Institute for Supply Management™ (ISM)

Sustainability Impacts Supply Professionals' Decisions and Supplier Relationships

August 2008

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Introduction

We are seeing an increasing use of the term "sustainability." A majority of supply professionals are already involved in sustainability initiatives. These initiatives are having an important impact on policies, practices and supplier relationships. But the term "sustainability" is used in many ways. The concept of sustainability is much like the parable of the blind men and the elephant, where one blind man touched the elephant's side and exclaimed, "Well, the elephant is like a wall." Another touched his tusk and pronounced the elephant to be like a spear, and yet another thought him to be a snake after touching his tail, and so on. As noted in a recent study by Carter and Rogers (2008)[1], there is not yet a consensus for definitions of the terms "sustainability" and, more specifically, "sustainable supply chain management."

The results from an initial ISM survey on sustainability, conducted in November 2007, provide some support for this assertion and also suggest that perceptions surrounding sustainability as it applies to the supply management function are beginning to congeal.

The survey was e-mailed to 5,000 supply management professionals at the manager and executive levels. Of these, 640 e-mails were undeliverable and 226 generated "out of office" replies. A reminder e-mail was also sent. A total of 278 usable surveys were returned for a response rate of 6.4 percent.

Demographics

Figure 1 shows the largest percentage of respondents was from manufacturing companies (45.1 percent) followed by services (7.4 percent). The category labeled "other" (21.6 percent) includes respondents from agriculture, construction, education and transportation industries.

As shown in Figure 2, the size in terms of annual sales of responding organizations ranged from under $10 million (5.0 percent of responding organizations) to over $10 billion (20.0 percent of responding organizations).

Figure 3 shows that seven out of 10 respondents (70.2 percent) held titles of manager and above.

Figure 4 shows the level of involvement that the respondents had with supply management sustainability initiatives. Of the 203 responses received to this question, only 29 (14.3 percent) indicated no involvement in supply management sustainability initiatives. The largest number of respondents, 46 responses or 22.7%, indicated that they are involved in sustainability initiatives "to some extent."

Figure 1: Respondents by Industry

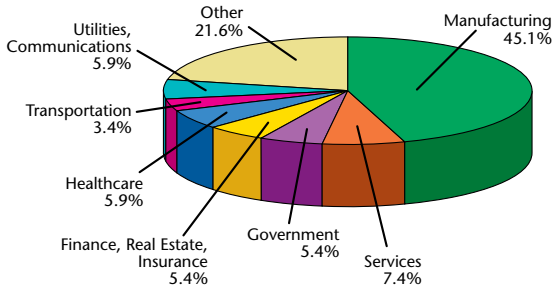


Figure 2: Annual Sales of Respondents' Organizations

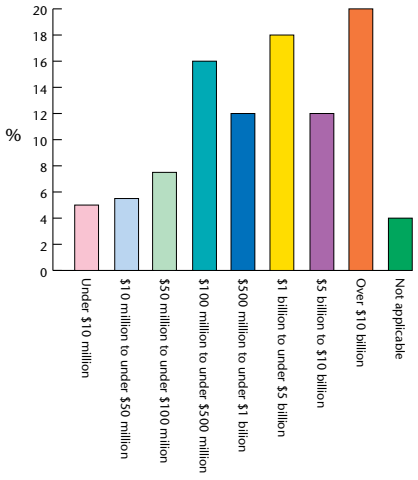
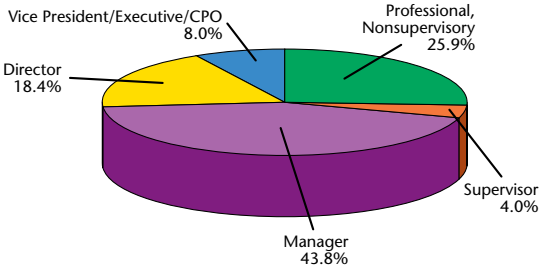


Figure 3: Respondents' Position in Their Organization



Definitions of Sustainability

Figure 5 shows the results from an open-ended question asking survey respondents to share their companies' official definitions of sustainability. The largest percentage of respondents (37 percent) indicated that their companies define sustainability as "the triple bottom line" — the integration of social, environmental and economic objectives. This suggests some momentum

towards a common definition and viewpoint of sustainability, and is in line with Carter and Rogers' (2008) definition of sustainability as it applies to the supply chain. At the same time, some companies defined sustainability as only environmental and social issues (9 percent) or as only environmental issues (11 percent). Many respondents were unsure of their companies' definitions (11 percent), worked for companies that had no definition (14 percent) or were still developing a definition for sustainability in their organizations (11 percent).

Together, the results displayed in Figure 5 imply that companies are beginning to develop a definition of sustainability, based on the triple bottom line, but that there are still a lot of different perceptions of what sustainability means for an organization.

There are also divergences in the individual perceptions of respondents concerning how the various dimensions of sustainability apply to the supply management profession. For example, in responding to the open-ended question, "Please share how you believe 'community' applies within the scope of supply management," 17 percent of respondents focused on volunteerism, 17 percent on the need to support the local community and thus the obligation to source from local suppliers, and 25 percent on the value proposition of sourcing from local suppliers. Comments included: "Sourcing from local suppliers is good for business and public relations — it matches demographics of customers and ensures customers can afford our product" and "Sourcing locally involves lower transportation costs, shorter lead times, a stable source of supply and a reduced carbon footprint."

Figure 4: Respondents' Involvement in Supply Management Sustainability Initiatives

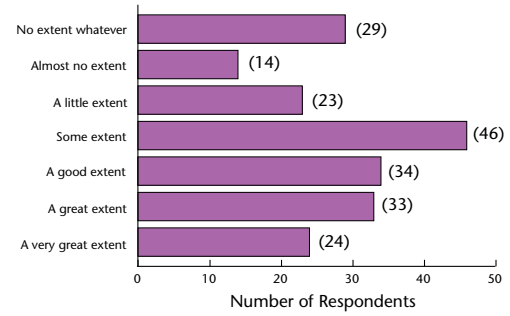
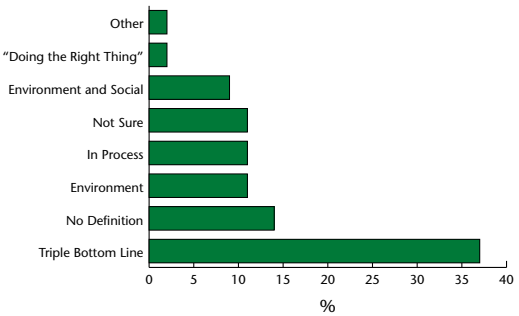


Figure 5: Respondents' Company Definitions of Sustainability



Supply Chain Sustainability

"… the strategic, transparent integration and achievement of an organization's social, environmental and economic goals in the systemic coordination of key interorganizational business processes for improving the long-term economic performance of the individual company and its supply chains …"

Carter & Rogers (2008)

ISM Definition of Sustainability

Sustainability is the ability to meet current needs without hindering the ability to meet the needs of future generations in terms of economic, environmental and social challenges.

In addition to differences in perspectives within each of the dimensions of sustainability, there were also differences across dimensions in terms of the extent to which respondents viewed these activities in a positive/supportive or negative/nonsupportive way. Table 1 displays these results. For example, there was unanimous support among respondents for the safety and financial responsibility dimensions of sustainability, along with the basic building block to sustainability — ethics. However, support was not quite unanimous for community, environment and human rights, and was even more mixed for employment and supplier diversity.

In terms of the environment, respondents who did not support this dimension of sustainability cited a lack of proof for climate change and excessive government

Table 1: Individual Respondent Support for the Dimensions of Sustainability

Dimension of Sustainability	Supportive	Neutral	Non-supportive
Community	98%	0%	2%
Employment Diversity	71%	6%*	23%
Supplier Diversity	80%	2%	19%**
Environment	96%	1%	3%
Human Rights	92%	0%	8%
Safety	100%	0%	0%
Financial Responsibility	100%	0%	0%
Ethics	100%	0%	0%

* No applicability to sustainability/No applicability to supply management

** Rows may not sum to 100%, due to rounding errors.

Figure 6: The Effects of Sustainability on the Supply Management Organization

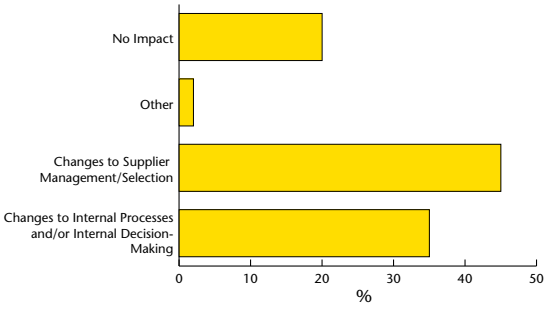
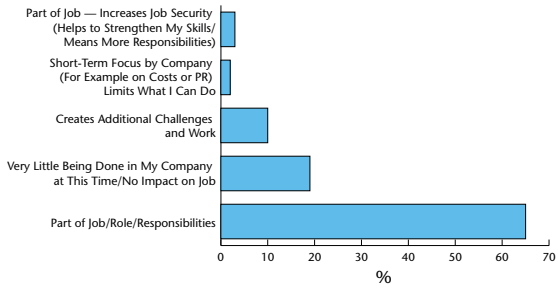


Figure 7: The Effects of Sustainability on Job Roles and Responsibilities



regulation, while respondents who did not support the human rights dimension of sustainability stated that these issues were unimportant as long as their organizations complied with U.S. laws. Those respondents who did not support diversity hiring cited reverse discrimination and the need to base hiring decisions solely on applicant qualifications.

In summary, the results displayed in Table 1 suggest that while there is strong overall support by respondents for sustainability, the extent of this support varies across the dimensions of sustainability as the concept applies to supply management.

Effects of Sustainability

Finally, respondents were asked to comment on the effects of sustainability on their supply management organization and on their individual job roles and responsibilities. These results are shown in Figures 6 and 7, respectively. The results displayed in Figure 6 show that sustainability is affecting the majority of respondents' supply management organizations in terms of changes to the way in which suppliers are selected and managed (44 percent) and to internal processes and/or internal decision-making (34 percent). Interestingly, 20 percent of respondents reported that sustainability has had no impact on their supply management organization. This may be due to the fact that these organizations have long been involved in many of the dimensions of sustainability under the label of corporate social responsibility, or that the term "sustainability" is still relatively new on the radar screens of top management in some organizations.

The results shown in Figure 7 show 20 percent of respondents stating that very little is being done in their company at this time concerning sustainability, and thus there has been no impact on their job roles and responsibilities. An additional 3 percent of respondents stated that a short-term focus by their companies (for example, on costs) limits their ability to engage in sustainability initiatives. The majority of respondents (63 percent), however, indicated that sustainability is now a part of their job roles and responsibilities. While 11 percent of respondents stated that additional responsibilities create added work, 4 percent also suggested that engagement in sustainability helps to increase their job security by increasing their scope of responsibility and improving their job skills.

Conclusion

Sustainability is important to those employed in supply management and to their employers. Regardless of the concept's many facets and definitions, supply professionals would do well to develop a clear understanding of their company's goals and objectives and how supply is an integral player in this arena.

Reference

[1] Carter, Craig R., and Dale S. Rogers, "Sustainable Supply Chain Management: Toward New Theory in Logistics Management," *International Journal of Physical Distribution and Logistics Management*, 2008, (38:5), pp. 360-387.

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ISM

A SPECIAL THANK YOU TO
Craig R. Carter, Ph.D.
Associate Professor of Supply Chain Management
University of Nevada, College of Business Administration
Reno, Nevada

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Institute for Supply Management, Inc.™
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