



**Asia-Pacific  
Economic Cooperation**



# **Deepening the Value of Business Ethics for APEC SMEs**

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**How Ethics Builds Trust, Drives Trade, and Fuels  
SME Growth Across APEC Economies**

**June 2025**





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# **Deepening the Value of Business Ethics for APEC SMEs**

**How Ethics Builds Trust, Drives Trade, and  
Fuels SME Growth Across APEC Economies**

**APEC Small and Medium Enterprises Working Group**

**June 2025**

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# EXECUTIVE SUMMARY

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As small and medium-sized enterprises (SMEs) in health-related sectors in the APEC region navigate an evolving and dynamic business environment, evidence continues to highlight the critical role of robust ethics and compliance programs in driving economic success. Previous research from the Business Ethics for APEC SMEs Initiative (“Initiative”)<sup>1</sup> found that health-related SMEs with strong ethics maturity saw an expansion of cross-border trade opportunities, reduced staff turnover, higher employee wages, and an overall benefit to economic performance. Building on these findings, the Initiative undertook in-depth qualitative research to examine which specific components of ethics maturity generate the greatest economic value for health-related SMEs, and to better understand the mechanisms behind their impact.

This additional research validates the findings from the previous research and expands upon them by providing concrete examples of how certain components of ethical maturity translate into economic benefits and opportunities for SMEs.

Through in-depth interviews with 17 health-related SMEs across nine APEC economies, this research offers a deeper examination of the economic value associated with key elements of ethics maturity. It provides meaningful insight into the motivations guiding SMEs and illustrates how they progress along their ethics journey to achieve economic benefits.

The research sought to answer four questions, which resulted in the following key takeaways:

- ***Which components of ethics maturity stood out by yielding the greatest economic benefits to health-related SMEs?*** The research showed that employee training at onboarding, conflict of interest policies, robust due diligence of business partners and unwavering compliance with local laws, regulations, and customs procedures are the most common components of ethics that provide the ability to unlock new markets, strengthen partnerships, and drive long-term growth.
- ***How do SMEs perceive the relationship between these components and their business objectives?*** SMEs view trust and reputation as fundamental to achieving economic success, built through a steadfast commitment to ethical standards. These qualities contribute to several key advantages: improved access to business partners and tendering opportunities, decreased exposure to demands for illicit payments or unethical practices, and more efficient regulatory approvals with fewer administrative obstacles.
- ***What motivates health-related SMEs to adopt such programs?*** Health-related SMEs are motivated by the goal of becoming trusted and valued partners within resilient supply chains. Building this resilience requires multinational corporations (MNCs) to lead the promotion of high ethical standards. SMEs, in turn, adopt these standards to position themselves as reliable distributors, suppliers, or service providers. By conducting rigorous due diligence on business partners, SMEs contribute to the development of robust supply chains that are less vulnerable to disruptions caused by allegations of corruption.
- ***Do firms rely on their own experiences or external expertise to shape their ethical practices?*** Industry codes of conduct, often developed and maintained by industry associations, serve as a vital tool for health-related SMEs to advance their ethics maturity. These codes enable resource sharing, reduce costs, and accelerate the journey toward ethical maturity. By establishing clear standards, they help SMEs implement the necessary policies to secure business partnerships and gain access to local procurement opportunities.

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<sup>1</sup>Asia-Pacific Economic Cooperation. (2021) The Value of Business Ethics for APEC SMEs: Economic Gains and Ethics Program Maturity in Health-Related Sectors During the Pandemic. Asia-Pacific Economic Cooperation, APEC Small and Medium Enterprises Working Group.  
<https://www.apec.org/publications/2021/11/the-value-of-business-ethics-for-apec-smes>



*Derived from these findings, the research offers specific recommendations for those who work to advance business ethics and integrity, either within or in partnership with the following stakeholder categories:*

### **Small and Medium Enterprises**

SMEs should implement the key components of ethical maturity that drive economic growth and unlock new opportunities. These include conducting comprehensive training during employee onboarding, establishing robust conflict of interest policies, enhancing due diligence practices for potential business partners, and maintaining a strong commitment to regulatory compliance—both within their current jurisdiction and in any markets targeted for expansion.

### **Multinational Corporations**

MNCs should continue supporting SMEs in achieving ethics maturity by promoting high ethical standards and providing tailored guidance on implementing effective ethics programs. By upholding these standards and requiring their business partners to adhere to them, MNCs and SMEs can together build more resilient supply chains and unlock greater business opportunities. Additionally, MNCs should consider refining their due diligence processes to better accommodate SME participation, recognizing the valuable role they play in fostering resilience and integrity across the supply chain.

### **Industry Associations**

Industry associations should continue to prioritize the development and reinforcement of ethics codes, as these serve as valuable tools for building SME capacity and supporting their ability to adhere to ethical practices. Strengthened ethics codes also help SMEs reach ethical maturity more efficiently and at a lower cost, leading to positive economic outcomes.



# INTRODUCTION

For small and medium-sized enterprises (SMEs) in health-related sectors across the APEC region, ethics represents more than a moral responsibility—it is a strategic business asset. These enterprises are not just producing everyday consumer goods; they deliver life-saving medications, cutting-edge surgical tools, and transformative health technologies. In an industry where trust and reputation are paramount, robust ethics and compliance programs have emerged as critical indicators and drivers of economic success. The health sector is distinct in that the end-users of pharmaceuticals, medical technologies, surgical tools, and related products depend on them for their well-being. As a result, trust in these products is essential and cannot be compromised.

Previous research findings of the Business Ethics for APEC SMEs Initiative<sup>2</sup> demonstrated the economic benefits of ethical maturity, including that health-related SMEs with strong ethics maturity saw an expansion of cross-border trade opportunities, reduced staff turnover, higher employee wages, and an overall benefit to economic performance. To recall, the first phase of research under this initiative identified trends relating to which components were commonly present in companies with high ethics maturity

Building on those findings, this research explores in greater depth the specific components of ethics programs that yield the greatest economic value. Through qualitative interviews with 17 SMEs across nine APEC economies, the study reveals how strong ethical practices—including training during onboarding, conflict of interest policies, robust due diligence of business partners and unwavering compliance with local laws and regulations—unlock new markets, strengthen partnerships, and drive long-term growth.

This report not only confirms the connection between strong ethical practices and economic performance, but also demonstrates how SMEs can leverage trust, industry standards via industry association codes of ethics, and multinational partnerships to thrive in a highly competitive, high-stakes environment. In the health sector, ethics is not merely “good for business”—it is essential for long-term survival and success.

## HYPOTHESIS

The hypotheses at the outset of the research were threefold:

1. Qualitative interviews with SMEs would validate the quantitative findings from previous research, namely that strong ethical maturity yields positive economic benefits.
2. Certain components of ethics and compliance programs would stand out as crucial elements of ethical maturity that provide the greatest economic benefits.
3. The qualitative interviews would enable the identification of those components and how they lead to greater long-term economic health, enhanced business partnerships, and result in better quality products among SMEs.

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<sup>2</sup>Asia-Pacific Economic Cooperation. (2021) The Value of Business Ethics for APEC SMEs: Economic Gains and Ethics Program Maturity in Health-Related Sectors During the Pandemic. Asia-Pacific Economic Cooperation, APEC Small and Medium Enterprises Working Group.  
<https://www.apec.org/publications/2021/11/the-value-of-business-ethics-for-apec-smes>



## Methodology

Interviews were conducted from 2 December 2024 to 3 April 2025 and consisted of qualitative interviews with 17 health-related SMEs across nine APEC economies, including companies from Australia; Canada; Chile; Japan; Malaysia; Mexico; Peru; the Philippines; and Viet Nam. The SMEs interviewed had an average of 359 employees. The companies were a mix of globally active firms and those focused on domestic growth. All interview participants voluntarily opted into the study, suggesting a higher likelihood of ethical maturity and commitment to responsible business practices. To ensure the authenticity of insights, all interviewees were leaders of independently operated SMEs, rather than affiliates of larger corporate entities.

The interviews used 20 qualitative questions to assess business operations, ethics program maturity, and their role in growth and anti-corruption efforts. In keeping with previous research, the questions focused on specific components of ethics and compliance programs to determine which yielded the greatest economic benefits to APEC SMEs, including:

- Training and education programs tailored risk indicators.
- Third-party due diligence frameworks.
- Conflict of interest (COI) policies and monitoring.
- Investigations and reporting of misconduct.
- Use of compliance tools.
- Integration of ethical standards into business operations.

Via the questionnaire, the research sought to answer four main questions:

- Which components of ethics maturity stood out by yielding the greatest economic benefits to health-related SMEs?
- How do SMEs perceive the relationship between these components and their business objectives?
- What motivates health-related SMEs to adopt such programs?
- Do firms rely on their own experiences or external expertise to shape their ethical practices?

The questionnaire is available in **Appendix A**.

## RESEARCH INSIGHTS

For SMEs in health-related sectors, partnerships play a vital role in driving growth. Whether acting as distributors of multinational corporations (MNC) or as suppliers within MNC supply chains, private sector collaborations are essential for scaling operations and achieving long-term success. Equally important are public sector partnerships, where governments that recognize the ethics maturity of SMEs can facilitate their entry into lucrative procurement markets. These relationships are not just beneficial, they are transformative. The research revealed that ethics maturity and a steadfast commitment to ethical principles are decisive factors in how successfully SMEs secure these partnerships and, in turn, economic opportunities.

When charting their growth strategies, SMEs consistently prioritize longevity over fleeting financial gains. Many of those interviewed expressed a willingness to forgo short-term profits rather than compromise their integrity by engaging in corrupt practices. For these companies, the lasting value of a reputable and trustworthy brand far outweighs the temporary allure of corruption-tainted contracts. In fact, corruption was widely seen as a losing proposition: once a company signals its willingness to engage, demands for illicit payments tend to escalate, ultimately eroding both profitability and reputation. By rejecting corruption today, SMEs are building a foundation for sustainable success tomorrow.

SMEs also navigate a complex web of influences from their business partners and investors. To attract capital and secure investment, SMEs recognize the need to meet the ethical standards set by their stakeholders. Investors, in particular, demand transparency and accountability, making ethics maturity a prerequisite for funding. This alignment between ethical practices and investment readiness underscores the economic value of integrity.

***In the context of ethics, trust is the foundation—not a byproduct. Trust is the real currency when it comes to ethics and compliance. Without it, nothing else is sustainable—not the business, not the brand, not the bottom line.***

*- Pharmaceutical company engaged in manufacturing, sales, and distribution.*

The role of industry associations emerged as another critical factor in helping SMEs enhance their ethics maturity. Industry codes of conduct, often developed and maintained by industry associations, serve as a vital tool for health-related SMEs to advance their ethics maturity. These codes enable resource sharing, reduce costs, and accelerate the journey toward ethical maturity. By setting clear standards, they help SMEs implement the necessary policies to secure business partnerships and gain access to local procurement opportunities. Adherence to these standards ensures fair transactions with medical institutions and contributes to the broader integrity of healthcare systems. By leading on ethics and compliance, industry associations play a pivotal role in controlling rising medical costs and improving healthcare access for entire populations.

***As part of the pharmaceutical sector, we adhere strictly to our association's standards...Above all, we promote our products in line with the highest ethical principles.***

*- Pharmaceutical distributor of oncology medicines and generic cancer treatments.*

Together, these insights paint a compelling picture: ethics maturity is not just a moral compass for SMEs—it is a strategic advantage that drives economic growth. By fostering trust, aligning with industry standards, and prioritizing long-term resilience over short-term gains, SMEs position themselves as indispensable players in the health sector. The findings below delve deeper into the elements of ethics maturity that deliver the greatest economic benefits, organized into four key takeaways.

## **I. Components of Ethics Maturity with the Most Economic Impact**

The qualitative interviews largely confirmed the findings from The Value of Business Ethics for APEC SMEs and further deepened the Initiative's understanding of how and why ethical maturity drives economic performance. The previous research found that a high or medium level of ethical maturity meant that SMEs were “more likely to grow revenues, add employees, increase employee wages, as well as grow revenue from international customers and expand their businesses into new markets.”<sup>3</sup> This research sought to determine which specific components of ethics maturity was most likely to deliver these beneficial results.

When asked how SMEs achieved these benefits, three responses emerged:

- Training at onboarding and at regular intervals improved employee retention, communicated company culture and expectations clearly, and reduced the likelihood of internal investigations.
- Strong adherence to conflicts of interest provisions enabled SMEs to build trust in their brand.
- Strict regulatory compliance opened opportunities for domestic and cross-border expansion.

<sup>3</sup>Asia-Pacific Economic Cooperation. (2021) The Value of Business Ethics for APEC SMEs: Economic Gains and Ethics Program Maturity in Health-Related Sectors During the Pandemic. Asia-Pacific Economic Cooperation, APEC Small and Medium Enterprises Working Group.  
<https://www.apec.org/publications/2021/11/the-value-of-business-ethics-for-apec-smes>

## Training Fosters Ethical Cultures, Loyal Employees, and Better Performance

Comprehensive ethics training, both during employee onboarding and through regular refresher courses, fosters an ethical culture while delivering economic benefits. Among the SMEs interviewed, the majority reported implementing annual compliance training, with some incorporating quarterly refresher courses. SMEs that invested in comprehensive training reported lower employee turnover, reduced internal investigations, and increased resource allocation toward revenue-generating activities such as sales and marketing.

Interview findings further demonstrated that ethics training strengthens internal accountability and operational stability. For example, two respondents emphasized how regular training and robust adherence to their ethics programs have strengthened their ethical culture, reducing the need for costly internal investigations. All employees were expected to understand the ethical practices of the company and conduct themselves accordingly. This has driven a net economic benefit, as funds that would have otherwise been allocated to managing employee misconduct could instead be directed toward profit-generating activities.

Similarly, another respondent highlighted that while their program began as a compliance-driven initiative, it is now evolving to reinforce good practices through education, promoting operational stability and employee retention.

Training efforts often focus on sales and marketing roles, as these positions often face more exposure to corruption risks—particularly in their interactions with healthcare professionals and government officials—with procurement risks specifically tied to the latter. Interviews revealed that unethical practices, such as undue influence in product approvals or procurement decisions, can significantly undermine product credibility.

Training also helped companies manage their third-party corruption risks. A respondent stated that they required all distributors they partner with to complete training related to anti-corruption regulatory obligations and mandated an attestation of completion prior to contracting with business partners. Additionally, their ethics training, delivered annually and during onboarding, ensured that customer-facing roles met evolving regulatory expectations, mitigating risks of corruption and strengthening third-party accountability.

Some SMEs have begun to leverage digital tools to enhance their training programs. Digitization has the potential to improve efficiency, provide a tailored approach to employees who require it, and ensure consistent knowledge retention across all employees. Digital tools can assist with employee course correcting and have the benefit of saving on potentially expensive recruitment campaigns, as well as on costly investigations should things go awry.

In summary, training during new employee onboarding allowed SMEs to add employees, reduce turnover, strengthen company loyalty, reduce costly investigations, and retain capital for activities that generate economic returns.

### Strong Conflicts of Interest Provisions Yield Growth

A clear trend emerged from the interviews: SMEs engaged in research and development, partnerships with multinational corporations, or distribution activities consistently reaped economic benefits from robust conflict of interest (COI) policies. These policies functioned not merely as procedural safeguards, but as strategic assets. By protecting their brand integrity, SMEs fostered greater trust in their products, boosted sales, and improved access to high-value business partnerships.

For many SMEs, the risk posed by even the perception of a conflict of interest is too great to ignore. Several companies have implemented strict measures, including prohibiting healthcare professionals from serving on their boards or management teams. The rationale provided was simple yet powerful: their ability to grow and remain economically viable depends on the trust they earn from healthcare practitioners, patients, and buyers. Any suggestion that their products might be influenced by conflicts of interest is seen as a critical threat to both reputation and long-term success.

**SMEs that invested in comprehensive training reported lower employee turnover, reduced internal investigations, and increased resource allocation toward revenue-generating activities such as sales and marketing.**

By prioritizing transparency and accountability, these SMEs are not only safeguarding their brand reputation but also building a foundation of trust that fuels sustainable growth and positions them as leaders in the health sector.



**Example:** A distributor of surgical tools for multinational companies stated it was essential that no surgeon ever be an investor or board member of the company. Surgeons are the buyers of the products they sell, and any perceived conflict of interest has the potential to damage their reputation and result in economic decline.

*Other companies sought to focus on transparency in their employment relationships.*



**Example:** Another respondent requires all employees to disclose potential conflicts of interest, including financial relationships with suppliers or competitors. Employees must report any such relationships and are prohibited from making procurement decisions if they have personal ties to a vendor. Gifts or incentives above a certain value must also be declared and approved by management.

*Still other companies turned their COI policies towards their business partners.*



**Example:** Another implemented a COI questionnaire for all distributors as part of their vetting process. This questionnaire, based on regulatory requirements, obliges business partners to disclose any potential conflicts. Any identified COI triggers an internal review by the compliance team, ensuring issues are addressed before they can compromise business operations or partnerships.

COI policies enhance trust with partners, buyers, and end-users, and strengthen the firm's eligibility for high-value contracts and public tenders.

## Regulatory Compliance Opens Access to New Markets

For many SMEs, distributors, agents, and intermediaries are the engines of domestic and cross-border market expansion. While these partnerships can accelerate growth, they also come with heightened risks, especially in regions with weaker regulatory frameworks or higher susceptibility to corruption. The interviews revealed a common theme: SMEs that prioritized regulatory compliance and respected local laws consistently achieved greater long-term success than their peers. For these companies, shortcuts were simply not an option. The potential short-term gains of cutting corners paled in comparison to the enduring economic benefits of doing things the right way.

**SMEs that prioritized regulatory compliance and respected local laws consistently achieved greater long-term success than their peers.**

A respondent shared a compelling example of this principle in action. When this company was entering a new market, the company recognized that despite a shared language and geographic proximity, the local customs and regulatory landscape required a tailored approach. The company invested considerable time and resources to fully understand and comply with the target market's regulatory framework, developing strategies specific to that environment. While this process was time-consuming, the payoff was undeniable: the company earned a reputation as a trustworthy and reliable business partner.

Their experience underscores a timeless lesson: success in new markets requires sustained diligence. SMEs that take the time to focus on building trust lay the groundwork for sustainable growth—achieved at a lower cost and with far greater resilience.

## II. Trust and Reputation are Essential Pillars of Economic Success

In the health sector, companies are not just selling products, they are delivering life-saving medications, transformative surgical tools, and groundbreaking technologies. Trust in these products is not optional; it is the foundation of economic success. Without it, companies cannot thrive in a marketplace where lives depend on the integrity and efficacy of their offerings.

**By integrating ethical practices into product development, SMEs were able to outperform their competitors and deliver more effective, trusted health solutions to both partners and customers.**

Respondents used various strategies to build trust and establish themselves as reputable industry players. For some, the priority was delivering consistently high-quality products, demonstrating that their use led to better health outcomes. This commitment to quality earned the confidence of hospitals, which were more likely to procure their goods, and doctors, who trusted these products when prescribing treatments. Patients, in turn, placed their faith in the products, knowing they were backed by objective, corruption-free testing and development. By integrating ethical practices into product development, SMEs were able to outperform their competitors and deliver more effective, trusted health solutions to both partners and customers.

One striking example highlighted how hospitals were more inclined to purchase from SMEs when they could be certain that product testing was untainted by corruption. This assurance of integrity created a ripple effect: doctors trusted the products, patients trusted their doctors, and the SMEs reaped the economic rewards of a growing reputation for reliability. In a sector where trust is paramount, its absence can be catastrophic, depriving companies of the ability to compete and succeed. Where trust thrives, so do economic advantages.

### Trust as a Strategic Asset

Interviews with several respondents underscored the concept of "full-circle benefits," where trust built through ethical practices translated into expanded market opportunities and stakeholder confidence.

One company emphasized that their commitment to ethical business practices—such as mandatory training on regulatory requirements for distributors and a rigorous conflict of interest (COI) vetting process—strengthened their credibility with partners in other economies. This trust opened doors to partnerships with hospitals in nearby economies, directly driving business growth and enabling access to new markets.

For another, trust was not simply just a byproduct of their operations, but rather central to their core business. Without trust, they could not sell their products. Trust was required at every stage: from product development to testing and market entry. To foster this trust, the company implemented a dedicated communication channel for patients, ensuring transparency by directly addressing patient concerns. They also ensured that no conflicts of interest existed in their development or sales processes, recognizing that even the perception of bias could erode the trust of healthcare practitioners and patients. This unwavering focus on trust translated into tangible economic benefits, with a growing market and a reputation that fueled long-term success. For this company, trust was non-negotiable—any compromise risked lost sales, reputational damage, and stalled growth.

### Reputation Reaps Rewards

One respondent provided a powerful example of how a reputation for ethical business practices can generate significant economic returns. The company prioritized accuracy and integrity in its customs documentation, ensuring that all paperwork was complete and error-free. When customs officials requested payments to expedite the release of their products, the company consistently refused, relying instead on the completeness and accuracy of their documentation. Over time, officials came to recognize that this company could not be coerced into corrupt practices. As a result, the time goods spent in customs clearance dropped significantly—from 14 days to just three.



The economic value of this reputation was clear: faster customs clearance enabled quicker product distribution, reduced costs, and a competitive edge. Distributors from neighboring economies sought out the company as a trusted partner, knowing they could deliver on time without the risks associated with corruption. This ethical approach gave the company a distinct advantage over competitors—regardless of whether those competitors engaged in unethical practices—by offering a level of efficiency and trust others could not match.

## CASE STUDY

### > Customs Clearance in the Philippines

**Company Profile:** A Philippines-based healthcare and pharmaceutical company specializing in the distribution of oncology and chemotherapy treatments. The company plays a critical role in ensuring the availability of high-quality cancer treatment products across the Philippines, working closely with multinational pharmaceutical firms to improve access to life-saving therapies.

**What They Do:** Import and distribute chemotherapy medications from international pharmaceutical companies.

**Regulatory Compliance Measures Implemented:** To mitigate risks related to regulatory inefficiencies and customs bottlenecks, the company enforces a strict internal policy requiring that all customs documentation for oncology treatments be meticulously completed to prevent unnecessary delays or legal disputes. This proactive approach ensures that officials have no ground to challenge shipments or solicit corrupt practices. The company maintains a strict policy against engaging in or responding to attempts at delaying product release for the purpose of soliciting illicit payments. In addition, the company proactively collaborates with Philippine regulatory agencies to preemptively address compliance risks and avoid shipment seizures or penalties.

**Resulting Economic Success:** The company has successfully minimized shipment processing times, leading to faster access to chemotherapy treatments. The company's strict compliance record has strengthened its reputation for integrity and efficiency, resulting in fewer delays at customs and their products being released in shorter timeframes. As trusted distributors, they can provide added value to their business partners whose goods will spend less time at customs, meaning more efficient transportation, reduced warehousing costs, and overall increased profitability. The real-life result is that the time their goods spent in customs clearance dropped from 14 days to just three.

**By prioritizing trust and ethical practices, SMEs in health-related sectors are not just meeting regulatory requirements—they are creating a strategic advantage that drives growth, builds resilience, and secures their place in a competitive marketplace. Trust is not just a value; it is the currency of success.**



### III. Building Resilient Supply Chains

The interviews revealed a powerful dynamic: SMEs are motivated by the desire to be trusted and valued partners in resilient supply chains. Achieving such resilience requires multinational corporations (MNCs) to take a leading role in promoting high ethical standards. SMEs, in turn, adopt these standards to position themselves as reliable distributors, suppliers, or service providers. By conducting rigorous due diligence on business partners, SMEs help ensure robust supply chains that remain uninterrupted by corruption allegations.

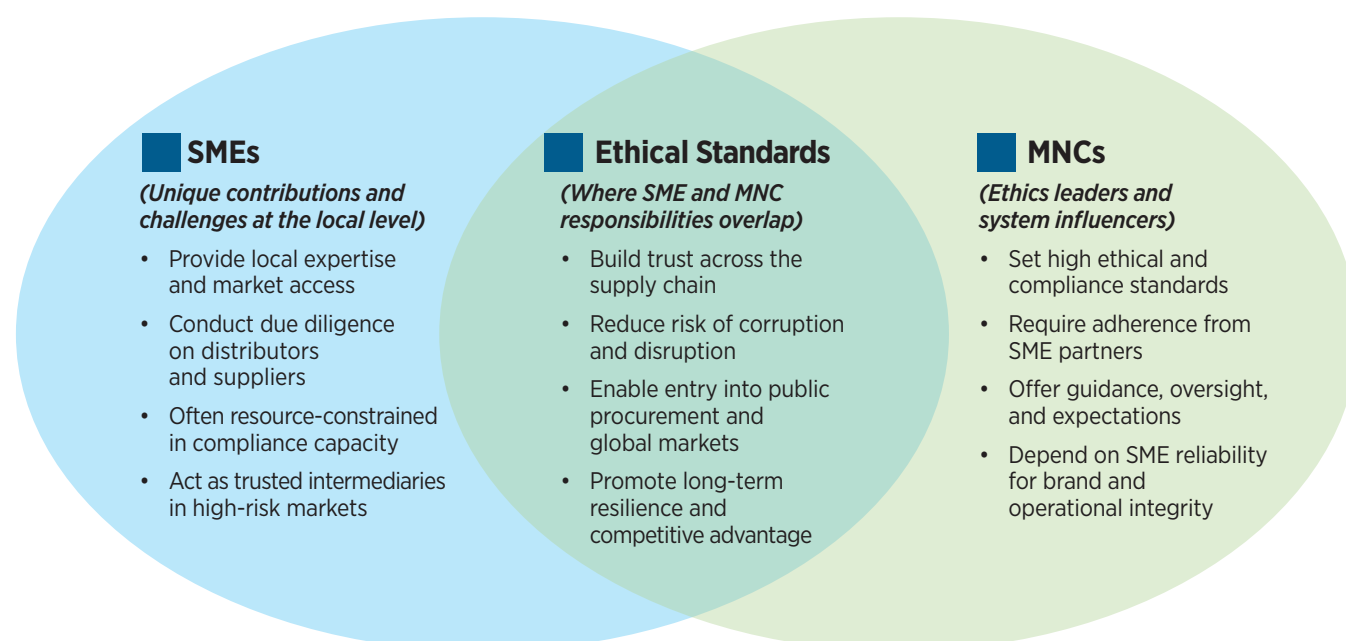
MNCs, as drivers of high ethical standards, have a transformative impact on SMEs. At the same time, SMEs play a critical role in enabling MNCs to uphold their own ethical commitments. By driving compliance and ethical benchmarks that SMEs must meet to become approved suppliers, MNCs push SMEs to adopt international best practices. This not only elevates the ethical maturity of SMEs but strengthens the resilience of the entire supply chain.

However, this resilience depends on the strength of the SMEs themselves. SMEs are not standalone actors but critical parts of the MNC ecosystem, often serving as distributors, suppliers, or service providers. MNCs depend on SMEs for raw materials, components, and specialized services. Without stable, compliant SMEs, MNCs face significant risks, including supply chain disruptions, delays, and compliance failures.

SMEs bring unique value to the table as local experts. Acting as crucial distributors in their territories, they possess an intimate understanding of regional landscapes, cultural business practices, and local regulatory frameworks. This knowledge allows them to navigate complex procurement processes and legal requirements with agility. For MNCs, trust in their SME partners is vital. When SMEs demonstrate this trust through robust ethical frameworks, such as strong due diligence, anti-corruption policies, and rigorous quality control measures, they provide MNCs the confidence that their supply chains are reliable and ethical.

In high-risk markets, SMEs often function as stabilizing forces, ensuring continuity of supply even in the face of political or economic instability. Their ability to adapt to local challenges makes them indispensable to developing resilient supply chains.

The relationship between MNCs and SMEs is inherently symbiotic. MNCs drive compliance with ethical benchmarks and high ethical standards that push SMEs to raise their practices, while SMEs offer the local expertise and operational stability that MNCs need to thrive. Together, they create a virtuous cycle of ethics maturity, economic growth, and supply chain resilience. By adhering to strong compliance standards, SMEs not only enhance their own credibility but also contribute to the broader stability and success of their MNC partners.



## Due Diligence Builds Resilient Supply Chains

Engaging with third parties entails both strategic benefits and operational challenges for SMEs. While third parties open doors to international markets and foreign partnerships, they also introduce significant corruption risks. This is especially true for SMEs operating in global supply chains, where the actions of third parties can directly impact their reputation and compliance standing. Interviews with SMEs revealed a critical insight: those with strong due diligence frameworks not only mitigated these risks but also enhanced the resilience of their own operations and the supply chains of their multinational partners.

Despite the clear benefits, implementing robust due diligence frameworks presents significant challenges for SMEs. Many encounter significant resource constraints that make comprehensive oversight a challenge. For instance, a respondent shared that while they conduct baseline checks on their partners, their company relies on specialized external firms for in-depth background investigations due to limited internal capacity. In contrast, another respondent stated that they manage their company's compliance efforts entirely in-house, but this restricts their ability to perform extensive audits, potentially leaving potential gaps in oversight. These limitations highlight the difficult balance SMEs must strike between the cost of due diligence and the need to protect their operations from corruption risks. However, the research also revealed an encouraging trend: SMEs that invest in due diligence upfront often see significant returns over time.

For most SMEs, the initial cost of implementing due diligence measures is outweighed by the long-term benefits. By demonstrating a commitment to ethical practices, these companies position themselves as low-risk, trustworthy partners. This reputation attracts more business opportunities, as potential partners—particularly MNCs—actively seek out SMEs that can provide assurance of compliance and integrity. Investment in due diligence becomes a strategic asset, enabling SMEs to expand their networks, secure high-value partnerships, and strengthen their market position.

By prioritizing due diligence, SMEs not only protect themselves from corruption risks but also enhance their appeal to global partners by providing a resilient partner in the supply chain. While the journey may be resource-intensive, the payoff is clear: a stronger reputation, greater resilience, and a competitive edge in the international marketplace.

### CASE STUDY

#### > Building Supply Chain Resiliency

**Company Profile:** A Mexico-based pharmaceutical company specializing in the licensing, distribution, and commercialization of pharmaceutical products across Latin America.

**What They Do:** As a regional distributor, they secure licensing agreements to commercialize pharmaceutical products, distribute products from international pharmaceutical companies to Latin American markets, and ensure regulatory compliance and adherence to ethical business practices to maintain strong partnerships with global firms.

**Supply Chain Compliance Measures Implemented:** The company collaborates with a large external consulting firm to conduct comprehensive background checks on all new distributors and suppliers. This includes due diligence questionnaires, external investigations, and certifications to ensure third parties are not involved in unethical practices. The company also provides mandatory ethics and compliance training for high-risk third parties, ensuring that suppliers and distributors adhere to their ethical standards and regulatory requirements. The company categorizes third parties based on risk level and applies stricter oversight to high-risk partners, reducing exposure to corruption and regulatory violations.

**Resulting Economic Success:** By aligning with multinational compliance standards, the company has successfully secured high-value licensing agreements with American and European pharmaceutical firms, leading to a 10% annual revenue increase. The company's strict supplier screening and training programs have helped prevent corruption-related investigations, protecting its financial stability and reputation. Adherence to global compliance frameworks strengthened their credibility, enabling the company to secure long-term contracts and partnerships with top multinational pharmaceutical firms. By leveraging ethics, and specifically their attention to third-party risk management, as a competitive advantage, the company has mitigated supply chain risks, expanded into international markets, and increased revenue growth.



Robust due diligence practices can be transformative for SMEs, enhancing their ability to compete in international markets and secure lucrative government tenders. By implementing rigorous supplier vetting processes and aligning with multinational compliance standards, SMEs gain a significant competitive advantage. These practices not only demonstrate reliability but also reduce regulatory risks and ensure eligibility for high-value procurement opportunities.

The interviews underscored this point: SMEs with well-structured due diligence frameworks were consistently more successful in attracting foreign investors, securing contracts with multinational firms, and qualifying for government tenders.

## Collaborating to Build Reliable Networks

Interviews revealed that SMEs with strong ethics and compliance programs—and a reputation for ethical business practices—gain two key advantages: they attract more business opportunities and face heightened due diligence demands with third parties. While this growth is encouraging, it underscores a critical challenge: third-party relationships are often seen as vulnerabilities in the supply chain.

SMEs frequently identify third-party relationships as a significant risk area, emphasizing that due diligence is vital to achieving ethics maturity. Conducting comprehensive vetting of partners enables SMEs to avert unethical practices that may compromise their business operations. Similarly, MNCs, which depend on SMEs as suppliers or distributors, view these relationships as potential weak links in their supply chains. Both SMEs and MNCs share a common concern: the ethical lapses of a single partner can disrupt the entire supply chain.

To mitigate these risks, MNCs can play a crucial role in helping SMEs enhance their third-party due diligence. By collaborating with trusted SME partners to evaluate other supply chain participants more effectively, MNCs and SMEs can build a stronger, more reliable network of ethical business partners. This collaboration not only fortifies supply chain integrity but also creates greater economic opportunities for both small and large companies.

### CASE STUDY

## > SME-MNC Alignment

**Company Profile:** An Australia-based medical technology SME that focuses on designing and manufacturing spinal surgery equipment. The company operates in Australia and New Zealand, with strategic plans for expansion into other APEC economies, specifically in Southeast Asia and North America.

**What They Do:** They are a medical device manufacturer with a focus on direct sales to hospital groups.

**Ethical Compliance and MNC Integration Measures:** To align with MNC ethical expectations and global regulatory frameworks, the company has adopted the Medical Technology of Australia Code of Conduct ensuring compliance with ethics standards required by MNC partners. The company's Ethics and Compliance program is also partly in response to private equity investment, which mandated robust anti-bribery and corruption policies.

**Resulting Economic Success:** High compliance standards have allowed the company to secure contracts with both public and private healthcare providers. By demonstrating strong compliance in alignment with industry association standards and MNCs, the company is positioned to expand into new international markets. The company has also found a competitive advantage in public procurement: ethical sourcing and compliance with regulatory standards have made the company eligible for public healthcare tenders.



## **IV. Industry Associations are a Key Resource in Attaining Ethics Maturity and Economic Growth**

The interviews revealed the pivotal role that industry associations play in helping SMEs build trust and strengthen their reputations, ultimately leading to economic benefits. By fostering a collective approach to developing ethics and anti-corruption programs, these associations provide essential support to SMEs, helping them overcome resource constraints and achieve greater ethics maturity. For many SMEs, industry associations are more than a helpful resource—they are a vital support system.

At the core of the value of industry associations is their role in establishing shared ethical standards. These standards create a baseline for ethical practices, offering SMEs a vital foundation for developing their own ethics programs.

In addition to setting standards, industry associations play a vital role in advancing ethics and anti-corruption programs across entire sectors. Rather than leaving individual companies to navigate these challenges alone, associations foster collective progress—enabling the industry to move forward together. In rapidly changing environments, where ethical expectations and regulatory landscapes are constantly shifting, the guidance and resources provided by industry associations become even more essential. They empower SMEs to leverage their ethical credentials into tangible economic opportunities.

### **Industry Association Impacts**

The transformative power of industry associations is evident in the experiences of SMEs across the APEC region. For example, a respondent shared how aligning its company's ethics program with the standards set by its local industry association was instrumental in unlocking domestic growth opportunities. By adopting the principles outlined in the industry code of conduct, the company not only strengthened its market position but also laid the groundwork for future international expansion. The company believed that adhering to these standards would enable a seamless transition into global markets when the time came, positioning them as a trusted and ethical partner on the international stage.

Similarly, another respondent highlighted how industry standards ensured fair transactions with medical institutions, safeguarded the healthcare system from bad actors, and helped control rising medical costs. For this company, adhering to these standards was not only a matter of compliance, but also earning market trust and demonstrating their ability to operate both ethically and effectively.

### **The Role of International Associations**

The influence of industry associations extends beyond SMEs, shaping their relationships with MNCs. Several SMEs noted that meeting the ethical standards set by their business partners, often MNCs, was a key factor in their success. Large international associations, which collaborate with MNCs to establish ethical benchmarks, play a pivotal role in advancing ethics across the supply chain. By aligning with these standards, SMEs not only strengthen their partnerships with MNCs but also position themselves as indispensable players in global supply chains.

### **Access to Procurement Markets**

Many public authorities are requiring ethics to be part of submissions on tenders. For instance, several hospital administrations across APEC economies, as well as Chile's medicines procurement system, now mandate the disclosure of ethical standards in public tenders. In some cases, this includes requiring specific ethics certifications, references from business partners, or a history demonstrating a strong commitment to ethics.

**By adopting industry-specific ethical standards, SMEs can demonstrate to potential business partners that they meet essential ethical requirements, unlocking new economic opportunities. This collective framework allows SMEs to compete on a level playing field, opening doors to partnerships, contracts, and markets that might otherwise be out of reach.**



Industry associations play a key role in helping SMEs meet these requirements. By offering support on their adoption of compliant ethical standards, these associations lower the cost and accelerate the journey of ethics maturity. This support enables SMEs to compete for and win public contracts. SMEs that can clearly demonstrate ethical maturity have a competitive edge, as public buyers increasingly prioritize trustworthy suppliers to ensure responsible use of public funds. Without the backing of their industry associations, many SMEs could miss out on these valuable opportunities.

## CASE STUDY

### > Accessing Procurement Markets via Ethical Commitment

**Company Profile:** A Malaysia-based manufacturer of diagnostic tests and distributor of health technologies for international firms.

**Ethical Procurement Measures Implemented:** Transparent documentation practices ensure complete and accurate procurement documentation, minimizing the risk of procurement fraud and regulatory violations.

**Resulting Economic Success:** As a trusted supplier for public authorities, they have increased their access to government contracts and their eligibility for high-value tenders allowing them to outcompete non-compliant firms. The robust ethical framework has also enabled the company to expand into Southeast Asia.



Industry associations are more than just facilitators. They are catalysts for growth, trust, and opportunity. By providing a collective framework for ethics and compliance, they enable SMEs to build credibility, access new markets, and thrive in an increasingly competitive landscape. In a world where trust is currency, industry associations ensure that SMEs have the tools and support they need to succeed.

## CONCLUSION AND RECOMMENDATIONS

This research reinforces earlier findings that ethics maturity is a key driver of economic success for health-related SMEs. It further demonstrates that among the components of ethics programs, training at onboarding, conflict of interest policies, robust due diligence of business partners, and strict regulatory compliance emerged as the most impactful in unlocking new markets, strengthening partnerships, and fostering long-term growth. SMEs recognize that trust and reputation, built on a steadfast commitment to ethical standards, are essential pillars of their business objectives. These elements not only enhance access to business opportunities and reduce exposure to unethical practices but also streamline regulatory processes, creating a competitive advantage.

The motivation for adopting such programs is clear: SMEs aim to position themselves as trusted and valued partners in resilient, corruption-free supply chains. Multinational corporations (MNCs) play a pivotal role in this process by promoting high ethical standards, which SMEs adopt to secure their place as reliable distributors, suppliers, or service providers. Additionally, industry codes of conduct, developed by associations, provide SMEs with the tools and resources needed to advance their ethics maturity. These codes reduce costs, accelerate implementation, and establish clear standards that enable SMEs to secure partnerships and access public procurement opportunities.

This research reinforces the idea that ethics is not merely a moral obligation, but a powerful strategic asset. By embedding ethical practices into their core business, health-related SMEs can cultivate trust, strengthen organizational resilience, and drive sustainable growth in today's increasingly competitive global marketplace.

## Recommendations

*Based on the findings, the research offers specific recommendations for those who work to advance business ethics and integrity:*

### Small and Medium Enterprises

SMEs should implement the key components of ethical maturity that drive economic growth and unlock new opportunities. These elements include conducting comprehensive training during employee onboarding, establishing robust conflict of interest policies, enhancing due diligence practices for potential business partners, and maintaining a strong commitment to regulatory compliance—both within their current jurisdiction and in any markets targeted for expansion.

### Multinational Corporations

MNCs should continue supporting SMEs in achieving ethics maturity by promoting high ethical standards and providing tailored guidance on implementing effective ethics programs. By upholding these standards and requiring their business partners to adhere to them, MNCs and SMEs can together build more resilient supply chains and unlock greater business opportunities. Additionally, MNCs should consider refining their due diligence processes to better accommodate SME participation, recognizing the valuable role they play in fostering resilience and integrity across the supply chain.

### Industry Associations

Industry associations should continue to prioritize the development and adherence to ethics codes, as these serve as valuable tools for building SME capacity and supporting their ability to adhere to ethical practices. Strengthened ethics codes also help SMEs reach ethical maturity more efficiently and at a lower cost, leading to positive economic outcomes.

## APPENDIX A – INTERVIEW QUESTIONS

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1. Do you have an anticorruption/ethics program? If yes, when was it developed?
2. How many employees does your company have?
3. What does your business focus on? What are your plans for growth in the next few years?
4. Is corruption a challenge to conducting business in your region?
5. How did you design your program? Have any resources been particularly helpful?
6. Do you think there are one or more components of your program that have directly translated into economic benefits for the company? If so, which ones and why?
7. Does your program include managing or communicating with third parties, such as suppliers, distributors, or agents?
8. How does communicating with third parties relate to or support your plans for growth?
9. Does your program include training and evaluation of the extent to which people in your firm understand the program?
10. How does training support your plans for growth?
11. Does your program address conflicts of interest, and if so, how?
12. How does this approach relate to or support your plans for growth?
13. How do you investigate possible acts of corruption within your firm?
14. How does this method of investigation affect the relationship between managers and others within the firm?
15. Do you assess the potential corruption risks when entering a new territory or forming a new relationship?
16. Is assessment cost-effective? Does it improve your overall financial position?
17. Do you have a designated team within your firm to manage ethical issues or issues of compliance?
18. If not, who manages these types of issues?
19. If so, how is this team structured and to whom does it report?
20. How has your anticorruption/ethics program changed in the last few years?
21. With respect to the goals of your program, what is more important: making your firm more profitable, or helping to reduce the amount of corruption in your region?

