

# **Ethical Issues in Supply Chain Management**

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Analysis and interpretation

## **Abstract**

Although there have been technological advancement in all fields of business but supply chain management has always worked on the interaction of people and wherever people interact, a rainbow of ethical issues emerges. The demand and concern of the consumers have led to an increased awareness of unethical conduct in the supply chain, contravening forces, such as the continuous pressures for low cost products and the ease, by which consumers are purchasing fake products at a greater extent, should also not be ignored. In this paper we will be talking about the ethical issues that has emerged in supply chain and providing the solution for them

**Keywords:** Supply Chain Management; Ethics; Fairness

## **OBJECTIVE**

- 1) To study the current situation of supply chain so that it could be compared with past scenario.
- 2) To analyse the practices of supply chain at different levels
- 3) To find the solution for ethical issues that has emerged in supply chain.

## **Introduction**

Although there have been technological advancement in all fields of business but supply chain management has always worked on the interaction of people and wherever people interact, a rainbow of ethical issues emerges.

Starting at the origins of the supply chain, the unfortunate situation of individual production workers is frequently examined in term of working conditions or fair wages. Other issues are with the production itself. Issues like relation of human resource with one another and Breach of intellectual property rights are frequently been in spot light. Moving further down the supply chain, middlemen like wholesaler, agents, retailers & export- and import companies are commonly examined for what should be their “fair share” in the value creation process. The view points of many researchers have also focused on the unfair practices of sales and purchase. Retailers, in turn, have been in the centre of the ethical debate for issues like truthful packaging or not able to do something well. Finally, it appears that consumers are no angels either as they are willingly to buy counterfeits whenever the price is low enough.

Media attention focusing on the difficult situation of production workers has begun to show results. The problem of unsafe and unhealthy working conditions is difficult to hide. In this paper, we take a closer look at some important ethical issues associated with supply chains. Below we will be analysing the concept fairness. After that we will be focusing on some ethical issues relating to production. Down the line will focus on the role of middlemen at the two different stages as traders and wholesalers as well as on retailers. The following section centres on consumers who on the one hand are the driving force behind many positive ethical developments but, on the other hand, they have also been a part of the problem due to their demands and own unethical behaviour.

## **Literature review**

Supply chain management deals with the management of material, information, financial flow in a network consisting of suppliers, manufacturers, distributors and customer

### **Ethical Issues for Producers**

It point out particularly the developing countries that are currently at the top of debate. Manufacturers are confronted with a ample of ethical subjects such as child labour, fair working conditions, fair wages, the ecological sustainability of their production methods, intellectual property right violations and counterfeits, child labour is the common issue where most agreement exists. Instead of all the unethical, unjustifiable and degrading nature of child labour it still acts as a problem in many developing countries. The problem is occurs when

sub-contractors are involved. Nike has always played a role of social activist, by criticizing child labour in media countless times.

Instead of opposing, the local factories defend themselves with a statement that children can easily fake the evidence of age (Boggan, 2001).

Other ethical concern consists of healthy and safe working conditions. Nowadays, most industrialized countries have introduced regulations on health, safety and environmental (HSE) conditions. Still there is a problem, countries are not lacking in regulations and laws, but are unwilling to implement these laws and regulations. This is where the issue becomes an ethical problem, in circumstances when companies fail to implement regulations, such as wearing a safety helmet or passively permit workers to ignore appropriate safety regulations (Crane and Matten, 2007).

The issue of “fair remuneration” is also a major topic of concern, many countries have established a statutory minimum wage to ensure fair remunerations management, as it is the current topic of discussion, as the managerial posts are being awarded with a multiple of what their employees earn.

The major issue for producers in many developing countries is the recognition of intellectual property rights such as patents, trademarks and copyrights. Production & distribution of fake goods is regarded as unethical it is a position where manufacturer tries to gain benefit by the goodwill of another company that already has a well established business. Fake products have become a major act of concern across the industry, to ensure substantial survival in market the marketer has to fight with unethical production.

**Solution:**

- 1) Regular monitoring should be done by international labour organisation itself as the countries authorities lag in performing their duties effectively.
- 2) Strict rules and regulations should be framed by the company for human resource in order to ensure disciplined working.
- 3) Government should regularly monitor the payment methods and rate being paid to the labour of the companies.
- 4) Awareness camps should be organised in every manufacturing units.
- 5) Feedback of the labours and the management should be taken on regular basis with complete transparency.

### **Ethical Issues for Middlemen**

It includes the Questions of fair purchasing agreements, fair sales prices, fair share on wealth creation and fair relationship to producers continues to be debated. Fair purchasing agreements such as exclusive dealing (i.e. a middleman can't deal in competitor's products), exclusive territories (i.e. a middleman has the exclusive right to deal in a manufacturer's product in an exclusive territory), or tying arrangements (i.e. a middleman deals in more than one products though he is interested in dealing with one product only), are discussed both from an ethical and illegal perspective.

The issue of discriminatory pricing has been raised because of particular relevance for middleman.

What constitutes a fair margin for the middleman?

Fair relationship to producers and customers is another issue, as dominant middlemen might misuse their bargaining power by switching frequently from one small producer.

#### **Solution:**

- 1) The agreements should be made by keeping in mind win-win situation for both the parties when it comes to sales and purchase agreement
- 2) The price should be framed by keeping in mind the worthiness of the product.
- 3) The manufacturer should provide wealth to the customer in term of the product and ensure family relation with them by continuous follow up

### **Ethical Issues for Retailers**

Retailers are not subjected to a specific set of value, few of them are similar to the producer & middleman, packaging has been a major concern in this area as it gives about 40% of the world's waste, an issue of untruthful packaging which includes issues such as damaging the packaging of the product & cheats on the customers by availing them less quantity products.

In the same manner vague labelling has also been a major concern which makes it difficult for the consumer to understand the information correctly & they opt poor products that are favourable to the retailers.

Many retailers opt a strategy to position a particular product in the mind of the customer to gain a competitive advantage. They present themselves as the most ethical in supply chain & much better human relationship builder.

**Solution:**

- 1) The retailers should not be provided the product without packaging.
- 2) It should be mentioned on the product “do not buy if the packaging is damaged”.
- 3) Genuine packaging must have any identity mark that distinguishes them from the fake one.

**Ethical Issues for Consumers**

This gives the information about how much consumers are concerned about ethical issues such as human rights, animal welfare, food, integrity and the environment, than they were years ago.

Undoubtedly the development in the business area has taken place & it has also recognised that consumers are no angels. They buy fake and cheap products that encourage the unethical producers. The unjustified complaints of the consumers, psychological and physical abuse on Employees have been a major issue.

**Solution:**

- 1) Consumers should be educated about the side effects of fake products available in the market.
- 2) Consumers must learn to distinguish between fake & genuine product.
- 3) Fine should be imposed on consumers if they file any unjustified complains.

**Research methodology**

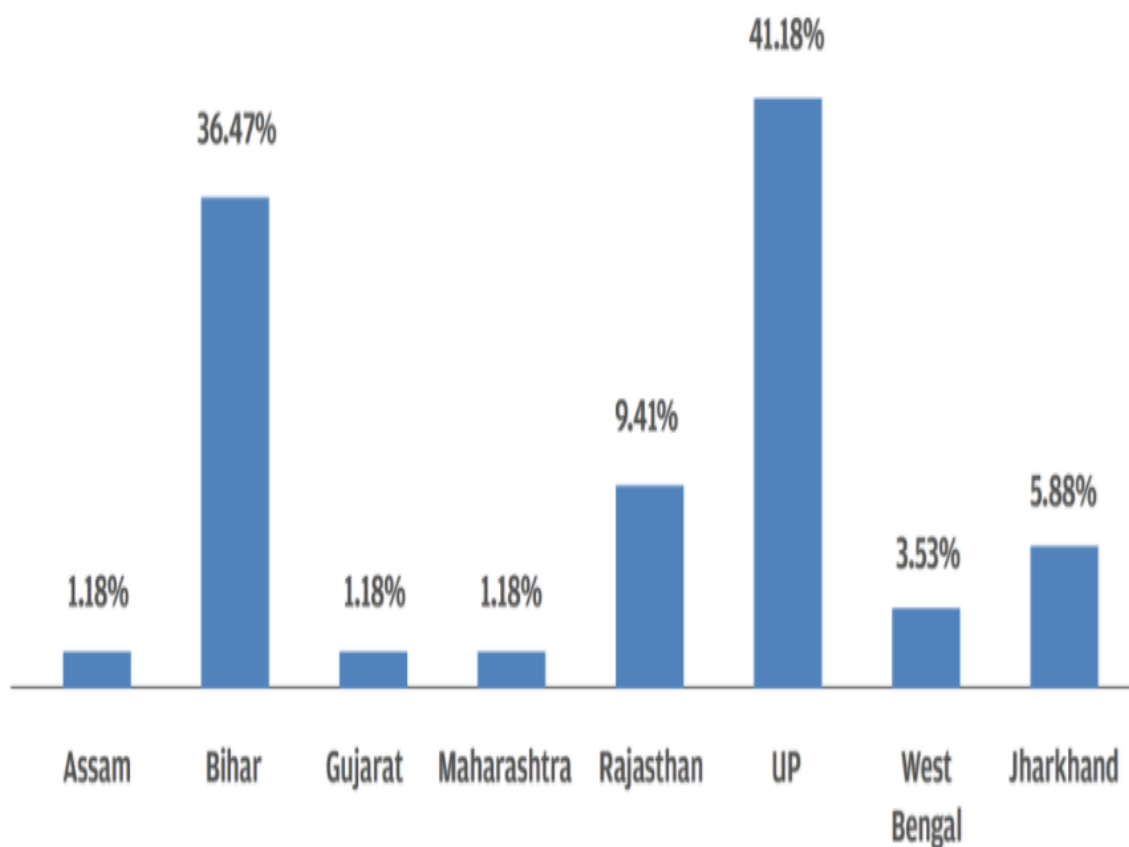
The objective of this study is to analyze the SCM practices and the impact of SCM practices on customer’s satisfaction & delivering quality products.

The researcher applied is descriptive approach (secondary data) the data is collected through websites, journals, magazines, books & research papers.

### Analysis and interpretation



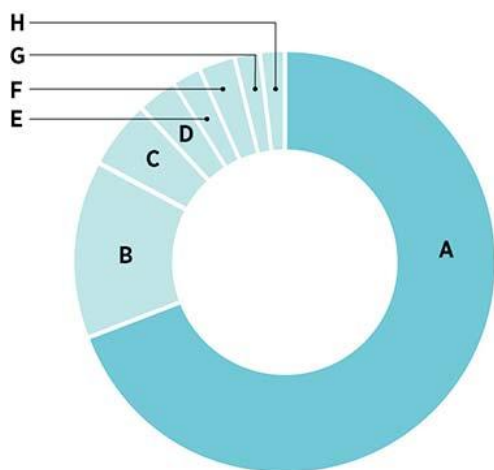
the above stats state that the minimum wages has increased on regular basis but the actual data states that the manufacturers have been paying less than the minimum wages and keep on exploiting then.



Distribution of Child Labour across Gender and State of Origin

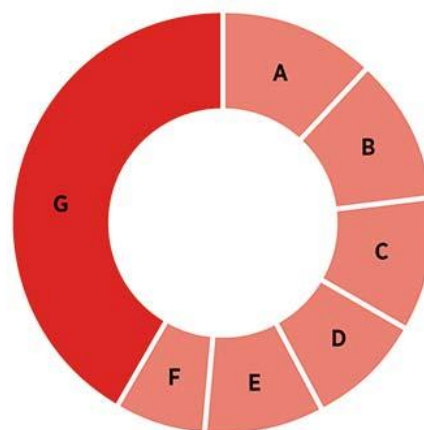
The above stats defines that the rate of child labour is high in India even though there are high sets of rules and regulations

### ORIGIN OF COUNTERFEIT GOODS FOUND IN THE EU, 2013



A	China	66.1%
B	Hong Kong	13.3%
C	Greece	5.8%
D	Turkey	3.7%
E	United Arab Emirates	2.5%
F	Ghana	2%
G	India	1.8%
H	All other countries	5.30%

### TOP CATEGORIES OF COUNTERFEIT GOODS FOUND IN THE EU, 2013



A	Clothing	12.3%
B	Other goods	11.1%
C	Medicines	10.1%
D	Cigarettes	9%
E	Packaging material	8.8%
F	Toys	7.6%
G	All other categories	41%

Source: European Commission 2014


The above stats are enough to determine the number of fake products available in the market that are being sold to the customer as genuine product.

Hence on the basis of the above interpretation it can be said that the problems discussed in the paper exist at high scale and in order to eliminate them the solutions has to be implemented.



## Conclusions and Future Research Directions

In this paper, we have discussed about the major ethical issues of supply chain and compared the current scenario with the earlier one and tried to find the best possible solution for such problems. The conclusion for the paper is that the problems are still the same at different levels and then solutions found were not effective to eliminate them, the current situation of SCM is very critical, so we have tried to figure out the solutions by our own that could effectively handle the problems and bring them on track. As the list of problems is very long so we have defined it through the tabular presentation.

	<b>Supply chain channel</b>	<b>Ethical issues</b>
	Producers	<ul style="list-style-type: none"> <li>• Fair wages</li> <li>• Working conditions</li> <li>• Child labour</li> <li>• Fair prices</li> <li>• Ecologically sustainable production</li> <li>• Product safety</li> <li>• Disregard of intellectual property rights</li> <li>• Counterfeit</li> </ul>
	Middlemen	<ul style="list-style-type: none"> <li>• “Fair share” on wealth creation</li> <li>• Fair treatment / relationship to producers</li> <li>• Discriminatory sales policies</li> <li>• Heavy handed purchasing policies</li> <li>• Exclusive territories</li> </ul>
	Retailers	<ul style="list-style-type: none"> <li>• (Truthful) packaging</li> <li>• Misguiding / incomplete labelling</li> <li>• False advertising</li> <li>• Misleading bargain offer</li> <li>• Ethical positioning</li> <li>• Cause related marketing</li> </ul>
	Consumers	<ul style="list-style-type: none"> <li>• Shoplifting</li> <li>• False complaints</li> <li>• Abuse of sales staff</li> <li>• Disregard of copyright</li> <li>• Willingness to buy non-deceptive counterfeits</li> <li>• Importance of ethical and ecological issues</li> </ul>

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