Achieving Supply Chain Transparency with Supplier Data

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Suppliers are key to your company's success. Without them, you have nothing to offer your customers, so you need to choose your suppliers wisely and have confidence they will deliver as promised. Throughout your long-term relationship with them – from qualification and onboarding to ongoing maintenance and potential obsolescence – you will need to communicate, collaborate, negotiate and cooperate. And keeping these relationships strong will require your business to gather, maintain and share a significant amount of data.

The growing task of collecting, managing, monitoring and consistently sharing information about your suppliers is far more complicated and business-critical than simply maintaining a central list of names and contact information. Often supplier information is spread across company-wide emails, Excel spreadsheets and numerous enterprise resource planning (ERP) systems, for example. This results in costly data management processes, a lack of insight, hindered performance, procurement errors and poor supplier management – all of which can lead to increased risk and lower value creation from supplier relationships.

The good news is that a sophisticated, data-driven approach to supplier management can have a positive impact on large companies that struggle to efficiently manage their supplier data. By implementing the right data management processes and technology, procurement teams can operate more effectively while placing much of the burden of collecting and maintaining supplier information back on the suppliers themselves.

This is where sophisticated master data management (MDM) tools are needed. Many MDM programs begin, understandably, with customer information because providing excellent customer experiences and targeted marketing ultimately grows revenue. Looking upstream, however, it's important to have the right suppliers' materials and products at the right time, so you can ensure quality, timely delivery and competitive prices that meet your company's code of conduct.

Subpar customer experiences will occur if you can't provide quality products when and where the customer wants them. Further, the growing social conscience of discerning consumers means you'll need to ensure your suppliers (and their suppliers) are providing ethically sourced raw materials or finished goods.

Bottom line: You need transparency in your global supply chain, and it starts with supplier data management.

Defining supply chain transparency

Transparency equals trust. Knowing what to believe and who to trust has never been more critical or challenging. It's a tall order to deliver reasonably priced, quality products to customers in a timely manner, so trusting your suppliers (and their suppliers) is essential. But do you know who your suppliers are, or even how many you have? If you're unsure, that's a threat to your supply chain operations.

In fact, the Aberdeen Group reported that **best-in-class supply chains maximize upstream visibility**, in which 60% of the high-performing companies it surveyed had visibility into end-to-end supply chain data, processes and disruptions for decision making.

Supply chain transparency requires a data-driven, complete and accurate understanding of your suppliers, including their organizational structure, products, performance, compliance to company and regulatory standards, and operating practices.

Figure 1: Supplier Lifecycle

End-to-end supply chain transparency needs to take place throughout the entire supplier lifecycle (see Figure 1), including internal operations and direct suppliers, as well as indirect suppliers and the provenance of raw materials. It requires trustworthy, unambiguous and accurate data that's available to be shared internally, externally and with other operational IT applications.

However, most large organizations have a foggy and disjointed picture of their suppliers because their supplier data is managed across numerous ERPs, spreadsheets and geographies. There is a significant underlying complexity to the process of connecting, cleaning, governing and

sharing this data in a consistent manner. Manual processes are error-prone, tedious, inefficient and costly, as mistakes could lead to significant financial and reputational risk.

To build better relationships, negotiate better terms, meet regulatory compliance standards, gain the trust of customers and take advantage of a solid, consolidated data foundation that supports digital agility, procurement teams must have a supplier MDM strategy.

The importance of supply chain transparency

Consumers are more aware than ever before of how their daily purchases can have a global impact – prompting many shoppers to rethink how they shop. In fact, researchers from MIT Sloan School of Management found that consumers may be willing to pay **2% to 10%** more for products from companies that provide greater supply chain transparency.

What causes are important to them? For starters, treatment and human rights of laborers, working conditions, fair pay for farmers, the sustainability of harvests, the ecological impact of sourcing such as deforestation, the environmental impact of carbon transport miles, production emissions, mode of animal transport and slaughter, and the use of conflict minerals are some of the issues that are top of mind. A **study by Unilever**, for instance, revealed that one-third of consumers only buy from brands they believe are doing social or environmental good. This same study showed that 21% of consumers surveyed said they would seek out brands that made sustainability credentials clearer on their packaging and in their marketing.

And it's not only consumers applying the pressure. Beyond customer demands, many practical and regulatory processes must be satisfied. For example, chemicals, drugs and other hazardous materials require shipping certification, security and material safety and storage data sheets.

That may, in turn, lead to the need for special equipment, storage facilities or qualified personnel to handle the movement of such goods. Does your supplier provide you all the information you need? Have you managed to update all your systems with the most recent safety data? Large liabilities may lie ahead if this data is not accurate and shared consistently.

Finally, governments, trade bodies, unions, media commentators, social influencers and regulators are all demanding more and more data – more transparency into the supply chain – and the reputational risk and cost of failing to meet these demands can be significant. For instance, the **California Transparency in Supply Chains Act** requires companies to, among other things, disclose how they evaluate and address risks of human trafficking and slavery in their supply chain, as well as conduct audits of suppliers to evaluate their compliance with company standards for fighting trafficking in supply chains. Further, the act requires direct suppliers to certify that materials incorporated into a product comply with laws regarding human trafficking and slavery in the country they are conducting business.

Achieving sustainability is also a pressing issue for both governments and consumers in which supplier data will play a key role. During the 2020 U.S. election, the Biden campaign suggested businesses may be required to **disclose more information** on carbon emissions, diversity and other sustainability issues. If the administration follows through on these proposals, companies would need to provide details on environmental risks and greenhouse gas emissions within their operations and supply chains. Having deeper visibility into supplier data allows businesses to understand which of their suppliers aren't meeting sustainability goals, help them improve their processes, and lift their entire supply chain in the process.

This all adds up to a lot of data to collect, manage, consolidate, maintain and publish – a process that may be hindered when less scrupulous members of the supply chain resist providing such data.

The role of corporate social responsibility in supplier management

Corporate social responsibility (CSR), as defined by Investopedia, is a self-regulating business model that helps a company be socially and ethically accountable – to itself, its stakeholders and the public. A CSR program shows a company's impact on economic and environmental issues and demonstrates its commitment to its consumers. Because of this, CSR is increasingly high on the CEO's agenda.

For instance, in 2017, Walmart announced **Project Gigaton**, its ongoing effort to remove one gigaton of greenhouse gases from its supply chain by 2030. It's making gains; by the end of 2019, it had already eliminated 93 million metric tons – but only by working with its suppliers to help them cut greenhouse gases will it achieve its ultimate goal. Other brands such as **Kroger** and **Whole Foods Market** are also taking significant steps to "green" their supply chains.

CSR extends far beyond grocers, though. Organizations in the report of **the top 10 companies with the best CSR reputation** include Rolex, Lego, Disney, Adidas Group and Microsoft. These companies received high rankings because of how they proactively managed their reputation and sent messages to their stakeholders on issues like ethics, environmental causes and workplace well-being.

It's common these days for organizations to request that their suppliers are affiliated with and making disclosures to recognized partners, like The Carbon Trust and CDP (formerly the Carbon Disclosure Project), for matters such as reporting that helps companies disclose their environmental impact. How does this affect supply chain transparency? Increasingly, the vetting and onboarding process of new suppliers, and even the continued trading with existing partners, will rely upon submissions by suppliers that meet the buyer's CSR standards. Similarly, organizations aim to make environmental reporting and risk management a business norm, driving disclosure, insight and action toward a sustainable economy.

Of course, all of these initiatives to improve visibility across the supply chain add to the volumes of data to be collected, managed and shared. This is where supplier MDM is critical.

Achieving supply chain transparency with supplier MDM

Organizations lacking a 360° view of their supplier ecosystems will lose man-hours, and therefore money, trying to track their spending and performance through multiple disparate databases and applications. Inefficient data management processes open the door to blind spots about supplier performance that, in turn, lead to missed sales opportunities, costly oversights and mistakes, and an inability to effectively execute CSR initiatives. Risk of reputational damage also rises from a lack of compliance and trust in suppliers. Therefore, supplier-related data transparency is no longer a nice-to-have or something you should get around to sooner or later for business success: it's a requirement. Transparency is the new table stakes, and it's made possible through a supplier MDM solution.

A supplier MDM solution empowers companies to centralize and proactively govern supplier and product data through a single source of truth, leading to greater savings, sales, efficiency, business agility and customer confidence. It can help your business improve its supplier relationships from Day One, significantly streamlining the onboarding process and minimizing risks related to data governance by ensuring all data is clean and up to date.

In addition, a supplier MDM solution helps your business understand how partners are performing in respect to your KPIs, so that they can continue playing a positive role in both your sales and CSR efforts. And if a supplier goes offline unexpectedly, a supplier MDM solution can help you determine how to divert production to avoid manufacturing slow-downs, and ultimately, ensure you meet your customers' needs.

To learn more about how a supplier MDM solution can improve your business, visit **stibosystems.com/suppliermdm**.