

WORLD EXPORT DEVELOPMENT FORUM – W·E·D·F 2008

BREAKOUT SERIES 3: ETHICS AND BUSINESS LINKAGES: SUPPLY CHAIN IMPLICATIONS FOR EXPORTERS

The Issue:

Most large multinational corporations (MNCs) depend on inputs procured from many suppliers often situated in different places around the world. With MNCs buying inputs globally, efficient supply chain management is a requisite to offsetting high costs and in fact, is widely regarded as a source of competitive advantage.

For consumers, MNCs are the most visible link in the supply chain. But this is changing. It is no longer sufficient that the MNCs themselves alone, uphold ethical practices. Rather, conscientious consumers expect the entire supply chain to take action on a variety of ethical issues, such as environmental conservation and labour matters.

This has implications for exporters in developing countries, and particularly for small-medium enterprises (SMEs). If SMEs want to continue doing business on the supply chain, they need to conform to the ethical expectations of conscientious consumers. However, conformance takes tremendous effort when the necessary resources are scarce.

Furthermore, SMEs must now deal with new players who exert influence on the supply chain. Regulatory bodies that create ethical guidelines are distant entities, and it may be difficult, if not impossible, for SMEs to lobby their case with them.

For exporters on the supply chain, the cost of compliance is high, but the cost of non-compliance may be higher.

The Proposition:

The way forward is to leverage business linkages between SMEs and MNCs to improve supply chain ethics. This means that SMEs and MNCs work to strengthen their ties and take advantage of the benefits that will flow from their partnership, if it flourishes.

Yet it is unclear if the MNCs and SMEs will do this of their own accord. It is feasible though that conscientious consumerism could fuel a requirement that large companies, (being significantly better resourced) share their know how with SMEs. MNCs in turn could place pressure on SMEs to open themselves up to scrutiny along all operating aspects of their business like never before. This will bring challenges and opportunities to small and large enterprises alike.

Focus of the debate:

The debate will address the following questions:

1. Who are the new players in the supply chain? What are the implications of their involvement?
2. How can enterprises in developing countries change their own supply chains to deal with the 'new order' whilst remaining competitive?
3. Are there best practice examples where suppliers have altered their methods to address ethical questions raised by consumers? Are these replicable?