SOCIAL RESPONSIBILITY AMONG TOP SUPPLY CHAIN COMPANIES

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EXTENDED ABSTRACT

There is an increased awareness of sustainability issues and the desire to address these issues by many corporations. In 2015, 81 percent of the S&P 500 companies published a sustainability or corporate responsibility report while only about 20 percent of S&P 500 companies had reported in 2011(Vij, 2016). There is the need to measure sustainability so that it could be managed like other, more traditional business functions such as finance and operations. "Triple Bottom Line," first developed in the mid 1990's by John Elkington, began to gain in popularity as a framework to measure three dimensions of sustainability including social, environmental and financial (Slaper & Hall, 2011).

The financial dimension is well established and has little confusion surrounding its measurement. The environmental dimension cane be measured over time with metrics such as water usage, electricity usage and carbon emissions. It has become measurable to the point that proposals such as a "carbon tax" on corporate emissions are being debated on a national stage in the presidential elections (Browning, 2016). The social dimension remains as the most difficult portion of the triple bottom line to measure (Slaper & Hall, 2011). With the spread of international business and a growing population, global supply chains now more than ever have the opportunity impact the social dimension of the triple bottom line. The nature of that impact, whether it be positive or negative largely depends on how a corporation manages their sourcing and supplier relationships.

It is important to first define what is referred to as social sustainability. At its core "social sustainability is about identifying and managing business impacts, both positive and negative, on people." (Social Sustainability, UN Global Compact). The emphasis is clearly on people and it is measured by tracking social elements of a given community or region, which could include metrics that track education, equity and access to social resources, health and well-being, quality of life and social capital (Slaper & Hall, 2011). The use of social responsibility related metrics and data are becoming more prevalent in business today. By incorporating and properly weighting new social responsibility metrics into sourcing decisions, companies can build socially responsible supply chains.

Data

The definition of social sustainability along with the development of metrics and a clearer idea of what needs to be reported can improve awareness among corporations to address social issues. However, the nature of gathering data and reporting on social sustainability performance of a company in a particular area can be very difficult and complex for many reasons (Andrews & Barthel, 2009). To name a few, the act of just gathering the data to report on can be expensive, the type of data is often qualitative and therefore more subjective. It is often difficult to determine the extent to which causality exists between the data and the corporations practices (Andrews & Barthel, 2009).

However, efforts are under way to gather data from reputable sources. Bloomberg, in conjunction with the firm Sustainalytics have provided comprehensive environment, social, and governance (ESG) assessments to subscribers of the Bloomberg Professional service since 2009 (Sustainalytics ESG Research Now Available on Bloomberg, 2014). While there are extensive variables in which Bloomberg analysts gather detailed data on, some of the most consistent are the variables that pertain to the disclosure and reporting on social responsibility policies established by corporations. There are 11,300 companies covered in Bloomberg's ESG database. The number of unique customers using ESG data grew from 1,545 in 2009 to 12,078 in 2015. This study focuses on the social assessment data from Bloomberg's proprietary database. The data include a Social Disclosure Score (SDS) for each company as well as 13 social responsibility related policies and supplier audit records.

In order to understand how the social dimension of the triple bottom line has affected the sourcing and supplier relationship management decisions, we explore the development on the top supply chain companies over the last ten years. Since 2004, Gartner has published a list of top supply chain performers every year. Gartner starts with the Fortune 500 list of top US companies by revenue and the Forbes global 2000 list and eliminates those companies that do not operate much physical supply chains and with revenue less than $12 billion. Then Gartner analyzes publicly available financial data, such as return on assets, inventory turns, and revenue growth. Qualitative representation of both peer and Gartner analyst opinions is also considered in ranking. In 2016, the Corporate Social Responsibility (CSR) component score, assessing each company's commitment to and proficiency in running socially and environmentally responsible supply chains, was added to the evaluation criterions for the first time (Gartner Supply Chain Top 25, 2016). Companies on the list are widely considered as leaders in the industry.

Social disclosure scores (SDS) on the 27 companies on Gartner's top supply chain company list in 2015 were gathered from 2005 to 2015. In addition to SDS, the data on the existence of thirteen social responsibility policies and the number of supplier audits that these companies have conducted over the years were also collected from the proprietary Bloomberg database. The data for all three categories—social disclosure score, social responsibility policies, and supplier audit, were plotted and analyzed to explore the social development trends of the top supply chain companies in a decade.

Results

Table 1 shows the summarized results of all companies. At the aggregate level the average SDS showed a significant upward trend over the years ($p=0.001$ and $R=0.835$). However, further analyses show the different distribution of SDS in different industry sectors, with retail companies lagging behind consumer goods companies. Data showed strong SDS growth before 2008 and lost momentum after the financial crisis in 2008. Out of the 13 social responsibility policies, five of them were adopted very early, another five of them were rapidly developed in 2010, but three of them didn't get off ground. For companies conducted supplier audits, the number has increased ($p=0.026$, $r=0.729$) and more companies conducted supplier audits lately. Detailed analyses and results will be provided at the conference.

(References available upon request from the author.)