

# ISM Makes the Business Case for Social Responsibility

by Janet Jacobsen

### At a Glance . . .

- While many organizations have codes of social responsibility in place, ISM realized the unique opportunity supply managers have to look beyond their own organizations to a vast network of suppliers and encourage them to adhere to socially responsible practices.
- Recognizing the growing importance of social responsibility and the impact that supply management professionals could exert, ISM developed its seven Principles of Social Responsibility in 2003. The principles include community, diversity, environment, ethics, financial responsibility, human rights, and safety.
- By sharing research and business case tools and through free, Web-based information, ISM continues to educate supply professionals about the social, financial, and ethical benefits of socially responsible behavior.

Since the Enron and WorldCom scandals uncovered in late 2001 and 2002, news reports have continued to raise public awareness of corporate irresponsibility, often reinforcing a perception that companies sacrifice social responsibility in order to increase profits. Receiving less attention are the practical benefits of efforts to shape and promote corporate social responsibility.

The Institute for Supply Management™ (ISM) therefore recognized a unique opportunity to influence social responsibility through the supply management function. The organization took on the arduous tasks of creating a set of principles of social responsibility and promoting the concept that socially responsible behavior is good business.

### About ISM

Founded in 1915 and headquartered in Tempe, Arizona, ISM is the largest supply management association in the world. Its mission is to lead the supply management profession through standards of excellence, research, promotional activities, and education. The not-for-profit association's membership base includes more than 40,000 supply management professionals from around the world.

In 2002 a newly formed ISM board of directors began focusing resources to develop social responsibility principles as the framework for a new strategy to fulfill the association's mission of truly *leading* the profession. Scott Sturzl, ISM vice president and a certified purchasing manager (CPM), says a committee was formed to study the concepts of a social responsibility program. "We looked at what we might do as an organization and determined we could indeed make a difference if we were willing to develop a set of principles and also commit the necessary resources to communicate the principles and develop a methodology to measure what kind of success we were having over time," Sturzl recalls.

ISM members felt strongly that procurement and supply professionals hold a unique position to lead and influence social responsibility practices, attitudes, and thought processes by focusing on procurement and supply practices and policies. In August 2003, the committee recommended the ISM Principles of Social Responsibility (see ISM's Principles of Social Responsibility sidebar), with the purpose, according to the preamble, "to increase supply management professionals' awareness and provide tools to supply management professionals for the development of a proactive supply management social responsibility program for their organization."

## Socially Responsible Business Equals Good Business

While convinced that supply professionals should take a leading role in advocating socially responsible business practices, ISM leaders knew they would have to make a business case to demonstrate that social responsibility equals good business. Paul Novak, a CPM and the CEO of ISM, notes in the introduction to the ISM Principles of Social Responsibility, “Commitment to socially responsible behavior is good business—in both the public and private sectors. Often payback can be quantified in financial terms. Socially responsible behavior may even ensure that an enterprise will avoid difficult or embarrassing scrutiny. However, ‘soft’ payback in dignity, success, self-worth, and honor provides the real foundation and rationale for socially responsible behavior.”

### Tools for Building a Social Responsibility Program

#### Seeking a Social Responsibility Standard

In response to recent and ongoing corporate scandals, environmental disasters, child labor violations, and dangerous work environments, the International Organization for Standardization (ISO) launched the development of its first standard on social responsibility. Known as ISO 26000, the standard will provide guiding principles and offer direction for organizations that recognize the strong connection between results and responsibility.

With its history of involvement in standards development activities, the American Society for Quality (ASQ) was selected to create and administer the Technical Advisory Group (TAG) serving as the U.S. contingent in developing the international standard. One of the first organizations to volunteer its expertise as a member of the U.S. TAG on social responsibility was the Institute for Supply Management™ (ISM). “We are committed to being a part of the ISO 26000 process in the United States. Our membership [on the TAG] helps ensure that we understand what is going on with the future standard and where ISM can offer support and insight as well as our influence,” explains Scott Sturzl, ISM vice president.

This case study highlights ISM’s groundbreaking efforts in the area of social responsibility as it seeks to influence this important topic through the work of supply management professionals.

make the business case for a social responsibility program. The four pillars address:

- Corporate culture
- Compelling events
- Business opportunities
- Personal beliefs

After publishing the seven principles, ISM conducted a baseline study in 2004 to identify what was happening in the supply management field concerning social responsibility and developed a self-auditing document for supply management professionals to use with measurement and improvement activities.

ISM’s committee on social responsibility also created a set of business case tools for organizations working to establish a social responsibility program. The ISM social responsibility case diagram model shown in Figure 1 provides a summary of information to

Figure 1 ISM Social Responsibility Case Diagram Model



In addition to the case model, ISM developed the Social Responsibility Program Development Process to help businesses work through a series of steps to build the case for a social responsibility program. The development process is supplemented by two additional tools to support planning efforts:

- **ISM Social Responsibility Process Flow:** A process flow-chart used to address planning and execution.
- **ISM Social Responsibility Prioritization Tool:** An Excel spreadsheet to prioritize activities related to social responsibility and initiate and identify gaps that may require attention.

All three tools are available on the ISM Web site at [www.ism.ws/sr](http://www.ism.ws/sr).

### Sharing Success Stories

While the tools that ISM provides can help launch a social responsibility program, stories of successful implementation are valuable as well. ISM’s Web site offers articles on the seven principles and how companies are applying them to improve processes and to impact the bottom line—demonstrating that social responsibility does in fact make for good business. One article highlights how the successful efforts of Office Depot’s paper procurement policy and UPS packaging guidelines tie into the principle of environmental responsibility while benefiting the respective organizations at the same time. Another article on the human rights principle focuses on Reebok’s initiative to guarantee that a line of soccer balls is produced without child labor.

ISM members like Mike Bunge also share concrete examples of putting the principles into action. Bunge, CPM, manager of corporate master scheduling, glassware sourcing, for Libbey Inc., and a member of ISM’s committee on social responsibility, notes that ISM’s program was a logical fit for his organization because Libbey was already supporting the seven principles. For example,

The seven principles, presented in alphabetical order, include corresponding practices that supply management professionals are encouraged to exemplify in their work. Designed to benefit the workplace and, by extension, the individual, organization, and community, these practices further serve to explain the principles of social responsibility:

### Community

- Provide support and add value to your communities and those of your supply chain.
- Encourage members of your supply chain to add value in their communities.

### Diversity

- Proactively promote purchasing from, and the development of, socially diverse suppliers.
- Encourage diversity within your own organization.
- Proactively promote diverse employment practices throughout the supply chain.

### Environment

- Encourage your own organization and others to be proactive in examining opportunities to be environmentally responsible within their supply chains either “upstream” or “downstream.”
- Encourage the environmental responsibility of your suppliers.
- Encourage the development and diffusion of environmentally friendly practices and products throughout your organization.

### Ethics

- Be aware of ISM's Principles and Standards of Ethical Supply Management Conduct.
- Abide by your organization's code of conduct.

### Financial Responsibility

- Become knowledgeable of, and follow, applicable financial standards and requirements.
- Apply sound financial practices and ensure transparency in financial dealings.
- Actively promote and practice responsible financial behavior throughout the supply chain.

### Human Rights

- Treat people with dignity and respect.
- Support and respect the protection of international human rights within the organization's sphere of influence.
- Encourage your organization and its supply chains to avoid complicity in human or employment rights abuses.

### Safety

- Promote a safe environment for each employee in your organization and supply chain. (Each organization is responsible for defining “safe” within its organization.)
- Support the continuous development and diffusion of safety practices throughout your organization and the supply chain.

Libbey has a code of business ethics and conduct, and every employee in the company receives training on this code. Libbey also provides ongoing ethics training for employees through online courses. “One area of an employee's annual review covers his or her ethical behavior. We reinforce ethics with everybody. It's not just an event; it's part of our culture,” Bunge explains.

Libbey extends its focus on ethics to suppliers as well. Bunge says his company shares its code of ethics with suppliers and, when entering into formal partnerships, conducts training with suppliers' key employees on the code. “As we partner with a

new supplier and they start seeing how Libbey operates, that supplier is more motivated to work for Libbey, to perform, and to really follow through on their commitments because they see us as a values-based organization,” Bunge reports.

Gerry Bundle, CPM, an ISM member for 18 years, serves as the technical solutions manager at a large financial service firm that supports ISM's principles. He says the principles are part of his company's core values, as ethics, financial responsibility, and human rights are all part of the values the company espouses. His organization does realize a competitive advantage from adhering to the principles, as Bundle notes, “There is some perceived and expressed increase in customer loyalty. A customer with an affinity toward these principles will tend to be more loyal to the organization and its products.”

## Taking Stock and Looking Forward

To some, ISM's decision to tackle a wide-ranging topic like social responsibility may have appeared risky, but Sturzl says the organization's membership base was well informed on the topic and ISM's plans, and was therefore quite supportive of the initiative. “The entire area of social responsibility has the potential for a wide variety of responses and personal reactions. There are a lot of emotional issues around certain principles . . . For the most part, companies clearly understand the need for a social responsibility program within their organization,” Sturzl reports.

With solid groundwork in place, Sturzl says that ISM is now focused on conducting and publishing results of additional research on the individual principles, as well as preparing to conduct a second study to compare what's changed since ISM's baseline study on social responsibility was published in 2004. ISM will also continue its ongoing communication with Fortune 500 and Fortune 1,000 companies to keep the principles of social responsibility front and center and to ask prominent organizations to sign on publicly as supporters of these principles. Another area of focus is encouraging academics to include social responsibility topics in lesson plans, future editions of textbooks, and other educational materials.

Looking down the road, ISM could introduce other principles of social responsibility as the association's committee on social responsibility debates whether to address additional topics. Sturzl notes that one discussion centers on the concept of sustainability and whether social responsibility is a subset of sustainability or vice versa.

As ISM continues to make the case that socially responsible business equals good business, Sturzl foresees an ongoing commitment to the concept of social responsibility and the need to be aware of what it represents and how supply professionals can influence what's happening in the social responsibility arena. “ISM is without question helping to ensure that our membership is enlightened about the importance of social responsibility, why it should matter to supply professionals, why it matters to suppliers from whom they buy, and why it's important to the kind of business decisions made by their organizations,” Sturzl says.

## Supporting Organizations

To date, nearly 40 organizations have signed on to ISM's Principles of Social Responsibility. The following allow the use of their names and logos in ISM promotions:

Alcoa  
AMD  
AstraZeneca  
A.T. Kearney  
AT&T  
Calyptus Consulting Group  
Chamber of Commerce, Washington, DC  
Delphi  
Delta Airlines  
Georgia Transmission  
Herman Miller  
Highmark  
Hilton Hotels  
Howard University School of Business  
IBM Corporation  
IKON  
Libbey  
MCI  
Pfizer  
Public Service Enterprise Group (PSEG)  
Rockwell Automation  
Royal Group Technologies  
Ryder  
SAIC  
Sappi  
Tyco  
University of Pennsylvania  
Waste Management

## For More Information:

- The ISM Web site at [www.ism.ws/sr](http://www.ism.ws/sr) contains a wealth of information on its social responsibility program including these highlights:
  - ISM Principles of Social Responsibility With Accompanying Supply Management Audit for Social Responsibility Principles ([http://www.ism.ws/files/SR/SR\\_Brochure.pdf](http://www.ism.ws/files/SR/SR_Brochure.pdf))
  - ISM's Social Responsibility Program Development Process (<http://www.ism.ws/SR/content.cfm?ItemNumber=4748>)
  - A series of articles presenting a business case for each of the seven principles (<http://www.ism.ws/SR/content.cfm?ItemNumber=4752&navItemNumber=5508>)
  - The organization's baseline study on social responsibility and the supply management profession, providing the results of a large-scale survey of supply managers who measured the baseline level of activity in their organizations relating to ISM's seven Principles of Social Responsibility ([http://www.ism.ws/files/SR/SR\\_baselineStudy.pdf](http://www.ism.ws/files/SR/SR_baselineStudy.pdf))
- Business for Social Responsibility's Web site at [www.bsr.org](http://www.bsr.org) is an in-depth resource center for information on social responsibility initiatives.
- Information on the Technical Advisory Group forming the U.S. position on the international Social Responsibility standard is available at <http://www.asq.org/social-responsibility/>, or from the ASQ standards team at [standards@asq.org](mailto:standards@asq.org).

### *About the Author*

Janet Jacobsen is a freelance writer specializing in quality and compliance topics. A graduate of Drake University, she resides in Cedar Rapids, Iowa.