

# International Supply Chain Management



FORUM2015

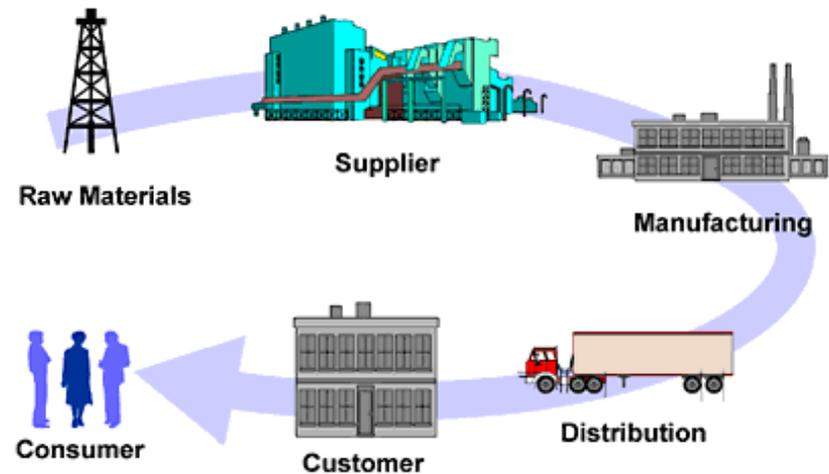
How it Affects You

Presented by  
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# A Question



- How much do you know about the supply chain for the products you procure?



# Could You Trace These to their Source?



Ford police interceptor



Hand towels



# Or These?



Toner Cartridges

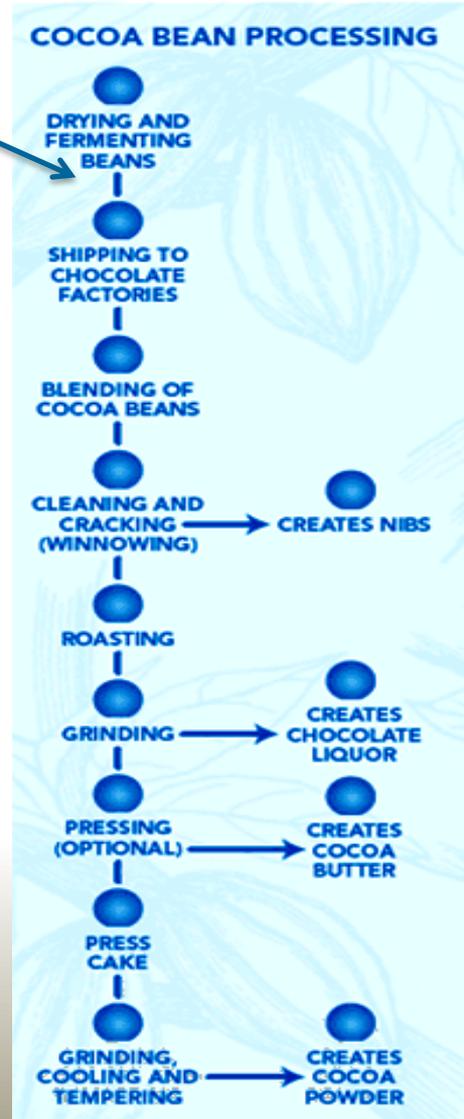
Cookies



# The Cocoa Supply Chain



## Chocolate Manufacturing



Likely Ivory Coast would have to import milk and sugar

Surface mixer and agitator that evenly distributes cocoa butter

Raise melting point of finished chocolate so it doesn't melt on contact with hands

Typical Stopping point in Ivory Coast

**Nibs:** dried, fermented pieces of cocoa bean

**Chocolate Liquor:** Pure cocoa mass in liquid form

**Cocoa Butter:** Edible vegetable fat extracted from cocoa bean

**Cocoa Powder:** results when ¾ of cocoa butter is removed from chocolate liquor

# Another Question



- Your job probably doesn't depend on your answer to the previous questions, so....
- Does one's level of understanding of the supply chain matter to a DGS professional?
  - Does it impact procurement decisions, either directly or indirectly?...or
  - Is it interesting or nice-to-know, but has no real impact on procurement decisions?

# Public vs. Private Sector Supply Chains



- Characteristics of public sector supply chain management practices<sup>1</sup>
  - Transparency
  - Strict rules on contract negotiations
  - “Customers” choices are limited
  - Use of “backdrop” contracts

1. <http://www.supplychainquarterly.com/topics/Procurement/201103public/>

# Public vs. Private Sector Supply Chains



- But there are more similarities than differences<sup>1</sup>
  - Increasingly demanding customers
    - Price, Quality, Responsiveness
  - Same or higher workload with fewer people
  - Need for visibility and agility
  - Need for transparency
  - Need for “strategic sourcing”

1. <http://www.supplychainquarterly.com/topics/Procurement/201103public/>

# Impact of the Private Sector on the Public



- How do Private sector supply chain management practices impact public procurement?
  - What are the important trends in international supply chain management in the private sector?
  - How are these trends likely to impact public procurement?

# Trends in International Supply Chain Management



- Looking beyond the immediate source of supply (tier 2, tier 3, etc.)
- This trend is driven by:
  - Law
    - e.g., Dodd-Frank (conflict minerals provision)
  - Desire to prevent damage to brand and image
    - Nike
    - Apple / Foxconn

# Trends in International Supply Chain Management



- Incorporating sustainability in the supply chain
  - Economic sustainability
    - Profitability / long-term cost effectiveness
  - Environmental sustainability
    - “Green” supply chains
  - Social sustainability
    - CSR
    - Child labor / forced labor
    - Bribery and corruption

# Dimensions of Sustainability



<http://www.emeraldinsight.com/doi/pdfplus/10.1108/13598541211258564>

- Miemczyk and Johnson (2012)<sup>1</sup>
  - Ethical sourcing
  - Corporate social responsibility (CSR) in the supply chain
  - Socially responsible buying
  - Green supply chains

1. <http://www.emeraldinsight.com/doi/pdfplus/10.1108/13598541211258564>

# Laws Affecting Global Purchasing<sup>1</sup>



- Foreign Corrupt Practices Act
- Anti-Boycott Legislation
- Customs Laws
- Foreign Laws

1. <https://scm.ncsu.edu/scm-articles/article/understanding-legislation-related-to-procurement-procurement-a-tutorial>

# Trends in International Supply Chain Management



- Focus on risk management
  - Major disruptions
  - Routine disruptions

# Bribery and Corruption



- “A majority of companies don’t perform anti-bribery and corruption audits on their suppliers”<sup>1</sup>
- Businesses need to consider not just their first-tier suppliers, but their suppliers throughout the chain
- Estimate of cost to companies to manage information about their suppliers: \$60 billion

1. <http://blogs.wsj.com/riskandcompliance/2014/12/23/companies-turning-a-blind-eye-to-supply-chains/>

# Summary



- Trends in private sector supply chain management influence public procurement:
  - Influence sources and prices of goods and services
  - Are indicative of practices likely to make their way to public procurement
    - Responsibility for looking deeper into the supply chain
    - Greater emphasis on sustainability
    - More focus on risk management

# Thank you!



Questions and Comments Welcome

