



## **Topic Guide: Corporate Social Responsibility (CSR)**

### **What is CSR?**

Consumers are demanding more ethical behaviour from the companies that supply their needs; the same can be said of investors, shareholders, government and of course, from within the organisation from its own staff. Procurement is a key driver within the organisation that can and should be influencing the supply base to behave ethically too – otherwise the whole process breaks down – how can you claim to be truly ethical if your own suppliers are not also ethical in their own practices?

CSR policies include, amongst other things, ensuring that staff work in safe, hygienic environments, working hours are not excessive, that child labour is not used, and that wages are reasonable. It also considers the environmental impact on society of working practices.

With increasing pressure on organisations to ensure that their buying practices are meeting high ethical standards, how does the buyer achieve this whilst still pushing suppliers for reduced prices? Doesn't improved ethics mean higher prices?

### **Strong supplier relationships help**

CSR is less likely to be achieved if there is a poor relationship between buyer and seller. Both must work together to improve ethical standards – sometimes with the buyer having to accept increased costs in the process. But if the buyer's organisation has ethical and environmental best practice as one of its key corporate strategies, then it is crucial that its procurement strategy is in alignment. The key is for the procurement function to communicate to senior management the impact of such a strategy on the bottom line.

### **Avoiding excessive supplier staff overtime**

Buying practices have a major impact on supplier's ability to comply with CSR. The buyer has a responsibility to ensure that his/her actions are not causing excessive overtime at the supply end which could have been avoided if, for example, the initial requisition had been clearer or passed to the supplier earlier, or if the order had been placed earlier with the correct volume – in short minimising the amount of staff overtime at the supplier site. The better the buyer's forecasting accuracy is, the lower the supplier staff stress will be, which in turn will enable the supplier to comply with labour laws relating to working hours and stress levels.

## **What if your suppliers are not compliant with CSR best practice?**

Suppliers need to be given time to comply, with support from the buyer where possible – both through sharing information, education and through ensuring that their actions are not themselves hindering the supplier's efforts to improve working practices. A step-by-step approach will be more successful than a big bang approach.

### **Supplier auditing**

Buyers can also help to drive up standards across the supply chain by including CSR related questions within their sourcing and supplier management review programmes. This will pass a powerful message to the supply base that they must clean up their act if they wish to win more business.

It might be worth considering giving the supplier an audit plan that they themselves can use internally to improve their practices – this is particularly so for smaller, less developed organisations that can learn from the larger buying organisation that may have more resources and better training programmes.

### **Top tips for buyers in achieving CSR:**

- Give preference to suppliers that are seen to be striving for improved working conditions for their staff, without damaging the environment;
- Give clear, early information relating to demand, timings, lead times and payment terms. And encourage supplier feedback.
- Establish and agree upon prices that are reasonable and help sustain the supply chain – bashing suppliers to drive out their profit will not support CSR and will increase the risk of supply chain failure;
- Offer support, particularly to smaller suppliers who may not have the knowledge or resource to improve their working practices alone;
- Maintain good relationships with suppliers to ensure long term stability for all.

For more advice on this and other procurement support services, contact the Buying Support Agency, telephone 0845 555 3344 or email [info@buyingsupport.co.uk](mailto:info@buyingsupport.co.uk)