

# Chapter 7

## Sustainable Supply Chains: Ethical Challenges and Actions for Best Practice

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### ABSTRACT

*Supply chains provide many challenges to organizations relating to ethical practices at all levels of the supply chain in an often non-transparent environment, with different operator values through different geographic and cultural locations. Considerations are discussed relating to the link between ethics and brand success, challenges and risk issues relating to ethical supply chains, the role of partnering with others in the supply chain, and the friend or foe consideration of NGOs. The importance and value of bodies such as the UN Global Compact and ACSI to comply with sustainability standards and achieve accreditation as a double benefit strategy for being a responsible organization, as well as enhancing brand, are highlighted. The values of certification and partnership networks are emphasized, with concluding reflections on how partnerships and strength in ethical supply chain are dependent on the need to have every link in the chain be ethical and transparent.*

### INTRODUCTION

Ethical decisions to guide actions are required in all parts of an organization with attention given to the *three* tiers of sustainability from the place of origin through to the place of consumption. These decisions have *two* dimensions: (1) ensuring that decision-makers abide by organizational codes of ethics that fit with compliance and the ethos of the organization; and (2) ensuring that these decisions are considerate of environmental, social and economic aspects, so that all stakeholders are positively rather than negatively impacted. Sustainable Supply Chain Management (SCM) or the ‘triple bottom line’ (Elkington,

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1997), encompasses these *three* sustainability dimensions. In the modern global business environment, however, there is a massive challenge for organizations to ensure that all in the supply chain are committed to the same ‘level’ of sustainability.

In an increasingly global marketplace, ensuring supply chain decisions meet ethical standards has become problematic. Today’s trend to global business connections presents complex issues regarding transparency, different country and cultural standards, and increasing customer expectations across price, quality, and speed of delivery. SCM has a broad range of responsibilities, which are inclusive of planning and management across the areas of sourcing, procurement, conversion and logistics, as well as *communicating with* and *coordinating from* initial source to consumers across areas of manufacturing and logistics for example.

This descriptive chapter focuses on the concept and issues relating to sustainable supply chains that comply with ethical decision-making to guide their behaviors. Supply chain sustainability continues to be profiled as a key factor to consider in corporate responsibility, with an increasing focus not only on environmental sustainability, but increasingly on social responsibility i.e., areas of labor practices, product safety, conflict of interest, as well as economic sustainability (Ferrell, Fraidrich, & Ferrell, 2013). This chapter adds to the literature on successful and healthy partnerships of ethical supply chains.

Throughout this chapter, the authors express the need to return to the focus of the UN Global Compact, which by its nature and essence places planet and people at the forefront of its focus for supply chain decisions. The importance for organizations to be authentic in their claims of being a sustainable corporation requires them to take responsibility for being the key driver in a journey towards enhanced social and environmental sustainability, as well as having an economic focus (Elkington, 1998).

## **BACKGROUND**

Defining supply chain sustainability involves the goals of effective management across environmental, social, and economic sustainability aspects, supported by effective governance practices through all the stages of the lifecycles of goods and services (United Nations Global Compact, 2010). In applying this ideal, one needs to recognize that supply chain sustainability is a responsibility and consideration of all stakeholders, from ‘paddock-to-plate’ or other flows through services or products. It is argued that there are varying degrees of information, pressure, and motivations relating to sustainable supply chains from government, organizations themselves, as well as consumers. The European Commission (2009) with its range of attendant policies has declared that it is committed to the *three* pillars of sustainability goals as presented in the Brundtland Report in 1987 (Elkington, 2004).

Relationships with suppliers is argued by Lambert, García-Dastugue, and Croxton (2005) as requiring a commitment to meeting mutual needs and delivering what is promised in an environment of trust. These competing dilemmas are compounded by the quest for efficiency as a benchmark, lack of transparency in global business supply chains, and competing forces of the *three* tiers of sustainability: (1) environmental; (2) social; and (3) economic (Elkington, 2004). There is also an increasing customer awareness and expectation of wanting organizations to ensure minimal negative social and environmental impact on their operations (Hutchins & Sutherland, 2008). These factors present ethical decision-making dilemmas through the whole supply chain, with pressures on organizations to operate in a sustainable way, whilst maintaining their competitiveness in choosing suppliers.

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