

The Ethical Corporation
Prof. Chhanda Chakraborti
Department of Humanities and Social Sciences
Indian Institute of Technology, Kharagpur

Lecture – 40
Competitors and Suppliers: What Can an Ethical Corporation Do?

Hello. We have come to the last lecture of our last module. This is where our course will end, and today's lecture I will finish with the Competitors and Suppliers and What Can an Ethical Corporation Do. We are looking at the very last group of stakeholders namely, the competitors and stakeholders and our issue still remains how the corporation can be ethical in dealing with this important stakeholder groups.

(Refer Slide Time: 00:57)



The sequence of talk will be like this that for suppliers we are going to suggest a different outlook and adoption of a new model and then for competitors will also touch upon what can be done. And, but mainly with the suppliers will talk about the partnership model and alternative paradigms such as ethical sourcing, ethical supply chain management.

(Refer Slide Time: 01:25)

With the competitors: Fairness

- Fair play, and fair competition: Where each competitor has:
 - (a) A "level playing field".
A level playing field is a situation where everyone playing has an equal and fair chance of succeeding and where the same set of laws applies to every player. That is, none of them has an unfair advantage over the other.
 - (b) A "fair equality of opportunity" (FEO) (John Rawls); everyone should get a fair chance to attain the desired position. None tries to unethically harm, sabotage, impair the opportunity of the other to compete
 - (c) A fair access to a market where competition is based only on appropriate factors such as product / service quality, price, consumer care.

Fair trade is a paradigm to follow.

So, first of all with the competitors what the corporation can do we have touched upon it namely change the game. Fair play and fair competition is what we have suggested to be the desirable kind of a operation. So, see to it that a level playing field is there for everybody, see to it that there is fair equality of opportunity as John Rawls has said.

So, that everybody gets a fair chance to attain the desired position and for that there is no need for an ethically harming or sabotaging or impairing the competitive ability of the competitors. We have given one practical example of how business can do this and with the example of fair trade. So, it since we have already discussed it I am not going to repeat that.

(Refer Slide Time: 02:22)

How to play when there are unfair players?

1. **Play differently.** If you try to beat your competitor using the same strategy, chances are that the other side knows that strategy better. The right strategy can overcome seemingly lost situations. Offer a solution that is decisively better than any other.
2. **Position your strengths against their weaknesses:** Every competing company has weak points: Find these out, these are the places where your brand may try to outperform. Marketing must ensure that customer knows why these selling points are important and why your brand is a better choice.
3. **Stay in touch with your clients:** Ask them how your product can be improved.
4. **Protect yourself from unfair competitors:** Intellectual property laws
Competition laws
5. If possible, **go for a new market, or a new category**

Now, the question that some people may ask at this point is that yeah that is easier said than done that we should all be fair in our competition, but what if the one corporation is trying to be fair, but the rest of the businesses are totally unfair then how do you bid them? If you do not play their game how are you going to survive? To that my submission is that there are a number of alternatives even then.

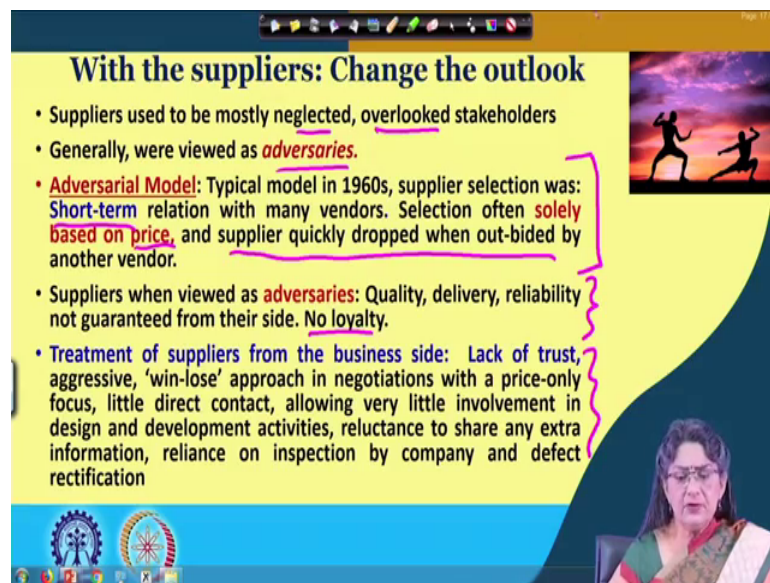
How to play this is same as in sports, how to play when there are unfair players and you cannot change them? Then one of the recommendations would be that you change your own game, you play differently. If they are unfair and if you are trying to bid them by being more unfair, you are not going to win because they know this game better than you and you are new to this game. Instead, the wiser strategy is to play differently and look for a solution that decisively puts you ahead of the competitors.

You know what we say is that if you look into the big companies of today and the products that they have been selling will speak forth on their own because of the value, because of their uniqueness, because of the quality that they bring in. The companies that have been standing there and fighting it out for the last 40 years, 50 years, 60 years they have not survived on unfair competition. They have come to win the market share with sheer merit. So, there is something about the hard work, there is something about the excellent innovation and that really makes us realize this point that when the game is getting dirty play differently, devise your own rules.

Second this is also widely seen when in among businesses is that if you want to play fairly, then position your strength against the weaknesses of your competitors because every company will have some weak points. Knowing those weak points is crucial so, that these are the places where you can try to outperform their products. You have to have ways to communicate to the consumers where exactly you win out what are your strengths and how do they come tally vis a vis the weak points of your competitors.

Staying in touch with the clients is a very good idea because, that is how you get to know how you can improve your product or service. Protection from the unfair players – you can take recourse of the laws namely the competition laws or the intellectual property laws which also protect the valuable properties that you have and the competitors are trying to steal away. Going to another segment, going to another category or going to a new market also could be a possible suggestion. So, this is when we are talking still about defending the idea about fair competition fair play when the stakeholder group is your competitors.

(Refer Slide Time: 06:08)



With the suppliers: Change the outlook

- Suppliers used to be mostly neglected, overlooked stakeholders
- Generally, were viewed as **adversaries**.
- **Adversarial Model**: Typical model in 1960s, supplier selection was: **Short-term** relation with many vendors. Selection often **solely based on price**, and supplier quickly dropped when out-bid by another vendor.
- Suppliers when viewed as **adversaries**: Quality, delivery, reliability not guaranteed from their side. **No loyalty**.
- **Treatment of suppliers from the business side**: Lack of trust, aggressive, 'win-lose' approach in negotiations with a price-only focus, little direct contact, allowing very little involvement in design and development activities, reluctance to share any extra information, reliance on inspection by company and defect rectification

The slide features a small image of two silhouetted figures in a physical struggle against a sunset background. At the bottom right, there is a small video inset showing a woman speaking. The slide also includes a navigation bar at the top and a footer with logos and icons.

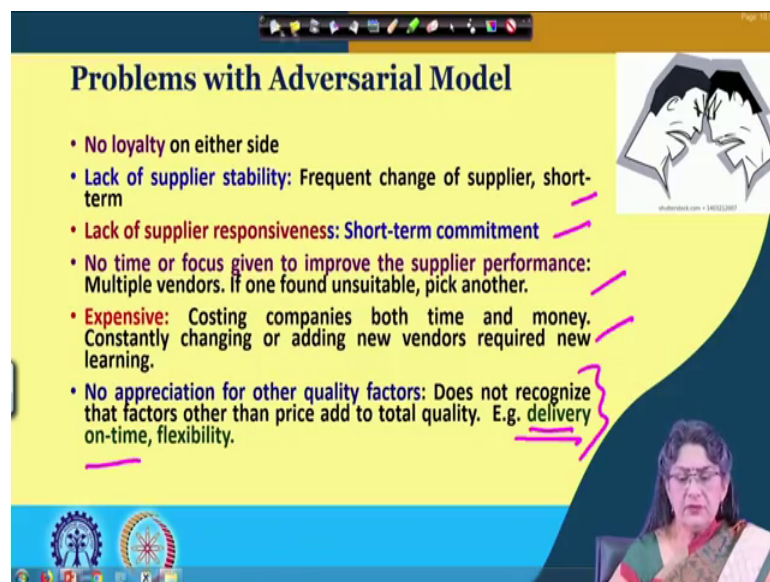
Let us talk about the suppliers. With the suppliers there is a proposal for change in the outlook towards this important group. You see the suppliers were never really thought to be exactly important group of stakeholders; they are mostly overlooked or neglected. In fact, generally they were viewed as enemies or adversaries. This is what is known as the adversarial model which was practiced is still practiced in some parts of the world where

typically the supplier is seen as an enemy, an adversary, the necessarily the supplier is going to go against what you want or what the company wants.

Typically the supplier was seen as somebody that you want to have relationship only for a very limited time. Selection of the supplier often depended on only on the bid lowest bid the price. Whoever brings the lowest price you select that person and no commitment. The as soon as the necessity is over the supplier is quickly dropped or when the price is even quoted as lower then another person is picked up; so, no commitment anywhere.

So, when the suppliers are viewed as enemies you know it is natural that they will also reciprocate with adversarial attitude. So, from their side also there was no guarantee about quality, delivery, reliability nothing was assured. In fact, there was no loyalty. You find one day the supplier is with you next time they are with your competitor. So, this lack of trust and aggressive quality in the in the relationship with no trust on either side, no sharing of information from either side and just barely having a relationship this is what characterized the adversarial relationship with the suppliers.

(Refer Slide Time: 08:26)



Problems with Adversarial Model

- **No loyalty** on either side
- **Lack of supplier stability:** Frequent change of supplier, short-term
- **Lack of supplier responsiveness:** Short-term commitment
- **No time or focus given to improve the supplier performance:** Multiple vendors. If one found unsuitable, pick another.
- **Expensive:** Costing companies both time and money. Constantly changing or adding new vendors required new learning.
- **No appreciation for other quality factors:** Does not recognize that factors other than price add to total quality. E.g. delivery on-time, flexibility.

The slide features a yellow background with a blue header and footer. A small cartoon illustration of two people shaking hands is in the top right corner. A video feed of a woman is visible in the bottom right corner. The footer contains several logos, including the Indian National Emblem.

As said the problems were many no loyalty, no stability and there was no responsiveness from the supplier side and there was not never ever any thought given to how to improve the performance of the supplier because there were always multiple vendors available. So, if one is not found suitable the strategy was to pick another all right. So, in that

situation there is no commitment from either side, but such changes of vendors, such changes of suppliers actually is costly for a company because every time if you are constantly changing and adding new vendors that that requires time as well as other investment.

And, generally in this kind of outlook toward suppliers there is no appreciation for any other quality factors other than the price. So, for example, there is no concern whether the person though his quoting or she is quoting a little bit higher than the lowest bid, whether the supplier can deliver on time, whether the supplier is flexible along with the company's needs there was no consideration given for those.

(Refer Slide Time: 09:50)

2. Economic Order Quantity Concept (EOQ)

- Subsequently, the EOQ concept came in: The number of units that a company should order to add to the inventory to minimize the total cost of inventory. E.g the holding cost, order cost, shortage cost. It provides a model to calculate the **appropriate reorder point**, and the optimal reorder quantity.
- The model assumes **instantaneous replenishment in the inventory**: Needs co-operation from the suppliers.
- It also assumes that **large orders or reorders can achieve a price break**: Needs a **capable supplier** to keep up with that.
- Companies began to realize that **supplier selection must be based on factors other than price, and some long-term commitment is required**

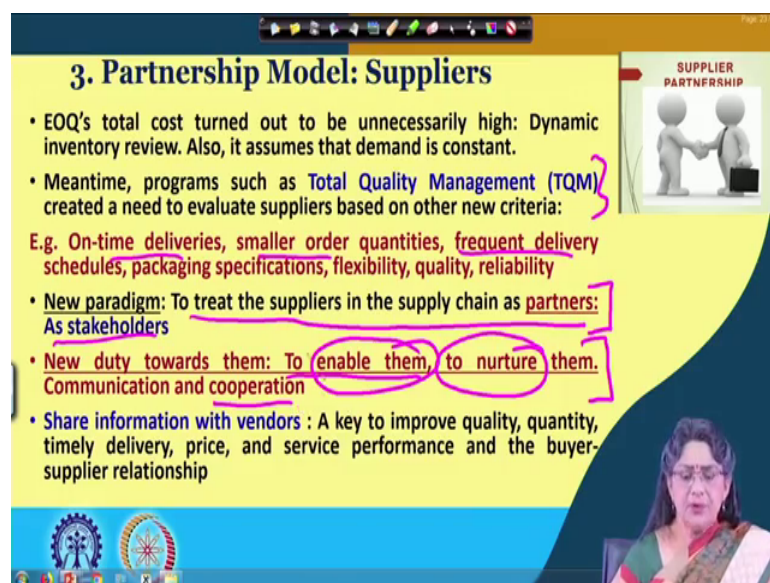
Then came the economic order quantity concept which is about you know optimal reorder quantity, appropriate reorder point. What we are talking about is this model suggested that you know there has to be a certain number of units that the company has to reorder when the inventory is slowly getting decreased, but that has to be done without adding to the total cost of inventory.

See, if you order too many then there will be the also additional cost of storing them there is storage cost; on the other hand if you let the inventory go down too low then there will be shortage cost in the sense that you your customers are going to want it, but you would not be able to deliver. So, this model helped to find out the optimal reorder quantity and at the appropriate reorder point.

The model was fine, but it actually help to change the outlook towards suppliers because the model assumed that there would be instantaneous replenishment in the inventory meaning when the reorder is made then the suppliers will be there to immediately replenish the inventory. Now, that required co-operation from the suppliers. The company asking for reorder is not enough. The supplier also has to agree and be able to deliver.

So, there was something else this factor was needed, it also assumed that bulk orders can achieve a price break. In order to produce the bulk reorder you need a capable supplier. So, we are talking about factors which are beyond simply being the lowest bidder in the supplier. So, companies began to realize that supplier selection must be based not just on the price the lowest price, but there are many other factors than the price and that some sort of long term commitment long term relationship is what is required.

(Refer Slide Time: 12:04)



3. Partnership Model: Suppliers

- EOQ's total cost turned out to be unnecessarily high: Dynamic inventory review. Also, it assumes that demand is constant.
- Meantime, programs such as Total Quality Management (TQM) created a need to evaluate suppliers based on other new criteria:
E.g. On-time deliveries, smaller order quantities, frequent delivery schedules, packaging specifications, flexibility, quality, reliability
- New paradigm: To treat the suppliers in the supply chain as partners: As stakeholders
- New duty towards them: To enable them, to nurture them. Communication and cooperation
- Share information with vendors : A key to improve quality, quantity, timely delivery, price, and service performance and the buyer-supplier relationship

SUPPLIER PARTNERSHIP

The slide includes a small illustration of two figures shaking hands and a video inset of a woman in the bottom right corner.

The EOQ model also turned out to be somewhat inefficient, in the sense that it actually wanted dynamic inventory review which is costly for a company to continuously do that and it also assumed that demand will remain constant which is somewhat impractical. So, this where are the problems here with this, but in meantime there was also the rise of total quality management ideas which said that quality has many components.

And, with that came the realization that there is real reason to evaluate suppliers based on other and new criteria. For example, whether they are able to deliver on time, whether

they are able to deliver in smaller order quantities instead of the bulk or whether they can deliver frequently and so on. So, there is a need for change there was a need for change for the outlook towards the suppliers.

So, here comes the new paradigm that is being discussed today that is called the partnership model. As its name suggests the partnership model simply says that suppliers are to be treated in the supply chain as partners. So, as team members, not as enemies, not as mere suppliers; who are the peripheral component in the supply chain, but as stakeholders. When we say stakeholders we mean that they have moral rights and the other side has certain duties towards them.

So, the new duty towards the supplier cum partners is not to distance, not to keep them at a distance, but if you think that they are deficient or inefficient or not performing as well as they should then the duty is to help them to become better, to enable them, to empower them, to make them more capable, to nurture them so that they can reach their full potential and be improved.

The other duty was to communicate and to cooperate; communicate and to cooperate as in share information, have dialogues with them, so that there is a relationship that is born out of that. What is to be shared here are crucial information as I will explain, but main thing is to include them rather than to keep them away as a distant body.

(Refer Slide Time: 15:06)

Traits of Partnership Model

- **Cooperation and mutual trust building:** A high frequency of both formal and informal communications
- **Long-term business agreements :** A relationship building between the firm and its suppliers.
- **Open sharing of information by multi-functional teams :** Expectations, design, plans, market, etc.
- **Vendor certification**
- **Collaborative defect prevention approach:** Both the business and the supplier have to join hands to detect and to prevent any defect or deficiency in the product / service.

The slide features an illustration of two stylized human figures shaking hands, one holding a briefcase. The background is yellow with a blue and green gradient at the bottom. A video presenter is visible in the bottom right corner, and a toolbar is at the top.

So, the partnership model is characterized by these. These are very new words namely cooperation instead of might cooperation and mutual trust. So, it is a relationship where there is trust both sides need to learn that and that can happen through communication; if the communication channels are open both formal and informal communication channels.

The relationship is supposed to be long-term instead of short-term. So, for a long time a relationship has to be nurtured really prepared and both sides can rely upon each other the longer the relationship is the company and the supplier would understand each other better; the company and the supplier would understand each other's needs and that is the foundation for knowing that in the crisis hours we can rely upon each other.

The sharing of information as I said communication is all about you know sitting down across the table and engaging in a discussion about the important things. For example, what are the expectations, unless both sides know there is no question about; meeting the expectations; discussion about the design that you think the supplier would be able to contribute to; the plans; the market where this is going to be sold and so on.

And, similarly the other key important is collaboration. For example, collaboration not only on production or the getting the product made, but also on defect prevention approach. You know we just talked about you know what are the risks and one of the risks in supply chain management is always consumer safety, product quality, product safety and so on. So, now if you if business thinks it is the job of business only to monitor and inspect for defects, it becomes a burden and it becomes practically impossible because the other side of this end is held up by the supplier.

So, if the both the partners are engaged and they join hands as in a concerted effort to find the defect and to prevent such as defects from happening or some deficiency creeping into the product or the service then it becomes a success story. So, this is the partnership model.

(Refer Slide Time: 17:53)

Partnership with the suppliers: Ethical supply chain management

1. To consider **suppliers as partners**, to enable them as accountable partners, to nurture long-term relationships with them
2. To **collaborate with suppliers**: On environmentally improved products, processes, logistics
3. To **collaborate with suppliers** on core labor and human rights legislations
4. To collaborate **with suppliers** on maintaining quality control throughout the chain: Else customers would blame the seller
5. To ensure paying the **fair price to the producer**: Fair Trade policy

Ethical Supply Chain

Design

Therefore, all the things that we have talked about in earlier that you know there are risks environmental risks, human rights violations risk or you know qualities related risks and so on this partnership model appears to take care of those by this idea called collaboration with the supplier's cooperation with the suppliers in order to achieve and to avoid this risks. If you cannot avoid it 100 percent then at least you should be able to mitigate this by joining hands with the suppliers as partners.

(Refer Slide Time: 18:42)

Ethical supply chain management: Supply Chain Risk Management

- **Identify 3rd party risks**: Risks that may come from supplier, vendor, distributor, agent, consultant, venture partner etc.

1. **Social risks**: Labour and human rights risks e.g. Engaging child labour or forced labour, health and safety risks.
2. **Safety risks**: Risks related to quality of ingredients/components which may affect product quality, or increase consumer safety risks.
3. **Regulatory risks** (specific to the industry in question): Non-compliance by the suppliers, vendors.
4. **Legal and financial risk**: Corruption, fraud or money laundering, misrepresentation or false advertising by the suppliers or vendors.

Big corporations these days engage hundreds of suppliers for a single product. Scope and scale of risks is intimidating.

Now, in supply chain management when we are talking about managing the risks there are several kinds of risk as you may well anticipate this. First of all we have said that you know in order to avoid the third party risks collaboration, cooperation you got to know your supplier vendor very well. The social risks we have already talked about namely the human rights and labor rights; safety risks – we have talked about product safety, consumer safety.

regulatory risks are the ones where there is a question about compliance with the law or issues raised by non-compliance of the law by the supplier and vendors. So, this becomes a problem for the company if the supplier and vendor does this. So, this also needs to be properly checked and mitigated. Legal and financial risk of course, is that of corruption. Corruption, fraud, money laundering in the or misrepresentation, false advertisement by the supplier the vendors. The company is not directly doing it, but there will be this whole mess is going to be finally, backfiring on the company. So, this is a potent risk.

And, corruption is one of the very big risk in supply chain. You know if you look into United Nations Global Compact, then anti-corruption is a very big important principle that the global compact principle sort of says that not only the companies not going to be engaged in corruption, but it must see to it that it is supply chain is also corruption free. And, because you know we talk about supply chain risk management because as I said the global companies and their global supply chain creates a problem enormously complicated network where these risks actually magnify thousand fold or more than that.

(Refer Slide Time: 20:58)

Supply Chain Risk Management: How to manage?

1. **Known or anticipated risk: Possible to manage in time.**

E.g. A supplier going bankrupt, and thereby causing a disruption in supply, can be anticipated, given its likelihood with the supplier's financial situation. Its impact on the company can be mitigated with alternative plans. Or, cybersecurity compromise in supply chain: May be anticipated and probable impact may be mitigated by preventive measures taken by company's IT systems.

Supply chain 3rd party screening: Have backgrounds checked before entering into contract.

Need a **cross-functional team or department** to invest time and effort to list a full scope of probable risks in the supply chain: Each node in the supply chain is then assessed for key risk probability, and recorded. Then, persistent monitoring, periodic review of risks, and review of mitigating actions.

RISK MANAGEMENT PROCESS

- IDENTIFY RISK
- ASSESS RISK
- CONTROL RISK
- REVIEW CONTROLS

The slide features a circular diagram with four stages: IDENTIFY RISK (blue), ASSESS RISK (green), CONTROL RISK (yellow), and REVIEW CONTROLS (red). A video inset in the bottom right shows a woman speaking. The slide is titled 'Supply Chain Risk Management: How to manage?' and includes a list of points and a detailed example of a supplier going bankrupt.

How do you manage risk in supply chain, specially in the global supply chain? Now, to that the literature answers like this that there can be two kinds of risks one is that you can you already know or you at least can anticipate. If you know one if you can anticipate then it is possible to manage it in time then you should remain prepared for it to happen at any time and then you can meet the, you can mitigate the risk.

For example, if you know that you know a supplier is likely to go bankrupt. So, given that the likelihood of that possibility the company needs to have some backup plan in case the supplier goes bankrupt what to do and that is risk management. Some companies check the backgrounds of the suppliers beforehand whenever you are engaging third party suppliers, so that this anticipated risks are known, at least identified.

Now, in order to do this, this requires a whole dedicated cross functional team to actually examine the situations do the background check, do the homework, to identify the probable risks in the supply chain. Once that is assessed then one can periodically review the situation where the risk may appear and if that risks appear how to address it immediately.

(Refer Slide Time: 22:46)

Supply Chain Risk Management: How to manage?

- 2. **Unknown risk:** Not foreseeable or difficult to foresee type of risks. E.g. Sudden, unusual natural calamities such as a severe earthquake disrupting the supply chain.

Build a strong defense system:

- 2.1. **A risk-aware culture:** Both internal and external risks. Empower the managers and employees to openly share the bad news, so that instead of blaming, a rapid resolution can be achieved. Organizational culture must be conducive for that.
- 2.2. Top management should **clearly define ahead of time which risks are to be mitigated, and which can be tolerated** by the organization.
- 2.3 Quick response requires **a responsive culture:** Employees need to be empowered to identify and react to the risk.

But, the interesting group of risks are the one that are unknown; unknown as in not anticipated, not foreseeable sudden changes. For example, natural calamities suddenly happening in the area and disturbing or disrupting the supply chain things over which we do not have control, but still it is very risky for the operation. For that the literature suggests that there should be a rigorous change in the way the business runs.

For example, one needs to have a risk aware and risk responding culture. Both internal and external risks people have to once that happen instead of being overwhelmed by the risk, they must openly share the bad news and then get into action to mitigate that, to address that instead of playing the blame game to actually meet the challenge of addressing the risk. So, for that one needs a certain kind of a organizational preparedness which is part of the organizational culture.

There is also need for leadership from the top which defines how much of what risks are tolerable and what would not be tolerated by organization. One also needs a quick response team; you know we seen disaster preparedness quick response team. So, employees need to be empowered to take decision in crisis hours, so that a meaningful quick response can be made if during the crisis the employees do not know what to do or they are still waiting for the order to come and then to react it might be too late. So, these are some of the advices from literature regarding managing risk in supply chain.

(Refer Slide Time: 24:49)

Ethical Sourcing: Alternative paradigm in SCM

- Inclusion of sustainable development concerns into supply chain management.
- Procurement of raw materials , and components, with ethical, social and environmental parameters
- Vendor selection with ethical, social and environmental parameters
- Managing the employees with ethical, social and environmental parameters

This ethical sourcing is another alternative paradigm in supply chain management sourcing, but sourcing with ethical considerations. What am I talking about? I am talking about including the sustainable development concerns in supply chain management. So, when procuring raw materials or components for example, a one can set these parameters social environmental and financial to this suppliers and this is often done as a suppliers code of conduct.

When selecting the vendor or the supplier one can do with these parameters. So, unless they comply unless they have a reputation in this regard one does not start doing business with them and then managing the employees also with this. This is known as ethical sourcing.

(Refer Slide Time: 25:43)

Measures for Ethical Sourcing and Ethical SCM

- 1. **External independent Certification:** Available. E.g. For clothes, World Responsible Apparel Production (WRAP).

SAB8000: Social Accountability International. It is an auditable social certification on socially acceptable practices.

- 2. **Internal measures:** Almost every international brand initially was reactive. They responded by individually developing an internal Suppliers Code of Conduct.
- Plus, **internal audit:** Social and environmental audit, monitoring of supplier facilities around the world
- Soon, brands realized individual efforts result in unnecessary multiplicity of audits and codes. This led to collective responses by the brands: Voluntary industry initiatives e.g. Fair Labor Association (FLA) Ethical Trading Initiative

The slide features a yellow background with a blue header and footer. A video inset in the bottom right corner shows a woman in a saree speaking. The footer contains several small circular icons.

As for support for ethical sourcing and ethical supply chain management, there are many possibilities – one is what is known as external certification. For various industries there are external supply chain certification this is for particularly because clothing industry has been often charged with supply chain unethical practices in the global supply chain.

Therefore, they have come up with certificates for specifically for clothes that come through global supply chain. We are talking about World Responsible Apparel Production that is a certification process. It is called WRAP certificate. There is also social accountability 8000 series. It is an international audit or certification process for socially acceptable practices in the supply chain.

There can be also internal measures. For example, the company itself can develop supplier's code of conduct as I just pointed out. Companies can also adopt internal audit. You just heard about Apple and how it did its internal audit of suppliers. There are many such responses from the company itself to take care of the ethical sourcing as well as ethics in supply chain management.

(Refer Slide Time: 27:18)

Measures: Changed approaches towards the suppliers

- **Kinds of strategies to adopt when a supplier is a transgressor:** Either engaged in serious violations of the code of conduct, or acting in ways that are against the company values, causing shame and adverse sentiment against the company:

1. **Disengagement:** To identify the supplier, and sever the ties to shield the company from public backlash. E.g. Instead of denial, Nike sacked its Pakistani supplier charged with forced child labor, after remediation efforts failed (2007).
2. **Engagement:** To identify the supplier, and stay engaged with him/her and build the capability to mend the ways. E.g. H & M CEO went to Bangladesh to discuss with the Prime Minister about minimum wage in garment factories.

Regarding we talked about you know changing from adversarial model to partnership model toward suppliers. So, this is about the attitude or the kind of strategies to adopt when a company comes to know that the supplier or the vendor is not behaving ethically, that there are violations of code of conduct or there have been violations of the agreement made with the company and practices happening that are against the company's values. What do you do?

Now, there are two kind of possibilities open for the company, one is to disengage. Disengage as in you identify the offender, the supplier and just simply terminate the relationship, sever the ties to shield company from any backlash from the public and the society saying that we no longer do business with such and such. This is one strategy.

The other one is however, is more interesting and probably more powerful. This is called engagement that you identify the offender, but you stay engaged with that offender to build the capability to mend the ways all right. You can break out and take your hand away from the supplier, but engagement means that you actually try to seek a solution to the problem by holding hands, by helping and making the person capable to overcome the shortages and this is the strategy that has been seen to work wonders in many of the cases.

(Refer Slide Time: 29:05)

New examples: Ethical SCM in global supply chain

- Engagement with the partner supplier to build trusted, long-term relationships
- **Nike:** Trying to raise productivity in supplier factory so that they can pay the workers more (Capacity building)
- **Adidas** has over 1100 factories all over the world: Helping suppliers with management systems to address social and environmental issues.
- **Levi Strauss, H & M:** Sits with cotton growers, because most of the environmental footprint comes from cotton growing by the farmers, and too much washing and drying by consumers.
- **Marks & Spencer:** Has over 2000 suppliers and 20000 farmers all over the globe in its supply chain: Wants to collaborate with them. Helped key suppliers in Bangladesh, Sri Lanka to establish model factories.
- **Suppliers Exchange website:** Where suppliers take advice from other suppliers, best practices.

The slide features a yellow background with a blue header and footer. A small video inset in the bottom right corner shows a woman with glasses and a sari. There are some pink handwritten annotations on the slide, including a bracket around the Nike bullet point and an arrow pointing to it.

I will give you just one or two example here. This is for example, Nike nowadays after learning in such hard lessons it is trying to it says that it is trying to raise the productivity in supplier factories, so that they can pay the workers more. So, that the issue clearly is that of not paying the workers enough or maybe lower than the minimum wages something. So, Nike has a choice not to do bad business with the supplier anymore, but then if you start eliminating suppliers on this basis it is not necessary that the next supplier will not do the same. You may run out of suppliers, instead it makes more sense if you make them more capable, so that the problem does not wrecker.

So, if it is the payment is the low payment of the workers is due to the low productivity in the supplier factory then Nike is sharing its expertise with the supplier to make the supplier more capable, to meet the problem and that is known as engagement. These are all such examples where the powerful companies have made partnership with the suppliers with the commitment to help them to overcome the challenges that actually plague the supply chain. So, this is what we obtained from this.

(Refer Slide Time: 30:42)

Challenges that still persist in global supply chain

- Corruption, bribery
- Falsification of records by the suppliers, bribe to the auditors.
- Fragmented nature of retail supply chain: No continuous control
- Hidden layers of subcontractors
- Lack of supplier capability
- Low awareness among workers about rights
- Poor enforcement of labour laws in some countries

The slide features a yellow background with a dark blue wave on the right side. At the bottom left, there are two circular logos. A video inset in the bottom right corner shows a woman with glasses and a colorful sari speaking.

Now, this is not to say that there are all problems in supply global supply chain or supply chain have been completely eradicated. In fact, there are many more, but that is the point that just because there is a challenge, but we do not stop.

(Refer Slide Time: 30:59)

References:

- Gold, S, S. Seuring, and P. Beske. Sustainable supply chain management and inter-organizational resources: a literature review. *Corporate Social Responsibility and Environmental Management*, 2010, 17 (4): 230-245.
- Aschendbrand, J, J. Proctor and B. Trebilcock . The Ethical Supply Chain. *Supply Chain Management Review*, November 14, 2018

The slide has a dark blue background with a light blue wave on the right. The word 'References' is written in a large, yellow, cursive font on the left. At the bottom, there are two circular logos.

In fact, that has been the lesson for this entire course that being a corporation is not easy and its practices are often riddled with many challenges, but one has to rise above the challenges and can one can still remain ethical, true to its own set of values and beliefs. This course never recommended that business all business should be stopped, rather it

has always talked about how to do business differently, how to be in a corporation of a different kind, the kind that we are calling ethical corporation.

So, I hope this journey has been pleasant for you that you have learned something from this. I have enjoyed doing this lectures for you and the only hope that I have is that I have been able to impart something that you found meaningful or valuable or worth your time.

So, thank you very much. This is where we close the class. Goodbye.