ETHICAL ISSUES PREVAIL IN SUPPLY CHAIN MANAGEMENT

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INTRODUCTION

In business, financial necessities have been prioritized over certain values such as ethical behaviour and social responsibility. In spite of advances in technology, supply chain at a global level is based on the interaction between people which gives rise to ethical issues at several stages.

A laissez-faire attitude of top management is necessary to tackle the issues prevailing in the market. Proactive management will always look to analyze every link of the supply chain and thereby reduce cost by adopting best practices and morality simultaneously.

SUPPLY CHAIN

The supply chain consists of a series of links that enable the movement of product from the producer to the customer. This movement incurs a series of costs for the various entities involved. The management of supply chain is called supply chain management. It is a process which involves goods, place, time, quantity and cost all acquired in right proportions.

FUNCTIONS OF SUPPLY CHAIN MANAGEMENT

The functions of supply chain management are:

- Customer relationship management
- Materials management
- Production control and resource management
- Risk management
- Inventory management
- Supplier relationship management

All of these are vital links of the supply chain which needs constant monitoring so that it will be a seamless process. An organization in order to reap the benefits of a successful supply chain has to do three kinds of planning.

Strategic planning is generally done to realize a long-term prospect and devised by a pro-active top management, the operational planning and the administrative level are done at the middle and the lower management respectively. These two planning process are for mid-term and short-term respectively. All these are emphasized or should be so that the supply chain process that starts from the producer’s end smoothly transitions to the other links of the supply chain process.

ETHICAL ISSUES IN THE SUPPLY CHAIN PROCESS

With different parties involved in the supply chain process there is always a question of who is being fair and otherwise. Tensions arise in supply chain mainly due to the perceived understanding of ‘fair play’ between various parties. What may seem as a legitimate course of carrying out the business may be perceived as an unfair trade practice by the other. So below are some of the ethical issues faced by the parties involved in the supply chain process.

- **Producers**: There are numerous ethical issues that a producer could possibly face in a supply chain process. Working conditions, labour rates, child labour, environment unfriendly practices (including production of goods and disposal of wastes), utilization of natural resources are some of the factors in which an organization can deviate from its fair business practices. Some organizations with the backing of the government in their homeland resort to
exploitation of the available resources either by exploiting the political instability or by feeding the corrupt law makers of the host nation. Also environmental degradation cannot be ruled out if the organization is totally unmindful of the way their wastes are disposed. Unfair trade practices always stems with disregard for intellectual property rights.

A producer is deemed to be unethical if the product whose technology or idea has been duplicated from another producer that has spent millions to create a value for their end users.

- **Suppliers:** Suppliers are an integral part of the production process of an organization. Not all producers procure all raw materials directly from a source. Suppliers perform an integral job of procuring raw materials of high quality and maintaining high standards of inventory and a sound distribution network. But some suppliers maintain lower standards in managing inventory or the quality of materials procured will be of a cheaper quality, reasons which are attributed towards saving cost and increasing profit margin. Signing a mandatory code of conduct with the organization has been the need of the hour mainly because of the lack of trust. This lack of trust has stemmed from the fact that standards and quality may have not been maintained according to the expectations of the producer which has led to signing of agreements between parties. Also certain suppliers form a cartel which leads to manipulating the market.

- **Retailers:** Similar instances of unethical practices have been recorded with retailers when it comes to packaging or labeling the products. Retailers resort to practices such as tampering with the packages or partially filled packages which amounts to cheating as the customers who buy the product are led to the belief that the content of the package is equal to the weight disclosed on the cover (For example, a potato wafers packet may consist of only 25-30 grams whereas the disclosed weight on the product would be 35 grams). Also retailers may resort to pseudo-marketing techniques to project a good image among the public. For instance a retailer may claim that part of the proceedings in the purchase of the product goes towards a noble cause.

- **Consumers:** Though consumers are in the receiving end of unethical practices most of the time, not always it could be justified. If companies offer a quality product at a higher price, the willingness to buy has reduced considerably due to availability of alternatives. By alternatives it does not mean availability of substitutes alone. Consumers have started buying counterfeit products which are priced much cheaper. Their only approach towards buying is based on cost and not quality. As a reason, manufacturers are forced to cut down or compromise on the quality of the product they have been offering plainly because of lack of sales which burdens their profit margin. So overall it has become a vicious circle where in a slight increase in the cost of the material supplied by the supplier which is passed onto the manufacturer who increases the cost of the final product leading to consumers preferring alternatives.

**ETHICAL CONSUMERISM**

Another quality that is expected of consumers is ethical consumerism. It is a trait among individuals to look beyond the purchase of product. They are not focused on self or about the harm that would occur on the product usage/consumption but also possess a higher moral understanding that connects people across culture, creed, gender and nation.

For example, during the festive month of Diwali in India, certain people abstain from purchasing crackers citing the reason that lot of child labour had gone into the making of the crackers which is still widely prevalent in South India. The following are the codes of business ethics:
Professionalism: All participants of the supply chain process should exhibit a high standard of professionalism. It means that each entity should treat the other with an equal amount of respect and trust and in no way shall intervene or command the other. Information that is deemed to be classified should be guarded safely by all parties involved. Adherence to the laid down terms and conditions should be a pre-requisite for all.

Personal Integrity: Integrity is defined as a trait in a person who exhibits qualities such as honesty and having principles that are morally strong. Personal integrity is a strong sense of commitment towards morality, openness and high standards of ethics that an individual stands by and act as a role model for his/her colleagues. Every individual and not just the overall entity should have high personal integrity to make sure the entire supply chain process is ethically right. Behaviour like receiving favours such as gifts, monetary commissions, stakes, preferential treatments are considered to be outside the code of business ethics.

Transparency and accountability: All the parties involved in the supply chain process have to be open and accountable. Public resources are used by different parties in the supply chain which must adhere to fair usage policies.

Compliance and continuous improvement: Compliance to local laws is a mandatory pre-requisite. No party shall bypass the laws of the state/nation for their business motives to gain unfair advantage. All entities shall work towards fostering a continuous improvement culture in their supply chain activities and serve as a role model for others to follow. Doing so can lead to earning concessions/credits from government as a token of appreciation.

CONCLUSION

So the key focus area to improve the supply chain process is public interest. The three factors such as environment, safety and consumer rights is not managed then disruptions in either of the links will jolt the entire supply chain process. Companies need to procure, design, manufacture and distribute products that will have minimum life cycle impact on the environment. People are involved inevitably in the process of supply chain and any compromise on their rights or the work environment will lead to serious damage of the supply chain. All products reach the end user and any exploitation will lead to legal issues as well damaging the reputation of the company. Thus focusing on innovations in developing a product, strategizing on cost reductions, adopting best practices and new technology development will only help a company to re-invent itself in a changing business world.