Managing supply chains in global contexts

By Geoffrey Francis   15 Apr 2010

For a company to remain competitive and minimise financial and ethical risks, its supply chain must be compliant not only with the rules and regulation of the headquartered country, but also of those countries it operates in, imports to, or exports from.

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Ensuring absolute compliance can prove challenging, especially across Europe, Middle East and Africa, a region of enormously diverse languages, laws and regulations. Whilst this certainly presents multinational companies with some challenges, there are some important measures that can be taken to ease the pain and ensure a cost-efficient, responsive and flexible supply chain which is fully compliant.

Integration, collaboration

One of the biggest factors affecting compliance is the tendency to keep some parts of the business separate from others. Disparate systems and silos of information can cause knowledge gaps and can make it difficult for a business to meet compliance objectives. Not only is information often kept separate, it is also often run on disparate systems, applications and processes. This causes an issue when the company is asked to provide an audit trail of all supply chain activity. Taking a holistic approach to the supply chain means that systems and processes are streamlined and made transparent throughout the business, with each department able to access the data of another, be it trade, transportation or shipping. To achieve this, a software layer can be implemented on top of existing systems, ensuring that all data is accessible regardless of type or format.

This practice should also extend outside the parameters of the company, to those partners and suppliers it trades with. A robust workflow engine can allow a company to share data and documents with trading partners, providing increased visibility and more effective control of what each partner needs and when.

Global approach

Today, it is more important for a company to operate and compete on a global scale. Companies with global sourcing, manufacturing, sales and distribution operations face the challenge of moving goods between several countries with different rules, regulations and controls. For example, a company that imports goods from Japan must be aware of and compliant with the regulations in its own country and those of Japan, such as licenses, documents and registrations. If these controls are understood and dealt with in advance, the company can be assured it will not face the penalties and fines associated with failure to comply. However, tracking regulations across regions can be difficult, as they often vary from country to country. In order to ensure that global and regional regulations are met, software can support the creation and management of trade transactions in order to perform different trade compliance functions worldwide, be they sales orders, purchase orders, ocean shipments or air shipments, and keep a record of transactions made. This will enable the

company to manage security, legal, regulatory and corporate compliance on all of its cross-border transactions, in a simplified and regulated manner.

Ensure data is compliant

It is vital to monitor and assess the data that flows through the company and its supply chain to avoid issues concerning corrupt or lost data. Quality control is essential at every step and a transparent, integrated system for processes can allow the company's data to be visible throughout the organisation, reducing the risk of human error, data loss and non-compliance.

Regulation for particular types of data and the way it is handled and stored, must be adhered to, which is made easier with a single company-wide system that can centrally manage product, party and other unique data necessary for trade. Product data must also be regulated; using a central classification database for products will ensure an efficient and consistent organisation.

Finally, it is important to verify that data held by partners is stored and shared in a consistent and secure manner. This will minimise the risk of data being lost or compromised.

Externally shared data and documents must be subject to the same high standards as internal data in terms of storage and usage compliance, and this can be accomplished with a single globalised system and workflow engine.

Mitigate risk

Non-compliance can be costly and many companies face the risk of penalties when they do not meet compliance regulations. Supply chain compliance can be compromised by several factors, including unknown regulations or controls, missing deadlines, inappropriate data usage, knowledge gaps in the supply chain, and failing to keep up with new rules and regulations.

There are several ways to manage these risks, including the introduction of trade controls, such as licenses or documents. Screening government lists, internal gray lists, red flag words and other custom content, will also help mitigate the risk non-compliance.

A single integrated screening platform can perform these checks and can help reduce risk. Additionally, spotting problems rapidly and correcting errors will minimise the risk of non- compliance, reduce any potential delays or disruption, and lessen the risk of a penalty or fine.

Furthermore, by ensuring that trade partners are meeting regulations, organisations can reduce the liability of the company supplying products or data to them.

Audit complex custom requirements

Once all the pieces are in place, it can be easy to assume that this guarantees 100 per cent compliance throughout the supply chain.

However, a vital step must be to perform an audit of the company's compliance. A customs audit can verify the compliance of a business with customs regulations by examining the company's import and export records as well as any records of other transactions, including transport, inventory and financial. Assistance should also be sought in any supplier to help prepare for custom audits, with the addition of post-audit assistance for any improvements required. Failure to comply with customs legislation and procedures may result in severe penalties or sanctions, so it is vital that the company take these extra steps to protect itself and its supply chain.

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