Introduction & Methodology

Objectives

This research was conducted by Peerless Research Group in conjunction with Supply Chain Management Review magazine and APICS, the leading professional association for supply chain and operations management.

The research was executed to better understand organizations’ current state and future intentions for ethical supply chains.

Methodology

Sample: Members of APICS and subscribers to Supply Chain Management Review
Method: All sample members were sent an e-mail asking for their participation in this study
    The e-mail invitation included a URL linked to the questionnaire.
Incentive: Opportunity to enter a raffle for a $200 amazon.com e-card

Field and Response

Field: August/September, 2018
Response: Results are based on 710 respondents
Margin of error: At the 95% confidence level, results are projectable at a margin of error of +/- 3.7%
Which best describes the nature of your organization’s business?

- Manufacturing: 63%
- Consulting: 7%
- Wholesaler: 5%
- Retailer: 4%
- Transportation/Warehousing services: 4%
- 3PL: 3%
- E-tailer/E-commerce: 2%
- Other: 12%

In which industry do you manufacture goods?

- Chemicals/Pharmaceuticals: 20%
- Food, Beverage & Tobacco: 10%
- Automotive & Transportation Equipment: 9%
- Industrial Machinery: 8%
- Aerospace: 7%
- Computers & Electronics: 7%
- Electrical Equipment: 5%
- Fabricated Metals: 4%
- Plastics & Rubber: 3%
- Textiles/Apparel: 2%
- Furniture: 1%
- Paper/Printing: 1%
- Other: 23%

Incl: Medical Devices, Construction/Building Materials, Energy, Agriculture
How important to your organization are supply chain “ethics?”

- Extremely important: 53%
- Very important: 30%
- Somewhat important: 12%
- Not very important: 4%
- Not at all important: 1%
How would you best describe your organization as an adopter of strategies related to ethical supply chain practices?

- Innovator (among the first to adopt/risk-takers) 13%
- Early adopter (among the next to adopt/on the leading edge) 29%
- Early majority (Cautious and practical about adopting) 33%
- Late majority (Take a wait-and-see approach - Embrace after the majority have adopted. Typically wait for 2nd generation solutions) 18%
- Laggard (Slow & among the last to adopt) 7%
Do you...

...monitor/evaluate your supply chain(s) for ethical practices?

- Yes: 62%
- No: 38%

...feel your organization should practice or have a plan to operate an ethical supply chain?

- Yes: 94%
- No: 6%
About how often do discussions involving business or supply chain ethics occur within your company?

- Monthly or more frequently: 24%
- Every few months: 26%
- About every 6 months: 11%
- About every 6-12 months: 11%
- Annually: 10%
- Less often than annually: 12%
- Never: 6%

Average frequency: 5.9 months
How important are each of the following to your organization at the present time? And, how important will each be to your organization in two years?

<table>
<thead>
<tr>
<th>Category</th>
<th>Now</th>
<th>In 2 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safeguarding against corruption</td>
<td>74%</td>
<td>77%</td>
</tr>
<tr>
<td>Responsible labor practices</td>
<td>68%</td>
<td>74%</td>
</tr>
<tr>
<td>Environmental sustainability</td>
<td>60%</td>
<td>71%</td>
</tr>
<tr>
<td>Defending human rights</td>
<td>58%</td>
<td>65%</td>
</tr>
</tbody>
</table>

- Not very/Not at all important
- Somewhat important
- Highly important
Which of the following practices/principles is your organization now following?

- Eliminating discrimination in the workplace (69%)
- Making efforts to uphold environmental responsibility (63%)
- Labor conditions (57%)
- Fighting corruption (extortion, bribery, etc.) (56%)
- Developing and employing environmentally friendly technologies (55%)
- Ethical sourcing (54%)
- Taking steps to understand environmental challenges (53%)
- Assuring we’re not complicit in human rights abuses (48%)
- Supporting and protecting human rights (47%)
- Eliminating child labor (45%)
- Eliminating forced labor (42%)
- Avoiding the use of conflict minerals (38%)
- Upholding and recognizing the right to collective bargaining (31%)
- Other (2%)
- None (6%)

Multiple responses accepted.
Which of the following practices/principles does your organization have future plans to follow/abide by?

- Making efforts to uphold environmental responsibility: 58%
- Ethical sourcing: 54%
- Taking steps to understand environmental challenges: 54%
- Eliminating discrimination in the workplace: 54%
- Developing and employing environmentally friendly technologies: 53%
- Fighting corruption (extortion, bribery, etc.): 50%
- Labor conditions: 49%
- Supporting and protecting human rights: 46%
- Assuring we’re not complicit in human rights abuses: 46%
- Eliminating forced labor: 36%
- Avoiding the use of conflict minerals: 36%
- Eliminating child labor: 35%
- Upholding and recognizing the right to collective bargaining: 31%
- Other: 3%
- None/No Plans: 14%

Multiple responses accepted.
Over the last two years, how much progress has your company made in creating an ethical supply chain?

- We have further advanced our ethical supply chain initiative: 31%
- We are implementing our plan: 33%
- We are in the planning phase, but have not yet implemented: 17%
- None at all: 19%
Which area is most responsible for ethical supply chain compliance?

- Supply Chain: 31%
- Corporate: 23%
- Procurement: 20%
- Operations: 11%
- Legal: 9%
- Finance: 3%
- Other: 3%
What is the job title or job function of the person most responsible for ethical supply chain compliance at your organization?

- Vice President, Head, Director of Supply Chain/GSC: 21%
- Head, Director, Manager of Procurement/Purchasing/Sourcing: 12%
- CEO, President: 9%
- Chief Compliance Officer: 7%
- COO, Head, Director of Operations: 7%
- Director, Manager (unspecified): 4%
- Corporate Legal: 3%
- Vice President (unspecified): 2%
- Corporate HR: 2%
- Quality Control: 2%
- Controller, Head of Finance: 2%
- Director of EHS (Environment, Health, Safety): 2%
- Other: 27%

The following each received 1%:
- Owner, Partner
- Manager, Plant/Facilities
- Director of Production/Manufacturing
- Director, Manager Logistics
- Director, Sustainability
- Materials Manager
- General Manager
- Director, Manager of Ethics
- Director of Social Responsibility
- Program Manager
- Other/Miscellaneous (11%)
Do you outsource or subcontract your manufacturing and/or kitting/assembly tasks?

- Yes: 47%
- No: 53%

Where are your subcontractors located?

- United States: 62%
- Asia: 55%
- Europe: 32%
- Mexico: 24%
- Canada: 17%
- South America: 11%
- Middle East: 8%
- Central America: 6%
- Africa: 6%
- Other: 6%

Multiple responses accepted
Does your organization have a formal policy to understand where products are manufactured, who manufactures, or who handles any kitting processes of your goods?

- Yes, have a formal policy: 70%
- No: 25%
- Other: 5%

Does your organization have an initiative to better understand how your suppliers operate?

- Yes, have an initiative to understand how suppliers operate: 43%
- No: 57%
Do you formally audit your suppliers for their practices?

- Yes, we formally audit our suppliers: 59%
- No: 33%
- Other: 8%

Who conducts these audits?

- Internal auditors: 85%
- Independent, third-party auditors: 36%
- Other: 5%

What are you auditing?

- Labor rights and working conditions: 68%
- Environmental impact issues: 68%
- Other: 32%
Does your company have a code of conduct for suppliers?

- Yes, and we enforce it/check for compliance: 51%
- Yes, but it’s not enforced: 20%
- No: 29%

Among companies following a code of conduct . . .

37% have lost suppliers as a result of enforcing compliance

What is included in this set of code guidelines?

- Meets certification codes and local regulations: 77%
- Environment, health and safety policies and practices: 75%
- Ethics (avoid corruption): 73%
- Sustainable business practices (minimize use of hazardous materials): 66%
- Fair labor practices: 58%
- Supplier diversity is encouraged: 48%
- Support human rights: 47%
- Avoid using conflict minerals in products: 43%
- Worker insurance/HR best practices: 39%
- Respect employees’ rights to join trade unions, associations, etc.: 35%

Multiple responses accepted
Does your company assist in improving working conditions?

- Yes: 59%
- No: 41%
Do you use software, tools or technologies to monitor supplier compliance?

- Yes: 47%
- No: 53%

What software, tools or technologies are you using to monitor supplier compliance?

<table>
<thead>
<tr>
<th>Software/Tools</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAP</td>
<td>19%</td>
</tr>
<tr>
<td>Excel</td>
<td>12%</td>
</tr>
<tr>
<td>Home grown/Internal software</td>
<td>12%</td>
</tr>
<tr>
<td>Supplier Management tools, scorecards</td>
<td>5%</td>
</tr>
<tr>
<td>ERP</td>
<td>3%</td>
</tr>
<tr>
<td>Sage</td>
<td>3%</td>
</tr>
<tr>
<td>Achilles</td>
<td>2%</td>
</tr>
<tr>
<td>The Zone</td>
<td>2%</td>
</tr>
<tr>
<td>Other, Miscellaneous</td>
<td>64%</td>
</tr>
<tr>
<td>Unknown/Don’t know</td>
<td>8%</td>
</tr>
</tbody>
</table>
Is your organization a member of any organization that helps encourage ethical supply chains?

- Yes: 19%
- No: 81%

Which organization(s)?

- UN Global Compact: 38%
- International Labor Rights Forum: 25%
- World Wildlife Fund: 12%
- China Labor Watch: 6%
- Fair Wear Foundation: 4%
- QuEST Forum: 3%
- Other: 28%

Note: No organization received more than 2 mentions. Many mentions were vertical industry-specific.
Respondent Demographics

**Respondent location**

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>United States</td>
<td>62%</td>
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<td>Mexico</td>
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</tr>
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</tr>
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</tr>
<tr>
<td>Middle East</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Incl:**
- Costa Rica
- Brazil Colombia
- France, Germany, Italy, United Kingdom, Switzerland, Denmark, Ireland, Hungary
- India, China, Japan, Pakistan, Malaysia, S. Korea, Singapore, Taiwan
- South Africa, Nigeria
- United Arab Emirates, Lebanon, Saudi Arabia
- Australia

**2018 company revenues**

<table>
<thead>
<tr>
<th>Revenue Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $100 million</td>
<td>32%</td>
</tr>
<tr>
<td>$100 million - $499.9 million</td>
<td>21%</td>
</tr>
<tr>
<td>$500 million - $999.9 million</td>
<td>10%</td>
</tr>
<tr>
<td>$2.5 billion - $4.9 billion</td>
<td>6%</td>
</tr>
<tr>
<td>$5 billion or more</td>
<td>20%</td>
</tr>
</tbody>
</table>

**2018 revenues**

<table>
<thead>
<tr>
<th>Average</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.544B</td>
<td>$454M</td>
</tr>
</tbody>
</table>
THANK YOU

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