

Corporate social responsibility

Drivers, barriers and challenges

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THE DANISH SUPPLY CHAIN PANEL

SURVEYS OF 2018:

1. Corporate social responsibility
2. Leadership and management of supply chains
3. Supply chain design
4. Performance management in supply chains

CORPORATE SOCIAL RESPONSIBILITY: DRIVERS, BARRIERS AND CHALLENGES

DILF and researchers from the Department of Entrepreneurship and Relationship Management at SDU in Kolding conduct each year a number of mini-surveys focusing on different supply chain management issues. Respondents to these mini-surveys are voluntary senior managers from various Danish companies represented as the Danish Supply Chain Panel.

This article presents the results of mini survey which focus on corporate social responsibility.



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DET KAN DU LÆSE MERE OM

Hvorfor er der stigende fokus på CSR, og hvordan påvirker det DSSCP?

- I Hvilke CSR relaterede aktiviteter gør sig gældende i virksomhederne?
- I Hvordan er det organiseret i de forskellige virksomheder?
- I Er CSR en prioritet i virksomhederne?

Introduction

This mini-survey relates to the corporate social responsibility (CSR) practices of the companies in the Danish Supply Chain Panel. When reading the answers in the figures, it is important to know that we explicitly emphasized that this survey is not about environmental issues, but about the social responsibility issues of the companies. Hence, this survey is about practices related to work environment, forced and child labor, gender equality etc.

When looking at how relevant CSR is, the respondents to this mini-survey evaluated its relevance with an average of 3.79 on a five-point Likert scale ranging from 1 (very little relevance) to 5 (very high relevance). Thus, companies on average perceive this topic being relevant. Behind this average,

we find that 42% of the respondents find CSR highly relevant, while 25% find it very highly relevant. We also find that 10% of the companies find CSR of very low or low relevance. Given the elevated level of focus CSR have had in the last 10 – 15 years, not only in academia, but also for practitioners, we would have expected the average to be a little higher. However, one reason might be that CSR, due to the many years on the agenda, now is so internalized into the thinking and procedures of most companies that they evaluate CSR relevance in line with other managerial objectives. There might have been a mental movement in the companies that over time has turned a criterion for winning, into a criterion necessary for qualification. Such developments might, among others, be driven by scandals discussed in public media (like

STRATEGY ON CSR

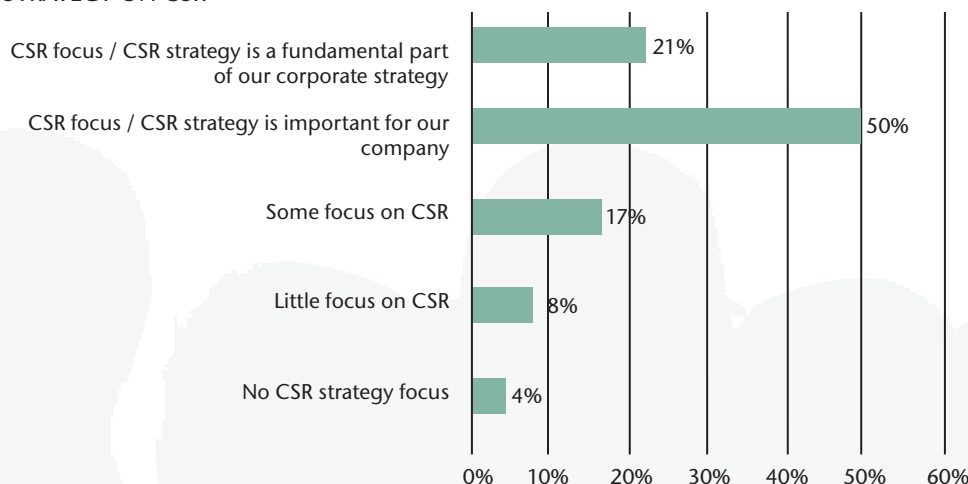


Figure 1. Source: The Danish Supply Chain Panel

VW cars equipped with software to hide the cars emission of NOx-gases, FIFA corruption scandal and bad working, safety, and health conditions and use of child labor by Apple). More awareness of the topic through educated staff and the availability of a number of strong tools from various organizations could have supported this development (see examples in Table 1). Finally, Danish companies have also since 2016 been attributed to report about corporate social responsibility in their Annual reports (cf. Årsregnskabslovens §99a). Companies therefore have good reason to focus on people, planet and profit issues through CSR activities to remain competitive.

EXAMPLES OF ORGANIZATIONS AND TOOLS FOCUSING ON CSR

UN Global Compact www.unglobalcompact.org
ISO 26000 on social responsibility www.iso.org
UN Guiding Principles on Business and Human rights 2011 www.ohchr.org
CSR Compass www.csrcompass.com
Danish Ethical Trading Initiative www.dieh.dk/
OECD Guidelines for Multinational Enterprises 2011 www.oecd-ilibrary.org
Reputation Institute www.reputationinstitute.com
The NGO Handbook ww.uia.org
Global Reporting Initiative www.globalreporting.org

Table 1. Source: The Danish Supply Chain Panel

The above corresponds with the respondents' answers regarding to which degree CSR is or is not strategically emphasized in their corporate strategy. The respondents perceive that CSR is a strategic issue in their supply chains with an average on 3.58 on a five-point Likert scale ranging from 1 (to a very low degree) to 5 (to a very high degree). Accordingly, CSR issues have strategic emphasis.

Figure 1 shows that more than 70% answer that their CSR strategy is a fundamental part of their corporate strategy. In the other end, we notice that 12% find that CSR is of little or no focus at all for the strategy of the company. The findings correspond with the findings reported above.

Organization and practice of CSR

We also asked the respondents about where in the organization the CSR related work is anchored. The answers to this question appear from Figure 2.

Figure 2 shows that CSR related work are anchored especially in the communications (18%) and quality (16%) departments or spread over more departments (14%). Close hereafter comes human resources as responsible for the CSR related work with 12%. From a supply chain perspective, it is interesting to see that supply chain related functions (SC, purchasing and logistics) collectively together are the functions most responsible for the CSR related work (20%). An explanation could be, that these functions are the ones with the first-hand touch of potential problems. However, the 18% of companies anchoring the CSR related work in the communications department might indicate an increase in companies' awareness of the CSR issues being of strategic importance and that CSR is no longer 'just' a supply chain issue but a corporate issue. Furthermore, 16% have anchored CSR in

ORGANIZATIONAL ANCHORING OF CSR

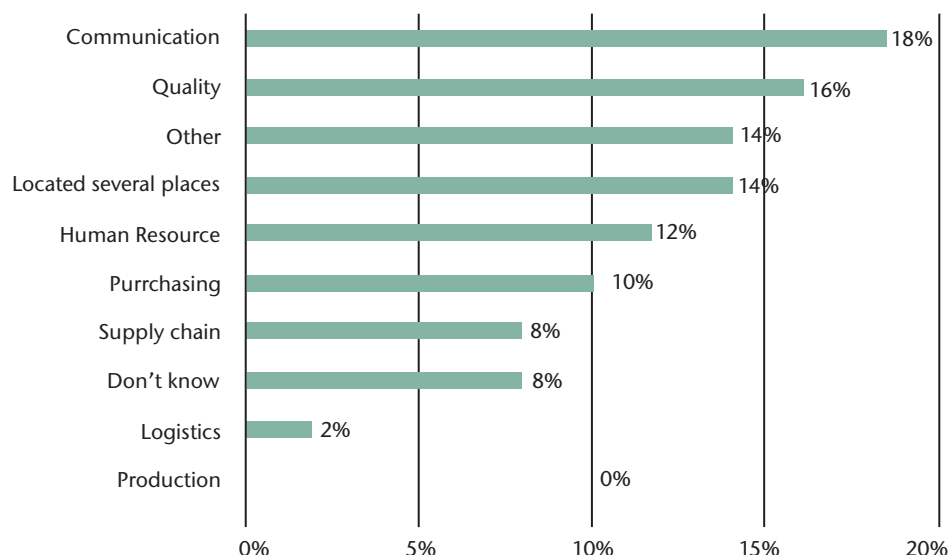


Figure 2. Source: The Danish Supply Chain Panel

quality which indicates efforts to integrate CSR as part of quality audits. The companies who opted to respond 'other' to the question regarding, where in the organization the CSR related work is anchored, mentioned among others the following answers:

- Reporting directly to top management
- Management
- Supply chain and Research & Development = 2 departments
- Both logistics and HR. We have received a CSR certificate due to the work done solely in logistics
- HSEQ department
- Marketing
- Finance (headed by Group CFO)

The organization of CSR activities is important to know, which is what is examined and showed above. However, what is also interesting to know is, which functional areas in the companies that work with CSR. Figure 3 illustrates the respondents' answers to a question about which functions in their companies that work with CSR (several marks were allowed).

As it appears from Figure 3, purchasing is with 74%, by far the function that most companies have involved in working directly with CSR. This is of no surprise since much of the CSR focus in Denmark due to the globalization of the supply base and the related challenges with e.g. child labor, human rights etc. has been on the upstream supply chain, of which purchasing often is responsible due to their first contact point role. The quality function (44%) and manufacturing and transport/distribution (42%) are also involved directly in CSR work in many companies. To a lesser extend is warehousing involved in CSR activities with 18% of respondents answering. Companies opting for the 'other' option answered that the development, sales, marketing and communication functions are involved in direct work with CSR.

CSR activities

We further found it interesting to consider what type of activities and initiatives the panel members work with when conducting CSR related activities. The result of this question is shown in Figure 4. Again, more marks are allowed.

PRACTICING CSR

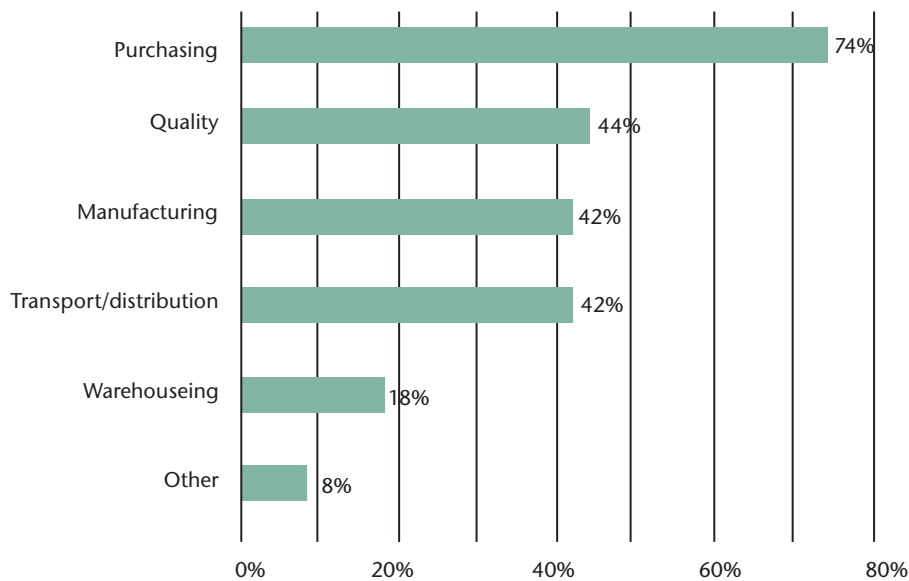


Figure 3. Source: The Danish Supply Chain Panel

Most of the companies work with code of conduct (74%) when working with CSR in the supply chain, closely followed by supplier assessment (68%) and supplier audits (62%). Approximately half of the companies (48%) work with risk assessment, while 28% of the respondents work with supplier development activities.

The panel members have also been asked about follow-up and performance measure activities of their CSR related activities. Even though companies find CSR of relevance and that it in many companies are strategically emphasized in their corporate

strategies, data from this mini-survey reveal that companies lack behind when it comes to following up on the CSR activities initiated. In answering a question on the degree to which companies measure their CSR performance, the respondents returned an average of only 2.6 on a five-point Likert scale ranging from 1 (do not measure/ to a very low degree) to 5 (to a very high degree). Only 22% reported that they to a high or very high degree measure their CSR performance, while a surprising 44% reported to not measure or only to a very low or low degree measure their CSR performance. This result opens for different in-

CSR ACTIVITIES PERFORMED

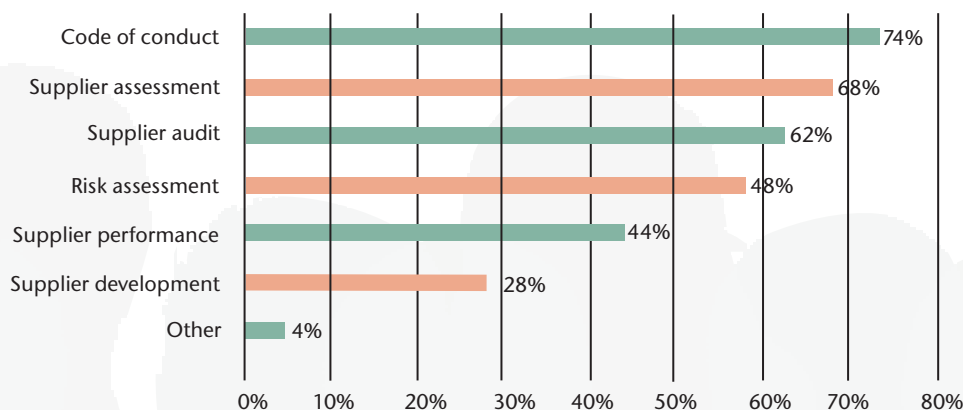
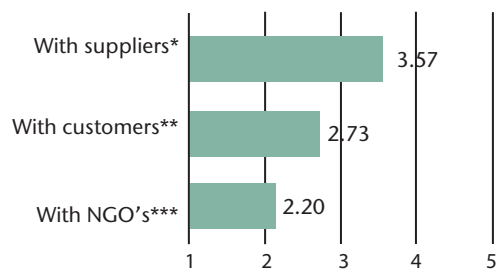


Figure 4. Source: The Danish Supply Chain Panel

DEGREE OF CSR WORK WITH SC PARTNERS



Notes:

- * Average is based on the sample minus 2% that answered don't know
- ** Average is based on the sample minus 10% that answered don't know
- *** Average is based on the sample minus 20% that answered don't know

Figure 5. Source: The Danish Supply Chain Panel

interpretations. One reason could be, as seen later in the survey, that companies find measuring activities difficult or because there basically is no requirement for it in the company. We will return to this discussion later in the article.

As supply chain folks, we have a natural interest to understand to what degree companies work with supply chain partners on CSR issues. This could, for example, be working with suppliers to improve working conditions or customers to align procedures on CSR related work. We also see companies work with NGO's to ensure the right level and focus of CSR in companies. The answers to the questions on to what degree the respondents work with their suppliers, customers or NGO's on CSR are reflected in Figure 5 based on a five Likert scale from 1 (to a very low degree) to 5 (to a very high degree).

Not surprisingly, the answers show that respondents on average work mostly with their suppliers on CSR. This is in alignment with the previous answers reported above, where the purchasing functions was by far the most function involved in working directly with CSR. In the other end, compa-

nies only to a low degree (2.2) work with NGO's on CSR related activities. However, we should keep in mind that there can be respondent bias since the customer and NGO perspective not are being evaluated by persons from these areas.

Drivers for CSR

There can be several reasons for companies to commence and continuously maintaining CSR activities. Therefore, the panel members were asked to evaluate what the main drivers for their CSR activates have been (several marks were allowed) (see Figure 6).

As shown in Figure 6, it is especially an ethical/morale commitment that drives the companies to pursue CSR activities in their supply chains with an average of 3.64 on a scale from 1 (very low degree) to 5 (very high degree). This is followed closely by risk management (3.6) and requirement from top management (3.55) as drivers for CSR. These data reveal that top management is concerned with and prioritizes CSR. This could be from either a philanthropic perspective or from a more pragmatic perspective of protecting the company from risk exposure. Looking at Figure 6, it is interesting that requirements from customers shows an average of 3.12 indicating that the pressure from customers neither is high nor low on this issue. Given that customers will ultimately be held accountable for CSR in their supply chain, we expected the pressure from customers to be higher. The rest of the drivers mentioned in Figure 6, do not seem to have much impact as drivers. The answers show that it is certainly not to obtain economical savings or pressure from NGO's that are the reason for implementing CSR in the companies. The drivers are in this mini-survey more directed towards people and planet issues than on profit issues.

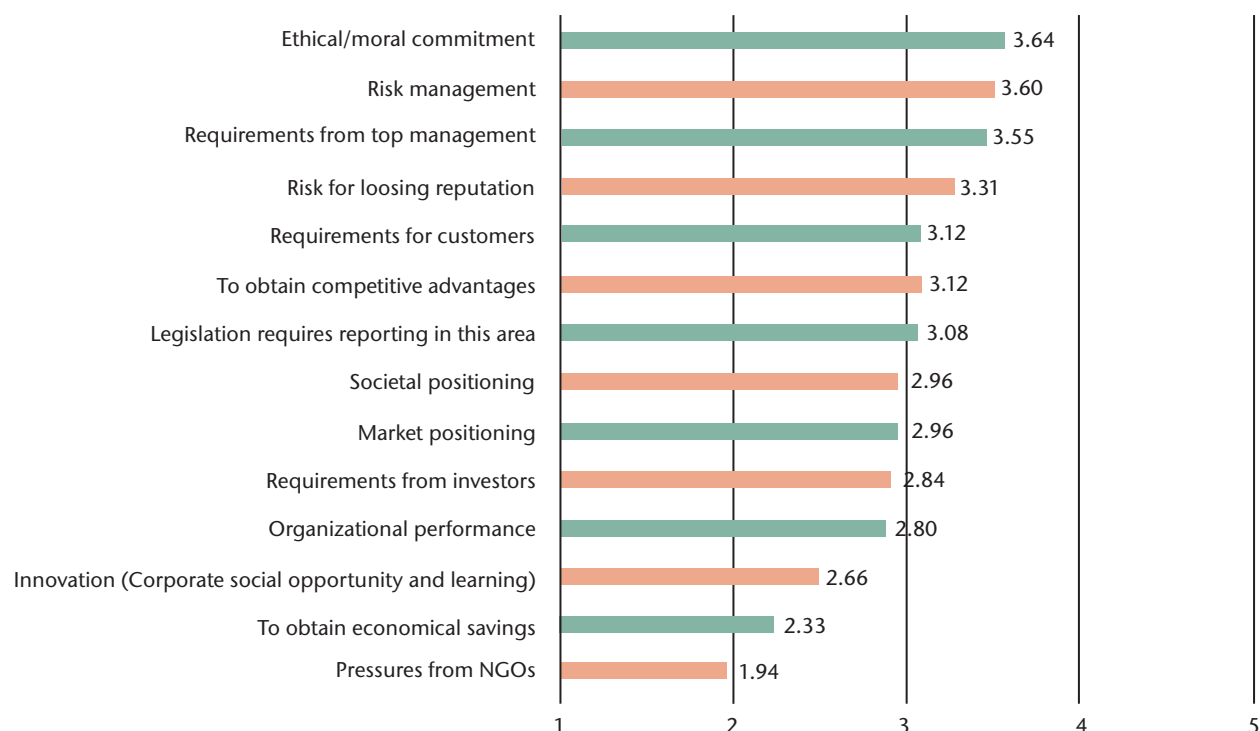


Figure 6. Source: The Danish Supply Chain Panel

Challenges and barriers for CSR

After looking at the drivers for CSR implementation, we now turn to the challenges and barriers of CSR implementation. The experienced challenges companies are facing towards suppliers in relation to CSR are depicted in Figure 7 (several marks were allowed).

Figure 7 shows that 43% of the participating companies consider CSR not prioritized by suppliers, while 39% experiences that the supplier lack knowledge about CSR. We are surprised by these results as CSR issues in supply chains have been on the agenda for some years now, not only in Denmark, but also on a global scale. Unfortunately, the dataset does not make it possible to link this lack of prioritizing or knowledge in the supplier base to specific geographical areas. However, the results indicate that there are still some miles to run before CSR receive the same attention globally, and that, at least among Danish companies, we still need to implement CSR

downstream in the supply chain. The lack of downstream focus might be due to few examples of scandals or perceived risk for the company on this direction, since their customers have CSR awareness in their supply. A downstream focus might also be related to activities that hinder a use of a product to another purpose than intended, which could make damage to the company's reputation (e.g. when Lundbeck back in 2011 experienced that their products were used in other products to execute people in some states in the US) or it might be the responsibility of fastfood corporations for the rising levels of obesity. In the same vein, 27% of the participating companies experience that the supplier either neglects the topic of CSR or lacks compliance with the code of conduct from the buying company, while 22% experience that suppliers do not have the time or do not take CSR seriously. Companies opting for the answer 'other' to the question on challenges mentioned, among others, the following answers: only choose suppliers who take CSR

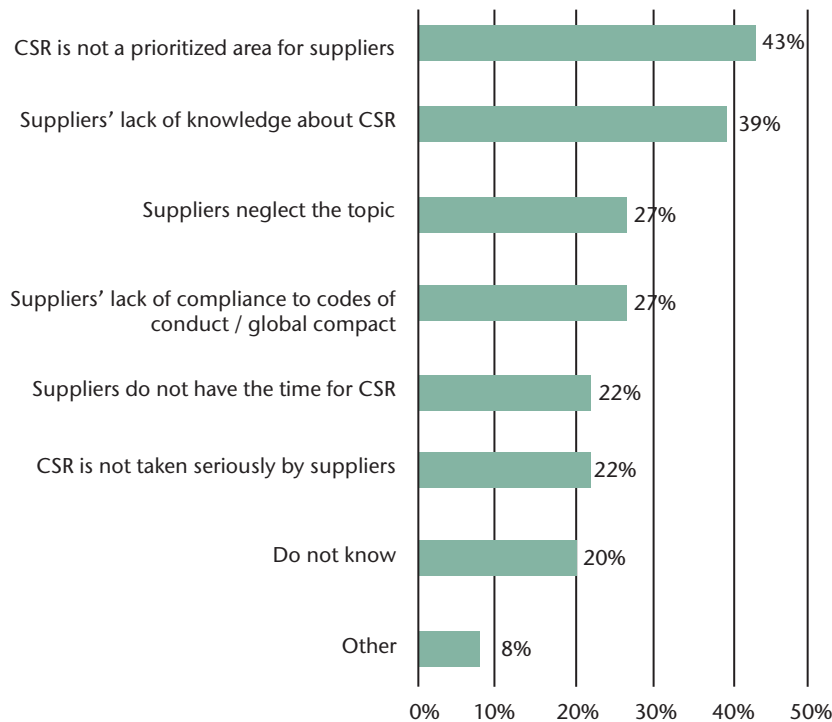


Figure 7. Source: The Danish Supply Chain Panel

seriously, the cost of implementing CSR, combination of factors - highly dependent on product sourced and geography. Especially the first answer 'only choose suppliers who take CSR seriously' could be a valid strategy to minimize the challenges raised. However, it is not the fortune of all companies to source within a supplier base where this is possible.

As in previous panel surveys, the respondents were also asked to evaluate what they envision as the main barriers of dealing with the specific theme – here CSR in the supply chain. Figure 8 shows the perceived barriers for implementing CSR in the supply chains (several marks were allowed).

Figure 8 reveals that the largest barrier is that companies find it difficult to make gains of implementing CSR visible (37%). Thus, it seems to be difficult to build a proper business case for CSR implementation. This is perhaps linked to the problem of not having the relevant data, which

is mentioned second as a barrier to implementing CSR (35%). If we do not have the relevant (and correct) data, it is obviously difficult to build a proper and trustworthy business case. The following two barriers, too many suppliers and lack of human resources (reported by 33% respectively), indicate a classical resource dilemma. Approximately every fourth company also face that suppliers are not ready for CSR. Returning to the previous discussion on the lack of performance measuring on initiated CSR activities (average of 2.6 on a five-point Likert scale, and 44% lacking a thorough performance measuring), this indicates difficulties in defining the relevant data and the quality of data for installing performance monitoring on CSR activities. Also, it might be challenging to follow up on CSR in the supply chain if companies lack human resources as mentioned by 33% of the companies in this survey. Lack of top management commitment is perceived as a barrier for 16% of the companies. This corresponds with the findings

PERCEIVED BARRIERS FOR IMPLEMENTING CSR

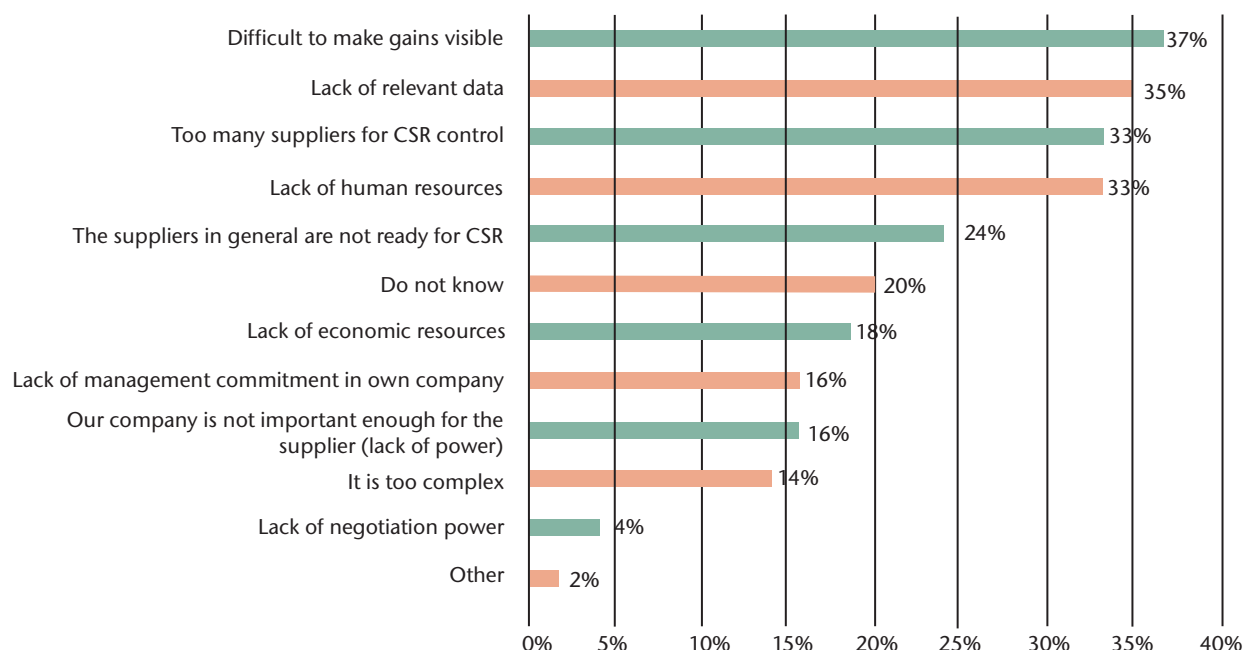


Figure 8. Source: The Danish Supply Chain Panel

above that top management requirements for CSR came in as third as a driver. Interestingly, the data also reveal that lack of negotiation power and that the company is not important enough for the supplier are ranked in the lower end of the barriers companies face.

Conclusion

This article has reported on a mini-survey focusing on CSR activities among the members of the Danish Supply Chain Panel. Data reveal that CSR issues seem to be covered by corporate strategies and that the activities are being considered important. Among the respondents, the function practicing CSR mostly is purchasing. Most CSR work is directed towards suppliers' code of conduct, supplier assessment and supplier audits as the dominating activities. Top three reported drivers for CSR are ethical/moral commitment, risk management and requirements from top management. The respondents perceive that CSR is not a prioritized area and the lack of CSR knowledge are the upmost challenges

when working with CSR, whereas difficulties to make gains visible of CSR activities, lack of relevant data, too many suppliers to control for CSR and lack of human resources to conduct the CSR-related work are the most reported barriers in this mini-survey. Reminding about the core idea of establishing the Danish Supply Chain Panel as a forum for exchanging practices, ideas and viewpoints, we hope the results of this mini-survey fulfilled this objective. We hope the article could stimulate discussions in your own organizations about CSR issues to evaluate whether you are on track or it is an area that needs development. /