decisions across the organization, the industry, and the world matter. Understanding how to develop a business case for sustainability and social accountability and then selling it to senior management, other employees, customers and suppliers is an important skill. With a thoughtful plan, and ongoing commitment to sustainability and social responsibility initiatives, the supply professional will be positioned to succeed and lead.

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Institute for Supply Management® (ISM®) is the first and leading not-for-profit professional supply management organization worldwide. Its 50,000 members in more than 100 countries around the world manage about US\$1trillion in corporate and government supply chain procurement annually. Founded in 1915 by practitioners, ISM is committed to advancing the practice of supply management to drive value and competitive advantage for its members, contributing to a prosperous and sustainable world. ISM empowers and leads the profession through the ISM® *Report On Business*®, its highly-regarded certification and training programs, corporate services, events, the ISM Supply Chain Capability Model and the ISM Advance™ Digital Platform. The ISM® *Report On Business*®, Manufacturing, Services and Hospital, are three of the most reliable economic indicators available, providing guidance to supply management professionals, economists, analysts, and government and business leaders.

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