

KAREN FOLEY: The Online Business Exchange was a two-day live event presented by the Business School at the Open University. During the event, there was live chat and forum discussions. The live chat is now closed, but we hope you enjoy the video that follows.

Hi, and welcome back to the Online Business Exchange, presented by the Business School at the Open University. I'm Karen Foley, and we've had a fantastic day so far in this Online Business Exchange of ideas relating to aspects around finance, sales, marketing, and supply chain management. In this evening session, we are primarily going to focus on supply chain management, and also some marketing in the middle. So we've got some great live sessions, and also some great chat sessions, as well, for you.

Now, for those of you who are new to the session around the globe, welcome. We are having a range of ways that you can connect with us. So these live chats are very much a discussion around issues that are on the programme.

And you can engage with us, and tell us your views, and how some of these impact you or your business. And you can do that on a number of ways. But the best way to enjoy this whole experience is to select the Watch and Engage option, which is from the website.

If you aren't in that-- if you're in the Watch Only-- you will only see this video stream. You won't be able to see the chats or the widgets. And we're going to be using some of those widgets or interactive tools a fair bit during this evening's session.

So it would be great if you could reconnect during, perhaps, one of the chat sessions, or now, even. It's very quick and easy to do. So just go back to the website and select the Watch and Engage, and you'll be guided through that process.

You can also send us your questions and thoughts on Twitter. And our hashtag is OU_Exchange. You can also send us your emails, for example, if you're experiencing any issues that we can help with in terms of technical problems, or any thoughts that you'd like to bring to any of the sessions this evening as well. What we're going to be doing tonight is we're going to be talking with John Sinclair about responsible supply chain management.

We're then going to have a live chat with John around some of those issues that emerged from that discussion. We're going to look at global marketing with Julian Cooper, and then

we're going to be joined by Rob Moore and Bjorn Claes for a talk on supply chain management. So a lot of interesting aspects out there as well.

Now, I'm going to ask you to fill in some of these widgets. So these are the interactive tools that you can vote for. And you will only be able to see these if you are in the Watch and Engage option.

Because we're focusing so much on supply chain management, I wanted to ask, what are the three issues? So you can select three, and you need to select three things, unfortunately, before the widget will accept your answers. What are the three main issues in digital supply chain management that matter to you right now? We'll be bringing that up a little bit later in the programme.

But it's very important for us to understand who our audience is out there. So right now, could you also let us know what is the size of your company, the size of your organisation? And we're also preparing for the future. So let's take a quick look in terms of what people are saying right now in terms of the size of their companies.

We can see 38% are micro, 25% medium, and 38% large-- so a very interesting spread there. It's really helpful for us to get a stare on where our audience is at. And also, if you've got any questions or chats or comments, anything goes in that chat box. You just type in the box and press Return to send.

We're also going to be looking at the future, and asking you, how is your organisation preparing for the future? And also, how prepared is your organisation for some of the changes that we're discussing? So we'll be coming back to those very shortly.

In fact, I think we have one ready now for us. So let's have a look at that first one. Waiting to see what happens-- that's 10% of you. Benchmarking is 15%. Actively looking to innovate is 75%.

Now, this is very interesting, because we've seen a lot of people who do seem to really be wanting to change the landscape in small, and surprising ways. So that's very interesting. So let us know, perhaps, where you're at, and if there are any issues that we can look at that.

The next widget, which is, how prepared is your organisation for some of the changes that we're discussing? So let's take a look and at what you said. There's a massive split here, but

only a few feel very fully prepared.

So that's interesting. Again, maybe you want to elaborate on some of those aspects in the chat. I would be very interested to hear your views on all of that.

So if you haven't used any of those, and you haven't added your thoughts to that dialogue, then please do fill in those widgets. They're very self-explanatory, hopefully. But if you do get stuck, there's a Frequently Asked Question section on the website that you can refer to.

Well, I think that's, hopefully, covered a lot of where we're at and what we've got lined up for you tonight. I have a really exciting guest for our next session. So without further ado, I'd like to introduce John Sinclair. Welcome to the studio, John.

Now we're going to be talking about a very ethical issue. And this is something that's really emerged in the dialogue today, especially for small enterprises. So you work in corporate social responsibility and human rights areas. And you're also an Associate Lecturer for the Open University.

And we're really going to be focusing here on the global importance of the need for companies to investigate human rights issues along their supply chains, and the need for a clear and consistent strategy to address this. So very, very topical-- a lot of the larger organisations have a strategy, often enforced strategies, where they have to have a corporate social responsibility programme in place, and implement that, and use that often for marketing purposes to say how wonderful they all are.

But we've seen here that a lot of our audience are, perhaps, in smaller areas as well. And I'm just thinking maybe they don't know quite all of information along that supply chain. So there are a lot of issues that I'm hoping that we can discuss.

But firstly-- and I know that Rob and Bjorn are going to, in a later session, give a thorough overview of the supply chain and more of the theoretical side. So I'd like to leave that to them, and really focus on the human rights issues. But can you give us briefly an overview of responsible supply chain management, and how that relates to your field?

JOHN SINCLAIR: In responsible supply chain management, you're essentially looking at the social and environmental issues that can arise through business activities. And nowadays, there is a growing consensus that, as an organisation-- no matter your size-- you have to take into account the stakeholders of your organisation-- their needs, their wants-- and what they are

demanding from you as an organisation that they're engaging with. So this could be as a consumer of your products or services. It could be as governments. It could be as employees, as local communities, and also more globally, and also with regard to things like non-government organisations, civil organisations, trade unions, and so on, who all have an interest in the ways in which a business conducts itself, and whether or not it is contributing in a positive way to social and environmental issues.

KAREN FOLEY: How does that impact on smaller businesses, and those who are very interested in being entrepreneurs?

JOHN SINCLAIR: I think in terms of small businesses and so on, increasingly, large organisations who may be your customer will be expecting you to sign up to a supplier code of conduct. And therefore, it is really useful for you to engage in looking at the ways in which you may be asked to ensure that your conduct is seen in a responsible kind of way, and that you ascribe to similar ethical values. So that in terms of your employment practises, health and safety, how you interact with your own community, and whether or not you are engaging in activities that could cause damage and, as a consequence, reflect badly on a customer of your own organisation.

KAREN FOLEY: A lot of this relates to power doesn't it, in terms of human rights? And some of these, to some extent, are contested. Some of them are very market-driven by consumers.

We still aren't at a point where we say no to non-fair trade bananas, for example. There is always a choice. And there is always a price to pay for some of this.

And I'm just conscious that for small businesses, where profit margins may be so important, I guess, in terms of whether they're going to make or break it, there is even more importance. How much power do these larger organisations have in terms of enforcing that? And what is the current thinking on some of those issues?

JOHN SINCLAIR: It's a complex and sort of grey area that larger organisations have the power to deny contracts to smaller suppliers, particularly if they are engaging in potential areas which could harm human rights or result in irresponsible behaviour, such as not flooding the local environment, or using up too much water, and chemical issues, and so on. So that kind of way, it means that the contracting organisation can dictate terms to a supplier. But more and more, larger organisations are seeing it as a partnership.

They are providing training and support. They are helping to a stop frameworks, and so on. So

it's much more of a hand-holding kind of exercise, and the realisation that they must contribute along with governments, particularly in emerging economies, where there might be weak governance. And therefore, local regulations are brutally held up. Therefore, an organisation, particularly a large one, is fulfilling that gap by creating their own self-regulation and standards of behaviour.

KAREN FOLEY: What are the standards, then, globally? And how are they all enforced?

JOHN SINCLAIR: They are emerging in terms of there is what is known as the United Nations guiding principles on business and human rights. And that's now been in existence for just over five years. So multinational companies, in particular, are embracing that and building it into the ways that they conduct business.

And a core part of it is the corporate respect for human rights. And as part of that, they should not be infringing on human rights. And that also links to the business partners and the responsibility for working out the supply chains, and where there could be potential human rights abuses, and working to mitigate those, often in partnership.

And you can see that a broad spectrum of companies and issues are now involved. FIFA-- the International Football Body, for example, has recently come out and said that because of all its scandals, and the corruption, and the bribery, and also non-government organisations and activists who are seeing these large football sporting events-- often held in countries with terrible human rights records-- that FIFA has to do something about it. And therefore, they have now said that in any supplier contract, they will put into it that a supplier must guarantee that they will uphold the United Nations Guiding Principles.

So there is a progress in that kind of area. And across the globe, in recognition that things like textiles, farming, and agriculture, the food chain, and so on, and electronics, that there is a need to pay attention to where human rights abuses can occur, either within the workforce, or as part of local communities, and the damage that can be done to communities, indigenous peoples, and the environment, as well.

KAREN FOLEY: It's a massively emerging issue in terms of importance. I mean, it springs to mind, you're talking a lot about those, I guess, the sweatshops, and the sort of manufacturing end of the supply chain, where there could be human rights abuses. And that's obviously very clear cut.

But along the way, there are further complexities. And this whole issue applies more than just

to that sort of, I guess, very basic end of the spectrum. Just thinking about things like conflict minerals, et cetera-- some of the companies are involved in certain things that don't stop consumers from actually purchasing those. And so where is the legality in terms of how these things are governed? And why are people able to get away with some of these? And why do we, as consumers, then still keep buying the products?

JOHN SINCLAIR: It's a very sort of interesting, contentious area to look at-- that international human rights law, by its development in nature, applies to states, and doesn't, on its own, apply to corporations. And therefore, there is this gap that is up to states to enact within their domestic legislations, rules, and regulations, and laws that address the fulfilment and protecting of human rights of their citizens. So therefore, corporations have been able to use that to say that, well, corporate social responsibility, by its essential nature, is voluntary, And that they can pick and choose what they want to do.

Then often what you get is that there can be a lack of reaction when human rights abuses happen in a supply chain. And as you say, consumers-- they may be concerned. And you see a growth in those who put their ethics first, and therefore, make sure that they go out.

I mean, I ask my students now if they've purchased a mobile phone, and if, when they were considering that, they asked if it contained conflict minerals. And an increasing number are aware of the issues and the potential for doing damage by purchasing these kinds of goods. But often, very strong brands like Apple, who have made big efforts to improve their protection of human rights in the factories in China that make the majority of their products, that you can never get it sort of perfect.

But they are aware of that. And therefore, they make strides to improve it. But at the end of the day, we, as consumers-- we have a shared responsibility to realise that protecting human rights within the supply chain and around the world will, perhaps, mean paying more for a product or a service. And therefore, that is something that needs to be grappled with. People have been, for some time now, prepared to pay extra for things like fair trade, because they believe that that price premium is worth paying, in the knowledge that they are supporting improved conditions and the lack of human rights abuse.

KAREN FOLEY: So it is your thinking, then, that a lot of emphasis is on the consumer, as opposed to, maybe, these corporations saying, well, we don't care about that. We can get around this because of the state legislation. Consumers, clearly, are still buying non-fair-trade products. That's why

they're selling in great numbers, because there is that price.

And there is this abstract relationship between someone's rights elsewhere. In psychological terms, it's not tangible for a lot of people. And they're just saying, well, is it up to us as consumers then? I mean, how could some of these issues be resolved?

JOHN SINCLAIR: It needs to be resolved in terms of a partnership-- that where a lot of severe human rights abuses occur are in emerging economies with weak governance. And therefore, often governments don't have the will or the resources to do things themselves. And therefore, there needs to be a partnership with corporations, with international non-government organisations, with civic society, with international trade unions, to forge approaches to do things.

And it also needs to relate to industry-level initiatives. If you look at things like the Rana Plaza fires in Bangladesh in 2013, and over 1,100 people were killed in those fires, that that led to an alliance of suppliers who realised that they couldn't do things on their own-- that there needed to be an industry-wide response. And that needed to be linked to working with the government.

And therefore, I think, that is the way forward-- that there is a recognition that there is a shared responsibility among stakeholders, and that may not be an equal responsibility. That needs to be discussed. And for some part, perhaps, states have most of the responsibility and others companies, because they have a major impact in the human rights that are being abused.

KAREN FOLEY: No, absolutely. I mean, a lot of the participants in our chat are currently talking about the difficulty of actually, I guess, understanding what the ethical standards are with some of the products. So this level of transparency can sometimes be an issue.

But the other issue that's being discussed at the moment is that people aren't always prepared to pay the cost of subsidising something that is ethical. There is price discrepancy that we've mentioned. And that is clearly being put on the consumer.

And as you say, from your perspective, you're considering there's a lot of emphasis on the consumer in making those choices and pushing that from the bottom up end. But why should consumers be in that position where they have to make a choice? Is there not some sort of more ethical responsibility from a state or corporation perspective, that some of that cost could maybe be shared, at least better distributed?

JOHN SINCLAIR: At the end of the day, companies are driven by consumer demand. And therefore, we are

reaching a stage of things like climate disruption, geopolitical instabilities, and so on, that natural resources are beginning to run out, that states are making a commitment to do away with the use of fossil fuels. Therefore, there needs to be a change in behaviour.

And therefore, that has to be both upstream in terms of consumers, and downstream in terms of working with suppliers. And we need to look at states offering incentives to companies and to local economies to improve situations. It does need to be a sort of partnership.

KAREN FOLEY: I mean, would you argue that there are more high-risk sectors and countries, then that this would be more of an issue for than others?

JOHN SINCLAIR: Yeah, very much so. The classic is the garment industry and textiles, foods and agriculture, where there is still a lot of forced labour, and slavery. I mean, modern slavery is still a big issue. I mean, a recent report from the International Labour Organisation estimated that there are over 21 million people in forced labour positions in parts of the world.

The consumer electronics industry, things like conflict minerals and so on, driving demand in conflict zone areas that make it difficult to achieve peace in these areas. Because the money that is being paid for these minerals is funding activities that do incredible damage to local populations. Any kind of industry that is making use of natural resources is going to cause problems as well.

And in terms of high-risk countries-- much of Asia and particular emerging economies that Asian economies at the moment-- the likes of Bangladesh, Myanmar-- are actually reducing their labour laws and enforcement of these. So that things like the definition of what constitutes child labour-- they are softening that, so that family businesses can expand and exploit child labour. So that there is difficult decisions for organisations who are, through their supply chain, wanting to ensure that they stay within domestic law.

But globally, they have, perhaps, the responsibility to have and embrace higher standards. And that means a lot of companies now specifically ban child labour in their supply chain. But that creates issues as well. Because families rely on the childs' income.

And therefore, it's knock-on. And therefore, a company, perhaps, has to work with non-government organisations and with states in terms of supporting local economies. So it's not clear cut.

KAREN FOLEY: Yeah, I want to bring us to the whole idea of the digital economy, which is one of the key themes that we're talking about, and this issue of transparency. And as you say, people are sort of maybe saying, well, we are complying with this, because our definition of this is this. And then we say, no, that's OK.

In a digital economy, then, when the supply chain could arguably be quite long and complex, and maybe we don't, then, have that local experience of where things are at in terms of that, what are some of the things that businesses need to be looking out for? And I'm thinking in particular of maybe the small or medium ones, where they may not have access, maybe where they're buying from wholesalers, and they may lose part of the knowledge of that supply chain. How is the digital economy impacting on that?

JOHN SINCLAIR: Need to look at it in terms of it can open things up through knowledge and the internet and forging alliances, particularly small companies forging alliances, with, perhaps, neighbour suppliers who are not in direct competition with them, but can provide support and enhance it, just like the airlines do in their alliances. The digital economy makes that possible, as well, to have better oversight of your supply chain. So organisations such as Labour Voice are making use of mobile phone technology to do surveys of workers.

So rather than the traditional sort of order of the supply chain, that may happen every two years or even less frequently-- and those have been found to be largely ineffective through digital technologies, and so on-- much shorter surveys can be done more frequently, so that you've got an eye on emerging issues. And there are regular surveys of what seems to be emerging issues, and linking that to having grievance procedures locally and with an organisation itself. So that big companies like Disney have tried to do this-- that they have a local grievance mechanism.

And you can also email the corporate headquarters as well, so that the digital economy helps to promote that transparency. But it also means that people are expecting much faster responses to things. And big companies in particular, still, perhaps, haven't got a grip on things like social media and the power of it, and the damage a tweet can do about a situation that is arising, which could be true or not.

If they're promoting themselves as being bastions of respect for human rights-- Marks and Spencers, H & M-- they are being criticised at the moment because they have promoted themselves as pushing forward a fair living wage in the supply chain. And there is a growing

feeling that they are not living up to these aspirations. So it can come back and bite organisations. And I think sometimes, they are still inclined to go into public relations board, rather of look at it from a wider corporate social responsibility and a business in human rights. If you start down the road of respecting human rights, you can't start to pick and choose the human rights that you are going to respect a those you're going to abuse.

KAREN FOLEY: Yeah, absolutely. It's something we were talking earlier with Russ Lan about this power of social media, and how some companies are seeing they have to be very quick on the ball, because complaints can spiral very quickly, and how that's changing, really, the relationship between consumers and organisations in a very direct way. But I'm just conscious that some of this can also apply to the UK. And Catherine raised a question about zero contract hours and ethics. So aside from all of these third-world countries, some of it's happening here.

JOHN SINCLAIR: Yeah, I mean, if you look at SportsDirect as a classic example of an unethical approach to your workforce, and the lack of respect for their human rights, and using recruitment agencies to contract these workers on rolling zero hours contracts, and they never know where they are, that they are virtually strip-searched, to some degree, when you're going to work.

KAREN FOLEY: Catherine likens it to slave labour.

JOHN SINCLAIR: Yes. But there are elements of that-- that there is a lot of respect and a lack of freedom of association, and elements of collective bargaining-- that we wouldn't expect. And recently, as well, there was a poultry company that was fined for dealing in human trafficking, and had been fined under the Modern Slavery Act. And that has implications for supermarkets who were using them as a supplier.

So it's not just a third-world issue. It's in the first world as well. Peoples', particularly working rights, are closely linked to human rights.

KAREN FOLEY: But surely this is a legal form of that. I mean, it is legal in the UK to have zero hour contracts.

JOHN SINCLAIR: Exactly, but that doesn't make it ethical. And therefore, there is this issue of that to be seen as socially responsible is going beyond the form of the legal requirements. And where things might be legal, it doesn't necessarily mean they are any longer socially responsible.

And therefore, companies have to up their game if they are wanting to sort of create distinctiveness and also trust in them as an organisation that people want to do business with, and also want to work for. It can help recruit talent and keep people once they're with the

organisation. Because they are proud to work for a company that is seen as being a responsible employer and a responsible participant in society.

KAREN FOLEY: So it's transcending a legal level. And now it's getting moral. And so people are having that value-laden aspect, I guess, of how they're choosing to run a business.

But yes, whilst that is important to consumers, there's also this dichotomy between them not being prepared to pay the price, always, for some of these things. So there is an increasing pressure, then, on businesses to have and to implement above and beyond that legal level.

JOHN SINCLAIR: There is.

KAREN FOLEY: And I guess, where is that balance? Where is the future of this? Because if more and more businesses do that, profit margins will, obviously, be affected by that. If consumers continue to be unprepared to pay the price for some of those decisions, where is it going to lead?

JOHN SINCLAIR: One possibility is that we establish much more of a smart mix of things that are regulated for, so that it is known as hard wall, where you have definite legislation, and soft wall, which is things like codes of conduct, corporate social responsibility strategies, and so on, which organisations self-regulate by, that there is somehow a smart mix of the two. But it's striking that balance.

And as you say, we still have this big issue of who pays for it. And therefore, that leads to societal discussions of things like the social licence to operate. That within a global situation where we are seeing climate change, disruption, that perhaps we, as consumers, need to consume less, to hold onto products for much longer than we have been used to, that it requires a change in behaviour, and that we all share responsibility within making society a more pleasant place in which to live and work. But it requires commitment from us all.

And some people are in the lucky position that they can afford to pay more. Others can't, so that they struggle. And therefore, there needs to be other mechanisms through things like states, through non-government organisations, and civil war organisations that prompt companies to be doing the right kind of thing.

KAREN FOLEY: Just my final question about social media-- just to return to that-- how much do you think social media has had an impact in terms of how aware people are of some of these ethical issues, and how that's related to transparency?

JOHN SINCLAIR: I think it has a tremendous impact. Because people can instantly take to social media when they feel that there is an issue. Often, you see people who feel that their rights have been abused, so that someone who has been disabled has been denied access to boarding a plane, and so on, which is a human rights issue for them-- that social media can quickly take that up and run.

And also, previously in remote parts of the world, we are told about things that have happened when security forces, perhaps, have been protecting natural oil resources, and so on. That comes out into the media much more. And therefore, the traditional news media pick it up and create much bigger scene for organisations. And therefore, it's much more difficult now to hide a human rights abuse. It is more likely that at some point, it will be found out. And it could really explode for an organisation, particularly one that promotes itself as being responsible.

KAREN FOLEY: John Sinclair, you've raised some amazing issues here. And we're going to continue those in the chat. Thank you very much for coming to the studio.

And you're now going to be in the chat with our participants. So if you are in the chat box, please keep those questions coming. There's a very interesting discussion going on.

If you aren't, you can come back through the Watch and Engage option through the website, get an Open University visitor account. And then you're all set to go. And you can see what other people are talking about, as well as raising questions yourself.

And don't forget, there's also our option of Twitter. And the hashtag is OU_Exchange. We'll be back in about half an hour's time, with Judy and Cooper to talk about marketing. I'll see you then.

[MUSIC PLAYING]