KNOW

your supply chain

Supply chain transformation starts with having the supplier intelligence you need at your fingertips.

Where it ends is up to you.
Supply chain management is accelerating towards further digitization. New technologies and networks are now used to augment optimization efforts in large and complex supply chains to address the traditional three pillars of cost, quality, and on-time delivery. At the same time, supply chain management today is becoming more and more convoluted as supply chains are further specialized and globalized each year. New regulatory requirements, combined with a general ethical consumer push for sustainability and transparency, have caused challenges in every company’s effort to achieve the responsible sourcing results they would like to see. Supply chains are constantly changing and moving in interconnected ways, customers and consumers want to know where goods and materials come from, and IT is playing an increasingly important role in responding to a wide set of external and internal influences.

As a result, there is clearly a fourth pillar gaining in priority: Transparency, traceability & visibility within supply chains. In results from an IBM survey of 400 supply chain executives across the globe, 70% of respondents indicated that achieving better visibility is a challenge that “impacts their supply chains to a significant or very significant extent.” This was the most prevalent challenge of the entire IBM survey - more important than cost containment or other challenges - and further investigation shows a troubling gap between priority and success: The effectiveness of current initiatives to overcome the visibility and traceability challenge were ranked as “very low,” the lowest ranking of all efforts to overcome top challenges.

What’s driving such a quickly rising priority? Examining the continuously evolving state of supply chain management today provides some clues. As the global economy becomes increasingly interconnected, supply chains look less like ‘chains’ and more like ‘networks’, adding more and more complexity, and therefore risk, to the system.

Add to this a growing drive for corporate regulation and the arena of high consumer expectations - both of which are pushing for transparency around ethical sourcing and sustainability - and every company is challenged to achieve the results they need to satisfy these elevated standards.

To demonstrate just how unequivocally critical these issues have become, let’s explore the consequences facing companies that fail to evolve with the times, and alternatively, the positive gains available to those that do.
Implications

According to a 2016 McKinsey report, almost 2 billion people are expected to join the global consumer class by 2025, an increase of 75% over 2010. As developing nations continue to improve their GDP per capita, spend per person is also expected to increase. This is all great news for those in the consumer sector - year over year growth of greater than 5% is expected over the next two decades - but there are clear pitfalls for those who don’t effectively manage the new challenges that will come with such growth. Supply chain visibility - and to a further extent, traceability - is close to the heart of these challenges, and here’s why.

According to AMR Research, the top reason for supply chain risk is supplier failure.

Managing supplier failure is an increasingly difficult task. Supply chain visibility is one of the best initiatives to help overcome this increasingly difficult task and thus mitigate that top risk. Without sufficient visibility, companies are unable to anticipate potential fallout that can impact many facets of the business. Due to the waterfall nature of a supply chain, risk that impacts just one layer of the chain can cascade down and have negative effects for everyone else. Do your suppliers face extreme weather or natural disaster risks? Do they face macroeconomic or geopolitical risks? Do they have company-specific operational or financial risks? Are they a risk for a brand reputation disaster that can lead to legal issues and supply disruption? Without knowing the answers to these questions - and having the data behind those answers - how can you successfully prepare to combat them or be flexible enough to avoid them?

Clearly, the consequences are very real. And there’s an important aspect that we haven't yet touched upon: in almost all industries, more than 90% of your ‘hotspots’ are in the supply network. Over 50% of supply chain disruptions occurred past the top tier supplier, demonstrating the undeniable importance of having visibility up through the entire chain - not just into those suppliers with whom you work directly.

source: Mckinsey, 2016
Responsible Sourcing, Risk, & Supply Chain

Responsible sourcing issues are providing even further vulnerabilities and are tangibly linked to risks of disruption and damaged brand reputation. Environmental destruction, safe working conditions, child labor, carbon emissions, and many more issues have all led to a spotlight on the supply network through government regulations and consumer expectations. For example, the Paris Agreement aims to reduce greenhouse-gas emissions worldwide. However, considering the expected 5% CAGR to come in the consumer sector, companies would need to reduce their carbon intensity by more than 90% in the coming years just to meet expectations. And yes, most of these emissions - upwards of 80-90% - are in their supply networks. In the future, regulations like the European directive on non-financial reporting or the UK Modern Slavery Act will require companies to fully disclose reliable information about their business footprint.

The growing consumer class is increasingly focused on responsibility and transparency, and this augments brand risk. A global survey by research firm Ebiquity indicates that approximately 90% of consumers expect companies to responsibly address social and environmental issues, and 84% indicate that they actively seek out products sold by these responsible companies whenever possible. The impact extends to potential damages as well, with 90% of respondents indicating that they’d be willing to boycott companies that do not meet responsibility expectations. Not only are companies at risk, but also, increasingly, leadership and board members are being held accountable for their companies’ supply-chain-related regulatory breaches. The growing volume and widening range of transactions in global supply networks have weakened global geographic barriers and amplified company exposure to issues that were once considered distant threats.

These numbers are overwhelming and leave no room for ambiguity. Companies must meet the expectations of governments and consumers if they hope to flourish, or even survive, in the coming years. The methodology for Gartner’s Supply Chain Top 25 companies now incorporates sustainability and CSR performance as 10 percent of the overall score. Out of control carbon emissions, deforestation, worker health and safety issues, child-labor violations, and a multitude of issues deep in the network can disrupt the whole system, especially if companies are blindsided by them.

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source: Ebiquity, 2015
Next Generation Technology

Let’s boil it down to a very simple theme: the more a company knows about its entire supply network—not just its direct suppliers—the more prepared it is to reduce its exposure to risk.

Whether the risks are operational, environmental, social, legal, etc., they should all be addressed with this rule as a starting point, and technology is available to enable the endeavor. Without a streamlined, data driven approach, how can any company effectively engage, manage, and monitor the complexity of global supply chain risk?

Clearly this is easier said than done. So how should you get started?

Status Quo

In the majority of cases, if companies are acting, they are using vulnerable spreadsheet-based approaches, leaning on internal systems not designed for the task, or using siloed tools that aren’t connected to the primary systems and reporting platforms used by the organization.

Companies rarely get visibility beyond the first tier of the supply chain. If they want to cover multiple areas that need to be assessed—responsible sourcing, risk assessment, quality, traceability, certification management, compliance, non-financial performance assessment, etc., the result is multiple tools and disparate requests to suppliers. If suppliers beyond the first tier receive a spreadsheet to fill out, response rates decline rapidly. Visibility to the point of origin is stymied and outcome analysis becomes impossible.

Suppliers are overburdened by countless information requests, which are often redundant and offer no means to reuse data already supplied in previous requests. While industry-wide initiatives define common approaches, company-specific requests take precedence, and so the benefits of common approaches aren’t fully realized. There is a good reason behind the supply chain cliché, “supplier fatigue.”

In sum, efforts to gain transparency are far too inefficient, and effectively mitigating risk to address root problems in the supply chain becomes an afterthought in the scramble to report and summarize the available information.

A New Approach

Quote by Trinel in Forbes article:

“The business case for supply chain sustainability has never been more convincing.”

The solution for these problems needs to transform responsible sourcing from an opaque, siloed, and convoluted approach into one that is clear, unified, and simple— one that grants users control, ease of use, and peace of mind. Ultimately, supply chain risk analysis should bring together all source data into actionable, adaptable intelligence that will meet unique and changing requirements. Relative to MS Excel and email approaches, companies using smarter tools spend a fraction of the time fielding questionnaires,
disseminating codes of conduct, and performing follow-up audits. Instead, that time is spent helping suppliers design and implement sustainability programs that simplify processes, satisfy interests, and directly advance the goals of all organizations involved.

The comprehensive technology approach simplifies decision making at all levels within the company, engages suppliers with information that enables improvement, and adds value through synergies with industry-wide approaches.

Visibility in Your Supply Chain

Supply chain professionals need effective, real-time analytics to understand the significance of potential problems and generate strategies to address or mitigate them. They need easy ways to visualize all issues affecting the company, empower managers to address new layers of transparency, and deploy results to their teams. All of this relies on clean, comprehensive supplier data from multiple streams, including questionnaires, audits, external feeds, and internal company ERP systems.

Engage Your Suppliers with Information

For companies to maintain a satisfied customer base, they need to connect better with their suppliers and streamline the shared process of visibility and reporting. This requires tools to rapidly and effectively communicate expectations to suppliers and engage them by showing where they stand in comparison to their peer companies. A mutualistic supplier relationship is not a luxury. Without it, suppliers see no value in collaborating and thus, most companies will stagnate while trying to achieve their supply chain goals.

The Solution is a Network

Because supply chains are complex networks, common approaches across industries or commodities can efficiently solve problems of tracking, compliance & continuous improvement if the right levels of privacy and security are maintained. Companies need to take advantage of industry-wide supply chain information approaches that capture, analyze, and share standardized supply chain information at any tier of the chain. Simultaneously, companies should maintain the ability to customize, focus, and adapt these approach to their specific needs.

It Starts Here

SupplyShift provides the pathway to smart supply chain information management for all industries. SupplyShift’s cloud network streamlines data collection, management, and analysis with an emphasis on enhanced upstream supplier visibility and traceability. Companies are empowered to make better choices for strategic and responsible procurement while managing all supply chain responsible sourcing information in a single platform. The result is new value and maximum efficiency, with monitoring and risk reduction in any application.

What’s Unique About SupplyShift? SupplyShift is a single, highly secure cloud network for all information requests. The platform integrates industry-
standard data and company-specific supplier assessments with the flexibility to collect, analyze, and share (or keep private) any data within the network. Multi-tier transparency allows users to assess primary suppliers or trace all the way to the source. Our focus on doing more with data provides smart tools to engage suppliers with data and empower vendor managers.

How Does It Work? Rather than being bogged down by a massive backlog of unreturned requests and unprocessed data, companies can tap into a massive existing network of suppliers, questionnaires, and data. Users can capture any data with a comprehensive feature set using web-surveys, on/offline data collection apps, external data feeds, or internal company systems. Scoring methodologies are easily embedded into surveys and scorecards so that risk, compliance, or continuous improvement ratings are automatically calculated and displayed in dashboards. The entire pool of scored results can be manipulated real-time using in-platform analytics dashboard builders. Managers can selectively provide peer-group comparisons to suppliers that provide valuable information and incentivize improvement. The results are tailored dashboards based on decision-making needs that can be shared at all levels and in all functions of an organization.

Summary

By tapping into an existing and growing supplier network with responsible sourcing tools, organizations can demonstrate engagement, tackle risk, seize opportunities, and position themselves for growth, all while ensuring business continuity. Supply chain leaders that collaborate and encourage transparency in the value chain aren’t just making lives easier with a simplified process, they are meeting the rising market demand from the growing segments of the consumer class. As that rising demand becomes the new normal, companies that shifted their process and priorities in alignment with the emerging supply network will be far ahead of the curve.

Learn More www.supplyshift.net
Contact Us www.supplyshift.net/get-started (for a No-Cost Needs Assessment)
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