

# Overture de 'Ethics in Global Supply Chains'\*

*Silvio M. Brondoni\*\* , Cosetta Pepe\*\*\**

## 1. Overture

Globalisation has drastically modified the way companies are run (developing corporate policies based on time-based competition, the obsolescence of geographical and administrative operating spheres, and a systematic approach to intangible resources). In particular a corporate culture has evolved that emphasises the competitive matrix and large number of components.

Companies now compete in global markets, with intense competition and heightened political, social and technological instability. Corporate development thus abandons the supremacy of manufacturing of the large capitalist organisations of the Fifties and Sixties, where equal treatment was guaranteed for efficient and inefficient workers, based on the average output of the professional categories. In fact, since the Eighties, the global economy has drastically modified companies and manufacturing. In growing manufacturing and marketing dynamism, workers too are faced with various forms of collaboration, with limited guarantees for stability (short-term contracts, training contracts, part-time work, autonomous continuous collaboration agreements, etc.).

In this sense, Global Managerial Economics is developing with ramified, extensive and very interconnected organisations (networks). Companies that operate on global markets favour managerial capabilities and outsourcing relations with co-makers and external partners (competitive alliances), consequently, they are complex structures, with dynamic localisation and a multidimensional organisation (networks), which presuppose a 'cross cultural' corporate culture, with an internal dimension interfacing with numerous levels of responsibility to manage consensus, specifically regarding: employees, co-makers and partners, shareholders and financial structures, government and media, intermediate demand and final demand. Corporate culture thus evolves into 'cross

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\* The Authors: S.M. Brondoni §1; C. Pepe § 2

\*\* Editor-in-Chief Symphonya. Emerging Issues in Management

\*\*\* Full Professor of Management, University of Rome-Tor Vergata

cultural management', which aims to overcome the physical sphere of competition (market space management) and a local corporate vision.

The culture of companies in a network of 'global supply chains' therefore creates a dimension that expresses the *corporate personality* in relations with the outside world (customers, brokers, competitors) and above all internally, in relations with operating units dotted around the territory, with different types of relationship (employees, co-makers, partners), differentiated by the function performed (*R&D, Operations, Sales*). This *corporate personality* aims to guarantee the adoption of homogeneous behaviour (overcoming the specific local characteristics of its conduct) and coordinated adoption times, regardless of the geographical location of each organisation.

Where external relationships are concerned, *corporate personality* conditions the *image*, in other words the competitive differential characteristics. Customers, stockholders, financiers, suppliers, public authorities, distributors, competitors, etc. together create the image, with which they interface constantly on the basis of the relationships established. On the other hand, inside an organisation, the *corporate personality* strives to establish a high level of identification, and to align objectives, interests and behaviour. A similar alignment expresses the company's guiding values and rules of conduct, laying the foundations for unitary action to achieve common goals. This is borne out without the typical connotations (social, formative, ethnic, religious, etc.) of local structures and configuring the shift to 'resource-based management', which focuses key resources on a small number of people, whose profiles are close to an international corporate mission and therefore free from static geographical affiliations (cross cultural management).

The crucial importance of the corporate culture is particularly evident in large corporations, which compete in global markets with a concept of competition space that ignores physical boundaries (market-space competition).

In conditions of 'market-space competition', complex organisations lay the bases to manage internal relations between employees in harmony with vaster connection systems, with co-makers and external interlocutors. The organisational culture must therefore acquire a more competitive view of the *corporate culture*. In open markets, the central role of a competitive market orientation (market-driven management) underlines the fundamental importance of an ethical unitariness based on 'cross cultural management', to pursue profit-focused corporate management on a local and a global scale, that does not fall back on the organisation (as postulated by closed markets with little competition), but grasps the opportunities of open markets, i.e. the variability of demand and instability generated by competition.

In global markets, a 'competitive' corporate culture therefore tends to develop communications and information flows, manufacturing decentralisation, decision-making autonomy, operating accountability and ethical conduct. In this context, the global corporate culture highlights the central role of 'ethical cross cultural management', and it presupposes the complex assessments of performance typical of strategic harmonisation (degree of consistency of result and process bonds, the development of complementarity, chairman leadership) on one hand, and of the

assessment of operating harmony on the other (interdependence relations of the organisation, shared responsibility, management leadership).

## **2. Ethics and Global Supply Chains**

The globalisation process entails dynamics and changes that involve a broad and highly diverse universe, but one that is also interdependent and citizen of a single place. This process combines potential and risk, convergence and contrast, in a network of relations between individuals, institutions, and territorial systems that is increasingly significant but also increasingly difficult to manage.

The gap between the Northern and Southern hemispheres, the marginalisation of the poor in underdeveloped areas, the degradation of the natural environment and of the ever-vaster suburbs, the abundance of private resources and the impoverishment of collective resources, and above all the acceptance or underestimation of the risks embodied in existing imbalances, create conditions that eventually penalise everyone. Today, the aspiration of a fairer human condition, the objective of sustainable social and environmental development, and the need to limit conflict, risk and uncertainty, bring the importance of good economic conduct back to the heart of the debate by scholars, politicians, businessmen and men of faith, and reveal its intrinsic consistency with the objectives it embodies more than ever before. These objectives are the rational use of resources, the generation of individual and collective well-being, and achievement of a dynamic balance that can overcome the contrasts and risks of involution, guaranteeing harmonious coexistence with Otherness (men and nature).

The new cultural proposal absolutely rejects the idea that the economic sphere can be separated from the ethical and social aspects, and fosters the relational aspect over that of the market.

A new Humanism is proposed to tackle asymmetries in the quantity and quality of the resources (financial, human and information) possessed by entities operating in the global economy. Ethical finance, fair trade and critical consumption are experiences that are limited in number but growing strongly. They cease to belong to alternative, politically oriented circuits, and become part of economic processes governed by traditional bodies and addressed to a vaster market. A new consciousness is born from threats and risks but also from the perceived potential - opportunities for dialogue, knowledge and cooperation offered by shared activities and market space and by growing interest in their multiplication, promote trade that is fairer and more transparent while respecting the social and environmental context.

The increased attention paid to ethics, seen as the enrichment and reformulation of values and the redefinition of the meaning and nature of the common good, can draw strength from the dynamics of globalisation. Consumers' awareness that their purchases can promote the protection of the workforce and support manufacturers in more disadvantaged areas, eliminating links from the chain to guarantee greater efficiency and lower costs, is one stimulus to better trading conditions and structural changes in manufacturing and distribution chains that are now internationalised (global supply chains). Another one also comes from the companies that decide to renew their operating models and supply channels to reflect new market orientations.

Corporate strategies have to tackle the *composite 'relational'* nature of the processes, which contrasts different tangible and intangible factors, often managing to integrate them, but without sacrificing suitable degrees of differentiation and adaptation to the contexts, including them in the cogs of a vast competition that produces convergence in tools and languages. The 'local' aspects may become enriching elements, creating new opportunities for different consumers, legitimising diversities that become part of a common heritage, and offering new opportunities for choice and knowledge, regarding products, culture and problems. Consumption becomes a source of experience linked to emotions that regard not only the product but also its moral and cultural import, linked to its origins and the conditions of social and environmental sustainability of the manufacturing and distribution process. Companies must thus widen their horizons, considering values that are no longer just economic, coming to terms with accountability that is also 'social and environmental' and therefore increasingly linked to the community and the territory, and showing concern for the entire product chain and the behaviour it expresses.

Consumers in developed markets aspire to overall satisfaction while the networks inside and outside the company need to be brought back to the target of offering a complex product that sums up everyone's values and contribution. In external relations, the articulation of the entire chain is crucial because of the importance of the link between the supply and manufacturing stages upstream and the distribution stage downstream, particularly in an increasingly internationalised context. The presence in the global chain of a multiplicity of subjects that must be coordinated for an overall performance, underlines the importance of the relational system, where differences and contiguity create contrasts, but also possibilities for development, the emancipation of the weak and a gradual rebalance of the forces at work (as we can see with fair trade products that are now offered not only by alternative circuits, but also by the those of large multinationals and in the assortments of modern mass distribution). Individuality and multiplicity may be the essence of a form of governance that expresses a common strategy by integrating various subjects, the fruit of converging goals, common values and shared responsibilities, where each one also responds for the actions of the subjects involved at all the previous stages of the economic process.

Possibilities for change may be found in the interdependence between the various links in the chain. These relations contain the key to many problems related to the ethics of economic activities and to the environmental and social sustainability of development, with the possibility of finding propulsive and balancing elements alongside critical, contradictory aspects, which we must reflect on and investigate.