

ISM principles of **social responsibility**

with accompanying supply management audit for social responsibility principles

Approved by the ISM Board of Directors

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April 1, 2004

Dear Supply Professional,

Business leaders, including supply professionals, are dealing with an environment that is more complex and demanding than at any time in the past. Some may see a solid commitment to social responsibility as “just one more layer of complexity.” It is not.

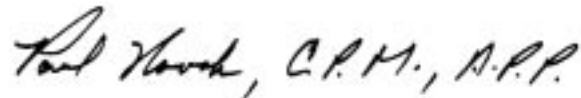
Commitment to socially responsible behavior is good business — in both the public and private sectors. Often payback can be quantified in financial terms. Socially responsible behavior may even ensure that an enterprise will avoid difficult or embarrassing scrutiny. However, “soft” payback in dignity, success, self-worth and honor provides the real foundation and rationale for socially responsible behavior.

The ISM Board of Directors’ vision resulted in the creation of a Commission on Social Responsibility. The Commission was charged to develop the first set of social responsibility principles and practices specifically directed at supply professionals. You will find the results of the Commission’s efforts in this document. Embedded throughout, you will find the message to reach beyond the letter of the law and to take the lead to influence the behavior and commitment of your employer and of the supplier community.

ISM would appreciate your thoughts and comments on this important subject. We need examples of your policies, procedures, measurements, contract language, ideas and research. We are committed to becoming the central repository of information in support of all matters related to social responsibility.

ISM will continue to meet its obligation to lead supply management. We invite you to do the same.

Sincerely,



Paul Novak, C.P.M., A.P.P.
Chief Executive Officer
Institute for Supply ManagementTM



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Introduction

ISM PRINCIPLES OF SOCIAL RESPONSIBILITY

It is the mission of ISM to promote excellence in social responsibility through the development of principles and the sharing of tools, information, and best practices that will assist in the implementation and continuous improvement of supply management organizations and professionals.

ISM objectives:

1. Increase the supply management profession's awareness of social responsibility.
2. Provide tools, information, and best practices for the development of a proactive social responsibility program for supply management professionals and their companies.
3. Make available social responsibility references to supply management professionals.
4. Raise the profile of supply management through the promotion of social responsibility internally and through supplier personnel.

ISM will ask organizations to:

1. Support these social responsibility principles.
2. Donate resources to support communication of the social responsibility principles and practices.
3. Share best practices and other material to assist other organizations working to improve social responsibility behavior internally and with suppliers.

Preamble

ISM believes supply management is a key contributor in the development and implementation of social responsibility principles. The supply chain can be impacted both “upstream” and “downstream.” The purpose of these principles is to increase supply management's awareness and to provide tools to supply management professionals for the development of a proactive supply management social responsibility program for their organization. Organizations are encouraged to promote social responsibility through participation on appropriate committees, boards, and panels of governmental and nongovernmental organizations.

Creating principles applicable across social, sector, organization (public, private, and nonprofit), and country boundaries is a daunting task. Additionally, federal, state and local laws and regulations, international laws and regulations, and customs and practices pertinent to social responsibility must be a relevant and integral part of the development and implementation of policies and procedures.

These principles have been written and distributed to provide “one more voice” to the importance of social responsibility in its many forms and applications. They may complement existing standards, or they may be used as a starting point from which to develop a set of standards unique to the needs of the organization.

Finally, it is recognized that individual social responsibility components or dimensions may be of greater or lesser importance depending on the context in which the organization operates.

Principles

Social responsibility is defined as a framework of measurable corporate policies and procedures and resulting behavior designed to benefit the workplace and, by extension, the individual, the organization, and the community in the following areas (in alphabetical order):

I. COMMUNITY

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

II. DIVERSITY

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

III. ENVIRONMENT

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

IV. ETHICS

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

V. FINANCIAL RESPONSIBILITY

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

VI. HUMAN RIGHTS

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

VII. SAFETY

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

Acknowledgments

The categories for these principles were adopted from the CAPS Research publication *Purchasing's Contribution to the Socially Responsible Management of the Supply Chain*, by Craig R. Carter, Ph.D., and Marianne M. Jennings, J.D. The commission was also guided by the United Nations' *The Nine Principles of the Global Compact*.

The ISM Board of Directors gratefully acknowledges and thanks the following individuals for their work on the Commission:

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Introduction

SUPPLY MANAGEMENT AUDIT FOR SOCIAL RESPONSIBILITY

A social responsibility audit can be defined as, “a formal process of reviewing an organization’s policies, procedures, and outcomes,” from the standpoint of corporate social responsibility (Hofmann, 1995). The purpose and breadth of the audit document is to provide a beginning, thought-provoking self-evaluation guide for supply professionals and the organizations for which they work.

A review and synthesis of the trade literature suggest that there are five steps in conducting a social responsibility audit:

1. Establish buy-in. Unless employees believe in the need for a social responsibility audit, they will likely not respond to surveys or provide important and meaningful feedback. The reasons for conducting a social responsibility audit, and the benefits of doing so, should be clearly communicated to employees and other participants.
2. Collect and analyze key documents. This includes:
 - Examining the organization’s and the department’s/function’s mission statement and key policy statements (such as a code of ethics, policy regarding MBE sourcing, etc.)
 - Interviewing key employees (including the supply management executive, corporate compliance officer, MBE sourcing manager, etc.)
 - Surveying employees. The surveys should reinforce the organization’s commitment to its socially responsible mission. The surveys should be returned to and analyzed by an independent organization to help ensure confidentiality and accurate responses.
 - Information, data and practices external to your organization.
3. Assess the current state and identify any gaps between the current and desired states.
4. Communicate the results to employees/participants.
5. Develop strategies, including educational programs, to address gaps.

General Audit Questions

These questions are designed to help the supply professional and organization determine if it is moving forward, aspiring to industry best practice, and seeking information from others.

1. Are you and your organization aware of social responsibility standards and trends within your industry?
2. Does your organization comply with applicable laws and regulations covering the social responsibility principles?
3. Does your organization have written policies in place that cover the principles?
4. Are goals in place for each principle? What are they? How are improvements incorporated?
5. How does your organization disperse and communicate information on its social responsibility standards internally and to suppliers for adoption, understanding, and compliance?
6. Is training provided covering each area of social responsibility? What is the frequency and to whom is training provided?
7. Has your organization set minimum standards that suppliers are required to meet? Are suppliers required to provide information and identify how they support each standard?
8. Are social responsibility contractual obligations in place with those with whom the organization does business?
9. Does your organization measure its performance against standards and report results? Are auditable processes in place?
10. Are managers and appropriate employees measured on meeting goals? What are the rewards for outstanding performance and sanctions for not meeting goals?
11. Are responsibilities for social responsibility assigned to specific individuals or groups of individuals? What is the level of accountability for “making something happen” within the organization? Are those accountable made known within the organization?
12. Is there a champion or process owner accountable for these standards?
13. What is the highest level of oversight/accountability within the organization? Within each supplier organization?
14. Are financial and human resources committed in support of each standard? To whom do the human “resources” report?
15. How is each component of social responsibility measured within the organization? Within each supplier organization?
16. Is annual tracking in place? Does the organization communicate accomplishments within the organization, with stakeholders, and with the community?
17. Are internal and/or external recognition programs in place?
18. How are social responsibility standards and philosophies integrated into your organization’s code of conduct?
19. Does the organization use external resources to help ensure standards are being met? Does the organization align itself with industry groups?
20. Are core values, specific to the organization/industry/business, incorporated into human resources policies and manuals and job descriptions?

Audit Questions for Individual ISM Principles *(in alphabetical order)*

GENERAL AUDIT QUESTIONS APPLICABLE ACROSS ALL PRINCIPLES

1. Does your organization comply with applicable laws and regulations covering the ISM social responsibility principles?
2. Does your organization have written policies in place that cover the ISM principles?
3. Are goals in place for each ISM principle? What are they? How are improvements incorporated?

I. COMMUNITY

1. What specific programs and activities are in place to demonstrate your organization's commitment to the community? Locally? Regionally? Nationally? Globally?
2. Are community activities acknowledged and recognized by your organization?
3. Does the organization allow time for people to be away from the job to work in the community?
4. Are charitable donations and support of economic development programs a part of your organization's community efforts?

II. DIVERSITY

1. Is there buy-in on the part of leadership concerning the value and business proposition regarding diversity? Does the organization have a formal diversity program? How is the plan communicated?
2. Does the organization have a formal tracking system to assess the impact of diversity efforts within the organization and the supply chain?
3. Are copies of supplier policies and programs obtained? Are they reviewed and approved by the supply organization?
4. How does the organization ensure equal access to employment and promotion opportunities?

MEASURES

What are the fixed and discretionary spend amounts for your organization? What percent of spend goes to "diverse" suppliers? What percent is this of the total?

III. ENVIRONMENT

1. Is your organization environmentally responsible? What specific programs and procedures are in place?
2. Does your organization recycle? What percent of disposable waste is recycled? What does your organization do to reduce the volume of waste created that must then be recycled?
3. How does your organization comply with laws and regulations in the handling of hazardous waste?
4. How does your organization report its environmental results?
5. How does your organization continue to learn what it needs to know about environmental and waste issues?
6. Does your organization collect copies of suppliers' environmental plans? Are the plans of suppliers assessed and approved by your supply organization?
7. Does your organization work with engineering in the design of products for disassembly, reuse, and recycling?

IV. ETHICS

1. Does your organization have a formal code of ethics in place? How is the code communicated to employees and suppliers? How does your organization's code align with *ISM's Principles and Standards of Ethical Supply Management Conduct*?
2. What corrective action and compliance processes exist?
3. Is ethics a part of each individual's job responsibilities and objectives? How are results measured?
4. Are suppliers required to have a code of ethics in place to address unethical behavior and a methodology to support action and compliance?

V. FINANCIAL RESPONSIBILITY

1. Does your organization educate employees about appropriate financial responsibilities? Is there a process in place that promotes and acknowledges employees who, through their actions, demonstrate a strong commitment to financial responsibility?
2. What corrective action and compliance processes exist?
3. Has your organization and have your suppliers implemented fiscal policies, financial management systems, and accounting controls that help ensure fiscal responsibility and long-term viability?

VI. HUMAN RIGHTS

1. Does your organization assess human rights conditions internally, and those of your first-tier suppliers and suppliers beyond the first tier?
2. How are policies being enforced internally? With suppliers?
3. Are human rights laws understood and applied?
4. What does your organization do to promote an environment in which everyone is treated with dignity and respect?

VII. SAFETY

1. Does your organization have a formal safety program? How is the plan communicated?
2. Does your organization have a formal tracking system? What does it measure?
3. How does your organization assess and continually review supplier/subcontractor safety?

CONCLUSION

Once the supply professional and the organization for which he/she works have completed this audit, it will be time to step back and identify where the organization's performance is strong and where it needs improvement. The challenge will be to develop a plan of action, find the resources needed to improve individual and organizational performance, and enhance the level of commitment and results for each area of social responsibility.

FOSTERING* SOCIAL RESPONSIBILITY

Please complete and return this document notifying ISM that your organization supports the ISM Principles of Social Responsibility. The form can also be returned to share your policies, procedures and other information that would be useful to others. Thank you.

1. My organization currently has written policies and/or guidelines on social responsibility:
☐ yes ☐ no
2. My organization is working to incorporate elements included in the ISM Principles of Social Responsibility:
☐ yes ☐ no
3. I have enclosed a copy of our policy and practices in this area and by signing below give ISM permission to make the policy and practices available to its members and others in paper and electronic form:
☐ yes ☐ no
4. My organization supports publication of an announcement of organizations taking a proactive stance on matters of social responsibility: ☐ yes ☐ no
5. My organization would be interested in being mentioned in ISM, or other, literature and electronic media as a supporter of the ISM Principles of Social Responsibility: ☐ yes ☐ no
6. If yes to question 3 and/or 5, whom should we contact?:
 Name: _____
 Title: _____
 Organization: _____
 Address: _____
 Address: _____
 City: _____
 State: _____
 Zip Code: _____
 Telephone Number: _____
 E-Mail Address: _____

**Indication of fostering the ISM Social Responsibilities does not imply adoption of the Principles included herein.*

Contact information for the individual completing this form:

Name: _____

Title: _____

Organization: _____

Address: _____

Address: _____

City: _____

State: _____

Zip Code: _____

Telephone Number: _____

E-Mail Address: _____

Permission signature for items 3 and/or 5:

Signature: _____

Print Name: _____

Company: _____

Date: _____

Please fax the completed form back to ISM at 480/752-7890 or mail it to P.O. Box 22160, Tempe, AZ 85285-2160 to the attention of Scott R. Sturzl, C.P.M. Please direct questions to 800/888-6276 (or 480/752-6276), extension 3105. Thank you.

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