

WHY ARE U.S. FIRMS BECOMING MORE SOCIALLY RESPONSIBLE & SUSTAINABLE (or aren't they)?

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http://www.wmich.edu/sites/default/files/curriculumvitae/CurkovicVitaeFall2014_1.pdf

*"WMU's ISM program named 5th among nation's best supply chain programs."
http://www.mlive.com/news/kalamazoo/index.ssf/2014/08/western_michigan_university_ra_3.html*

WMU's ISM Program... "Nation's best undergraduate SCM program for preparing students." Gartner, Inc., 2014

*"WMU's ISM program named 2nd among nation's supply chain programs."
<http://www.softwareadvice.com/scm/industryview/top-universities-report-2015/>*

Government & Political Pressure

- **Irresponsibility is difficult to defend politically**
- **Laws are ruthlessly retroactive**
- **This factor increases the attractiveness of prevention as compared to remediation**

Introduction of New International Standards

- **ISO 14000, ISO 31000, SA 8000, etc.**

Opportunity for Publicity

- **Good versus bad publicity (qualitative measures)**

Customer Demands

- **Surveys highlight that Americans, by an overwhelming ratio of 6 to 1, are willing to pay more for products and services to promote sustainability**

Investment Attractiveness

- **Firms have two customers, the consumer who buys the product, and those people who provide financial capital to the firm buying its stocks and bonds**
- **Shareholders recommend that the top priorities for corporate expenditures should be to clean up the environment and create greener products and promote sustainability. Increased dividends were ranked lower, at third place.**

Disaggregation of Overhead Costs

- **In many mismanaged firms, the largest component of cost is no longer material or labor related**
- **In some firms, overhead accounts for 60% of total costs**
- **The costs associated with handling and management of environmental waste for example, is usually buried in overhead costs**
- **Costs of storage, disposal, recruiting and training people to handle waste, having people man environmental storage facilities, having special equipment for the handling and storage of waste**
- **By reducing environmental waste, companies can reduce overhead costs**

Ability to Influence Regulations

- **Those who are less socially responsible become suitable targets for regulation and control by the political and legal system**
- **By being a sustainability leader, companies can influence the laws and regulations that manage them**

□ Problems with disposal:

- **Any waste which cannot be recycled, reduced, or reused, must be disposed of in some way**
- **Landfill space is scarce and very expensive**
- **Disposal is retroactive (future liability)**
- **Exporting pollution is no longer an option**

SUSTAINABILITY & GOOD BUSINESS PERFORMANCE ARE RELATED

In a recent study which looked at the overall performance of the best and worst firms on sustainability, the following results were observed.

Compared to the worst firms, the best firms reported

- 16.7% higher operating income growth
- 13.3% higher sales to assets ratio
- 9.3% higher sales growth
- 4.5% higher earnings to assets ratio
- 3.9% higher return on investments
- 2.2% higher return on assets
- 1.9% higher assets growth

Does sustainability lead to improved business performance or does good business performance lead to better sustainability?

WHY DO U.S. FIRMS STRUGGLE WITH BEING SOCIALLY RESPONSIBLE?

- **Top management must be willing to accept and champion corporate-wide development if these developments are to be accepted.**
- **Are customers really willing to pay the added costs associated with having something that is socially responsible?**
- **There are many reported cases of sustainability investments which have resulted in negative returns. Sustainability investments have actually lowered the value of some firms' stocks.**
- **How do firms incorporate sustainability issues into the design process?**
- **How do you successfully implement an socially responsible management system into your organization?**
- **Lack of measures**
- **Adversarial relationship with local, state, and federal (EPA) regulators**

FUTURE

- Ignore, comply, or lead
- Sustainability leaders are not in it for better publicity and ethical reasons
- The view of value will continue to broaden. Customers will demand products:
 - low in *cost*
 - quickly* made
 - quickly* designed
 - high in *quality*
 - extensive *variety*
 - that are generated by processes which are *environmentally and socially responsible*

Responsible practices will contribute to waste reduction which will ultimately lead to profit improvements

INVESTIGATING THE LINKAGE BETWEEN SUPPLY CHAIN RISK MANAGEMENT AND SOCIALLY RESPONSIBLE SYSTEMS

This study sets out to explicitly examine the relationship that exists between Supply Chain Risk Management (SCRM) and Socially Responsible (SR) systems. It has been presumed in a few past studies that such a relationship does exist. It has been argued that those firms that have successfully implemented a SCRM system are better positioned to successfully implement a SR system. This relationship, however, has not yet been statistically and empirically evaluated. In this study, the authors will attempt to evaluate this relationship using a large-scale survey of supply chain managers as the data source and Confirmatory Factor Analysis and Structural Equation Modeling as the statistical tools. The study will develop a series of measures for various aspects of both SCRM and SR. The results might show that there is indeed a strong relationship between SCRM and SR.

In a previous study by the author, certain factors were identified as having a critical impact on predisposition and progress toward SCRM. These factors included: Corporate Strategy, Supply Chain Organization, Process Management, Performance Metrics, and Information & Technology. These factors describe a situation where the respondents saw managing risks as an extension of their SCM movement. There seems to be recognition that succeeding requires more than simply creating a new program or department. It is argued that these various factors act to pre-condition the firm and its systems to the introduction, acceptance, and progress on managing SCM risks.

Similarly, in many ways, it is presumed that SR is conditioned by the presence of SCRM. Perhaps furthermore, SR systems have a parallel structure when compared to SCRM systems.