



# Keeping *a* watchful *eye*

With the growing number of suppliers typically involved in any given supply chain, Paul Stanfield highlights how retailers and their suppliers need the right tools to ensure codes of conduct are adhered to throughout the chain

labour, wages and benefits, working hours, disciplinary practices, freedom of association, health & safety, and environmental impact.

Furthermore, they are recognising the benefits of using web-based, purpose-built solutions to provide themselves and their suppliers with the right tools and information to constantly monitor and improve supplier performance over time.

There are a number of significant benefits inherent in an integrated software solution for supply chain compliance management. These include being able to:

- Improve access to information and data management;
- Provide your corporation and all its stakeholders with a single integrated solution;
- Protect against erroneous allegations of poor performance;
- Demonstrate transparency and increase public credibility;
- Improve compliance, productivity, predictability and product quality;
- Provide timely, meaningful and verifiable information to shareholders and stakeholders;
- Improve the long-term effectiveness of social compliance programmes by building supplier capability;
- Increase the efficiency of your performance improvement efforts;
- Improve the efficiency and effectiveness of assessors and verifiers;
- Easily enable social and ethical performance reporting; and
- Future-proof your performance management investments.

Some of the more obvious costs associated with poor social and ethical conduct include poor product quality, product recalls, business discontinuity and supply chain disruption, as well as damage to brand, reputation and shareholder value.

Whether actual or alleged, poor social and ethical performance in the supply chain has

an impact on consumers, investors, employee morale and retention. The resulting impact on revenue, investor confidence, employee morals and a corporation's licence to operate ultimately all reduce productivity, profit and shareholder value, leading to an unsustainable business.

Long-term performance improvement and risk management necessitate a proactive approach and the use of web-based, purpose-built solutions that will provide all stakeholders (suppliers, workers, risk managers, compliance departments, boards of directors, investors and consumers) with the right tools and information to constantly monitor and enable supplier performance improvement over time.

In addition to the benefits mentioned above, the use of a web-based software solution to reduce risk, ensure compliance and improve performance in the supply chain will also provide a single global corporate-wide data source and system to:

- Communicate their compliance and performance expectations, policies and procedures to suppliers;
- Manage their assessors and verifiers;
- Schedule and manage on-going assessments;
- Track and close non-conformances and performance improvement actions and tasks;
- Instantly report compliance across the entire supply chain;
- Compare and contrast suppliers for instance by sector, region, assessor or product;
- Set and monitor key performance indicators (KPIs) for suppliers;
- Provide traffic-light trend analysis and early warning reporting across the supply chain; and
- Provide all stakeholders with instant, meaningful, accurate and verifiable information about performance throughout a company's supply chain.

Consider the sheer volume of data handling that management in larger organisations can face when dealing with a numerous



In recent years, competitive pressures, globalisation, security of supply and increasingly discerning customers have forced corporations – particularly big brand retailers – to increase the number of suppliers they work with and the regions globally from which they source products. As a business diversifies and deepens its sources of supply it simultaneously increases its exposure to a greater number of material social and ethical risks in that supply chain. Given the number of suppliers typically involved and given the growing social conscience of consumers and an increasing use of the internet, the likelihood of actual brand and reputational harm as a result of poor social and ethical performance in the supply chain is greater than ever before. Supply risk management is now a very real and real-time concern in the corporate community.

As a result, most big brand retailers have not only accepted the need to take responsibility for the social and ethical performance of their suppliers, but are also increasingly recognising the benefits of a proactive approach to improving supplier performance. So most have already implemented codes of conduct to ensure a minimum standard of social, environmental and ethical practice. These codes typically address child labour, forced



## Paul Stanfield

Paul Stanfield is an experienced executive with many years' experience in corporate information management systems, including risk areas such as environment, health & safety, quality, business continuity, supply chain compliance management, information security and physical security. He is head of product marketing for Entropy Software with BSI Management Systems, and also carries responsibilities for corporate business development and alliances business management.

supply chain and one which is often the other side of the world. Given the sheer number of suppliers, risks, issues, information and interactions involved, it can become virtually impossible to manage supply chain issues (let alone performance improvement) without the use of some form of information technology solution. Consequently, as the number of suppliers increases, the business case for using a web-based, purpose-built software solution also steadily grows.

Internal and external assessments produce reports which contain non-conformances and recommendations which need to be prioritised

and action plans set in place and allocated to individuals or roles with a completion date specified. Sometimes an action plan might contain sub-actions to a number of people for roles. These actions need to be on people's dashboards and email reminders sent, and if the timescale for an action completion is exceeded, an escalation process needs to automatically begin.

Management needs clear visibility on red and amber situations by geography or by business stream, and will need to be able to drill through a 'danger spot' right down to audit questions, answers, scoring and weighting the actions put

in place, the results of the actions and so on. Of course, once higher-priority corrective actions are in such a system, it means that an on-site visit might need to be diarised by internal auditors sooner, and this also needs to be accommodated within the system. So, audit and compliance are critical components in the drive to improved supply chain performance in social and ethical areas.

Finally, the system must have a clear audit trail so future examination of the process can easily show a robust and traceable series. Policies, procedures, work instructions and so on must all have version control internally as well as through relevant supply chain providers to ensure everyone is working to same best practice.

As the performance expectations of investors, consumers, the media, NGOs, regulators and employees steadily grows and matures, a corporation's performance (and certainly compliance) management systems will also have to grow and mature. While a simple 'social compliance model' of monitoring basic compliance within the supply chain may suffice today, in time businesses that source globally will have to: collaborate at industry and sector levels; actively engage with and build capability within their supply chains; understand and strengthen the relationships they have with suppliers; and integrate their supply chain management processes with wider business objectives and risk management systems and practices.

Corporations that continue to pay only lip service to their social and ethical responsibilities will sooner or later be punished in the market place. As a result, corporations that make a sincere effort to engage with their suppliers (all the way down to raw material levels) and improve supply chain performance will avoid an inevitable punitive market reaction but also support, strengthen and legitimise any stated corporate social responsibility objectives, ethical mission statements and brand values they purport to adhere to.

After all, when the 9 o'clock news shows a six year old boy tapping rubber from a tree in a plantation in Malaysia, and that rubber ends up on the soles of the trainers you place on retail shelves, it is your reputation and brand that suffers, irrespective of any contractual protection you may have with your first-tier raw materials supplier. □



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- The development and sale of private, national and international standards and supporting information that promote and share best practice
- Testing and certification of services and products for Kitemark and CE marking to UK, European and international standards. BSI is a Notified Body for 15 New Approach EU Directives
- Supply chain security solutions which identify and mitigate risks in supply chains
- Training services in support of standards implementation and business best practice

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