

Is Your Supply Chain Ethical?



Traditionally, the supply chain was responsible for two things: keeping costs low and keeping schedules on time. Today, however, there's more emphasis on accountability and maintaining corporate social responsibility (CSR). Businesses can no longer turn a blind eye to consumer concerns about the environment, health, and safety of supply chain practices as it's often a determining factor in whether a consumer will purchase a product or service from your distribution circle or not.

In fact, a report titled [Key Priorities for Ethical Supply Chains](#), conducted by [Software Advice](#), found that on average, consumers said they would pay 27% more for a product normally priced at \$100 if it was produced under auspicious working conditions. What's more, when asked which of three ethical initiatives would make them more likely to purchase a product, consumers were nearly evenly split among improved working conditions (34%), reduced environmental impact (32%), and more involvement in the community (31%).

With consumers now judging companies on how "ethical" they are, socially responsible supply chain practices are no longer a nice-to-have but, rather, a necessity. Yet, implementing a more ethical supply chain is difficult as global marketplace demands have placed a great amount of stress on corporate supply chains that are already highly vulnerable. What's more, creating a more moral supply chain often means higher costs for raw materials and labor, putting businesses between a rock and a hard place.

So what should supply management leaders do to improve their practices and satisfy consumers without breaking the bank?

First, make sure that your organization's CSR program is running smoothly and that you're effectively communicating to consumers that your products are ethical. Try posting your CSR reports on your website and asking for feedback from customers.

Then, look into your current list of vendors and suppliers to ensure that your suppliers are also firms with a sound CSR policy. Clear and transparent programs foster a level of trust for both the purchaser and supplier. Be sure to monitor the performance of your suppliers frequently and conduct regular audits to send a message to your partners that you are steadfast in your commitment to ethical practices. This process will also allow you to identify potential problems before they occur.

Supply chains and their ethics are in the spotlight for everyone to see—and will continue to be. Therefore, those firms that put the effort toward making their supply chain more ethical will be amply rewarded not only in reputation, but also in their bottom line.