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„Supply Chain Responsibility at the intersection between individual, collective, and collaborative moral responsibility“

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Abstract in English

The topic of this Master's thesis is "Supply Chain Responsibility", which is a very controversial and complex subject in the business world, which has not been very much discussed in the philosophical literature, but this subject has a definite philosophical core.

The research question is to determine how it is possible for companies to fulfil responsibility across the supply chain. A subquestion analyzes how a relationship between individual, collective, and collaborative moral responsibility can be created.

After answering the implicit components of Corporate Social Responsibility (agency concept for individuals and for groups), the notion of responsibility and moral responsibility is highlighted. The content of moral responsibility is to respect human rights, to provide healthy working conditions for the employees, to grant fair payment as well as to take care of environmental protection.

An increased amount of regulations has been passed during the past years or will be passed in the immediate future (EU directive on Sustainability Reporting, German Supply Chain Law) and therefore, the area of procurement of companies is regarded an important area. This is also an important area for companies, since the purchasing activity has a strong impact on the profitability. Whatever is saved in the procurement costs of a company, translates to the profit of that company. No other function of a company has a stronger impact on its profit-making.

The result of this thesis is as follows:

The Supply Chain Responsibility can be located at the intersection between individual, collective, and collaborative moral responsibility. However, it has to be noticed that each agent (employee or manager, the company as a whole as well as the business partner company as supplier) has to take the moral responsibility. This has to be seen as an unconditional obligation of all agents and this obligation is grounded in the existence of mandatory codes of ethics. Every agent has to abide by this code of ethics

(also called code of conduct). This is a deontological ethical approach. It is the duty to follow this code, there is no leeway for negotiations or compromise as to its respect.

As a conclusion, I can formulate the following necessary condition: Only if all agents take the moral responsibility, then Supply Chain Responsibility is fulfilled.

The sufficient condition can be formulated in the following way: Whenever moral wrongdoing is detected, immediate action (layoff of agents, termination of business relationships) has to be taken in order to fulfil the Supply Chain Responsibility.

If both these necessary and sufficient conditions are fulfilled by the company, the Supply Chain Responsibility is fulfilled and the company is a trustworthy company with a good reputation.

Due to the extensive scope of the different forms of responsibility involved in the Supply Chain Responsibility, the area of procurement can represent the blueprint for a general corporate responsibility.

Abstract in German

Diese Masterarbeit behandelt das Thema der Supply Chain Responsibility, das ein sehr kontroverses und komplexes Aufgabengebiet in der Wirtschaftswelt, jedoch noch weniger in der philosophischen Auseinandersetzung, darstellt, aber einen philosophischen Kern hat.

Die Forschungsfrage behandelt im Kern die Frage, wie es für Unternehmen möglich ist, die Verantwortung für die Supply Chain zu übernehmen. Als Unterfrage wird herausgearbeitet, wie die Beziehung zwischen individueller, kollektiver und kollaborativer Verantwortung herzustellen ist.

Im Hauptteil der Arbeit werden die impliziten Bestandteile der Verantwortung (Agency-Konzept für Individuen und Gruppen) sowie die Bereiche der Verantwortung und der moralischen Verantwortung bearbeitet. Diese besteht darin, für die Einhaltung der Menschenrechte zu sorgen, Mitarbeiterinnen und Mitarbeitern gesunde Arbeitsbedingungen und eine faire Entlohnung zu gewähren sowie auch den Umweltschutz zu beachten.

Eine in den letzten Jahren erfolgte zunehmende Regulierung in diesem Bereich (EU-Richtlinie für Nachhaltigkeitsberichterstattung; Deutsches Lieferkettengesetz) schenkt diesem Bereich eine erhöhte Aufmerksamkeit. Gerade der Beschaffungsbereich von Unternehmen hat eine große Bedeutung für die Gewinnerzielung und deshalb gilt dieser als Schlüsselbereich für unternehmerisches Handeln. Was auch immer in der Beschaffung an Kosten eingespart wird, findet sich im Gewinn wieder. Keine andere betriebliche Funktion hat eine derartige Hebel-Wirkung auf die Gewinnerzielung eines Unternehmens.

Das Ergebnis dieser Arbeit lässt sich wie folgt zusammenfassen: Die Supply Chain Responsibility lässt sich im Schnittpunkt zwischen individueller, kollektiver und kollaborativer Verantwortung verorten, hat jedoch für ihre Wirksamkeit zu beachten, dass alle Akteure (Mitarbeiterinnen und Mitarbeiter, Managerinnen und Manager sowie die jeweiligen Unternehmen als Zulieferer und Geschäftspartner – mit ihren jeweils wieder

verantwortlichen individuellen Akteuren) – ihre moralische Verantwortung übernehmen. Diese ist als unbedingte Verpflichtung aller Beteiligten anzusehen und wird mittels verbindlicher Ethik- oder Verhaltenskodizes eingefordert. Alle Akteure müssen sich daran halten. Dies ist ein deontologischer Ansatz der Ethik.

Als Conclusio kann die notwendige Bedingung für das Wirksamwerden von Supply Chain Responsibility wie folgt formuliert werden: Nur wenn sich alle Akteure entlang der Supply Chain moralisch verhalten, kann die Supply Chain Responsibility erfüllt werden. Die hinreichende Bedingung kann auf folgende Weise formuliert werden: Immer wenn ein Fehlverhalten entlang der Supply Chain entdeckt wird, muss unverzüglich gehandelt werden und es müssen Maßnahmen gesetzt werden, dieses unmoralische Verhalten zu beenden, um die Supply Chain Responsibility zu erfüllen. Die Einhaltung dieser beiden Bedingungen bildet die Conditio sine qua non für die Erfüllung der Supply Chain Responsibility und nur dadurch wird die Glaubwürdigkeit des Unternehmens, ein wichtiges Ziel unternehmerischen Handelns, aufrechterhalten.

Aufgrund des großen Umfangs und der Vielschichtigkeit der Verantwortungsformen im Rahmen der Supply Chain Responsibility kann der Bereich der Beschaffung eines Unternehmens als Grundlage für eine allgemeine Unternehmensverantwortung angesehen werden.

1. Introduction

The aim of this Master's thesis is to analyze the concept of "Supply Chain Responsibility", a much-vexed topic which is of paramount interest in the business world but it is also interesting for its philosophical implications. In this thesis, a link between the economic concept of purchasing activities with moral responsibility is created in order to show the overall importance of this function both for the business world, for the general public and for the philosophical core content.

There are a lot of legal regulations, e.g. EU directives on Supply Chain Laws, as well as national regulations to ensure uniform supply chain standards. But it can be stated that there is no universal, worldwide standard which is mandatory for all partners involved. However, there is the widespread view that organizations such as corporations when doing business internationally, do have a legal and moral obligation to ensure that human rights, environmental protection, fair labour conditions and payments are respected across the supply chain.

Any accountability, obligation or responsibility does not end at a company's borders but includes also partners such as stakeholders of the corporation. In this thesis, the focus is on the internal stakeholders (employees, managers) in relationship to external stakeholders (suppliers) with respect to the Supply Chain Responsibility.

To achieve a universal standard for the Supply Chain Responsibility, a philosophical evaluation is given and this constitutes the main aspect of this thesis. In order to prioritize the philosophical aspect, the legal regulations will be left out – but it will be shown that an ethical foundation which is mandatory for every partner and agent in the supply chain will be the better choice and would make a lot of legal regulations unnecessary.

We can consider a supply chain responsibility as a complex and extensive form of responsibility which gives rise to the analysis of various forms of responsibility and this scrutiny of the supply chain of companies can function also as a blueprint for a general corporate responsibility. The reason for this potential status can be found in the different forms of responsibility which are relevant for the supply chain of companies but these responsibilities are also important and traceable in other departments and for the company as a whole. This claim will be justified in this thesis and also builds the main argument in the conclusion.

Therefore, the following research question will be dealt with in this thesis:

Core Question: How is it possible for companies to fulfil their moral responsibility across the supply chain?

Subquestion: What is the relationship between the responsibility of the company as a whole (collective moral responsibility), its individual agents (individual moral responsibility) and the various companies of the supply chain (collaborative moral responsibility)?

This thesis is divided into three parts: The first part illustrates the supply chain in general, by defining Supply Chain Management and highlighting the fact that this area is now subject to a lot of regulations passed – both nationally and supranationally. A link to business ethics is also presented and then the concept of a code of ethics or code of conduct is described because the code is to be considered a paradigm for corporate ethical behaviour. It is the decisive element for ensuring an undisputed and universal moral standard for the corporate activities. Finally, in this part is also described why the procurement of a company is of vital importance – both monetary- and responsibility-wise – it is the corporate function with the highest impact on a company's profitability.

The second part deals with the constituents of the Supply Chain Responsibility. First a description of the implied elements of the Supply Chain Responsibility, which function as presuppositions, is presented. These elements comprise the concept of agency, the forms of responsibility with a special focus on moral responsibility. Subsequently, a distinction between individual, collective, and collaborative moral responsibility is made in order to determine the subjects and addressees of the Supply Chain Responsibility.

In order to illustrate the theoretical considerations, small case studies – based on a fictitious but realistic corporation (a medium-sized enterprise in the legal form of a private corporation which makes use of international suppliers) – are integrated in this thesis.

In order to create a feasible and comprehensible conclusion at first an interim conclusion is given as to the individual, the collective, and the collaborative form of the Supply Chain Responsibility.

Finally, the overall conclusion will show that the Supply Chain Responsibility is located at the intersection between individual, collective, and collaborative responsibility – but there is also an interdependence between these different forms of responsibility: All these forms have to build a coherent network where all agents involved interact and have a responsibility for morally good acting.

2. Supply Chain Management

In this section, a brief discussion as to the relevance of the topic will be given. In the first part, the concept of Supply Chain Management and its link to the Supply Chain Responsibility, is analyzed and in the subsequent chapters of this thesis the main focus is on a detailed discussion of the constituents and the subjects of the Supply Chain Responsibility as well as the different forms of moral responsibility which come into play in this context.

2.1 The concept of Supply Chain Management

First of all, a definition of the term Supply Chain Management is presented: Supply Chain Management is "the management of all activities, information, knowledge and financial resources associated with the flow and transformation of goods and services up from the materials supplier, component suppliers and other suppliers in such a way that the expectations of the end users of the company are met or surpassed." (Van Weele, 2010, 11). In this definition, it is highlighted that the end users are the driving force with their expectations as to the quality and the prices of the products. In order to be able to produce the goods and services, the company's management has to look for adequate suppliers of the required materials and it has to look for the best combination of cost and quality during the whole purchasing process in order to secure the production (if the company produces the final product). If the company is only trading products, it has to buy the finished products on the market at competitive prices in order to enable it to make a profit by selling these products with a profit-markup to the consumers as retailers or other traders as wholesalers.

The supply chain is constituted by the link of different companies in which the separate stages of production of a product take place, from the original producer of raw materials till the finished product for the consumer or other corporate clients (it can also be the purchase of finished products in case of a trading company). In order to fulfil this activity, the supply chain management comprises three major functions: "(i) identifying, selecting and contracting supply chain actors, (ii) managing and developing the relationships in the chain, and (iii) monitoring and controlling the performance of the actors.” (Vaaland and Owusu 2012, 155). It can be derived from this functional analysis that the management of the supply chain is a complex activity which necessitates a careful decision-taking process as to the selection of suppliers, and as to the development of a fruitful relationship with the suppliers as well as a careful monitoring of them.

And in this context also the ethical component should be added, which is done by defining a responsible supply chain. Vaaland and Owusu (2012, 159) define it as follows: “A responsible supply chain is a link of business actors who jointly adopt, implement and coordinate values, strategies and tactics in order to connect all levels of corporate social responsibility to the business processes in the chain.” Here it is important to note that there is an intersection of responsibilities distributed among all business partners in the supply chain. But it is nevertheless too general a definition as to cope with the peculiarities of the Supply Chain Responsibility in general. We will come to that concept towards the end of this thesis since some constituents of responsibility have to be analyzed beforehand to come to a decent and comprehensible conclusion. In order to be able to judge the developments on the regulatory side of this area, a few hints are given in the next chapter as to the international initiatives to create a legal obligation for the Supply Chain Responsibility.

2.2 Regulations concerning the Supply Chain Management

Generally speaking, it can be stated that the supply chain of companies has become of vital interest during the past years due to an increase in the legal regulations so that companies are not only responsible for their direct area of influence, i. e. within their own company, but also for other companies across the total supply chain. National regulations (e. g. German supply chain law, effective as of January 1, 2023), but also European-wide, supranational regulations, (e. g. the new EU-Corporate Sustainability Reporting Directive which is on the stage of approval, expected for the end of 2023, and effective as of 2025) have been or immediately will be passed to enforce higher standards in this area. It is clear that these regulations will have an impact as to an increased awareness that there is a legal obligation for companies to take responsibility also outside their own borders.

But it can also be stated that there is more than only the legal aspect.

Arrigoni (2019, 34) convincingly argues: “The transformation and inclusion of corporations into increasingly global and complex (less and less accountable) supply chain processes dissolves responsibility into a labyrinth, so that ultimately no one is responsible.” In order to highlight the responsibility especially when the supply chain is concerned, it is important to put a focus on the ethical dimension of supply chain activities. It is clear that ethics comprises more than the legal side. As Crane et al. (2019, 6) put it “Business ethics begins where the law ends.”

Another important remark comes from Alzola (2017, 48) who states that “business ethics is role ethics”. The aspect of the performance of roles is especially important in the context of purchasing activities which are carried out by employees and managers who have to perform a specific role in adherence to general guidelines and principles. But this aspect will be dealt with in the discussion of group agency and the collective responsibility involved.

Now the main aim for this thesis can be made explicit: to outline the ethical aspects of responsibility – exemplified on the function of procurement of a company and showing the different areas of responsibility across the whole supply chain of a company. Before proceeding to the procurement function of companies, a short description of business ethics and its link to Supply Chain Management is given.

2.3 Business ethics and its link to Supply Chain Management

The topic of business ethics and corporate ethics is a vast field but it is relevant to dig deeper into that subject. As Schwartz (2017, 8) formulates in a quotation: “If the core good of business ethics had to be reduced to just three words, […] (it is) to avoid unnecessary harm.” This summarizes the content and the reasoning for the subject of business ethics. As is contained in the extension of the term of ethics, there is always a practical side of the philosophical concept. In the case of a business environment, which is the practical side of business ethics, this is constituted by a clear focus. Business ethics should contribute to avoid any unnecessary harm by companies itself but they should also contribute to reduce harm caused by other factors or events. Business activities can also contribute to reduce poverty in the world and is also able to improve the living conditions of society. Many initiatives in the area of Corporate Social Responsibility show that – even if sometimes these activities are carried out by companies in order to promote their reputation, in the end there often is a positive outcome for society. Even if there are selfish motives involved, as long as the outcome has a positive effect, this consequence can be regarded as a collateral utility.

However, it can also be approved that “without a minimum degree of trust that the other side will follow through on its promises, business activity could not take place, irrespective of any legal contracts.” (Schwartz, 2017, 8). Trust and trustworthiness are the most important aims for a company. Both these elements form the underlying presupposition of doing business with each other. Trustworthiness results from an overall moral obligation by companies which go beyond the legal obligation by which companies have to abide. It is the moral side that promotes the trustworthiness, the legal side is the stipulated minimum responsibility a company has to take. But in the overall context of a company’s activities, the minimum level is not enough, and there is more to be demanded: The moral obligation and thereby the respect for ethical standards are the guiding principles for corporate acting.

To bring the subject back on a more concrete area, as to supply chain ethics Kampourakis (2021, 214) makes the relevant remark that “Supply chain ethics is supply chain justice, to hold firms responsible for the actions of suppliers and subcontractors across the supply chain.” In the case of justice, a further determination is necessary and this can be done by referring to the concept of sustainability. Atkins and Caldwell (2020, 148) define sustainability “as a moral obligation to honor duties owed 1) to the environment; 2) to individuals who are served by, work for, or are affected by a firm; and 3) to the organization to add value in the short and long term.” These three aspects form the triple bottom line of a company in which the environmental, social, and economic performance are listed. And these performance foci are also the extent of responsibility a company has to take with regard to the supply chain:

It is important to consider that “the purpose (of a market economy) is the production of goods and services, profit the means” (Kay 2003, 351; Sinnicks 2023, 93). In addition, Smith (2018, 603) rightly claims that “the profit is used to efficiently produce and allocate resources”. It is the primary function of a company to produce goods or services and in order to fulfil that activity, the necessary resources have to be provided to pursue this goal. But it is also mandatory that each company take care of human rights (as to fair payment of people, fair treatment of people), and environmental standards (in the production process of a supplier in which these standards have to be maintained in order to create a sustainable environment) when doing business. Still, the basic economic aspect of a company (a company has to make profit in order to survive on the market and to be able to create decent workplaces for its personnel) cannot be neglected but the economic imperative has to be complemented by an ethical behaviour.

During the past years also the concept of sustainability has received higher attention by companies. Since the purchasing function is of paramount importance in this context, the concept of sustainability can also be included. Alghababsheh and Gallear (2021, 857) rightly argue that it is the socially sustainable supply chain management practices, which comprise the mechanism, practices, methods, and activities, by which buying firms influence suppliers’ actions and capabilities to meet social objectives. This aspect needs special attention: Since the buying firms have a client role for the supplier, they can use their (purchasing) power to influence the supplier to act morally good.

Whereas the financial aspect of a company is regarded of paramount importance and is also audited by independent third partners, i. e. auditors giving their report, d’Itri and Helms (2018, 116) justifiably point out to the fact that ecological and ethical sustainability more often is seen as a marketing or publicity objective. Therefore, the EU-directives have been passed to also include sustainability into the mandatory reporting standards of companies.

However, even if the best reporting standards are in force, I can support the claim of Ha and Nam (2016, 60) who emphasize the fact that supply chain managers often tend to take unethical decisions which “maximize only their personal or their company’s benefit rather than pursuing mutually beneficial outcomes for all firms in the supply chain.” In order to influence the decision-taking processes within a company towards a morally good behaviour, a code of conduct or code of ethics in which ethical principles are fixed, is established with most companies.

2.4 A code of conduct as a paradigm for corporate ethical behaviour

There is a general problem to determine how it is possible to establish an ethical behaviour within and across different companies. The most effective tool for establishing an ethical standard within a company, but also with partners across the supply chain, is to establish a transparent, enforceable ethics code or code of conduct – a formal declaration on the most important values of a company and those ethical rules which are expected to be respected by each and every individual within the company but also by each and every (external) partner of the company.

These ethics codes form a guideline for the conduct of a company by necessitating a commitment to the stakeholders and an ethical guidance for its staff. Jermsittiparsert and Srihirun (2019, 737) justifiably point to the fact that specific codes of ethics may cover issues which are not covered by laws as to a specific corporate function such as procurement and Supply Chain Management.

An ethics code is a product of the application of a deontological ethical approach. Although it is a kind of self-obligation, the respect for the code has to be enforced in any situation and condition in order for a company to be trustworthy – also in the case of financial difficulties of a company. The company has to make clear and stipulate that there is a priority in respecting the ethics code by all employees, managers and business partners. A possible compromise in form of a utilitarian approach to find the best solution with the highest utility is not feasible and should not be pursued if a company wants to be respected as doing morally good and maintain its reputation. There has to be an unconditional adherence to the code by all parties involved.

As Kim and Chae (2022, 888) declare, a company is able to reach a good reputation on the market only by maintaining very high ethical standards – and ethical sourcing is a crucial factor for the reputation of a company and this can also have positive effects on the company's financial performance. Manners-Bell (2017, 116) rightly add that also in case of investment opportunities, "there is the belief that those companies with strong social and environmental governance are those most likely to perform well operationally, outperform less sustainable companies on the stock exchange." The respect for clear moral standards is also a relevant criterion for investors on the stock exchange. And it can be inferred that it is no contradiction for a company to have clear moral standards and good financial results. To round up this chapter, a short analysis of the economic impact of procurement decisions are discussed in the following part.

2.5 Economic impact of procurement decisions

In order to demonstrate the significance of the procurement activities for a company, a brief explanation follows why this corporate function has this strong impact on the profit side.

Whenever it is possible to reduce the procurement costs, these savings will increase a company's profit or decrease a company's loss. An example will be given to make this claim feasible:

Suppose, a company has a total yearly turnover of € 1 million, the fixed costs amount to € 500,000 and the variable costs amount to € 400,000 (of which € 200,000 are direct procurement costs of buying raw materials or semi-finished goods), then the profit of the company is € 100,000. If it is possible to reduce the direct procurement costs by 10 %, that is € 20,000, then the company's profit is € 120,000 which is equivalent to a profit increase of 20 % - by that result the importance of the procurement function for a company's overall performance can be seen: A 10 % reduction of procurement costs translates into a profit increase of 20 %.

With this example, it can be shown that whatever the cost reduction in the purchasing activities of a company is, it has an impact on the profit of the company. Each amount of money you save, is equivalent to the same amount of profit you make. The same holds true in the opposite direction. If it is not possible to increase the turnover via a raising of the prices for the products you sell, then any increase in the purchasing costs will reduce the company’s profits.

The purpose of this chapter is to determine the concept of “Supply Chain” and “Supply Chain Management”, its significance for a company as to its profitability impact, and the range of responsibility which companies face in the wake of purchasing decisions across the supply chain. It is shown that the purchasing function is of paramount importance for a company and that it has a strong influence on the profit potential and profit generation of a company. But at the same time, this area is also interesting for its ethical content. Purchasing decisions across the supply chain also have an impact on human rights and environmental protection.

Even if the company itself acts in a morally impeccable way, it can be the case that a supplier or a subcontractor of a supplier acts in a morally blameworthy way by exploiting workers, paying wages below the subsistence line or polluting the environment via a production process which neglects any standard of environmental protection. Although it could be the case that local regulations such as national legal provisions, do not sanction this behaviour, it should be clear – and the plethora of new regulations as to the corporate supply chain testify that – that there is to be reached a common, worldwide universal standard on a morally good behaviour – regardless of local, divergent regulations. This uniform standard which has to be applied by all agents and partners is the content of a true “Supply Chain Responsibility”, the components and the subjects of this form of responsibility will be dealt with in the following chapter of this thesis.

3. The constituents of Supply Chain Responsibility

In this chapter, the constituents of Supply Chain Responsibility will be explored. At first, the concepts of agency and group agency are discussed and then follows the analysis of the notions of responsibility and moral responsibility. After analyzing these implicit aspects of responsibility, the actors – or addressees – of this form of responsibility are examined and it will be differentiated between individual, collective, and collaborative moral responsibility in connection with the Supply Chain Responsibility.

3.1 The concept of agency

Whether a person or an institution can be held responsible for an action or omission, depends on the status of agency. Therefore, the concept of agency, which is relevant for the analysis of individual moral responsibility, is analyzed first and then applied to the supply chain area.

An agent is "a system that has representational and motivational states such that in favorable conditions, within feasible limits, it acts for the satisfaction of its motivations according to its representations." (Chiao 2014, 755). So, also the individual agent has to be considered as a system. This concept has its origin in the approach of List and Pettit, which is explained in the following part.

List and Pettit (2006, 87) determine the conditions of agency for a system as follows:

1) The system forms representational and goal-seeking states, beliefs and desires, or judgments and plans.
2) The system satisfies appropriate conditions of (theoretical) rationality,
3) The system acts or intervenes in the world on the basis of its representational and goal-seeking states, as conditions of (practical) rationality require.
4) The system exhibits these properties robustly, also in a class of relevant possible conditions.

This approach of applying the agency status to a system is relevant for a corporate system, in which the management formulates guidelines for the individual actions of the employees. In these guidelines it is stipulated how decisions can be taken rationally and in a sustainable form, also to make provisions for future actions which demand taking a decision by the employees. They should be empowered to function as agents so that they are able to decide and also to be accountable for the consequences resulting from that decision – as far as their accountability reaches. If it is not sufficient to make up for a damage caused because the capability of the employee to do so is not given, then the corporation as a whole can be made accountable for taking remedial measures to make up for any harm created by the employee.

An example is given as an illustration:

Jane Copeland works in the purchasing department of a medium-sized company. She has taken over the role as a purchasing manager for several years. She adheres to a code of ethics in which the general guidelines for a decent behaviour in this functional area are stipulated. One day, when talking to a potential supplier which wants to enter into business relations with Copeland's company, she gets the offer to get a "bonus payment" from the supplier if she signs the contract with the supplier. The new business partner offers also official pricelists from competitors with higher prices than those of the business partner, which Jane Copeland could use to justify the decision for this supplier. The bonus payment will be given after the closing of the contract – via a personal handing-over, not via bank transfer. Nobody would know about the deal and nobody would detect the payment since it all would be done secretly and without any evidence that the money transfer had taken place.

Since Jane Copeland knows that this behaviour is against her own company's guidelines and she does not want to get in conflict with the law for accepting bribery in getting a contract, she denies the offer and terminates the business negotiations immediately. When at home, she immediately explains the situation and her decision to the top management and the compliance department. She always has the obligation to adhere to the company's guidelines and she did act accordingly and therefore her behaviour is to be considered praiseworthy – she respected the unconditional obligation of rejecting any bribery attempt at any time and under any circumstances.

A variant of this example is worth looking at: Suppose that the supplier offers really favorable conditions and can be regarded as the cheapest supplier of that goods on the market. However, there is rumour or even evidence that the supplier does not respect human rights with its workers and does not pay wages above the subsistence line. But there is no regulation in the home country of the supplier which forbids this kind of behaviour. As a worsening side-effect comes into play that the company of Jane Copeland suffers from losses and has difficulties in maintaining its liquidity, which could result in a filing for bankruptcy in the near future.

But even under these circumstances, the purchasing manager should not accept the offer of the supplier and should reject entering into business relations with the supplier since it does not fulfil the required ethical standards in the supply chain of the company as stipulated in the code of ethics. There has to be the unconditional obligation to abide by these ethical standards if the company wants to remain trustworthy and the respect of its own code of ethics is not only valid for the company itself but also for all suppliers of the company.

Here the deontological aspect is dominant, whereas a utilitarian consideration could come to a different result: In case of the potential difficulties of the company, a cheaper supplier would increase the company's utility by minimizing the losses and thereby helping to initiate the turnaround of the company. But nonetheless, if the company gives in by entering into business relations with that supplier which disrespects the ethical standards as stipulated in the corporate ethics code, then there is the danger of losing its trustworthiness. Since it is the aim to be trustworthy, the regulations as stipulated in the code of ethics cannot be overruled – even if it could be advantageous for the company. Only a strictly deontological approach to abide by the code of ethics leads to the general aim of trustworthiness of the company.

But what if Jane Copeland permits the bribery and the top management is informed by a whistleblower that the purchasing manager had accepted an amount of money for entering into business relations? The only consequence can be that the company terminates the working contract with Jane Copeland and immediately lays her off. The moment the top management is informed about a misbehaviour of an employee, the only reaction is the immediate termination of the working relationship – thereby signalling to the outside world that the company takes an ethical responsibility without any leeway or justification.

It is the overall duty of all persons working for the company to abide by all rules and regulations stipulated in the corporate code of ethics. Any misbehaviour will be prosecuted and never tolerated, even if there is a plausible justification on the part of the person acting wrongly.

After having highlighted the concept of agency for an individual, the concept of group agency follows, which is relevant for the aspect of collective moral responsibility.

3.2 The concept of group agency

In this chapter the characteristics of group agency are discussed and then a link to a supply chain application is provided. It can be stated that there is a severe controversy among philosophy scholars as to the existence of a group agency. Some scholars have argued that a collective activity can only be attributed to the activity of single individuals. This group of philosophers are known as “individualist theorists”, they claim that collective rights can only be attributed to individual group members (Pasternak, 2017, 139; Narvison, 2002, 180).

As Ludwig (2020, 79) puts it in his Factor Model, which stands in contrast to the Autonomy Thesis for group agency, “all collective action is a matter of individual agents contributing to bringing about some event or state.” The decisive factor is the distribution of moral responsibility to its members, not the group as a whole. A similar argument is put forward by Gilbert (2006, 12): “Collective agents, as I understand them, act through their members.”

But in this thesis, the concept of the collectivist theorists, is relevant and therefore builds the guideline for the argumentation. Corporations can be ascribed the status of group agency.

A group agent can be held responsible for doing something if it satisfies three conditions, as is established by List and Pettit (2011, 158):

a) The group agent faces a normatively significant choice, involving the possibility of doing something good or bad, right or wrong.
b) The group agent has the understanding and access to evidence required for making normative judgments about the option.
c) The group agent has the control required for choosing between the options.

In these conditions, the aspect of being able to choose from a variety of alternatives is important to take a decision. Another element is constituted by the necessity of making normative judgements about the choices and the overall control to be able to integrate these convictions into a choice which also can be explained and justified towards other persons or institutions. This aspect of a group coming to a solution is very important for the quality of a group being a moral agent. To further explain this concept, List (2023, 3) underlines this fact as follows and also links it to legal provisions:

> Group agents are collectives that, due to the way they are organized, function as goal-directed agents in their own right, over and above their members […]. We routinely ascribe beliefs, goals, and intentions to them and view them as capable of acting as if they were persons. The law treats many such entities as legal persons.

Companies in the legal form of a public or private corporation are considered legal persons or legal entities by law, which means they can sue and be sued and therefore have a separate legal responsibility which is detached from the responsibility of the organs working on behalf of the company. So the responsibility of the company as a whole is more complex and extensive than the responsibility of the governing board of the company. By this, it is also possible to be able to make up for damages and harm which requires high amounts of money that exceed the remedial capacities of an individual manager of the company, let alone a normal employee. Only the company as a whole is in a position to provide fairly high amounts of money, in case it is necessary, due to its financial status and creditworthiness.

List (2023, 5) also interestingly formulates a basic non reducibility thesis: “A group agent’s attitude qua corporate entity on some issue is not generally reducible to its members' individual attitudes on this issue; it's not generally the majority attitude or some other simple summary of the individual attitudes." This rightly refers to the fact that the corporate decision includes a separate attitude and therefore the decision manifests the will of the corporation, which is not necessarily in conformity with the attitude and the will of the individual persons acting on behalf of the company.

It can be the case that every individual has a different personal attitude but this is not relevant in case of taking into consideration the higher-level target of the overall company's interest. It is in this way that general guidelines and principles for decision-taking are stipulated in the course of the founding of a company in order to relieve the individual from deciding complex matters and not respecting the overall picture of the company's wellbeing. Sometimes it is necessary that the individual intention and attitude is overruled by the collective intention and attitude of the group agent, in this example the corporation or the corporate intention. The corporate intention can form the difference-making cause of an action.

Corporations regularly have rules for the decision-taking procedures. Employees are empowered to decide on business activities up to a certain amount of money. Higher amounts of money involved have to be approved by their immediate supervisor. But there exist also limits for supervisors, in the end decisions which have an influence on the overall corporate strategy have to be approved by the supervisory board of the company. So a system of checks and balances is established within companies.

But it is also relevant to discuss the intentions which guide the decisions of the agents.

An intentional agent "is an entity that acts in a goal-directed manner, on the basis of certain intentional mental states, such as beliefs and desires." (List 2023, 8). Whenever a corporate decision is taken by an agent, it is the intention that is relevant and this is formed by the beliefs and desires which have to be guided by ethical principles because otherwise this could result in personal interest, greed, and corruption.

Giubilini (2018, 199) convincingly argues that "if groups can be attributed desires, beliefs and intentions, then group agents like these can be attributed identity, intuitions and actions that do not boil down to a mere aggregation of identities, intentions and actions of their individual members." This is also a support of the claim that groups are moral agents and can have a separate identity. Especially when it comes to decision-taking by the individual agents, ethical guidelines as stipulated in a corporate code of conduct are suitable to function as a path towards corporate responsibility and this is especially important in the purchasing department of companies.

In the following part a short case is indicated to illustrate the group agency status which leads subsequently to a collective moral responsibility.

Company A has a code of conduct which is mandatory for all employees and managers of the company. It expresses the will to show corporate responsibility and all employees and managers have to abide by the rules and regulations stipulated in this code.

Peter White is a manager in the purchasing department and starts negotiations with a supplier in Pakistan which offers products of good quality at very competitive prices. Before starting the business relationship, Peter White is invited to the supplier to sign the contract. He receives a good reception and he finds out that the company has a very modern factory and when talking to some workers there, the unanimous answer is that they are very satisfied with the working conditions at that factory and they feel lucky for being able to work for that company.

Peter White returns back to the home company and is lucky to have signed the contract with the company from Pakistan. After a while he receives an anonymous video which shows that the factory which Peter White visited, is only a "showroom-factory" and the workers there are fake-workers, the real production of the products takes place at another factory, where the working conditions are poor, payment is very low and safety standards are not respected. He immediately tries to double-check the video and informs the supplier of that story. The supplier denies the fact and menaces to go to court and to sue everybody who claims that the factory which Peter White visited, is a fake factory.

But Peter White further investigates that affair and draws the conclusion that there are severe doubts on the trustworthiness of the supplier. In order to prevent any future harm or any compensation for the harm done to the workers, Peter White decides to stop the business relationship with the Pakistani supplier. He acts in accordance with the code of conduct and there is no leeway for deciding otherwise. When in doubt, then the decision should be the termination of business relationships with the supplier.

But it also can be the case that such information will be revealed at a later stage, when the two companies have a good and long-lasting relationship. But nevertheless, if any information or action is detected which is not covered by the code of conduct, the necessary steps and actions have to be taken in order to act morally responsibly. It is in the overall interest of the company to prevent any bad reputation and therefore all individual agents of the company have to do their part in maintaining this reputation. The group agency status of the company demands that the individual agents (employees or managers) act in the interest of the company.

After having discussed the agency and group agency concept, I now turn to the important aspect of responsibility and moral responsibility in the following part.

3.3 Responsibility and Moral Responsibility

In this part the notions of responsibility and moral responsibility are highlighted before I proceed to the actors of responsibility, which are analyzed in the subsequent part.

3.3.1 Responsibility in general

In this chapter, some general remarks on responsibility and the conditions whether one is or can be responsible is presented.

As Albin (2018, 192) convincingly states, responsibility is a combination of three things:

1. Imputability – this means that there is a specific party, an individual or a collective agent that is responsible for a specific duty.

2. Liability – that relates to a specific responsibility for something the agent has to fulfil
3. Accountability – it is related to the party to which the agent is responsible.

This clarifies the scope of responsibility – a specific agent has to perform a specific duty for which he is liable and also accountable to a third party. The specific duty is stipulated in the directives of the corporation. In that context, also the term "answer-ability" is to be found. To be answerable "is to be susceptible for assessment of, and response to, the reasons one takes to justify one's actions." (Shoemaker, 2011, 623). The answerability is linked to the accountability. If someone is held accountable, that person is at the same time answerable to that person's direct supervisor on that matter. The supervisor is responsible for taking action in case of a misconduct or actions which are not in conformity with the directives. Although the misconduct can be attributed to the employee, the supervisor can also be held accountable for the consequences of the misconduct – and also the company as a whole can be held accountable for compensating for harms which exceed the capacities of the individual employee or even manager. After giving these general remarks on responsibility, I now proceed to the idiosyncrasies of moral responsibility.

3.3.2. Moral Responsibility

In this chapter, a brief discussion is conducted as to the moral responsibility in general and its constitutive elements.

Before discussing the moral responsibility, an interesting statement of Albin (2018, 198) is given: "Business purposes are different from moral and societal obligations. Making an economic profit is voluntary while moral or societal obligations are not." This refers to the fact that moral obligations can be considered mandatory for all partners involved and this forms the guideline for the argumentation in this thesis: Moral responsibility is an unconditional duty for all partners in business and cannot be subject to any compromise.

However, it should also be explained which core ethical values can be found in the business context. As Schwartz (2017, 195) shows, the following elements form the undisputed core of a business ethics focus:

1. Trustworthiness (including honesty, promise-keeping, integrity, transparency and loyalty)
2. Responsibility (accountability, accept fault, don't blame others)
3. Caring (including the notion of avoiding unnecessary harm)
4. Citizenship (including notions of obeying laws, assisting the community, and protecting the environment)
5. Respect (including notions of respect for human rights based on Kantianism)
6. Fairness (including procedural, distributive, and societal justice).

With these elements it can be highlighted what it means if a company maintains ethical standards which have to be kept by everyone in the company. But now I further analyze the concept of moral responsibility.

According to Isaacs (2011, 13)

> Moral responsibility is the blameworthiness and praiseworthiness of moral agents. It differs from causal responsibility in a number of ways. First, moral agents can be morally responsible and causally responsible […]. Second, though causal responsibility frequently accompanies moral responsibility, it does not always.

In that statement, it is highlighted that there is a difference between causal and moral responsibility. Inanimate objects, forces of nature or nonmoral agents can be causally responsible but they lack the moral responsibility. Only if the two forms of responsibility coincide with a person, moral agency can be detected and therefore this person can be blameworthy or praiseworthy, if he or she has done something good or bad.

It is also interesting to look at the time-aspect of moral responsibility:

As Isaacs (2014, 41) argues "it is backward-looking in so far as it involves a moral assessment of an agent in light of the agent's past actions." It the actions taken were wrong, then the agent is blameworthy, if the actions taken were right or good, then the agent is praiseworthy. Isaacs (2014, 42) also introduces a collective moral responsibility as the moral responsibility of collective agents.

Collins and de Haan (2021, 195) convincingly point to the fact that corporate blameworthiness attaches to structured group such as corporations. They also formulate three possible principles for agents' scope of blameworthiness:

> Portion Principle: Each agent is blameworthy for a different portion of what the group is blameworthy for, with no overlap between agents' portions.
> Overlap Principle: Each agent is blameworthy for a portion of what the group is blameworthy for, with some overlap between agents' portions.
> Full Scope Principle: Each agent is blameworthy for the totality of what the group is blameworthy for. There is complete overlap between agents' portions. (Collins and de Haan 2021, 198)

The Overlap and the Full Scope Principle are an example of a "vicarious" responsibility which means that an agent is responsible for (at least part of) what another agent caused, and vice versa. Here it can be seen that although the group as a whole is addressed, sometimes it is possible to define a causal attribution to some agents working for the group. But this concept also has its limits when the remedial action cannot be taken by an individual agent for compensating a harm caused.

The group as a whole – to be more precise in a business environment this is a company – is able to raise more capital as a remedy than the individual agent is capable of – depending of course on the amount necessary for compensating the harm. But a group responsibility does not exclude the individual responsibility in case there is a causal link between the harm and the individual agent. However, this form of remedial responsibility (Smiley 2022, 1) and compensation has its limits and therefore also the company as a whole has the remedial responsibility. However, also the individual is not exempt from contributing to the compensation of a harm caused.

Sometimes the harm cannot be attributed to an agent, since it was not known to that agent. Take for example the case of a purchasing employee of company A which signs a contract with a supplier for the local water supply of a factory which is owned by company A. The consequence for the local inhabitants is a shortage of water for them and since the original supplier stops the water delivery and therefore the local inhabitants have to pay higher prices for their water supply to another company than the original water supplier. This fact was not known to the purchasing employee and therefore he is not blameworthy for immoral acting. But the moment this fact is revealed and known, company A can compensate for the harm done to the local inhabitants by subsidizing them for being able to buy the necessary water amount at reasonable prices.

The company exerts its group responsibility for taking action by compensation payments, whereas the individual employee cannot be blamed for that since the contract was signed in good faith. Nevertheless, the group agency's responsibility is taken by compensating the local inhabitants – without any legal obligation to do so since it is not forbidden to sign contracts even if they are detrimental to a third party. Company A did not act against the law and therefore, no legal responsibility has to be taken. But the moral responsibility cannot be excluded and this form of responsibility comprises more than the legal responsibility.

In contrast to the backward-looking aspect of the moral responsibility, for Isaacs there is also a future-oriented concept. He names it collective obligations. These are "obligations that collective agents have to perform actions in the future" (Isaacs 2014, 42). This is a forward-looking collective responsibility, which is prescriptive – as opposed to the collective responsibility which is evaluative.

Clarke (2023, 174) rightly makes a distinction between action-focused obligation which is an obligation to perform an action and an attitude-focused obligation which is an obligation to have or have not an attitude of a certain kind. Here the positive form of obligation comes into play. An action has to be done e. g. a whistleblower who sends an information on the wrongdoing of a company to a representative of that company with the attitude that the company should know this fact and should take the relevant measures to stop that wrongdoing. If it is pursued, then the whistleblower – and by revealing this information to the general public – will be able to judge the trustworthiness of the company – when the company gets to know some wrongdoing – after they have verified the truth of the information - they immediately react and change their behaviour for the better.

Rozeboom (2023, 7) has also an interesting remark: “Doing what is right out of a general sense of duty is enough for morally creditworthy motivation, even without any goodwill-attitudes.” This is especially relevant in business contexts. Even if there is no attitude of doing good, if the overall duty entails to do what is right, this is sufficient for moral creditworthiness. The outcome in form of a morally good action is more important than the intentions or attitudes which lead to that outcome, including the inner attitude and intention. For Rozeboom (2023, 2), a company deserves credit in the form of appreciation, solidarity, trust, and gratitude for doing what is right and it is blameworthy and deserving blame, anger, and ostracism for doing what is wrong.

Another relevant consideration as to moral responsibility is claimed by Demirtas (2022, 571): “To be morally responsible for an action, one must perform that action freely and be aware of various morally relevant factors concerning that action.” In that explanation, the elements of free will in the performance of an action and awareness have to be further analyzed.

List identifies three requirements for free will (2023, 6): “Intentional agency, alternative possibilities, and causal control over one’s actions.” This means that an agent must have an intention to act in a certain manner, and this agent must have alternative options to choose the activity with regard to his intentions – this is known as the “could have done otherwise” requirements and the last requirement is that the actions must be caused by the intentions. By means of these requirements, a free will of the agent can be stated.

The free will can be defined in the following way: “An agent’s ability to exercise the control in acting required to be morally responsible for an action.” (Caruso and Pereboom 2022, 20). This means that the agent should have control of the situation and therefore can be held responsible for the results of the action. The free will shows that there is also an alternative way of acting, there is no determination of only one way of acting but there has to be a choice between alternatives. These alternatives give rise to the control aspect of the agent. It is in the hands of the agent to take an action and therefore it is in the control of the agent to do something good and avoid doing something wrong or harmful to another person or agent.

There is also a link of free will and the possibility of moral responsibility for an action. In order to be morally responsible for an action, an agent has to satisfy two conditions: An epistemic condition, which is fulfilled when the agent is aware of what he was doing, and a control condition, which is fulfilled when the agent is acting freely when he did the action. (Caruso and Pereboom 2022, 20). If these two conditions of responsibility for an action are given, then the agent deserves to be praised for doing good and to be blamed for doing bad.

So the free will and awareness are explained. Hess (2014, 241) correctly states that "it is morally wrong for corporations to lie, cheat and steal but for that to be true, corporations must have moral agency and this requires free will." And corporations also have to take remedies for preventing misconduct and thereby securing that they care for moral integrity.

Finally, a link can be drawn from a legal person which has a moral agency and a free will and thereby can be held responsible and accountable.

After having discussed the implied components of Supply Chain Responsibility, in the next part of this thesis, the actors or addressees of Supply Chain Responsibility are highlighted.

3.4 The actors of Supply Chain Responsibility

In this part of the thesis, the actors of Supply Chain Responsibility are analyzed. They take the individual, collective, and collaborative moral responsibility, and these forms of moral responsibility are now discussed and applied to the procurement area.

3.4.1 Individual Moral Responsibility

As is explained in chapter 3.1, an individual who can be considered an agent, can be held responsible for an action or omission.

An omission takes place, if for example an employee X of a company gets the information that a friend of him made a video during his holiday stay in Bangladesh in which it is shown that very unpleasant working conditions can be seen at a factory which produces goods for the foreign market. The friend detects the name of employee X's company on some of the packaging materials used. But the information is never transmitted to a supervisor nor to the compliance department.

Employee X can be held responsible for the omission to transfer this important information to the relevant persons. If undetected, employee X will not have to suffer any negative consequences. But in case this omission is revealed – by whatever source of information – and the company should have known about this fact – then employee X bears an individual moral responsibility. Due to an individual misconduct, the reputation of the company as a whole is endangered or lost. And it takes far longer to regain a reputation than to lose it.

An example of an action can be given with the following case:

Employee X wants to favour a friend who owns a factory to get an order. In order to be able to place a purchasing order with his friend's company, he has to create fake-competitive offers in order to justify the decision with his supervisors. It has to be demonstrated that the friend's company offers the products at the cheapest market prices.

Although the intention of employee X – to favour a friend – is not per se blameworthy, it still is an action which is detrimental to the company employee X works for. Therefore, employee X is blameworthy of harming the company. If, however, employee X's behaviour remains undetected, there are no immediate consequences for employee X. But if it is detected, the company has to react and terminate the labour contract with employee X.

The individual moral responsibility is taken by the individual who has to be aware of the fact that his or her individual moral behaviour contributes to the company's reputation. So, the individual moral responsibility has a direct link to the collective moral responsibility which is discussed in the next chapter.

3.4.2 Collective Moral Responsibility

Peter French (1984, 13f.) rightly points to three features that all share with collective responsibility:

1) A series of organizational mechanisms through which courses of concerted action can be, though not necessarily are, chosen on a rational basis,
2) A set of enforced standards of conduct for individuals that are more stringent than those usually thought to apply in a larger community of individuals, standards that enable us to talk about both group conduct and group discipline,
3) A configuration of defined roles by which individuals can exercise certain powers.

All these features give rise to the assessment of rendering groups collectively responsible for harm. French also differentiates between a synchronic responsibility for a morally wrongful action or attitude at the time of the action or attitude and a diachronic responsibility for an action or attitude at a later timeframe than the action or attitude (French 2017, 53).

This concept is especially relevant for the discussion of collective responsibility of companies. Especially companies have strict decision-making procedures for their employees which enable them to take decisions within the framework of their individual decision power, in order to contribute to the company's overall goals. These procedures are relevant in order to streamline day-to-day operations for all of the company's employees. Thereby, due to the procedural framework, the individual decisions are in line with the overall company's goals.

This framework of decision-making procedures is laid down in a company's code of conduct but also in other forms of formal operational guidelines. Each employee has to perform a certain role within the company. As Isaacs (2014, 42) states, "organizations have a clear role-definition, decision procedure, and mechanisms for acting in the world that might be outlined in terms of corporate structures and policies, the specification of corporate interests and the like”. This is the content of management of the corporation. As Albin (2018, 195) states, organizations

> are consisting of a chain of hierarchies that distinguishes between managers, who issue directives, and employees, who follow them. Being able to operate collectively according to management decisions and directives is what makes them eligible to bear responsibility for their actions as an organization.

But it has to be taken into consideration that all actions done by managers who are on top of the corporate hierarchy and who are eligible for issuing directives have to respect the overall values of a company. These are laid down in the code of conduct of a company which is mandatory and determines all subsequent decisions and directives for the actions of the employees. It is not only in the company’s interest but also in the interest of all stakeholders of the company, to consider this framework of provisions as guiding principles for all corporate activities and as the relevant ethical principles for corporate action and strategy. Those ethical principles are also relevant for the reputation of a company. Heath (2014, 73) correctly states that “the nature of the managerial role is such that they need to be both trusted and trustworthy.” This reflects the link of the managerial role to an undisputed ethical behaviour which in the end is the basis for trust and trustworthiness in a company.

On principle, this role-setting is relevant for transferring responsibilities to every individual but nevertheless the sum total of all individual responsibilities is not the collective corporate responsibility. The company as a whole has a separate responsibility which exceeds the responsibility of each individual, be it a regular employee or a manager.

In this context, corporate duties should be looked at now: “Group level duties are attributed to the group agent. The group bears a duty in its own right. Corporate duties are analytically and ontologically non-reducible to related member duties.” (de Haan 2023 b, 1693). This statement can be linked to the agency concept. “An agent can have moral duties only if the agent is a moral agent. To qualify as a moral agent, the agent must have moral competence and organized groups can have moral competence when organized in the right way.” (de Haan 2023 b, 1693). In this quotation from de

Haan both the term of moral competence is to be highlighted and the fact that there is a difference between an individual agent's duty and a group agent's duty.

To start with moral competence, it can be stated that an agent can be considered morally competent if the agent has the ability to control its goal-seeking states." (de Haan 2023 a, 5). This control can be a positive or a negative one. A positive control consists of the ability to freely alter one's goal-seeking states in view of different moral challenges. Here the agent has the opportunity of doing otherwise in order to prevent a moral conflict or to overcome a possible harm. A negative control means that there are no other agents to interfere in the process of decision-taking.

It can be seen that the group agency function is the decisive element for the collective moral responsibility – but still the individual moral responsibility also has consequences for the collective moral responsibility – as can be seen in the next part, the collaborative moral responsibility.

3.4.3 Collaborative Moral Responsibility

In the case of Supply Chain Management, the corporate responsibility as a conception of a collaborative responsibility has to be discussed.

According to Wettstein (2012, 155), there are five key elements which constitute collaborative responsibility:

1) It is defined by a moral imperative for collaboration within and across industry and sectors.
2) It must shift emphasis from commission to omission.
3) It is not negative but positive responsibility
4) It is to be understood as essentially political responsibility
5) It is, most basically, human rights responsibility.

The collaborative responsibility is constituted by the fact that not only one company or agent alone is responsible but there is a multitude of companies across industries and sectors involved and they make efforts to take responsibility to solve even global problems in the field of respect for human rights and environmental protection. It comprises also responsibility for what corporations do, but also what they are not doing. All corporations involved in the collaboration process should feel responsible for actions which directly or indirectly are influenced by them.

In this context the concept of strict responsibility or remedial responsibility comes into play.

Originally, this concept was developed by Richard W Wright. In his paper "Causation in Tort Law" he distinguished between three forms of liability (1985, 1750):

> Absolute liability has meant prima facia liability based merely on causation of harm to another;
> Strict liability requires, in addition to causation that the harm result from conduct which created a foreseeable, unaccepted risk of harm to another that could have been avoided;
> Fault liability requires, in addition to causation, that the harm result from conduct which should have been avoided given the foreseeable risks.

The application case for absolute liability here is a direct link of liability of the wrong-doer, who caused harm, and the person suffering from that harm. There is a causal relationship between the deed and the consequence in form of liability for that deed. In the case of strict liability in the sense of Wright there is still the causation aspect in force but here the harm could have been avoided since there is a foreseeable risk of harm involved. Since the harm could have been avoided, this concept can be seen as a noncausal form of liability (Wright, 1985, 1748). It is in the hand of the wrongdoer to avoid the harm and it is the free will that the wrongdoer could also do otherwise and thereby contributing to overcome the harm risk.

This aspect of avoidance of harm is more severe in the case of fault liability because there is an obligation involved to avoid the foreseeable risk. This was the terminology of Wright.

But there has been a distinct elaboration on the concept of strict liability in the wake of further research on that topic. Since this concept is relevant for the context of Supply Chain Responsibility and supply chain decisions, the approach of Honoré will be discussed now.

Strict liability according to Honoré (1995, 369) is liability not for wrongful conduct but for engaging in certain risk-creating activity. This concept has its origin in tort law where a causal connection is always looked for. The usual question is whether one person or agent behaved in a certain unlawful or undue risk-creating way as to cause a harm. The general liability is based on fault and puts forward a question such as "What would have happened had he acted properly?" (Honoré 1995, 372).

But in the case of strict liability, the legal liability for torts that is not conditional on fault (Pasternak 2021, 60) comes at the forefront of the considerations. Can someone be liable for actions or omissions that were not caused by or that could not even be influenced by that person? As Honoré demonstrated, that can be the case. In order to illustrate that fact, an example will be given: In the case of supply chain activities and the concept of collaborative responsibility, there is the following general problem:

A company A cannot be blamed for a misconduct of company B or C (as a sub-contractor) if company A has no causal influence on the activities of company B or C. The only consequence can be, if company A is informed by a wrongdoing of company B or C, it must react by terminating the business relationship but at the same time company A can also take responsibility by compensating for the harm done by company B or C. For example, in case of too low a wage level making compensation payments or in case of health problems of workers due to dangerous and unhealthy working conditions in making up for the healing costs of the workers.

Company A can start the compensation immediately and can then enter into a lawsuit against company B or C (as subcontractor of B). But first of all, it is important to act quickly if a company is aware of the problems caused by their partners. This is also an example of the extensiveness of the Supply Chain Responsibility – the responsibility of a company does not end at the borders of the own company but also includes its partners and the responsibility is also taken even if there is no causal attribution of responsibility to company A. To fulfil the Supply Chain Responsibility, this means to take into account each and every misconduct of both the own company but also of any partner involved across the supply chain.

This can be illustrated with an example.

Company A is buying products from company B which buys from company C as a subcontractor for company B. Company A has a rigorous code of conduct which is also binding for suppliers. Company B also has a good reputation and guarantees the obedience of the code of conduct of company A. However, it does not reveal to company A that the real producer of the products is company C which does not qualify as a company respecting human rights and environmental standards, and on top, company C is exploiting its workers and pays wages which rank below the local subsistence line and also is responsible for toxic conditions during the production process which can lead to cancer and other severe illnesses of the workers.

As long as company A does not know about the fact of the real producer, they cannot be held responsible for that and are not blameworthy for any misconduct. However, if they detect or get the information that the real producer is company C, then they should take the responsibility by both terminating the business relationships with company B due to deceit on the real production company, but should also take a remedial responsibility by paying damages to the workers of company C in order to make up for the health problems incurred by company C. By that, the Supply Chain Responsibility is fulfilled and company A has an undisputedly good reputation.

After having discussed the constituents and actors of the Supply Chain Responsibility, in the next chapter an interim conclusion is drawn in order to bring the elements described so far to a justifiable solution and to set the basis for the final conclusion of this thesis.

4. Interim Conclusion

In this part of the thesis, a partial conclusion is given as to the different forms of responsibilities which are discussed in the main part of the thesis. The overall conclusion at the end of this thesis integrates these parts into a general conclusion as to what constitutes the Supply Chain Responsibility. But in order to bring the elements dealt with up to now, to a certain coherence, a separate conclusion for each forms of responsibility within the overall concept of Supply Chain Responsibility is presented.

In each parts of the interim conclusion, the responsibility means that each agent takes care for human rights, fair payment and healthy working conditions for the labour force as well as supports environmental protection.

4.1 Interim Conclusion on Individual Supply Chain Responsibility

The individual responsibility has its focus on each employee of the company working in the purchasing department. Those employees have a definite role within the company and they have to follow the guidelines and ethical principles laid down in the company's code of conduct. The paradigmatic case for a morally good acting in the purchasing department is constituted by a rejection of any form of amoral acting such as tempted bribery, forced "overlooking" or "overhearing" of some doubtful practice on the part of the supplier. In that way the act of preventing amoral acting is very important but whenever amoral acting by any employee or manager is detected, immediate action has to follow and that person has to leave the company and a layoff – not only giving notice – is the consequence. This drastic consequence (the immediate layoff of that employee or manager) will have a deterrent effect on the other employees and managers – they see that amoral actions have severe consequences and the procedures laid down in the code of conduct will be followed without any compromise and without accepting an excuse for that amoral behaviour. There cannot be any leeway in evaluating amoral behaviour – there is only one consequence backed by its deontological character: Either you abide by all rules and regulations or you have to leave the company.

To bring these considerations on the individual supply chain responsibility into a logical form, the following scheme can be applied:

Premise 1: All employees in the purchasing department are acting morally responsibly.
Premise 2: X is an employee.
Conclusion: X is acting morally responsibly.

If the company alone acts morally responsibly, it cannot be inferred that also the Supply Chain Responsibility is fulfilled since this form demands more than only the own company.

The same is true also of the managers in the purchasing department. They also have to act morally responsibly – and this is important especially as they can be seen as a role-model for the desired behaviour and they have an exemplary function for the employees of that company.

It also can be stated that the following logical analysis does not lead to the fulfilment of the Supply Chain Responsibility:

Premise 1: Only some employees/managers in the purchasing department are acting morally responsibly.
Premise 2: X is an employee/manager of the purchasing department.
Conclusion: X is probably acting morally responsibly but also probably not.

In this conclusion, no definite answer as to the moral responsibility can be given. It is clear that even if it is the case that only one single employee or manager of the purchasing department acts amorally, the consequence is that the whole company and – if that company is active with other partners across the supply chain – the whole Supply Chain Responsibility cannot be fulfilled and as a further consequence the trustworthiness of the company is suffering.

4.2 Interim Conclusion on Collective Supply Chain Responsibility

In the case of the collective responsibility, the company as a whole, functions as a group agent with its idiosyncratic form of responsibility. This is founded in the legal status of a legal person or legal entity with its separate rights and duties and is laid down in the overall rules and regulations as stipulated in a code of conduct – which is binding for all agents of the company.

Premise 1: Company A acts morally responsibly and its code of conduct is binding for all employees and managers within the company.

Premise 2: Employee X is working in the purchasing department of company A and is abiding by the code of conduct.

Conclusion: Employee X acts morally responsibly and therefore also company A acts morally responsibly.

In the case of collective responsibility, the company as a whole is the focus of considerations, and as is explained in the previous parts of this thesis, they are to be considered as group agents with a separate intention to follow business practices in accordance with desired ethical standards. And the respect for these standards has to be abided by the company itself, every individual agent (employee, manager), but also by all potential partners of that company.

This is especially important in the case of the purchasing department since they are always working with outside partners to fulfil the function of the purchasing department's role. They have the authority of entering into negotiations with potential suppliers but every individual agent has to keep in mind that whatever partner is chosen, every single supplier (including any subcontractor) has to respect the business standards and moral requirements of the company which gives orders, i. e. which functions as a client to the supplier. Normally, the role of a client is a very powerful role on the market and therefore it is possible to impose the client's will as to moral standards on the supplier.

So, in order to maintain the collective responsibility standard, all agents have to secure the company's standards also with outside partners, and therefore it is necessary that all employees and also managers in the purchasing department have to be aware of these standards and have to integrate them just from the beginning of negotiations with outside partners. The existence of a code of conduct which is mandatory also for suppliers, has to be communicated as of the first contact with a potential supplier and has to be fixed in the contract if the negotiations come to an end and the beginning of a formal basis for a business relationship is stipulated.

4.3 Interim Conclusion on Collaborative Supply Chain Responsibility

With the form of collaborative responsibility, the most complex form of responsibility within the supply chain is reached and it can be claimed that the collaborative responsibility can be considered to be the paradigmatic form of Supply Chain Responsibility – since the prerequisite for that form of responsibility is that also the forms of individual and collective responsibility are contained and integrated into it.

The collaboration takes place when several companies are linked via business relationships to each other but in order to fulfil the Supply Chain Responsibility, morally good acting is necessary both within and between the companies across the supply chain.

Premise 1: All companies across the supply chain of company A act morally responsibly.
Premise 2: Company B is a company across the supply chain of company A.
Conclusion: Company B acts morally responsibly and therefore also company A acts responsibly.

In order to sustain this conclusion, company A has to secure that company B maintains the required standards of company A. Whenever company A detects any breach of these standards, immediate action has to follow and the business relationship has to be terminated. Only in this way, the trustworthiness and the moral responsibility of company A can be maintained.

But what if company B makes use of a subcontractor C which is not known to company A and which is also not revealed to company A? As long as this fact is not known to company A, it is not a breach of morally responsible acting of company A and A is not blameworthy for that fact. But whenever this is known or revealed by either outside sources, e. g. a journalist or blog article on social media or by the way of an internal revelation of testimonials of a wrongdoing, the company has to immediately take on investigations to verify this information.

In case of finding proof-points, the business relationship with company B has to be terminated, even if company B itself acts morally responsibly – but due to the fact that company B makes use of a company C which acts amorally, in whatever sense, it is not a trustworthy partner any more. Company A can also encounter a strict liability in case of doing harm to workers or their relatives due to unhealthy working conditions at company C. This is also relevant for the overall reputation of company A. They claim to be trustworthy as regards their attempts of acting morally responsibly across the supply chain.

Whenever a misdeed is detected, even if company A is not causally responsible for that, they take on a remedial responsibility of making up for any harm done to people outside the own company but working for a company which is a partner for company A, even if this is not evident for company A and is revealed only at a later stage. The moral responsibility does not end at the borders of company A but it is valid across the supply chain. Therefore, it is binding also for partners originally unknown to company A, but there is a moral obligation to make up for any harm directly or indirectly caused by the company, even if there is no legal obligation to compensate for that harm, the true moral obligation demands the compensation in order that the Supply Chain Responsibility is fulfilled.

After having pointed out an interim conclusion for the different actors of the Supply Chain Responsibility, an overall conclusion of this thesis can be given in the last chapter.

5. Overall Conclusion

After having presented the interim conclusion, we can now turn to an overall conclusion of this thesis. The research question can be answered in the following way:

It is possible for companies to fulfil their responsibility across the supply chain by having a code of conduct which is mandatory for all employees, managers but also outside third parties to the company. There is an unconditional obligation to act according to the provisions of this code of conduct. Ethically, this has to be considered a deontological approach. There is the unconditional obligation to follow the provisions laid down in the code of conduct. Those ethical standards which are integrated in this code of conduct build the core of trustworthiness, the most important goal for companies to create a good reputation on the market. This is relevant for both the consumers and the suppliers of that company. Consumers also want to maintain ethical standards and are more and more conscious of this aspect. At the same time, also suppliers have an interest to maintain moral standards with their clients – these are other companies with which they are entering into business relationships – for maintaining a good reputation.

In case of respect for the overall responsibility of companies for their supply chain, also the subquestions of this thesis can be answered. There is an interrelationship between the responsibility of the individual employee or manager, the company as a whole, and the companies which are linked across the supply chain.

It can be claimed that the Supply Chain Responsibility is located at the intersection between individual, collective, and collaborative moral responsibility but all these different forms of responsibility have to be fulfilled at the same time with no exception. It can be claimed that there is the necessary condition that every agent in the supply chain acts morally responsibly but there also is the sufficient condition of maintaining remedial measures to make up for any wrongdoing by any agent – be it an employee, a manager or a supplier of the company. Whenever a wrongdoing is detected, the company has to react and terminate the labour contract with the employee or manager as well as the business relationship with the supplier in case of any wrongdoing on either part.

The necessary and sufficient condition of Supply Chain Responsibility can be formulated in the following way:

Only if each agent involved in the procurement process of a company acts morally good, and whenever a wrongdoing by whatever side is detected, if immediate action to make up for the harm or damage is taken, then the Supply Chain Responsibility is fulfilled.

Companies have to secure that every agent in the supply chain acts morally responsibly because otherwise the whole system of Supply Chain Responsibility is endangered and cannot be maintained and in the end, it also cannot be fulfilled. The reputation of a company is also dependent on a Supply Chain Responsibility and therefore, this form of responsibility can function as a blueprint for a general corporate responsibility. Due to the complexities and extensions of the Supply Chain Responsibility, it forms a sound basis for any corporate responsibility. It is justified to claim that with a Supply Chain Responsibility which is fulfilled by all agents and partners involved, the reputation of a company is undisputed, and if all companies fulfil this responsibility, also the legal regulations are unnecessary and the business world will become a better place.

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