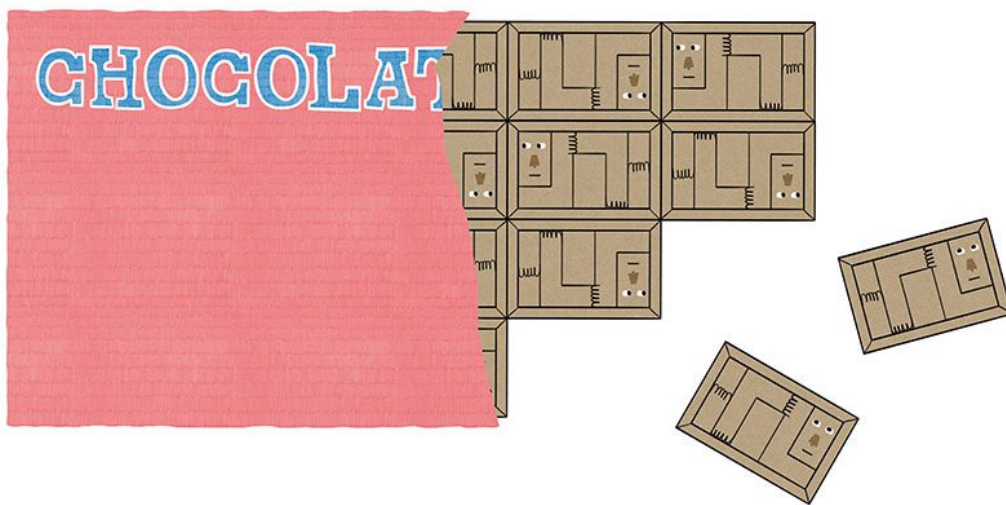


How ethical is your supply chain? Lessons from Tony's Chocolonely

From labor practices to environmental sustainability, is your business accounting for the true cost of what it produces? Here's how to be profitable without profiteering.



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By [Christopher Marquis](#)

For years we've heard of the negative impacts of fast fashion — the intense pressure on suppliers to cut costs, forcing them to find cheaper sources of labor, including children, not to mention the harmful effects on the environment, with piles of disposable clothes ending up in landfill sites around the world. Still, that well-publicized knowledge hasn't stopped consumers around the globe from buying a new piece of clothing every five days, on average.

If that's the situation for fashion, what hope is there to break the cycle for another beloved consumer good: chocolate? As with fast fashion, chocolate is another product enjoyed in the Global North that has deep costs to others largely in the Global South. The largest chocolate manufacturers are able to keep their prices low because most cacao farmers earn less than \$1 a day. And in the main cacao-producing regions of West Africa, children as young as five are sometimes forced to work up to 14 hours a day, hauling heavy bags and wielding dangerous tools such as chainsaws and machetes to clear land and hack bean pods from trees.

Although these practices are illegal, as with fast fashion, a lot depends on how well the supply chain is monitored and incentivized to ensure compliance. And although some consumers opt for fair-trade chocolate to feel good about their purchase, most don't give a second thought when they buy their favorite cheap candy bar to how the company made it and whether there were systemic injustices in the supply chain.

Supply chains are murky. Despite the proliferation of information and awareness today, there are still an estimated 160 million child laborers in global supply chains, according to the [International Labour Organization](#). That amounts to 1 in 10 of all children worldwide, over a third of whom are not attending school. Many are enslaved, doing hazardous work with little or no supervision or control mechanisms.

Such practices remain “out of sight, out of mind.” As implied by the title of my recent book, [The Profiteers: How Business Privatizes Profits and Socializes Costs](#), for far too long, many large companies — from chocolate to fashion — have externalized the negative impacts of their operations while continuing to rake in huge profits. And even if these companies have impressive-sounding sustainability programs, these may apply only to parts of their supply chain and primarily address symptoms rather than the underlying factors that contribute to the worst harms.

My academic research shows this to be true. My co-authors and I [studied 4,750 public companies](#) across many industries, with headquarters in 45 countries. Despite growing stakeholder demands on companies to be more sustainable and report on their impacts, we

found that *selective disclosure* of positive actions — such as achievement of some responsible-sounding certification — is often used to distract from the existence of less savory behaviors.

No one wants to support sweatshops, but our ignorance of on-the-ground realities is facilitated by corporations who, at best, don't want us to think too hard about the conditions in their supply chains or, at worst, actively sow disinformation to gaslight the public into believing there's nothing to worry about (as in the case of the fossil fuel industry). Either way, no one wants to pay higher costs for goods.

Who bears these costs? First of all, children, particularly those in rural economies beyond the reach of inspectors, workers' rights organizations and faraway producers. But ultimately, all of us are implicated. The more that we profit by perpetuating these conditions through our production, distribution and marketing practices, and then try to pass off the associated costs onto others, the more we are complicit in degrading the public commons. The biggest crises of our day — climate change, inequality and racism — are intimately connected to the same underlying issue: the free lunch served to businesses every day of the year when we choose to externalize, rather than internalize, the consequences of our actions.

What's the true price?

It's not all bad news. By exposing what's happening deep in supply chains, some responsible actors are proactively creating programs and systems to alleviate the problems. In my book, I feature exemplary business leaders who are working to shape a sustainable global economy.

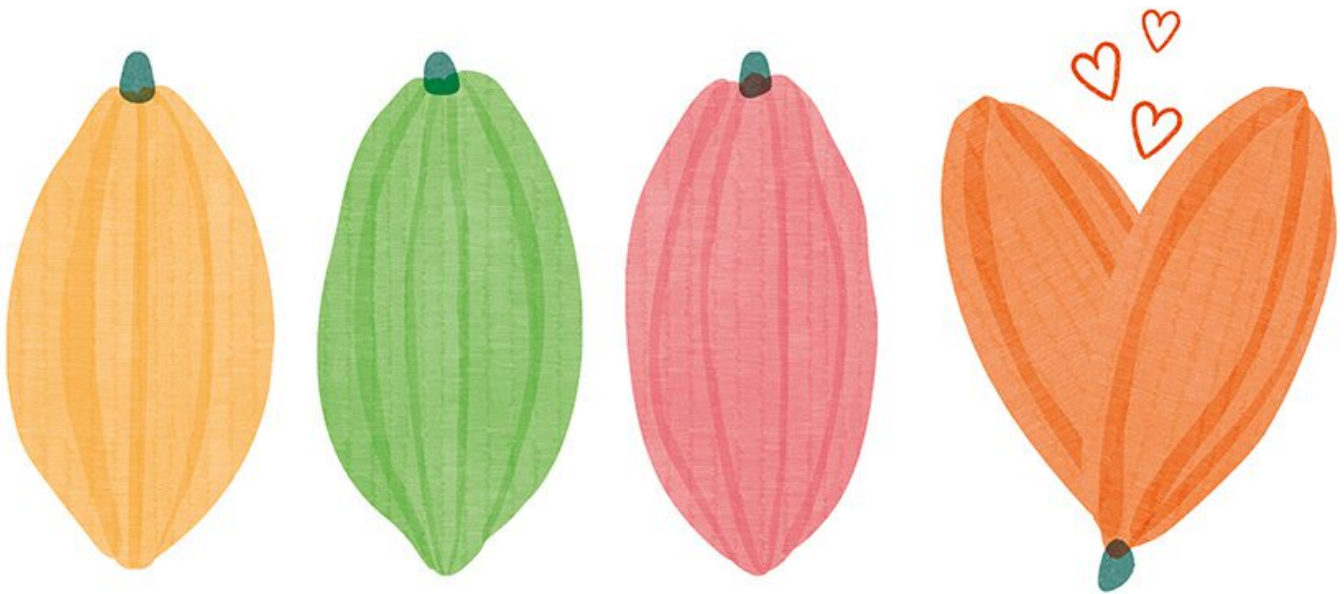
One such person is Michel Scholte, a social entrepreneur in the Netherlands who co-founded [True Price](#). It was while studying sociology in college that he came to the conclusion that the Global North keeps "commodity countries in subservient positions" so as to exploit their natural resources and labor for the benefit of consumers in the developed world. Since producers in the developing world are not fairly compensated, they lack the capital they need to advance economically. It is a systemic trap that ensures these practices will continue — unless we change our laws, business practices and consumption behavior.

As the name suggests, True Price advocates for building the true cost of production into everything sold, enabling consumers to see the full picture of their purchase and buy accordingly. Using the United Nations' [Guiding Principles on Business and Human Rights](#), True Price seeks to establish baseline standards for all supply chains, which must include

workers having adequate food, water and shelter, at the very least. It also means the production is free from deadly toxins and other environmental harms.

Making a guilty pleasure less guilty

Another company working to address the systemic injustices in global supply chains is [Tony's Choclonely](#), also based in the Netherlands. Frustrated after years of trying to draw attention to the issue of child slavery on cacao farms, investigative reporter Teun van de Keuken resorted to a TV stunt, whereby he ate some chocolate and then turned himself in to the police to be arrested as an accessory to the crime of child slavery. No charges were filed, but it raised greater awareness and inspired him to launch his own ethically produced chocolate company in 2005, named Tony (after Teun) and "lonely" to represent his seemingly lone battle to get the chocolate industry to change its ways.



The company works through cooperatives in the West African nations of Ghana and Ivory Coast, helping thousands of farmers to earn a decent wage. That in itself is a step forward,

considering that, for most of the industry, barely 5-6% of the price of a bar of chocolate goes to the farmer. Tony's certifies that its labor is 100% slave-free — which you wouldn't think is a claim that would have to be made in this day and age, but sadly it's not yet the norm.

From awareness-raising to leading by example, Tony's next move was to tackle these issues in a more systematic way. It partnered with True Price to assess the real price of the cacao it was buying. Even though Tony's paid better than others in its sector, there was still a worrisome gap between what the company was paying and what would provide workers with a humane standard of living. Knowing that a root cause of bigger problems (like illegal child labor, modern slavery and deforestation) is low wages, Tony's has kept pushing to close that gap. Since 2013, the company has committed to paying farmers a Living Income Reference Price (LIRP) that includes additional premiums on top of what qualifies as the [Fairtrade International](#) premium.

Best practices

For me, the Tony's case provides insight into some best practices that all companies can follow to combat these issues and make their supply chains more ethical.

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Sinyi Professor at the University of Cambridge Judge School of Business. Prior to Cambridge, he was at Cornell, Harvard Business School and the Harvard Kennedy School. He spoke on his book, [The Profiteers](#), during an event co-organized by IESE's [Institute for Sustainability Leadership](#) (ISL) and Norrsken Barcelona in October 2024.

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