

Business Ethics
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Lecture - 41
The corporate citizen in the business community

Now, we will be discussing about the role of corporate citizen in the business community, where we will be discussing on two things the ethical sourcing, and the fair trade practices.

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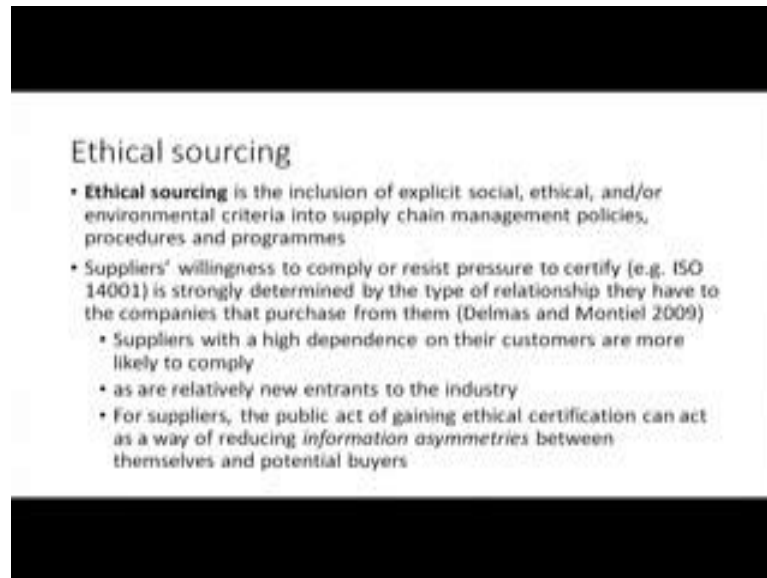


So, if we can understand the concept of ethical sourcing, is related to the extended responsibility of the organization of the firm towards not only its suppliers, but maybe suppliers of suppliers also. And how it can use its power like political power or the its position of being more powerful in this network to in a positive way, to see like the suppliers if they really want to supply to the corporate, they are taking care of its own processors and also they are taking due care of choosing their own suppliers also.

So, through this way of ethical sourcing, company can if it wants influence the suppliers of suppliers also to follow ethical processes in doing their businesses, and thus the region in which the business is done is it is the practice is in that region, even if maybe the regulations are not that strong can help get the benefits of the good practices; to be

followed which where the rights are respected, not violated unless the firm is produced to the stake holders.

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So, what is ethical sourcing is? The inclusion of explicit social ethical and or environmental criteria into supply chain management practices procedures, policies and policies procedures and programs. So, it is the inclusion of which we can see like there is a reflection of the sustainability dimensions of the taking care of the environment, and the social issues if it want to enter into a economic relationship with the organization, with from. So, if it wants to look into the relationship from an economic prospective, it has to take care of the social and the environmental prospective also. So, ethical sourcing is the inclusion of this exclusive social ethical, and our environmental criteria to supply chain management policies procedures and programs. So, whether the suppliers are ready to comply to the standard or resist pressures to certify to like ISO 1401, and its strongly determined by that the dynamics of the relationship which they have with the companies that is purchasing from them.

So, if the suppliers are more dependent on their customers are more dependent on their customers, they are more likely to comply. So, if the customer here the firm is concerned is more powerful than the suppliers, then they can influence the suppliers to comply to this demands. If they are relatively new entrance to the industry and of course, they are

like trying to get a prominence or make space in the business space, so they have to comply to this in order to get the orders run to get businesses.

So, these are the when they are relatively new entrance. So, and the act of the suppliers the publicly informant informs the public domain like the act of giving an ethical certification, so it can use a used as a tool of reducing the information asymmetry between themselves, and the potential buyers. So, that may attract more potential buyers to the suppliers, if the see like they have followed the ethical steps properly in dealing in taking care and they have been certified as companies, who have been taking care of the social and the environmental issues in the way that they are doing their business or they are producing theirs goods or services. So, if that certification is there that is going to attract more buyers to it.

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Business-business regulation

- Ethical sourcing as business-business regulation
 - Pressure exerted by powerful corporate customers to comply with ethical sourcing guidelines and criteria constitutes strong and often very effective regulation of supply chain members (Locke and Romis, 2007)

Strategies of business-business regulation

- Disengagement
 - Setting of clear standards for suppliers and a means for assessing compliance with those standards
 - Failure to meet standards in short- medium term will result in disengagement by the company
- Engagement
 - Rely on longer-term 'aims' together with incremental 'targets' in order to foster a step-by-step approach to improving standards.
 - Firm likely to work with their suppliers to achieve improvements

So, ethical sourcing it talks of more like of a business to a business regulation. So, why we are talking of business to business regulation is that; like when you are talking in terms of corporate citizenship, so in many cases it is see like when it talks about the getting some things corrected in the organization, and it is maybe people for mainly for the prospective where the pressure groups when, see like the it is like small firms are maybe not hearing to what they are telling them to provide for the stakeholders, who are involved with their businesses.

So, if the protest is done against person against the group business house, who is sourcing from these suppliers and if a protest can be made around that immense who is sourcing from these kind of suppliers who are not following the ethical standards of policies practices and programs; then to answer to these protests or to like answer to the negative effects of these protests, that may have on their own businesses the MNCs may take into techniques of entering in to business to business regulations.

So, where they take strategies where ethical sourcing becomes the strategy for business to business regulation, where one business tries to regulate what other businesses are doing; businesses which who are related to it are doing by exerting some pressure on it some power on it. So, here we will see like ethical sourcing can be used as a business to business regulation model also, where the where the pressure exerted by the powerful corporate customers to comply with ethical sourcing guidelines, and criteria constitutes strong and often very effective regulation for supply chain members.

So, because the suppliers survive by or gain business by doing by entering into a business relationship with the MNCs more powerful corporate, which has the ability to pay and on based on that profit that is gained from selling the goods or services is what makes the suppliers survive also. So, they MNCs can exert pressure on these suppliers this corporate customers can exert pressure on these suppliers, to follow the ethical sourcing guidelines and principles and criteria, and that helps in regulating the supply chain members. And when we are talking of the supply chain members, we are talking of the suppliers as well as the supplier of the suppliers or all the other stake holders who are connected with that particular supplier.

So, the different strategies of business to business regulation taken are like first is the disengagement, where it is a setting of clear standards for suppliers and the means for assessing the compliance with those standards. So, we will be taking your buying from you only when you are following these standards, and if you meet these criteria. If you are not doing it then maybe we are not going to take from you, we are not going to buy from you.

Again like failure to meet the standards; failures to meet the standards in short or medium term will result in this engagement of by the community, by the company means any failure sort of like zero tolerance type of thing like any failure to meet the standard

even in for short term or medium term target set by the organization, will result in like you getting the suppliers getting sort of blacklisted, and the company is entering into a disengagement (Refer Time: 12:52) disengagement by the company means we are no longer going to procure from you.

The other way of business to business regulation could be an engagement strategy. So, this is the sort of like compliance and if you are not complying it then what are the punishments that are going to follow in terms of you getting the supplier getting blacklisted, and we are not procuring from the supplier anymore. There could be another way of looking into this business to business regulation, when we are talking of this as an engagement strategy.

So, this could be like hand rolling support sort , where rely on longer terms aims together with incremental targets in order to poster a step by step approach to improving standard. So, this is a positive approach where we can interpret it like thing like people who do not know even what are the standards to be followed, people who may not be having that developed infrastructure to do all the things as required by the standards and criteria to be met. So, may not be in a position or competent enough to meet those standard also, because the infrastructure is may be not there the capital is not there, know how is not there; it could be the list of so many things which are not there.

So, in that case it may require a positive hand holding support, development oriented approach from the corporate, which works together in setting up some target for the supplier, helping it to achieve those targets through sharing of then know how, providing some support for their developing of their competencies, achieving this targets, and to achieve the improvements, may be providing them some infrastructure for it. So, this is the positive way of looking into the how to develop the competencies of the suppliers, so that they are able to achieve the standards.

So, supplier education supply development these will be considered when we are talking of the engagement prospective of how we are extending our role to develop the competencies and the capabilities of the suppliers, so that they become competent enough to follow the standards and expect criteria as expected in the standard that should be achieved as per the global standards maybe mentioned.

And that is how become more like responsible about the social and the environmental issues related to this production processes. So, this stocks of a hand holding support, and extended role also of the extended responsibility of the corporate also.

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Now, we will be discussing of the from the viewpoint of the competitors, specifically looking into the indigenes competitors, who do not have again the capability or the competency to or the infrastructure to compete with the major players, and in many cases that is how they are washed off from the market or they get deprived of what they are actually entitled to get. So, one of the practices one of the system that is aimed towards taking care of these issues is called the fair trade practice. So let us see; what is a fair trade.

Fair trade is a system, which is aimed at offering the most disadvantage producers in developing countries to move out of the poverty, to creating market access under beneficial rather than exploitative terms. The objective is to empower producers to develop their own businesses and wider communities through international trade. So, what it is like where it is in the fair trade practices, it is like giving the most disadvantageous producers in the developing countries, and in exposure to the through international trade, the exposure to a better market in where they get price of their products, you are price of their products; and at least something minimum is ensured

based on what the mutually agreed by the this fair part is involved in the fair trade process.

Minimum at least some minimum price is set which this indigenes producers get for their products and if. So, even if minimum (Refer Time: 19:53) which gets free sets. So, even if the market is not functioning that well, they are at least having the even if the market is not functioning that well they at least are secured so that they get the basic minimum, which is determined if it is functioning well then they get the beyond the minimum what is been decided.

So, they get that portion also and that is how they get the share of the profit also. So, it is a system like where the fairness is maintained by the disadvantages get most of the benefit by if they get whichever one is higher; like if the minimum determined price that they are going to get is higher in which the actual sale takes place. So, at the price which the actual sale takes place, then also they are getting the benefit of getting the higher and if the minimum set price is lower than what the actual price it is set the sell price is, then they get the higher one at which it is actually sold.

So, in that way they there is a protection given to the indigenes producers from getting exploited. So, it is a safety net covered given from getting exploited. So, it fasters like it aims at the protection and the empowerment of the growers and so empowerment of the growers because. So, because they get exposure to the different or to the international trade through the practices through they get an exposure to one wider community of business, and is to it empowers producers to because of this assurance of protection is there, like they will at least get something minimum and whichever is the higher the decided price minimum price or the actual price in which it is the products are sold; whichever is higher they are entitled to it.

This form of like the coverage the protection, this gives the motivation for the people to enter into this type of businesses, enter into businesses producing things cultivating things. So, this type of empowerment actually encourages people to develop their own businesses, and this is spread across the wider community. And it encourage community development, because if somebody gets encouraged to enter into these type of activities, it creates employment opportunity for few others also who get involved with that activity, and ultimately it will lead to the development of the community at large.

So, it encourages community development by guaranteeing minimum prices and at least some conditions minimum fixed conditions so that you have a safety zone of like you are not deprived of the minimum benefits.

So, in 2008 like it is a data which shows like the fair trades has the view by 22 percent, but the concern over here is that; however, this success could not guarantee or put pressure on the ethical standards. So, its maybe at the it could not ensure like the way that these producers are disadvantaged producers are producing the process taken by the them to produce their products, or was done in an ethical way or not following the ethical standards. The success of this could not guarantee that and also with this is also a challenge.

So, because we saw in the last discussion that we discussed like when MNCs come to a developing country with business opportunities, then and it creates employment opportunities for people. So, they come in a sort of dilemma like whether to continue with my own businesses, which has its own challenges and threats or to become employed in a particular business, which gives us certain security and like. So, and to like develop the skills that are required for getting jobs in that particular MNCs, further trying to nurture for the skills that are required by the particular MNCs so that we can secure our jobs in future over there. So, these could be processes of dilemma conflict and become a challenging for the fair trade system also.

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So, we have got a hint of taking concern of the environmental and the ethical issues, and the social issues, when we are talking of the ethical sourcing and also when you have discussed about a fair trade practices, which takes care of the ensuring like economic sustainability of the indigenous producers providing them a place of a fair practices, where they can get at least a minimum promised like gain for what they have produced and sold.

So, these somewhere we are focusing slowly towards the concept of sustainability, here we have looked into the sustainability of the business practices and how it takes care of the people doing the business and the how they are concerned with the environmental ethical and social issues, with respect to the business at present and the harms that they may be giving to each other, and the benefits that they may be sharing with each other for the people who are presently involved in the business, and the stake holders whom you can now presently identify as our stakeholders in the present scenario we will extent this discussion to the sustainability and business relationship. Where we are talking of towards industrial eco system, and how these processes can get connected to each other, each of the industry players which are there in the ecosystem can be connected to each other.

So, the processes that we are taking up the policies that we are taking up programs that we are taking up leads to the like survival of not only the present generation, but we look forward into take the extra standard responsibility to take care of the future generation also, and to not to provide them any harm which is maybe we have not forcing now to restrict ourselves from giving any unforcing harm towards the future stakeholders, towards the future generations also so that they have enough of resources present, which they can utilize for meeting their own demands and needs.

So, it is when you are bring sustainability concept into this business relationship, how do you preserve certain resources do lays of wastages, so that in the process of doing our business by following certain policies and programs, so that the right of the future generation is also taken care of, and they are also not deprived of the resources or they are not deprived of proper environment, which could be detrimental to their survival and well being. This concept we will take up in the next module, when we are discussing sustainability and business relationships.

Thank you.