

Business Ethics
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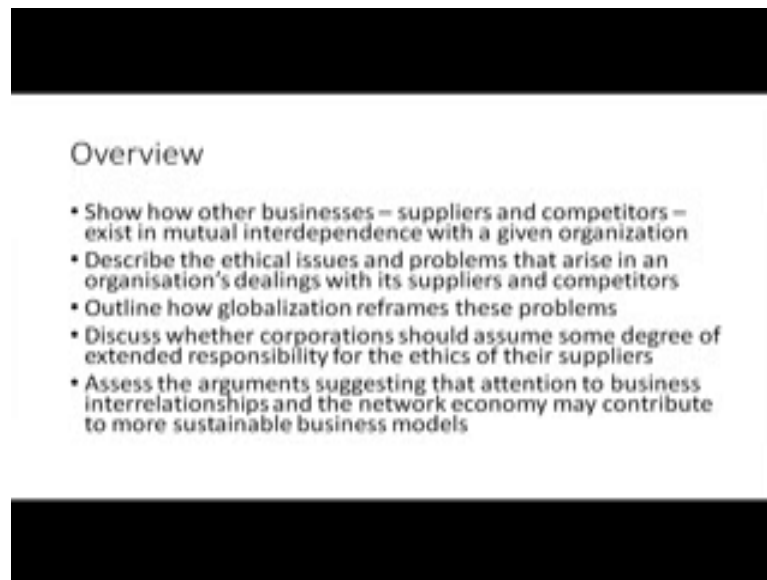
Lecture - 38
Suppliers and competitors as stakeholders

Welcome. Today we are going to discuss the ethical issues related to the suppliers, competitors, and the whole discussion will be like suppliers competitors and business ethics. Till last discussion we were focusing on stakeholders, which are not may be business entities as such we were talking of the businesses relationships with the individual in terms of that share holders, employees, and the customers who could be individual, who could be some organizations also, but and may be these are the when ethical issues arise regarding the businesses relations to specific individuals, these come to more focus and becomes the subject matter of discussion.

But, how the organizations are treating its relations with other businesses who are connected to it, who are in relation with it has does not come to prominence much, and this will be the focus of our discussion today. We will be discussing the firm's organization relationship with two other such businesses; we are called suppliers and competitors. So, let us see what will be the flow of discussion in the today's module.

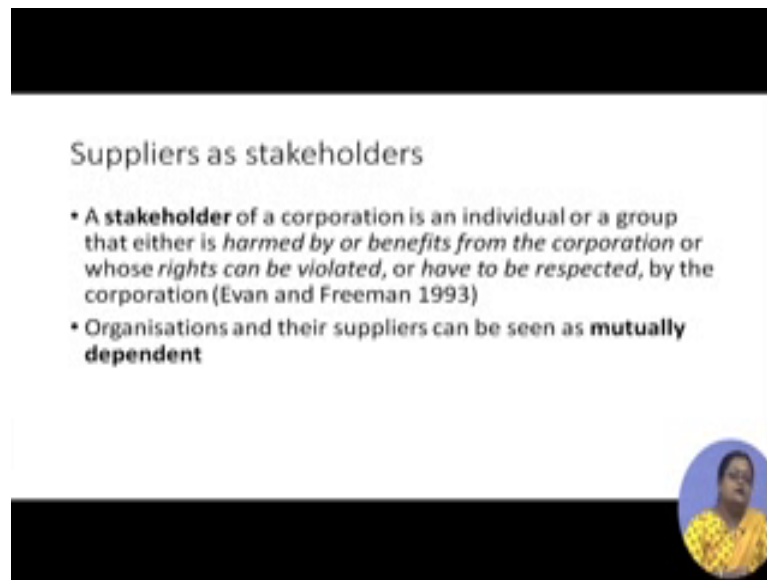
We will discuss suppliers and competitors as stakeholders, with that we will progress the ethical issues related to suppliers and competitors, we will try to see this in respect of globalization, citizenship behavior and the sustainability issues.

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The overview it show how other businesses suppliers and competitors exist in mutual interdependence with a given organization, we will describe the ethical issues and problems that arise in the organizations dealings with suppliers and competitors, and outline how globalization has reframed these problems. We will discuss about the extended responsibility for the ethics of its supply what the corporations should take up as an extended responsibility for the ethics of their suppliers, and we will also try to see. So, the business relationships and the network economy, and how it may contribute to sustainable business models. So, these will this discussion will be sprayed across five modules.

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Suppliers as stakeholders

- A **stakeholder** of a corporation is an individual or a group that either is *harmed by or benefits from the corporation* or whose *rights can be violated, or have to be respected*, by the corporation (Evan and Freeman 1993)
- Organisations and their suppliers can be seen as **mutually dependent**



So, first we are going to discuss suppliers and competitors as stake holders; where may understand stake holders, the stakeholder of a corporation is an individual or a group who I gets affected in terms of getting harmed or benefited from the corporation or whose rights can be violated or have to be respected by the corporation. This definition of stake holder we have already seen in our previous discussion. So, in this respect we can understand shareholder we have earlier said as the stakeholder, we have also seen employees as the stakeholders, we have seen the consumers also as the stakeholders. Similarly, the suppliers they abuse there is a mutually independent relationships, where the corporate gets its resources from the supplier, and resources in terms of raw materials for businesses for resources human resources for doing things, some jobs within the organizations, applied for maybe stationary required for planning of the organization.

There could be so many different things for which organization has to rely on the suppliers, for getting the resources supplied to them. And in term the organization pays suppliers and that deed again for the running of the business of the suppliers. So, suppliers supply good the material goods or services, and in which on of those goods or services they take money from the organization corporation which helps them to thrive. So, there is a mutually dependent relationship between the supplier and the organization.

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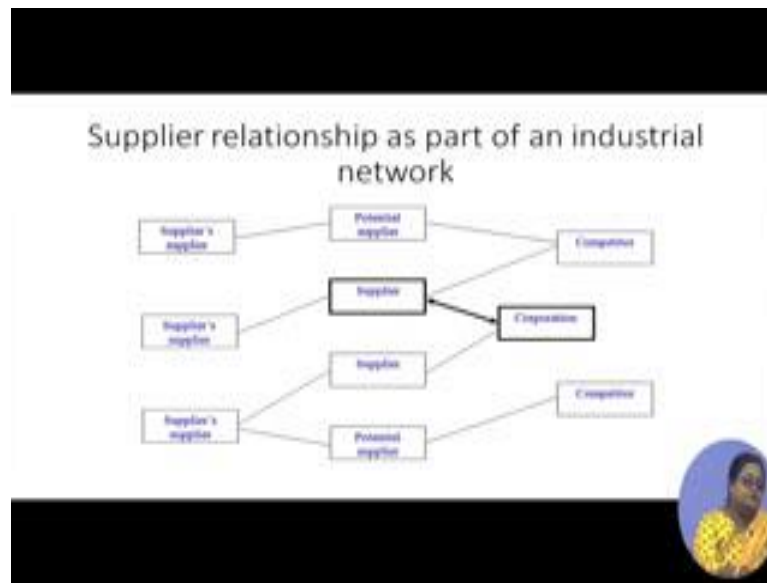
Competitors as stakeholders

- Forgotten stakeholders? (Spence et al, 2001)
 - Legal rights (e.g. not influencing other's pricing)
 - Moral claims (e.g. right to fair play)
- So, businesses should not be seen as isolated islands of economic activity, but as actors operating within a web of other businesses, bound by mutual interests and interlinked flows of resources and rewards
 - Firms thus best understood as part of *industrial network*



Here we will see also in this part of the discussion the competitors as the stakeholder; we may ask the question like how competitor becomes a stakeholder of a business. If we remember the stakeholder prospective of the firm in which the firms exists in a form of industrial network, then and it is functioning within a web of other existing business who is bound by mutual interest, and interlinked by the flow of rewards and resources it. So, you can understand like competitors also can effect or get affected by the nature of your business and it can also affect your business. So, have competitors of course, do have legal right and also some moral claims and obligations, towards the corporation. So, again there is a definite relationship between the how the competitors and the organization gets affected by each other, and what the steps taken by the organization to deal with the competitors, then becomes a focus of discussion and review for ethical ways of dealing with competition.

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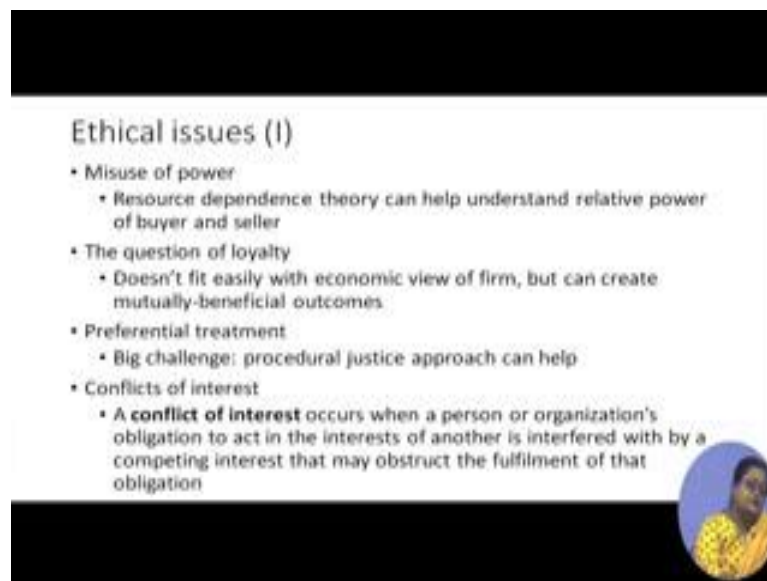
We see as a part of the suppliers relationship as a part of an industrial network. So, what we have understood over here like; the supplier has a mutually dependent relationship with a corporation. The suppliers supplier and the also has a relationship with a supplier; if we study this chain then supplier has a mutuality of the relationship with the corporation, and it is a there is a suppliers supplier also. Now these supplier is also supplying to your competitor, and the sub competitor supplier may be your potential supplier, and here you see suppliers supplier is the supplier, the supplier is supplying to the corporation; and suppliers supplier becomes a potential supplier for the competitors.

So, in this chain the suppliers supplier who is supplier here is a supplier, who is supplying the corporation, but the supplier to the supplier may become a potential supplier to the competitor. So, in this way the power dynamics in the businesses relationships varies with like who becomes more powerful in determining, who is the ethical issues may rise up regarding the, who dictates the relationships is actually there is a equality of power between the corporation or the supplier or the factors related to the supplier regarding what is the nature of the material, whether it is very like something which is we are producing is very rare in. So, or there is other suppliers present around or not. So, what does the price differential price paid to the suppliers by the competitors or not.

So, different question in the asked in the field will determined the relative power of the supplier and the corporation, and will serve as ethical issues like who exercise who is the

powerful and in what way do they exercise power in the supplier's corporation relationship. Taking into account the whole network, the other like competitors are also present who can also and the same supplier is supplying both to the corporation and the competitor or the supplier's supplier become a potential supplier for the competitor or the supplier's supplier becomes a direct supplier for the corporations. So, all these type of relationships will give rise to various ethical issues.

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Ethical issues (I)

- Misuse of power
 - Resource dependence theory can help understand relative power of buyer and seller
- The question of loyalty
 - Doesn't fit easily with economic view of firm, but can create mutually-beneficial outcomes
- Preferential treatment
 - Big challenge: procedural justice approach can help
- Conflicts of interest
 - A **conflict of interest** occurs when a person or organization's obligation to act in the interests of another is interfered with by a competing interest that may obstruct the fulfilment of that obligation

So, now we will look into the ethical issues with related to suppliers. We can understand like the relationship between the suppliers and the corporation is derived from the this power, is derived from the based on the theory of resource dependency. So which helps to understand the relative power of the buyer and seller, like who is more powerful as it has shown in the last slide the corporation or the supplier. So, if the supplier is supplying to both you and your competitors may be it is appearing to be more powerful than the cooperates, because it is supplying to two like rival forms it gains power from that expertise who is joining from one, and may be supplying to the other. So, these type of things resource dependent and if it is very crucial resource that the organization is dependent on for to the supplier, and if there are presence of no other suppliers. So, this resource dependency may develop more relative power for the sellers, the supplier has compared to the buyer.

When we are talking of loyalty, so ethical issues may come up regarding whether we are choosing a supplier based on the loyalty of that supplier, to the organization to supply things goods and services whenever required. So, this choice is based may be not on quality would be, but on the loyalty of the supplier towards the organization. Preferential treatments comes when whether there is a do if you have two-three suppliers who wants to supplying things to you, goods and services to you, do you organization the decision makers take a preferential treatment for choosing wants supplied over other and how it is done based on some preference that the organization may be having towards the specific suppliers could be due to this loyalty issue, could be due to other things of self interest like may be some special treatment given to the person, who is responsible for purchasing.

So, this preferential treatment may give rights to n number of other ethical issues, based mainly on the area of conflict of interest. So, when you talking of conflict of interest talkers when a when a persons or organizations obligation to act in the interest of another is interfered with competing interest, that may obstruct the fulfillment of the obligation. So, here the questions of gifts, bribes, kickbacks will come where the conflicts of interest rises between you choosing quality goods, selecting some quality good as the resources or because you have been receiving a particular gifts. So, you choose some organizations they increase some preferential treatment based on that self interest and even if the quality is not up to the standard. So, these give rights to conflict of interest.

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Ethical issues (II)

Gifts, bribes and hospitality

- Consider the **intention of the gift giver**
- Look at the **impact on the receiver**
- Focus on the **perception of other parties**
- Many large organizations have a formal purchasing code of ethics
- Guidelines provided by professional bodies such as the International Chartered Institute of Purchasing and Supply

And. So, we see gifts, bribes, hospitalities these becomes major issues while we are discussing on whom do we choose as our supplier. So, we need to have a check on the intension of the gift giver for intension of the gift giver in the sense what the person by giving the gift wants to get. So, it may be like it is just a token of good gesture or the intension could be like to get some preferential treatment for you, from the person to whom the gift is given. It will also depend on this whether it gets interpreted as gift or a bribe based on what position the person to whom the gift is given is in the organization for making judgments, and selection decisions regarding who gets selected or who does not get selected as a supplier.

So, it has to look also into to the impact on the receiver, means does it create too much is the gift so costly that it creates cognitive dissonance in the in the mind of the receiver, and somewhat like puts him in a dilemma of deciding favorably or not in with respect to the supplier. And it also depends on the perception of the other parties, what others are going to think if I receive these hospitality or bribe may be the value of which the worth of which are not eligible for.

So, I am not entitled for these type of things will try to define what is gift, bribe and what we do with the hospitality do we take it we do not take it. And to help us in doing that there are certain guidelines regarding the purchasing codes of ethics, formal purchasing codes of ethics and guidelines provided by international chartered institute of purchasing and supply to understand what is gift what is bribe and hospitality. And if you remain within the framework of expectations then the gift and bribes, even it looks similar and are having spillover effect you will be able to understand gifts and gifts, and bribes as bribes and try to make the final differentiation and takeover judgment on that.

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One of the important issues that we find in the supplier relationships with the organization that, it is the organization has some time to negotiate debate with the suppliers to come to the common term and understanding of certain things. So, this is called the ethics of negotiation as we understand negotiation again is a power gain; where two parties having some powers or deferential powers try to enter into relationship, and intension is somehow or somewhere to make other person listen to what I am expecting that person to do.

And also like techniques taken could be so that that is the different ways of looking into negotiation to a very positive one, where both are mutually coming together and commonly negotiating for the super goal and they are coming together to work it out. So, we will try to look from that negative communication, and of like when you are talking of negotiation to moving slowly to the positive one.

So, there are different techniques 10 popular negotiation actions that you can see: lies, puffery, deception, weakening the opponent, non disclosure, information exploitation, change of mind, distraction and maximization. When we are talking of lies it talks of like lies about something material to the negotiation. So, any fact that you try to misguide the supplier or the supplier tries to misguide the corporation.

So, exacerbating the value of something maybe the returns that you get after using the product or the services or better treatment that you get while entering into relationship

with this particular organization could be the puffery as shown in the ethics of negotiation. Then we have the technique which is called deception, which is the using misleading themes and promises for the issues at hand, and it is means statements of facts.

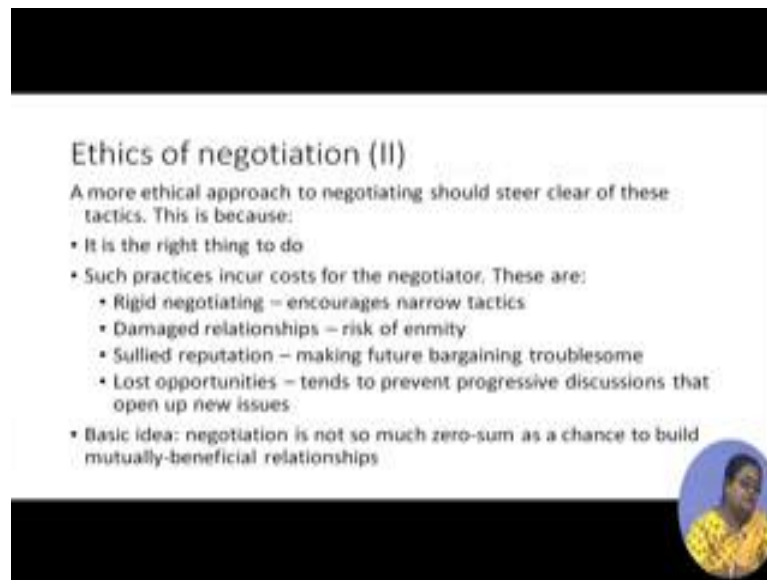
Weakening the opponent is by directly undermining the strengths or alliance of the opponent. Strengthening ones position this is by means which is not available to the opponent; maybe my network with other influential people my ability to spread more money, and buy votes different other things. Information exploitation is by the misusing information provided by the opponent and trying to track them in the way, that they may be the some information was given, but the intension of the opponent was not to use in that particular way, but that is done.

So, nondisclosure is where certain facts are hidden from the negotiation of the between the supplier and the organization. So, and that creates an information symmetry. Change of mind happens with maybe the discussions started or some basic presumptions, but if in between one in the parties' changes their mind on, what is the things that they were negotiating for, what are the things that they see as the outcome of the negotiation and is acceptable to them.

Destruction is deliberately trying that the opponent ignores certain facts and benefits, or alternatives that will be helpful to them. So, it will be distracting the opponent from thinking in a specific way, so that they can think of all the alternatives and reach certain conclusion so distracting the opponent from that. And maximizing or maximization is exploring the situation in one's own interest and without having any concern for others.

So, these types of practices may have negative effect, on the supplier and the organization. However, when we are talking of maximization, if you are talking of the mutuality of the interest between the supplier and the organization, we talk of techniques which were which will lead to the win type of situations; where both the parties gain by entering into a specific relationship. So, what you understand by maximization whether it is a maximization of one's own self interest, or it is a mutually visualized like both which will be beneficial to both the parties who are negotiating, and want to maximize that through the efforts taken steps taken that needs to be discussed.

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Ethics of negotiation (II)

A more ethical approach to negotiating should steer clear of these tactics. This is because:

- It is the right thing to do
- Such practices incur costs for the negotiator. These are:
 - Rigid negotiating – encourages narrow tactics
 - Damaged relationships – risk of enmity
 - Sullied reputation – making future bargaining troublesome
 - Lost opportunities – tends to prevent progressive discussions that open up new issues
- Basic idea: negotiation is not so much zero-sum as a chance to build mutually-beneficial relationships

We have to understand to come to a conclusion the parties need to negotiate, and how they are doing it has the like great implication on how what is the image for the other stake holders mind about the supplier organizations relationship, and organizations how it is treating its suppliers. So, it may so happen like the rigid it may lead to rigid negotiation, where using of unethical practices one over the other techniques in negotiation may make the relationship goes (Refer Time: 30:05) and it may drive to such an end where they are it may drive to such an end, where their negotiation comes to a (Refer Time: 30:23) further possible. So, it damages relationships means it leads to a more of risk of enmity.

And because of these rigid negotiations and the (Refer Time: 30:38) enmity develops, it has an impact on the reputation of the organization, and makes future by gaining troublesome. So, and it makes progressive discussions impossible, because they are visualizing themselves at conflict of interest with each other, they are not able to visualize the mutual goal. So, it tends to prevent progressive discussion and that opens up new issues.

So, we can understand genuinely understand negotiation as a zero sum game, but if we would differently speak and take negotiation as a chance to build a mutually, beneficial relationship. In the next module we are going to discuss ethical issues and competitors.

Thank you.