

Guide

Digital Transformation & Transparency

A Guide to Mitigating Supply Chain Risk

Assent®

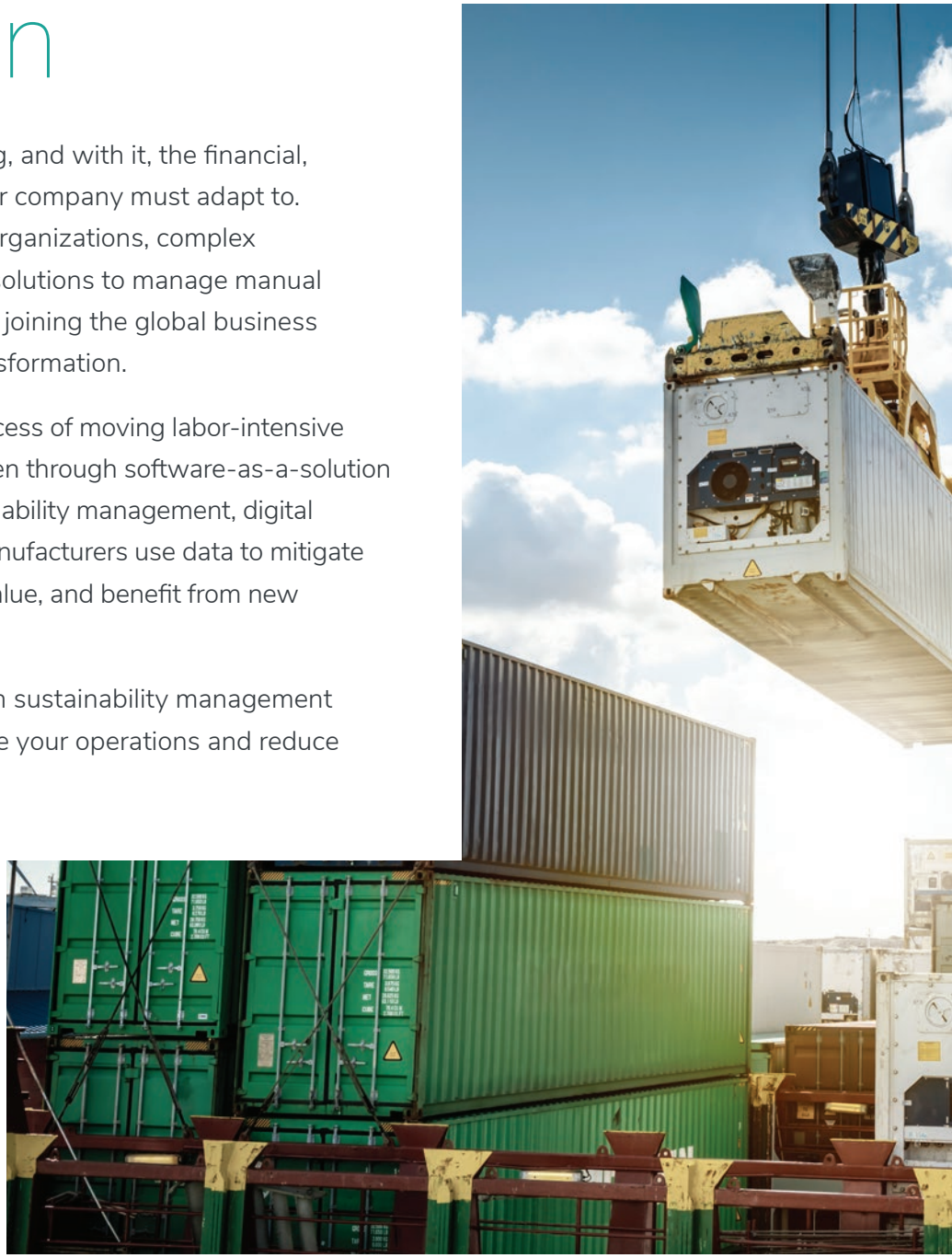
Real depth. Sustainable growth.™

Introduction

The regulatory landscape is expanding, and with it, the financial, reputational, and operational risks your company must adapt to. In order to build stronger, more agile organizations, complex manufacturers are purchasing digital solutions to manage manual processes. And so, the supply chain is joining the global business landscape in undergoing a digital transformation.

Digital transformation refers to the process of moving labor-intensive manual tasks into the digital space, often through software-as-a-solution (SaaS) services. In supply chain sustainability management, digital technologies are changing the way manufacturers use data to mitigate risk, limit overhead, increase product value, and benefit from new business opportunities.

This guide will show how supply chain sustainability management and digital transformation will enhance your operations and reduce your overall supply chain risk.





Making the Transformation

A recent study[1] found that supply chains have the most to gain from digital transformation. This is because with hundreds of suppliers and thousands of parts, each operation you perform to manage that supply chain — such as acquiring data — must be performed millions of times over the years.

Your supply chain may include companies that perform finishing operations and treatments, as well as parts manufacturers selling into your final assembly. Each of these transactions contains many vital pieces of your product's data trail, from sourcing practices to hazardous substance content. Automating the acquisition of that data will contribute to a transparent business environment for each actor in your extended enterprise.

Digital transformation can benefit your company by enabling a transparent business environment, where the business and manufacturing practices behind each product that reaches global consumers have been evaluated and verified. Supply chain sustainability management drives this transparency.

1 Bughin, J., LaBerge, L., & Mellbye, A. (February 2017). The case for digital reinvention. McKinsey & Company. *McKinsey*. https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/the-case-for-digital-reinvention

How Your Supply Chain Shares Data Today

Common practice today is for companies to manage supplier data reactively as a compliance activity, and produce data only when it is asked of them. They request data manually or through a point solution, and have limited ability to integrate with databases or external business units to fill information gaps. This means that each piece of data companies collect is being acquired at a premium. And because every operation is being performed manually, steps such as supplier training, validation checks, and response analysis are skipped altogether. This immediately increases your risk.

Acquiring quality data is complex work. However, transforming your processes with a supply chain sustainability management solution will introduce your company to a more holistic, transparent data-sharing network.

Why Supply Chain Sustainability Management Is the Answer

Every product has a story, from its materials to the manufacturing processes it undergoes. It is the responsibility of global companies to participate in and influence positive data exchange at each tier of business in order to capture the details. Companies that work within a more transparent business environment acquire better data.

Supply chain sustainability management enables transparency in global supply chains, so business partners can exchange and manage data to navigate risk.

Although manufacturers typically share data related to product composition; environmental, social, and governance (ESG) standards; and supplier information, an effective program should be able to respond to evolving regulatory requirements and scale with business growth.

This allows manufacturers to navigate a broad range of operational, reputational, and financial risk. It means taking ownership of the acquisition, integrity, and availability of all data exchanged between business partners to maintain favorable, low-risk business conditions.

A cloud-based supplier portal can provide your lower-tier suppliers the opportunity to upload their hard copy data into the digital space, where it lives indefinitely in multiple exportable formats. This provides cross-enterprise access to those data assets, building robust business continuity into your company, and ensuring a succession strategy is in place should professionals on your team move on.

The Five Components of Effective Supply Chain Sustainability Management

1. Data Acquisition
Collecting critical product and supplier data

2. Evaluation & Validation
Assessing the data for accuracy and value to decision-makers

3. Analysis & Insight
Interpreting the data to identify risk

4. Communication & Reporting
Sharing the data with stakeholders and enforcement bodies

5. Technology
Using a modern supply chain sustainability management solution



Supply Chain Sustainability Management: Building Transparency in Four Business Areas



Transparency in Product Composition

Every year, more substances are restricted on the global marketplace. Manufacturers need to be able to quickly access the full composition of their products to evaluate any associated risk. This is one area where smaller manufacturers are still struggling — most have yet to digitize historical hard copy data. When their programs get the budget to move into the cloud, this is generally the first priority.

Moving product compliance data into the digital space allows teams to centralize data management from one interface, mitigating the risk of product recall and fines, and aligning data management practices across business units. It ensures products can stay on the market and keep access to maintenance substances throughout their life span, enhancing profit potential and business continuity.

Transparency in Business Relationships

Companies shake hands with many other organizations in their day-to-day, and stakeholders in these companies expect that they do business with ethical business partners and ensure standards are being upheld. Failing to satisfy these concerns can lead to highly-publicized enforcement or adverse media events, hurting the company's — and your — reputation.

Supply chain sustainability management makes this relationship more transparent by improving the flow of data between companies in auditable, reportable formats. It allows manufacturers to report on their due diligence efforts and communicate executive buy-in on ESG initiatives to investors, consumers, talent, external media, and non-governmental organizations (NGOs). Positive relationships with these stakeholders can promote goodwill toward your brand.

Transparency in Sourcing Environments

In 2019, E.l.f. Cosmetics was hit with a $40 million USD fine when one of its suppliers was found to have been sourcing goods from North Korea, rerouted through China, in violation of the Countering America's Adversaries Through Sanctions Act (CAATSA).[2] The incident could have been prevented by a supply chain sustainability management program that included country of origin or human trafficking and slavery due diligence.

A digital solution can determine which of your suppliers are at high risk of human rights violations. This identifies where to deploy corrective actions and training, allowing your executive team the chance to show regulatory bodies that you have done your part to ensure products get to market ethically. As new ESG regulations are passed, a supply chain sustainability management solution will scale with your business landscape, so your reputation is always being protected from poor supply chain actors.

2 U.S. Department of the Treasury. (2022). *Civil Penalties and Enforcement Information.* https://www.treasury.gov/resource-center/sanctions/CivPen/Documents/20190131_elf.pdf

Transparency Between Business Units

Many companies keep their old bills of materials, testing certificates, and purchase orders in storage rooms. For enterprise companies with multiple business units, each of those divisions has its own version of that room. Those rooms do not communicate with each other through your Wi-Fi connection.

Bringing hard copy data into the digital space allows enterprises to centralize each piece of information acquired by every business unit in one place, empowering data-driven decisions on materials and supplier relationships. This empowers designers to build market strength directly into your products, while aligning business strategies across your corporate enterprise.

Digital Supply Chain Sustainability Management

It has been said that "the right approach to digitizing supply chains integrates suitable leading-edge technologies with revamped operations."[3] In the supply chain sustainability management space, that's an exciting prospect: a future where data-driven insights can influence operations and product design positively and proactively, rather than in retrospect.

As new regulatory requirements are introduced to supply chains and their enterprise clients, businesses that manage data effectively will be better positioned to take advantage of fluctuating market conditions and industry best practices. Effective supply chain sustainability management enables companies with limited resources to make digital declarations through a free, secure data exchange portal, transforming data exchange throughout your supplier network, and protecting your business from insufficient sharing standards upstream.

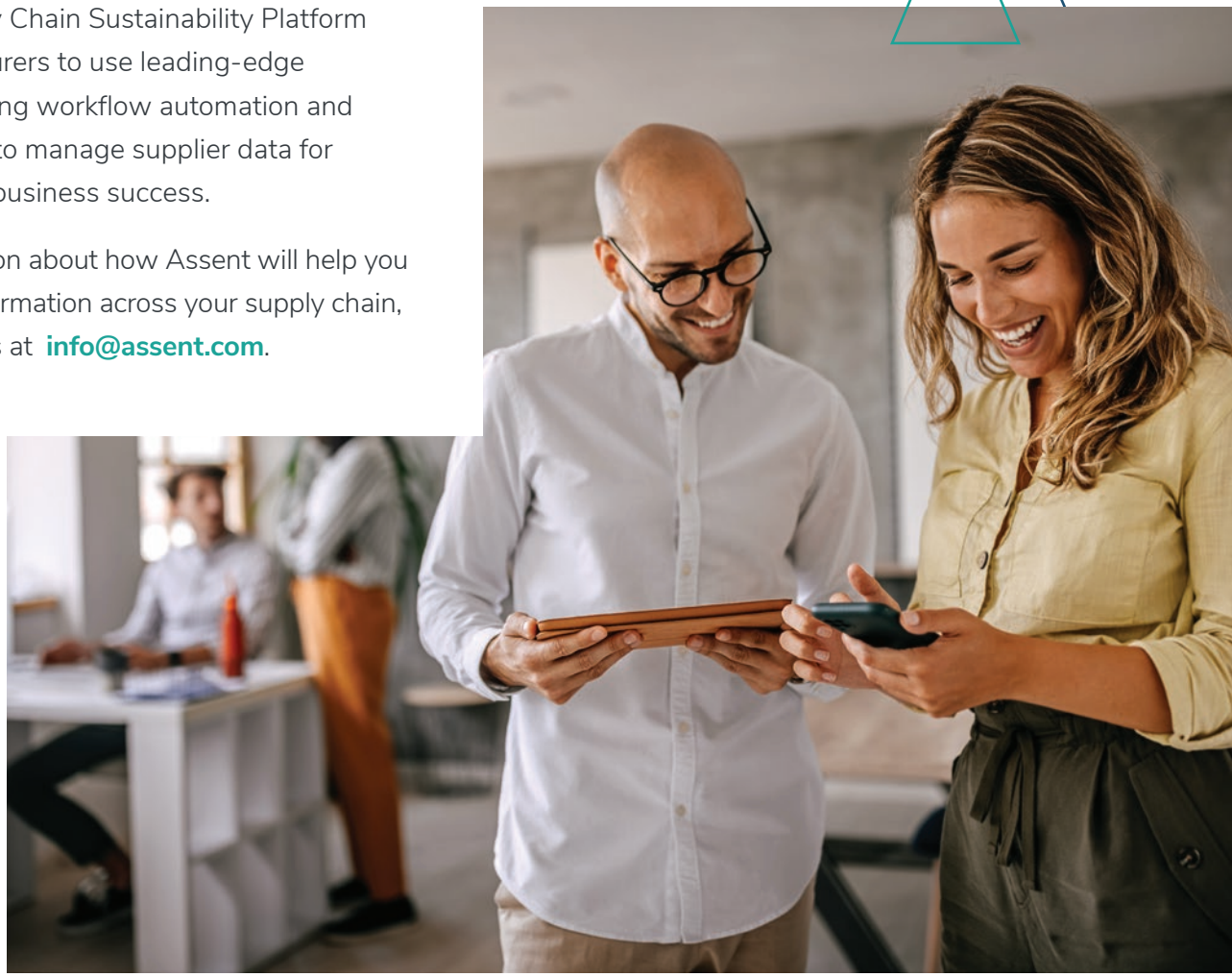
3 Gezgin, E., Huang, X., & Samal, P. (2017, November). Digital Transformation: Raising Supply-Chain Performance to New Levels. *McKinsey*. https://www.mckinsey.com/business-functions/operations/our-insights/digital-transformation-raising-supply-chain-performance-to-new-levels

A supply chain sustainability management solution will help you:

- Mitigate a broad range of financial, operational, and reputational risks
- Use leading-edge technology to gain an advantage over competitors
- Align systems and business strategies across your corporate enterprise
- Keep your products on the market through their full life span

The Assent Supply Chain Sustainability Platform enables manufacturers to use leading-edge technology, including workflow automation and machine learning, to manage supplier data for transparency and business success.

For more information about how Assent will help you drive digital transformation across your supply chain, contact our experts at **info@assent.com**.



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PS-GD-221209