



INTEGRATED, CONNECTED AND SECURE

RISKS AND OPPORTUNITIES OF A SUSTAINABLE SUPPLY CHAIN MANAGEMENT

ENGLISH ABSTRACT

September 2015

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PART 1

THE NEW RELATIONSHIPS BETWEEN A COMPANY AND ITS STAKEHOLDERS

**Research's objectives and
theoretical framework**

1. INTRODUCTION

1.1 RESEARCH'S OBJECTIVES AND THEORETICAL FRAMEWORK

The research is part of a wider field of investigation on which Impronta Etica focused in the last years: **the role and impact of a sustainable company in creating value for the territory.**

The research investigates **the new relationships between a company and its business stakeholders** and analyses the changes taking place at social and economic level, while trying to keep a perspective strongly oriented to the future, to current and future innovations.

The analysis takes into consideration, therefore, changes in the relationships between the company and stakeholders determined by the evolution of the social and economic framework, and **the way these relationships lead to the creation of value for the territory and the company itself, but also to the emergence of risks.**

The ultimate goal of the research is to identify the **impacts on company's value chain of these new relationships.** The intermediate objective is building a map describing relationships between a company and its business stakeholders (defining contents, opportunities, risks, and specific impacts of each relationship).

The initial assumption underpinning the study is that the company operates in a network of relations with its stakeholders that determines, externally, its ability to create value for the territory and, internally, effects on the value chain of the company. Specifically, this assumption is based on several theoretical references, which are those that have oriented the Impronta Etica's research work in recent years:

- The model of **creating shared value** by Porter and Kramer¹, according to which the competitiveness of a company and the wellbeing of the surrounding community are strictly connected. A company needs a thriving community in order to call upon a pool of potential talents, an environment capable of investing and innovating and effective demand for its products. Similarly, the community needs capable, successful businesses in order to have jobs available and opportunities for the creation of wealth and wellbeing. Businesses contributes to furthering social progress and therefore to creating shared value, in both economic and social terms,

¹ Porter, Michael E., and Kramer Mark R., Creating Shared Value, Harvard Business Review 89, n. 1-2 (January – February 2011)

by building infrastructure or increasing knowledge and skills within the community in which they operate, thus improving their productivity, innovation and competitiveness. In order to do this, businesses must create or strengthen their bonds with the environment and communities that surround them, including by encouraging new, closer forms of partnerships with the other actors in the territory, so as to enable social progress to increase.

- **New vision of business in society:** the necessity of moving away from a merely business-centred vision to a vision in which value is created by a constellation of actors, such as other businesses, local and national institutions, civil society and all the components of the supply chain, all operating in a genuine eco-system within a specific territory².
- **Contamination, sharing and collaboration among stakeholders lead to co-defining, co-design, co-production:** new relationships and new *co-oriented* flows, which identify and make levers of value (such as know-how, infrastructure, management systems, etc.) available to each other. This means coming out of the “*enterprise to stakeholders*” bidirectional logic and entering a multi-directional logic (enterprise, partners, stakeholders, society), made up also of open and informal processes, that activate collective intelligence and collaborative economies.

In particular, the first step of the research focuses on opportunities, risks and impacts on the value chain produced by the relationships along the supply chain.

1.2 THE PROPOSED MODEL: WHICH ARE THE RELATIONSHIPS BETWEEN BUSINESS AND STAKEHOLDERS?

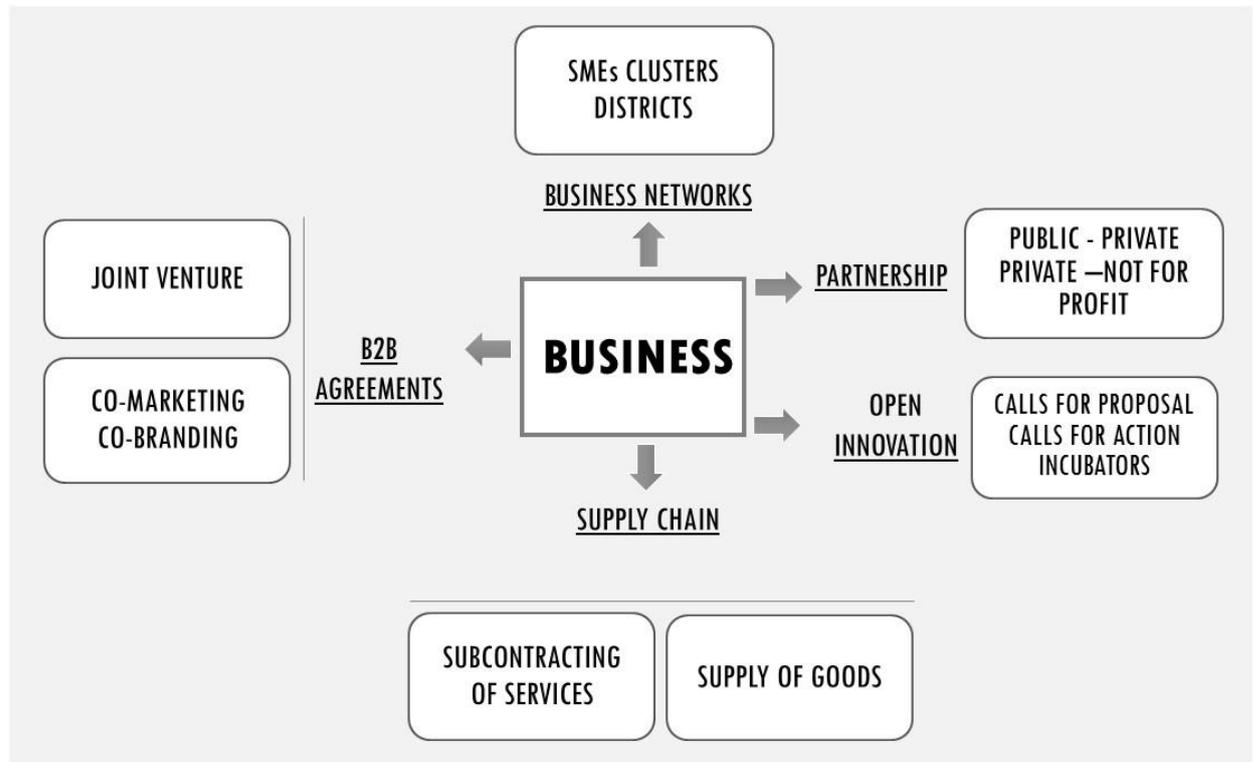
In the current context, and even more in the context that we imagine will take place in the next few years, the "traditional relations" between the company and its business stakeholders may not be sufficient to seize the best opportunities in terms of value creation, both economic and social value, for the enterprise and the territory.

Territories/constellations of actors, fluidity of organisations, new means and channels of communication, co-oriented approaches leading to the creation of relationships between the company and its stakeholders that are taking new and innovative forms are all also based on new communication channels, aiming at resources optimisation (physical and intangible) and maximising results in terms of value creation.

² Impronta Etica e SCS Consulting, Il contributo dell'impresa responsabile nella creazione di valore per il territorio, March 2012

The proposed model foresees several types of relationships between the company and its business stakeholders, as described in the image below.

Figure 1: Types of relationships between the company and its business stakeholders



Source: Impronta Etica

PUBLIC PRIVATE PARTNERSHIP (PPP)

As defined by the Copenhagen Centre, partnerships are collaborations that arise between people and organisations from the public and private sector and civil society. In public-private partnerships the actors voluntarily engage in innovative relations to pursue common goals through the pooling of their resources and skills. Companies can activate public-private partnerships with public sector or partnerships with the non-profit sector.

THE BUSINESS NETWORK

The business network is a form of aggregation that, using the mechanisms of collaboration between companies, intends to be a tool to increase competitiveness and innovation. It comes as a tool for general application, flexible and effective in defining and governing the interrelationships between companies. Districts are configured as "informal networks" in

which operate small and medium-sized enterprises belonging to the same sector, located in the same geographical area, which share the same productive specialisations.

BUSINESS TO BUSINESS AGREEMENTS

Business to Business relations are activated between companies wishing to collaborate by combining certain strategic assets to maximize the effectiveness of their business and reach new goals.

SUPPLY CHAIN

The reference is to subcontracting, with specific reference to services, and to supply chain, with specific reference to the supply of goods.

OPEN INNOVATION

Open Innovation is the process through which companies, to accelerate internal innovation, open themselves to exchange knowledge and know-how with external stakeholders.

1.3 METHODOLOGY

The research on the impacts of the relationship along the supply chain has been developed through the analysis of literature and business cases. Furthermore, Impronta Etica undertook several interviews with some of its member companies to collect feedbacks, suggestions and case studies/best practices. Suggestions and case studies came also from members of the Impronta Etica's Research Steering Committee.

PART TWO

ETHICS AND STRATEGY IN SUPPLY CHAIN RELATIONSHIPS

Opportunities, risks and innovation
in sustainable supply chain
management

FOREWORD

The second part of the research provides a specific analysis of the relationships between a company and its stakeholders within the supply chain.

The research has been developed through the analysis of existing literature and business cases at Italian and European level, desk research, interviews with company representatives and experts on CSR and supply chain management.

Given the complexity of the topic, the research cannot be exhaustive: extracting the evidences resulting from the analysis of case studies, the overall objective is then to provide a framework of analysis about the impacts on the value chain of the relationships established along the supply chain.

Business cases were identified during desk research and interviews with experts from member companies and Impronta Etica's research steering Committee.

The research is built upon three sections: a reflection on the current and future context; the possible trends on supply chain management; the possible impacts on the company value chain of relations along the supply chain.

1. THE WORLD IS CHANGING

1.1 HOW IS THE ECONOMIC AND SOCIAL CONTEXT CHANGING

In recent years, the social and economic context changed significantly. It is possible to identify several aspects that have influenced and will affect businesses and their way to approach the market and the supply chain. In particular:

- Globalisation and centrality of regulatory compliance in the supply chain;
- Changes in the competitive scenario determined by globalisation and net economy;
- Sustainability and innovation in business approach driven by increased consumers' interest.

1.1.1 GLOBALISATION AND CENTRALITY OF REGULATORY COMPLIANCE IN THE SUPPLY CHAIN

The globalisation processes that emerged over the last decades led to important changes in production patterns, in particular towards greater flexibility and complexity. This resulted in a complex combination of outsourcing, delocalisation, creation of global networks of supply and distribution, that led to an increased number of players and intermediaries.

The globalisation of business processes and relationships is one of the most important causes of the increasing vulnerability of the supply chain, with respect to which companies - multinationals firstly, followed by SMEs - have begun to define new approaches to prevent risks and to create value.

The changes in how to approach risk management in the supply chain do not only result from a greater awareness of businesses. Since the mid-nineties, in fact, the international regulatory landscape has started to become more stringent, and consumers increasingly conscious.

Some of the milestones of this process are:

- Ethical Trading Initiative (ETI), leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe (www.ethicaltrade.org);
- SA8000, auditable social certification standards for decent workplaces, across all industrial sectors (www.sa-intl.org);

- Clean Clothes Campaign, a civil society campaign focused on the improvement of working conditions in the garment and sportswear industries (www.cleanclothes.org);
- OECD Guidelines for Multinational Enterprises, annex to the OECD Declaration on International Investment and Multinational Enterprises. They are recommendations providing principles and standards for responsible business conduct for multinational corporations operating in or from countries that subscribed to the Declaration (www.oecd.org).
- The Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups amends the Accounting Directive 2013/34/EU. It requires companies that fall under the conditions of the Directive to disclose in their management report information on policies, risks and outcomes as regards environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues, and diversity in their board of directors.

1.1.2 CHANGES IN THE COMPETITIVE SCENARIO

The competitive scenario is constantly changing: on the one hand it is affected by the changes brought about by the processes mentioned above (the globalisation and its consequences), on the other hand, it is conditioned by the new tools and trends of the net economy.

In this new context, more flexible solutions are taking hold, based on ability and skills of those working in the network, such as remote interactions with consumers, the customization of the products/services, e-commerce solutions, real-time control of the order cycle along the supply chain, portals and social networks extended to suppliers, the development of virtual communities, the ability to provide on demand and tailored products/services.

Managing complexity, disintermediation, innovation, networks, flexibility: these are the key words to describe the new competitive scenario in which companies are restructuring and innovating all their processes and relationships along the value chain, and in particular in the supply chain.

1.1.3 SUSTAINABILITY AND INNOVATION IN BUSINESS APPROACH DRIVEN BY INCREASED CONSUMERS' INTEREST.

The increasing disintermediation of information, the speed of information and the increased awareness about the risks of an uncritical way of consuming, determined over the past decade the steady growth of the attention of consumers to the sustainability of the products they buy. According to a recent Nielsen global survey, consumers' sentiment

towards socially responsible companies is growing. The survey showed that 36% of European consumers are "socially conscious": they are willing to pay a premium price for products and services of companies that have developed social responsibility programs (+4 percentage points at EU level compared to 2011)³.

At the same time, there is more awareness among citizens about their role in influencing companies. According to EU Eurobarometer, European citizens think that citizens themselves should take the lead role in influencing the actions of companies, through their purchasing decisions (49%), followed by company management (40%) and public authorities (36%)⁴.

Other recent surveys confirm these trends. A study led by DNV GL and research institute GFK Eurisko underlined that sustainable supply chains are now reaching the top of business agenda due to increasing customers' demand. The study shows that over 80 percent of companies are being pressured by customers to demonstrate the sustainability of their supply chain. Customers are also the stakeholders that are most interested in sustainability, more than authorities and other external stakeholders, like local communities or NGOs⁵.

Two aspects are common to all the above-mentioned analysis on consumers' behaviours related to sustainability. On the one side the importance (the need) for more information available to consumers regarding products and production processes; on the other side, the gap between intentions and behaviours: consumers who actually base their consumption choice on products or companies' sustainability are less than consumers who say so.

³ Nielsen, Consumers who care, 2013. For more information:

<http://www.nielsen.com/us/en/insights/reports/2013/consumers-who-care.html>

⁴ For more information: http://ec.europa.eu/public_opinion/flash/fl_363_en.pdf

⁵ DNV and GFK Eurisko, Creating value through supply chain management survey, 2013. For more information:

http://www.dnv.com/resources/publications/dnv_forum/2013/forum_01_2013/Creating_value_through_supply_chain_management.asp

1.2 HOW THE COMPANY AND THE WAY OF DOING BUSINESS IS CHANGING

1.2.1 SUSTAINABILITY IN SUPPLY CHAIN MANAGEMENT AS A PRIORITY

Supply chains are becoming more and more global and complex, and companies are increasingly considered as responsible both upstream and downstream. This pressures them to be in control of every connection within their supply chain. At the same time, companies started to be conscious of the opportunities and positive impacts of a sustainable approach to supply chain management.

A DNV survey shows important results on this topic⁶:

- Level of maturity: 84% of companies who can rely on a more mature approach in handling sustainability of their supply chain consider sustainability aspects to a greater extent. 42% of companies have a formal supply chain strategy encompassing sustainability aspects (57% for corporations employing more than 250 people and 25% for small companies).
- Companies feel there is still a lot to do: on a scale from 1 to 5 (from “beginner” level to “leader” level) that measures maturity in managing supply chains in a sustainable way, only 22% of professionals interviewed rated their companies as advanced (4 and 5).
- Companies are working to make their supply chains more sustainable: so far, audits of suppliers (directly managed or externally commissioned) are the most common actions: 41% of companies claim to have undertaken one in the last three years (57% among mature companies). Communication initiatives are also undertaken: 34% required their suppliers to provide information about sustainability of their products (60% among mature companies), while 25% implemented and communicated a sustainable supply chain policy (59% among mature companies).
- Size makes a difference: the proactive adoption and communication of an ad hoc strategy proved to be particularly widespread among bigger corporations.
- Sustainability of the supply chain pays off: the benefits outweigh the costs for 40% of companies; for 36% they match costs. Less than 1 in 4 think that paybacks are lower than expenditures. The improvement of the ability to meet customers’ needs is the main advantage gained by companies that implemented sustainability actions (54%). Customers nowadays ask for sustainability practices, therefore companies take actions in order to keep operating and make profit.

⁶ DNV, Is your supply chain fit for the future?, 2014. For more information: <https://www.dnvgl.com/assurance/viewpoint/viewpoint-surveys/is-your-supply-chain-fit-for-the-future.html>

- Obstacles preventing companies from making more progress on sustainable sourcing fall into two categories: economic shortages and a lack of either clear standards or a harmonised framework of reference. In fact, on the one hand, businesses are hindered by the lack of financial resources, by the need to focus exclusively on short-term results and by insufficient returns on investment. On the other hand, they report conflicting customers' demands, lack of consensus on what to do and the resistance of the supply chain to their attempts.
- The future of sustainability in supply chain management: companies expecting to rank in higher positions (4 and 5) in the maturity scale for supply chain sustainability are more than twice the current number. At a general level, 66% of firms expect to improve sustainability of their supply chains within three-year time.

1.2.2 SUSTAINABILITY IN THE SUPPLY CHAIN AS A STRATEGIC LEVER FOR COMPETITIVENESS

Over the years, corporate social responsibility assumed increasing value within companies as a strategic lever for competitiveness: the philanthropic approach has become a structured approach, in which sustainability is part of the business strategy and permeates all business processes, including those related to the supply chain. This led companies to rethink the centrality and importance of developing approaches and tools to give strategic value to sustainability within the supply chain.

The three dimensions - social, environmental and economic - of sustainable development are the guidelines to create a sustainable supply chain: the sustainability in the supply chain is a responsible management of all processes of procurement, production and distribution activated directly by the company or indirectly by suppliers.

The OECD Guidelines for Multinational Enterprises stated that companies need “to avoid causing or contributing to adverse impacts on matters covered by the Guidelines through their own activities including their activities in the supply chain. Enterprises may also engage with suppliers and other entities in the supply chain to improve their performance, in cooperation with other stakeholders, including through personnel training and other forms of capacity building, and to support the integration of principles of responsible business conduct compatible with the Guidelines into their business practices”⁷.

⁷ OECD, Guidelines for Multinational Enterprises, 2011. For more information: <http://mneguidelines.oecd.org/>

Besides regulatory initiatives, there are several business cases of companies developing sustainability programs on a voluntary basis with the aim to improve their environmental, social and economic performance, along the entire supply chain.

The adoption of sustainable practices along the supply chain impacts on different primary processes of the value chain. It is possible to identify several factors that can impel companies to adopt a sustainable supply chain management.

From the economic point of view:

- The need for a more efficient supply chain (that has become increasingly global and disaggregated);
- Pressure from stakeholders (i.e. investors) for a more effective risk management that take into consideration the new environmental and social risks.

From the environmental point of view:

- Tightening of regulations and awareness of limited resources;
- Opportunities for business to approach a market more aware of environmental sustainability.

From the social point of view:

- Willingness to mitigate possible negative effects on reputation and sales, determined by scandals involving workers along the supply chain;
- Opportunity to build more transparent and stable relationships with stakeholders.

1.2.3 THE NEW RELATIONSHIPS BETWEEN A COMPANY AND ITS STAKEHOLDERS IN THE SUPPLY CHAIN

The supply chain is a particular system of the outward relationships of a company, which requires an integrated management of some fundamental business processes and the adoption of different coordination mechanisms. Such a system lies on a close interdependence between the actors involved in the process, which are inserted in an "organised" system of relations that are based on a strong and lasting partnership, whose management becomes an important factor for success⁸.

The relationship between the actors in the supply chain can be a strategic element of success or failure. Academic literature in this field of study⁹ shows that the sustainable

⁸ Pinna, R. L'evoluzione nella dimensione organizzativa della supply chain. Dalla gestione di un flusso alla gestione di una rete, 2006, Franco Angeli, Cit.

⁹ Vurro, C., Russo, A., Costanzo, L., Sustainability along the Value Chain: Collaborative Approaches and their Impact on Firm Performance, *Symphonya - Emerging Issues in Management* n. 2 2014 (symphonya.unimib.it)

management of the supply chain maximises its effects when the objective of reducing the environmental and social impacts in the production process joins the ability to build, between the company and the supplier, stable and collaborative relationships, based on the exchange and mutual development of knowledge and skills.

The increasing disaggregation of supply chains and the need to prevent the related risks led to the rapid spread of a more sustainable approach of supply chain management. The sustainable approach aimed at involving and empowering suppliers regarding social and environmental issues throughout the whole process of supply (from suppliers' qualification up to the provision of services).

2. THE SUPPLY CHAIN IS CHANGING: NEW FORMS, MEANINGS, APPROACHES

The analysis led to the identification of three features that characterise the supply chain of the future, that are described in the following chapters:

- Integrated supply chain: integration and interaction between the actors;
- Smart and connected supply chain: integration between physical and digital worlds;
- Secure supply chain: the centrality of security and risk management.

2.1 INTEGRATED SUPPLY CHAIN



[...] networks themselves don't provide competitive advantage any more than the phone system does. It's how you build and use them that matters.



Larry Huston, past vice president, Innovation Area Procter & Gamble

The analysis of several case studies and academic literature leads to identify participatory approach as one of the dominant trends in tomorrow's supply chain management. Exchange, cooperation, integration and synergy become critical success factors for companies in building relationships with stakeholders along the chain of production.

In the supply chain of the future the features of the integration between customers and suppliers will be technological and strategic, not just operational: this requires cooperation in business, risk-sharing and exchange of expertise and prospects.

It is possible to identify - among others - two major manifestations of this trend: on the one hand the integration of processes, on the other hand, the outward opening of business towards open innovation processes with stakeholders in the production chain.

Cooperation and integration between actors along the supply chain

To develop better performances and create value, companies must interact with suppliers to create organised supply chains with a common vision. The basic assumption is that, in a globalised competition scheme, it becomes important - in order to reduce risks and maximise benefits - to share company's expertise and assets with other players in the production chain, knowing that the skills inside the company may not be sufficient to gain the best results. Effective integration requires a careful selection of partners, a definition of effective relational and organisational mechanisms, a clear identification of roles and responsibilities, explication of the strategic objectives among the companies operating in the logistics network.

Open and shared innovation

Nowadays is emerging the logic of open innovation, which feeds a two-way process, inside-out and outside-in, through which companies, to accelerate internal innovation,

P&G: OPEN INNOVATION WITH SUPPLIERS

P&G decided to introduce a new business model to cope with both the desire for external ideas coming in and own ideas going out. Instead of the traditional in-house research model (“Research and Development”), they created a department called “Connect and Development” which is based on open innovation. The idea was to bring together external research institutions, customers, suppliers, individuals and even competitors to develop a market for new products. They set up a website (www.pgconnectdevelop.com) to communicate with the resources outside. Following the implementation of this model, P&G was able to drive new innovation through collaboration with external partners in at least 50% of the cases. In 2004, P&G reported a 17% increase in volume, a 19% increase in sales, a 25% rise in earnings and a total shareholders return of 24%.

www.pgconnectdevelop.com

open themselves to the exchange of knowledge and know-how with external parties, going from dyadic relationships to collaborative networks¹⁰. The supply chain is a field of experimentation for innovation: in fact, suppliers could be considered potential strategic partners in processes of open innovation, as evidenced by several case studies that were analysed. The approaches to processes of open innovation may be different. In some cases companies develop open innovation through partnerships along the value chain

(ownership, fiduciary or contractual ties between the company and its suppliers). In other cases, companies open to collaboration with key suppliers for the study of new

properties and characteristics of their products or services¹¹. The processes of open innovation in the supply chain require long-term investments in mutual relations, which means:

- For the supplier, to deliver a better service as a condition for maintaining the relationship;
- For the company / customers, to overcome the logic of cost-oriented relationships and support strategically (where necessary) the growth of the suppliers to ensure, even to itself, the benefits of future innovation.

LAVAZZA: “InnovAktion” with suppliers

In 2014 Lavazza created a Programme of Proposals for Improvement and Innovation, which sees suppliers as an active part of a system designed to foster and promote sharing of results. Lavazza call it “innovAktion”: with roll-out planned for 2015, the programme aims to generate and implement technical proposals to reduce costs and/or improve the products and services purchased in terms of performance, quality and sustainability. Suppliers involved will be able to share their expertise, presenting product re-engineering solutions, using alternative materials and technologies, and optimising production/logistic processes and delivery of services. Selected on the basis of their technical and financial feasibility, the proposals will allow suppliers to receive a positive evaluation as part of the Vendor Rating system, based on proactive behaviour, providing access to financial rewards or media visibility where appropriate.

www.lavazza.it

¹⁰ Chesbrough, H., [The Era of Open Innovation](#), Mit Sloan Management Review, 303, Spring 2003.

¹¹ Alberti, F. et al. [Fattori di competitività delle imprese. Evidenze dall’Alto Milanese](#), 2013, LIUC – Università Cattaneo

2.1.1 OPPORTUNITIES, CRITICAL ISSUES AND RISKS OF AN INTERCONNECTED SUPPLY CHAIN

The analysis of academic literature and case studies leads to the identification of opportunities and risks related to the activation of integration processes along the supply chain. The most important ones are outlined below.

OPPORTUNITIES	CRITICAL ISSUES	RISKS
Process optimisation and efficiency	Cultural resistance in the management of business and suppliers	Suppliers become competitors
Supplies reliability and security	Suppliers' qualification and monitoring of the requirements	Dependence on suppliers
	Knowledge of the supply network	
	Training and awareness-raising among suppliers	

OPPORTUNITIES

- *Process optimisation and efficiency*

The activation of partnerships within the supply chain promotes clearer and more effective relationships that may have potential positive impacts throughout the process of procurement and production. Similarly, the activation of open innovation processes may determine for the enterprise greater effectiveness in achieving the desired innovation (and consequently, potential competitive advantages).

GROHE: GLOBAL SUPPLY CHAIN BECOMES GLOBALLY INTEGRATED

In 2005, Grohe faced limited growth in developed markets, increasing competition worldwide and rising product complexity. Responding to these challenges was difficult because the company's supply chain processes were not well integrated and were plagued by a high ratio of fixed costs. To escape this gridlock and gain efficiencies from better global integration, Grohe initiated a company-wide transformation program called "World Class Grohe." This program of initiatives included alignment of supply chain strategy with business strategy, supply chain integration and harmonization, reduction of parts proliferation, make or buy strategies, logistics network optimization, globalization of the manufacturing footprint and increased global sourcing. Grohe's transformation has produced tremendous value, including improved cash position, efficiency, speed, process excellence and quality. Through this comprehensive program, the company expects to achieve its strategic objective of becoming one of the leanest and most demand driven companies in its industry worldwide.



- *Supplies reliability and security*

Strong and stable relationships along the supply chain are a potential guarantee (or protection) for the companies on the quality of goods or services provided by suppliers / partners. In addition, consolidated and integrated relations are also important for the company to secure access to supplies on an ongoing and continuous basis.



BARILLA: INTEGRATED SUPPLY CHAINS

Over the years, Barilla has developed an integrated supply chain model founded on long-term strategic partnerships with all the players operating at different levels of the chain, for each single sector, from raw materials to production, and from packaging to distribution.

Unlike the classical linear structure with a cascade sequence of supply chain operators, the Barilla model is circular so as to involve the various players with collaboration projects: from the production of raw materials to projects with customers and the relationship with People. In its day-to-day activities, Barilla is committed to make its supply chains more sustainable through projects and activities leading to the achievement of its goals.

www.barillagroup.com

CRITICAL ISSUES

- *Cultural resistance in the management of business and suppliers*

Approaching integration processes (at any level) with suppliers requires a necessary cultural predisposition of management for a synergistic collaboration, sharing and continuous improvement. In some business contexts, these conditions need to be developed through training and awareness-raising processes, requiring medium-long term and ad hoc investments.



GRANLATTE YOUNG: GRANLATTE YOUNG TRAINING PROGRAMME

Granarolo launched in 2012 the Training Program “Granlatte Young”, dedicated to the new generations of farmers (between 20 and 30 years old). The course aims to teach them the skills and knowledge necessary for:

- Respond flexibly to the challenges of the future;
- Develop projects for an efficient growth;
- Evaluate the business implications of each decisions.

www.gruppogranarolo.it

- *Suppliers’ qualification and monitoring of the requirements*

The qualification process is necessary to determine if a supplier can meet the quality requirements required by the company. The launch of integration processes calls upon the structuring of a qualified supply network, where actors meet certain requirements. The verification and monitoring of quality standards is very important for the company in order to prevent potential risks, both at social, environmental and economic level.

HUAWEI: SUPPLIER QUALIFICATION AND MONITORING

In 2013, Huawei continued to optimize the sustainability management system based on ISO26000, and developed and published the sustainability policies, process, baselines, and maturity assessment tool.

Based on the Electronic Industry Code of Conduct (EICC), Huawei has developed its Supplier Sustainability Agreement. Huawei requires every supplier to sign the Supplier Sustainability Agreement as a key step in supplier qualification. The compliance level with the agreement is one of the key factors that Huawei considers during supplier audits and performance appraisals.

Huawei implements a comprehensive qualification process for all new suppliers. The assessment covers suppliers' capacity and their compliance with applicable laws and regulations and with the Supplier Sustainability Agreement.

Huawei divides suppliers into different categories to ensure their continued compliance with our sustainability requirements. Every year Huawei audits suppliers, which combined represent at least 90% of the procurement value, and assigns them one of three priority levels: high, medium, and low. On this basis, a list of suppliers for particular attention is drawn up. The factors considered during the audits are: country where a supplier is based; product/material type; potentially high risk manufacturing process; business volume and relationship; sustainability performance; environmental risk; and risk management system.

www.huawei.com

- *Knowledge of the supply network*

The inadequate knowledge of the supply network may lead the company to choose wrong supply partners.

- *Training and awareness-raising among suppliers*

The activation of processes of training and support to suppliers is a fundamental condition to make integration processes effective, but requires considerable efforts in terms of design, planning, delivery and monitoring. A careful qualification process allows the company to identify the best suppliers, the ones appropriate to achieve the objectives of the business but also sufficiently ready and responsive to the processes of training and improvement that the company intends to promote.

ILLY: SUPPLY CHAIN MONITORING AND TRAINING

In the context of respect of sustainability values and of business ethics, Illycaffè maintains relationships of mutual benefits with its own suppliers, which are subject to a process of selection and oriented to an alignment towards the company ethical values.

Relationships with suppliers are based on a long-term collaboration agreement, following the idea that only relationships based on mutual respect, shared objectives and reciprocal growth are able to generate quality and consequent enhancement of added value in products.

In particular, attention is paid to green coffee producers: Illycaffè is constantly committed to transfer them the most suitable knowledge to achieve excellent harvests and endorses producers competitive compensations, above the market quotes, on the basis of qualitative results obtained.

www.illy.com



RISKS

- *Dependence on supplier*

An integrated supply chain presupposes a process of qualification and selection operated by the leading company to ensure the best performance in the development of the relationship with suppliers. However, this should not put the company at risk with regards to an excessive dependency on a specific supplier, which could have adverse consequences for the continuity of the business in case the relations with that supplier is disrupted.

- *Suppliers become competitors*

Invest and cooperate with suppliers to increase their potentials in terms of knowledge and skills can lead to a substantial reduction in the bargaining power of the company and increased autonomy of the supplier in the market. For this reason, the collaboration with suppliers must be based on a proper and solid basis of trust, respect and loyalty in the relationship, in order to prevent the occurrence of cracks in the relationship (and, consequently, in the business).



IMA: THE STRATEGIC CORPORATE NETWORK

In IMA's supply chain, each single company involved in it also has to ensure high levels of quality and sustainability: to increase the added value of its offer, IMA has to use selected suppliers and partners, involving them actively in the processes of design, manufacture and assembly of machines. At the same time, the Group monitors the high quality standards requested and the technical and regulatory requirements throughout the supply chain. The goal is to share rigorous methods and standards so that the company can share the successes as well.

In recent years, IMA has adopted a change of strategy in the field of subcontracting, especially because of a competitive situation with features that tend to break with the recent past, such as the recession, the increase in competition also in niche packaging areas, the need to reduce procurement lead-times and keep down the total cost of the product to avoid losing competitiveness compared to competitors.

Many of the strong contacts established by IMA in recent years are within its own industrial cluster. These relationships sometimes take the form of minority investments (up to 30% of the share capital) in certain subcontractors. These are investments that serve to support the network of small local businesses, an active part of the process of innovation promoted by the Group: they are direct interventions, not only at a financial level, but also at a strategic level, which strengthen the cohesion of the production system and integrate the innovative potential of local players.

IMA also encourages suppliers in which it holds a participation to create second level aggregations with highly-specialized micro-enterprises that risk having to close down, so as not to lose a wealth of knowledge and experience that is the real added value of the Group, where physical proximity is still a very significant plus.

IMA's supply chain is a genuine corporate network made up of more than 15 affiliated companies. Through the development of this corporate network, IMA:

- increases its direct control of suppliers that are considered strategic for their know-how and the importance of the product/service that they offer;
- favours the development of these companies by leveraging the production and financial strength of the main customers;
- facilitates the integration of very small subcontractors through affiliated companies belonging to the network, so as to ensure continuity in critical situations of generational change, thereby contributing to their survival and development, removing the risks associated with the need to address external subcontracting markets, often the first step in risky delocalization;
- helps each company of the network to focus on their own core business by delegating non-core activities to other entities in the network.

www.ima.it

2.2 SMART AND CONNECTED SUPPLY CHAIN



To deal effectively with risk and meet business objectives, we believe supply chains must become a lot smarter. This is an extremely energizing prospect for supply chain leaders. You have a remarkable opportunity to use the instrumentation, interconnection and intelligence now within your grasp to create the robust, secure and sustainable supply chain businesses today demand.



Tim Carroll, Integrated Supply Chain Vice President, IBM Corporation.

The new information and communication technologies (ICT) have a strong impact on the relationship that the company establishes along the supply chain.

The supply chain of the future will bring together people, businesses and things in a digital value chain and incorporate new features such as the Internet of Things (IoT) in its planning and in its strategies. The increased adoption of smart devices will create a rich network of information which allows the supply chain to collaborate and communicate in new ways¹². IoT devices have proliferated and are already moving into industrial environments, such as warehouses, manufacturing plants, health care, banking and finance, and transport. A Gartner study¹³ stated that there will be by 2020 a 30-fold increase in Internet-connected physical devices by 2020 (26 billion devices in 2020, 900 million in 2011): as the number of IoT devices grows, so will the impact of the IoT on supply chain operations and management (and cyber-risk exposure). The number of ways the IoT could impact supply chains—and vice versa—is incredible, and that number will continue to grow: transparency and visibility, proactive replenishment, predictive maintenance, reduction in asset loss, risk management¹⁴.

The supply chain of the future, according to a new IBM study on more than 400 supply chain managers¹⁵, will be smarter: they will be able to establish connections not only with other supply chains, but also, for example, with transport systems, financial markets,

¹² IBM, [The Smarter Supply Chain of the Future](http://www.ibm.com)- Global Chief Supply Chain Officer Study, 2009, www.ibm.com

¹³ Burkett, M., Steutermann, S., Tohamy, N. (Gartner), Digital marketing, Internet of Things and 3D Printing are digital-business-driven disruptions for supply chains, 2014 www.gartner.com

¹⁴ Lee, K. How the Internet of Things will change your world, Supply Chain Quarterly, Issue 1 2015 www.supplychainquarterly.com

¹⁵ IBM, [The Smarter Supply Chain of the Future](http://www.ibm.com)- Global Chief Supply Chain Officer Study, 2009, www.ibm.com

electrical networks. The intelligence of the supply chain of the future, according to IBM¹⁶, is based on three pillars:

- Interconnection: Extensive connectivity will enable worldwide networks of supply chains to plan and make decisions together;
- Use of smart tools: Information that was previously created by people will increasingly be machine-generated — flowing out of sensors, RFID tags, meters, actuators, GPS and more;
- Smart decisions: Advanced analytics and modeling will help decision makers evaluate alternatives against an incredibly complex and dynamic set of risks and constraints.

BOEING: REAL TIME DATA EXCHANGE

To address supply chain issues that delayed production of the 787 by three years (resulting in 217 cancelled orders and an estimated US\$ 6 billion in lost profits) the company has engaged suppliers such as Alcoa in a collaborative planning, forecasting and replenishment (CPFR) exercise.

In CPFR, IT systems are integrated to allow real-time data exchanges between supplier and manufacturer. Boeing now sends weekly forecasts and inventory counts to Alcoa via enterprise resource planning systems that generate electronic purchase orders for raw materials.

The improved forecasting accuracy enables Alcoa to adjust its production processes for maximum efficiency, while the enhanced communication ensures this part of Boeing's supply chain is not disrupted.

www.boeing.com



¹⁶ IBM, [The Smarter Supply Chain of the Future](http://www.ibm.com)- Global Chief Supply Chain Officer Study, 2009, www.ibm.com

2.2.1 OPPORTUNITIES, CRITICAL ISSUES AND RISKS OF A SMART AND CONNECTED SUPPLY CHAIN

The analysis of academic literature and case studies leads to the identification of opportunities and risks related to a smarter supply chain. The most important ones are outlined below.

OPPORTUNITIES	CRITICAL ISSUES	RISKS
Transparency and visibility of processes	High costs in technology investment	More vulnerability to external factors (cyber risks)
Traceability	Guarantee of the skills necessary to operate in a high-tech environment	
Processes efficiency		

OPPORTUNITIES

- *Transparency and visibility of processes*

The use of innovative and advanced technologies in supply chain management enables the company to have continuous and real-time access to information about suppliers everywhere. This allows a more effective monitoring and the potential reduction of risks and inefficiencies.



GRANLATTE: EXTRANET NETWORK TO MONITOR AND COMMUNICATE WITH FARMERS

Granarolo puts at the centre of its policies the importance of traceability along the supply chain. For over 10 years Granlatte - cooperative holding the Granarolo Group, which has about 1,000 farmers - has implemented an information system monitoring the cooperative and its farmers.

This extranet network has the dual function of monitoring / tracking tool and communication tool: on the one hand Granlatte has access to data for quality monitoring, on the other hand farmers have access to a database containing valuable information concerning their production performance and quality.

www.granlatte.it

- *Traceability*

A connected and technologically advanced supply chain is important and functional for an increasingly clear traceability of products. The new smart tools available for traceability enable the company to respond more effectively to the demands of regulatory bodies and consumers.

COOP'S SUPERMARKET OF THE FUTURE: PARTNERSHIP WITH SUPPLIERS AND TECHNOLOGY FOR TRACEABILITY

At Expo 2015, in the Future Food District, Coop presented the "Supermarket of the future". It is a supermarket where citizens will know everything that is behind a product: origins, properties, quality, health and how it is produced. A place full of information and interactivity, where one can make purchasing choices with a high degree of awareness. Transparency and traceability of products are mainstream and visitors are immersed in a truly stimulating, multi-sensorial space, where food can be chosen depending on its origin, its caloric content and other characteristics.

Through a 2.0 label, the product can tell information on its properties, its history, its journey from its origin to the end consumer. In this way, Coop wants to promote the commitment to transparency.

Since the beginning of its story, Coop invested on full traceability and transparency of supply chains of its brand products. In the "Supermarket of the Future", the partnership for greater transparency was extended to suppliers of external brand products. The manufacturers were invited to share extra information on the origins and characteristics of their products. Coop had to overcome a few cases of resistance (cultural or commercial) to the disclosure of product information (when such information was not available or when it was not considered appropriate to communicate), managing to meet the objective of giving more information to consumers.

www.e-coop.it



- *Processes efficiency*

The information that the company may obtain from a connected and smart supply chain can be used to reach a greater efficiency of the entire production process. In fact, the information allows, for example, the leakage or waste monitoring and the potential increase in productivity thanks to a faster and more efficient communication between company and suppliers.

IMA: DATA EXCHANGE WITH SUPPLIERS

In order to improve collaboration with suppliers, providing a contribution to the supply chain, IMA has adopted and developed a tool for exchanging data to help in the production cycle of components or groups of components.

IMA's philosophy is to integrate information flows with suppliers more and more, looking to adopt non-invasive system architectures that involve added value in the simplification and optimization of management activities in support of production.

Currently, the direct exchange of purchase orders, order confirmations, delivery plans, non-compliance reports and transport documents takes place via this tool. The project is in continuous development and provides other important exchange features, with all Group divisions gradually getting involved in using it.

www.ima.it



CRITICAL ISSUES IN THE PROCESS

- *High costs in technology investment*

Rethinking the supply chain to make it more connected and technologically-advanced presupposes high costs for new infrastructure and equipment. Moreover such investments require a long-term vision since they have a return only in the medium / long term.

- *Guarantee of the skills necessary to operate in an high-tech environment*

To ensure maximum effectiveness of new infrastructures and technologically-advanced tools and to avoid potential loss of productivity due to their incorrect use, it is critical that the techno-structures, of both the company and its suppliers, are able to operate in a technologically-advanced environment. For this purpose, the company can activate training programmes involving its suppliers.

RISKS

- *More vulnerability to external factors (cyber risks)*

The smart systems described above are more vulnerable to external factors. It is therefore important for the company to adopt specific procedures, involving its suppliers, to limit the risks and develop an efficient risk management plan.



ENEL: THE APPROACH TO CYBER RISKS

On the specific issue of Cyber Security, to deal with the complexity and dynamism of the scenario, Enel has developed a specific process, called ISRM (Information Security Risk Management).

ISRM aims at identifying the real level of risk exposure and the subsequent identification of the necessary controls to mitigate risk.

The final aim is to intercept the internal and external emerging threats and support a "proactive" capacity-building, instead of a "reactive" approach, which is always less effective.

www.enel.it

2.3 A SECURE SUPPLY CHAIN



Companies will increasingly mandate traceability from their suppliers. At each stage of the chain, a new rule will apply: the only acceptable products are those with a clear, comprehensive provenance.



Steve New, Said Business School & Oxford University

The risks arising from the mismanagement of sustainability aspects in the supply chain may produce relevant negative impacts on companies: recent scandals for inadequate and/or unsafe working conditions, unfair and/or illegal labour practices, lack of traceability on the origin of the raw materials or semi-finished products, environmental disasters are some example of those¹⁷.

On the issue of security of the supply chain, it is possible to identify two relevant aspects: on the one hand the central role of transparency and control, on the other hand the issue of emerging risks and the need to build resilient supply chain.

Transparency and control

A careful control of the supply chain could be considered strategic to ensure success and competitiveness of the company. Companies have an increased need to have a clear view on the business processes along the supply chain, which is increasingly fragmented. More transparency along the supply chain allows both a greater monitoring on the efficiency of processes and a stricter control and prevention of risks linked to unfair behaviour of suppliers.

In this regard, traceability of products has become more and more central as a control tool for companies and, at the same time, a guarantee of security for customers. Traceability has two important roles with regards to risks' neutralisation: on the one hand, traceability allows the isolation and quarantine of suspected production chains (thereby reducing the effects of the risk), and on the other hand it enables the company to search for and intervene on the causes of risks, preventing it from happening again in the future¹⁸. The issues of traceability and control within the supply chain are closely connected to the company's ability to work in partnership with suppliers, sharing quality principles and standards, and respect for ethical relationships.

¹⁷ Ministero dello Sviluppo Economico, Guida alla due diligence nella catena di fornitura, 2011, cit.

¹⁸ CCIAA Napoli, Agripromos, Sicurezza alimentare e tracciabilità norme e regolamenti, 2009



LAVAZZA: QUALITY AND PARTNERSHIP WITH SUPPLIERS

Being able to depend on a reliable supply chain is key to the quality of products and the reputation of the company. This is why we Lavazza favours the creation of long-term relationships with suppliers. Over the years, Lavazza has benefited from a number of stable and mutually-beneficial partnerships, most of which with local companies, which the company aims to maintain in a changing environment of growth and internationalisation.

In 2012, Lavazza redefined the purchasing and supplier evaluation processes to ensure consistency, transparency, clarity of requirements and selection criteria. As part of this, procedures and contracts were also optimised, purchasing processes were centralised and the supplier base and relative qualification and monitoring criteria were streamlined.

www.lavazza.it

Resilience

A new category of risks along the supply chain can be identified, linked to environmental and climate change, that get a growing importance in the overall framework of the above-mentioned risks (economic, social, ecc). In order to face these new risks (and in general to face all possible risks) it is important for the company to be resilient. That means having the positive ability to adapt itself to the consequences of a failure and rebuild itself accordingly.

Managing these risks and making the supply chain resilient is more effective through a multi-stakeholder cooperation and exchange. Risk management needs to be a fundamental aspect of the supply chain management: the company has to carefully analyse its supply chain in order to identify all the possible risks in terms of importance, costs, duration and possible restoration activities¹⁹. A recent survey carried out by the World Economic Forum²⁰ explores government and industry sector views on systemic supply chain risks and building a resilience framework to manage them. Three “must have” requirements have emerged from the analysis: the need for a common risk vocabulary; improved data and information sharing across supply chain actors; and building greater agility and flexibility into resilience strategies. This led the WE Forum to create an overall blueprint for resilient supply chains based on four core components: partnerships, policy, strategy and information technology (IT).

¹⁹ World Economic Forum, [Building Resilience in Supply Chains](http://www.weforum.org), 2013 www.weforum.org

²⁰ World Economic Forum, [Building Resilience in Supply Chains](http://www.weforum.org), 2013 www.weforum.org

2.3.1 OPPORTUNITIES, CRITICAL ISSUES, AND RISKS OF A SECURE SUPPLY CHAIN

The analysis of academic literature and case studies leads to the identification of opportunities and risks related to a secure supply chain. The most important ones are outlined below.

OPPORTUNITIES	CRITICAL ISSUES	RISKS
Reduction of the probability rate of potential risks	Identification of all potential risks	Inefficiency and economic damages
Greater control over the supply chain to gain consumers' trust	Costs of implementing and managing the risk management process	Reputational damage and its effects on business

OPORTUNITIES

- *Reduction of the probability rate of potential risks*

Through a risk mapping exercise, an enterprise may set out procedures and processes to prevent their occurrence. In this way, the company can break down the probability rate of potential risks to face.

COLGATE: "SUPPLIER RESPONSIBLE SOURCING ASSESSMENT PROGRAM"

Through Colgate's Supplier Responsible Sourcing Assessment Program, Colgate uses an industry-standard self-assessment questionnaire focused on labour practices, health and safety, environmental management and business practices to assess suppliers. When suppliers are assessed as high risk, Colgate performs third-party audits of their facilities. Colgate includes this assessment program as part of the supplier qualification process. Colgate also surveys suppliers to identify risk associated with water and climatic events through the CDP Supply Chain program.

www.colgate.com



- *Greater control over the supply chain to gain consumers' trust*

Greater control leads to more security and, potentially, greater benefits at market level, resulting from a positive reputation, trust and loyalty from consumers.



COOP ITALIA'S SUPPLY CHAIN: PARTNERSHIP, QUALITY, TRANSPARENCY

The supply chain of Coop brand products is based on a close partnership with suppliers, which foresees their involvement throughout the chain of production and supply. The final aim is to guarantee full traceability and transparency of supply chains. The management of Coop supply chains (including meat, fruits and vegetables, olive oil, meat, milk, eggs, etc.) foresees the identification of all companies involved in the process, from primary production, to the processing industry, up to marketing.

Each company in the supply chain is obliged to subscribe specific contractual commitments, and involved in searching solutions for any identified risks.

The commitment of control over supply chains, certified by third-party organizations, is an important tool to increase the relationship of trust between consumers and the brand by sending a message of attention both to safety and quality.

Another strong element of distinctiveness and transparency is that Coop made available on the company website, the origin of the raw materials of its brand products (www.e-coop.it/web/guest/cooporigini).

www.e-coop.it

CRITICAL ISSUES IN THE PROCESS

- *Identification of all potential risks*

An effective risk management is based on the ability of the company to implement a timely and appropriate identification of potential risks. This presupposes that the company has a full and in-depth knowledge of the context in which it operates directly, or where its suppliers operate.



CISCO: SMART RISK MANAGEMENT

Cisco put in place a supply chain resiliency program that combines tools, policies, practices and management support into a comprehensive system that enables the company to truly understand and manage the risks associated with the supply of most of its products. Beginning with new product design and introduction, and continuing through to current product manufacturing and fulfilment, Cisco can predict potential risk points and work with members of its supply chain to manage and minimize those risks.

Further, Cisco can recover from external disruptions quickly to minimize the impact on its customers. Within Cisco's supply chain resiliency program, Business Continuity Programme (BCP) is a semi-annual process to assess critical value chain partners. The resiliency programs consist of proactive efforts in the design and execution of the supply chain that reduces post-disaster time to recover and, thus, improves the supply chain resiliency. When the BCP process and the dashboard are applied at the product or supplier level, they become the instantiation of resiliency measurement.

For the resiliency process to be effective and for it to provide the transparency desired, hard metrics are required. Since they were unable to identify any readily available sources of "resiliency metrics" externally, metric developing was part of the learning process.

www.cisco.com

- *Cost of implementing and managing the risk management process*

To be effective, the process of risk management must be wide and structured. For this reason, to correctly implement it, business must invest in processes development and training programmes.

RISKS

- *Inefficiency and economic damages*

The risks arising from the mismanagement of the supply chain have a significant economic impact, resulting both from the inefficiencies along the process and the direct economic damage.

TOYOTA: HOW TO BUILD A RESILIENT SUPPLY CHAIN

Toyota Motor Corp is revamping its supply chain, so that it can recover within two weeks after a massive earthquake like the one that devastated Japan in 2011. The March 11th earthquake and tsunami forced Toyota and other Japanese automakers to suspend much of their production for months. Toyota is working to make its supply chain resilient. The company is focusing its efforts on three main areas:

Standardization: Toyota wants to increase standardization of parts across Japanese automakers, so if one factory is down, the parts could be manufactured elsewhere.

Supply: the company is working to ensure the supply of specialized components that can only be manufactured in one location. Its hope is to mitigate risk by: increasing supplier inventory, implementing "anti-quake" measures at factories and developing technologies that would increase options for materials used.

Independence: Toyota wants to make each global region independent in parts procurement, so the effects of a disaster in one region do not ripple worldwide.

www.toyota.com



- *Reputational damage and its business effects*

The impact of negative events related to the management of the supply chain have a direct impact on corporate reputation and, consequently, can have negative effects on the business.

FINDUS: THE EFFECTS OF A LACK OF TRACEABILITY

In 2013, the Findus Group was involved in a food scandal: the packages of pasta ready for sale in British supermarkets, were found to contain, according to tests conducted by inspectors of the British government, between 60% and 100% of horse meat instead of beef as stated on the packaging.

The source of the horse meat was third party supplier Comigel, a French-headquartered frozen ready meal producer, from its subsidiary in Luxembourg. The supplier said that the meat came from another supplier in Romania. On 26 February 2013 it was announced that sales of frozen hamburgers had fallen by 43% and frozen ready meals by 13% from levels before the scandal.

After the scandal, Findus has focused on the importance of a greater control of the supply chain to promote more transparency and traceability throughout the process, through closer collaboration with suppliers.

www.findus.com



PART THREE

IMPACTS ON THE VALUE CHAIN

Evidences from business cases

1. WHICH IMPACTS ON THE VALUE CHAIN?

Taking into account the changes in the economic and social context described above, and the forms the supply chain may assume in the future, which could be the impacts on the company's value chain?

In the following chapter we will try to answer to this question, firstly describing the enabling conditions for creating value, then showing business cases related to specific impacts produced on the value chain by relationships within the supply chain.

1.1 THE ENABLING CONDITIONS

With “enabling condition” we mean the initiatives/projects developed by a company (or by a group of companies) that facilitate the value creation in supply chain relationships. The identification of this enabling conditions arises from an analysis of best practices at European level.

The identified enabling conditions are:

- 1) *PROMOTE COLLABORATION ALONG THE SUPPLY CHAIN: ENCOURAGE INNOVATION AND COMPETITIVENESS BY BRINGING TOGETHER SUPPLIERS IN THE SUPPLY CHAIN.*

This is an enabling condition because it leads to:

- More control over regulatory compliance in the supply chain, through increased collaboration and a more effective mapping of the supply chain;
- The development of skills and knowledge among suppliers;
- Greater cohesion among the companies in the supply chain to increase product quality and time-to-market.

CASE STUDY***Gucci's enterprises network along the supply chain*²¹**

Three networks have been set up by the enterprises belonging to the Gucci supply chain, operating in three different areas, whilst Gucci S.p.A. itself is not a member of any: 1) P.re.Gi. – small leather goods; 2) Almax – purses; 3) F.a.i.r. – suitcases. In each of the three networks there are enterprises pertaining to the various phases of the chain, from leather tanning, to cut, to finalization. The goals are various: not only encouraging innovation, efficiency and communication of know-how, but also realizing economies of scale, improving credit-access or credit-conditions and guaranteeing transparency of the whole chain of supply and production. Interestingly enough, Gucci is not part of any of these contracts, while actively supporting and promoting the creation of ethically-oriented networks. In the idea of Gucci's management, the decision of not becoming a member of the contract supports the independency and autonomy of the network, avoiding the risk of binding the chain of supply to the Gucci brand. Gucci's promotion encompasses activities from suggesting best practices and goals to counseling (organization, technology, education, and finance). This experience represents an example of the creation and use of networks to handle and coordinate production processes, with multiple aims. On one side there is a desire of increasing cooperation and efficiency among the components of the chain, on the other side, the network, as a stronger counterpart in contracts and banking relations, is able to obtain more favorable conditions and to spread the advantage among all participants. It is noteworthy that also this experiment was carried out under the supervision and aid of the Confindustria of Florence.

2) PROVIDE FINANCIAL SUPPORT TO SUPPLIERS: PROJECTS TO SUPPORT SUPPLIERS BY PROVIDING THEM CREDIT SUPPORT.

This is an enabling condition because it leads to:

- The creation of economic benefits thanks to lower financial expenses and discounts on purchase costs for goods and services;
- The reduction of bankruptcy among financially weak suppliers, that may impact on the entire supply chain;
- A greater efficiency both in processes along the supply chain, and in relations with financial stakeholders.

²¹ Mastellone, C and Pailli, G. Studio Legale Mastellone, Contractual networks between enterprises: the italian experience, 2012

CASE STUDIES

Diesel: C.A.S.H. project

In 2013, Staff International signed a partnership with Ifitalia Group BNP Paribas, allowing its suppliers to access credit at favored conditions. The deal entails that best suppliers can mobilize their credit with Staff International in a short period of time through a program valued at 50 million euros, and at the same conditions of OTB. The chance of obtaining favored access to credit is offered to all actors of the production chain, from suppliers of raw materials (fabrics and production accessories), to “façon” laboratories, cleaners and ironing factories. A quality rating defined by Staff International (which produces 90% of its main collections in Italy) will define the suppliers eligible to benefit from the program. The rating, based on the objective and transparent parameters of quality and reliability of the provided services, will be updated every semester. Operation C.A.S.H. (Credito Agevolato-Suppliers Help) marks the will to tangibly help the Italian textile production chain. This initiative seeks to favor the worthiest partners of the company, and aspires to contribute to the development and improvement of the overall performance of the industry, honoring Italian excellence and contributing to helping Made in Italy.

CAMST: reverse factoring

Italian restaurant and catering group, Camst (member of Impronta Etica), which employs around 11,000 people, signed in 2014 a reverse factoring agreement with UniCredit. Under the agreement, UniCredit will be extending 30 million euros to Camst’s suppliers, with the aim of generating a group turnover of 100 million euros a year. This solution provides integrated financial advantages for Camst and its suppliers, flowing through the entire chain, cementing ties between Camst and its suppliers and creating benefits for all players involved.

Intesa Sanpaolo: the “Chain of Production Programme”

The bank Intesa San Paolo launched in 2015 an innovative project set up with the aim of expanding chains of production of excellence operating in the Italian entrepreneurial system. The programme has developed a new model of collaboration between bank and companies in order to improve conditions for accessing credit and define a range of tailor-made products aimed at businesses with production links to others. Intesa Sanpaolo’s “Chain of Production Programme” is designed around three pillars: investments, innovation and a new approach to financing.

- 1) Investments in the industrial sectors take the form of: better conditions on credit facilities for businesses; discounts on products and services; training activity aimed at those companies taking part in the project.*
- 2) Innovation in terms of the criteria for accessing credit involves: identifying the industrial chain of production, consisting of a leader company and its suppliers; defining a specific contract (chain of production agreement) with the leader company.*
- 3) The new approach to issuing credit involves: carrying out a risk assessment which takes into account qualitative factors; establishing a chain of production credit line; a tailor-made commercial offer designed for businesses and employees alike.*

90 leading companies have already signed up to Intesa Sanpaolo's "Chain of Production Programme" for a credit line of 5 billion euros: these companies have developed the ability to amalgamate entire production processes, focusing particularly on strengthening relationships with their suppliers. Overall, Intesa Sanpaolo's "Chain of Production Programme" has already involved 5,000 firms from 11 different sectors, with a global deal flow of 17 billion euros and 30,000 employees from the leading companies alone. The "Chain of Production Programme" could potentially have a significant impact on the Italian industrial sector, as it looks to involve more than 250 leading companies employing more than 100,000 employees. From a chain of production viewpoint, the programme will include around 33,000 supply companies, a total deal flow of 60 billion euros and a potential credit line of approximately 15.5 billion euros.

3) NETWORKING WITH OTHER COMPANIES TO ENHANCE PROCESSES EFFICIENCY: DISCUSSIONS AT INDUSTRY LEVEL OF COMMON MONITORING STANDARDS AT SUPPLY CHAIN LEVEL.

This is an enabling condition because it leads to:

- Sharing of knowledge and best practices between companies at sector level to bring more sustainability of the industry as a whole;
- Greater cohesion between companies at sector level on sustainable supply chain management;
- Strengthening the promotion of sustainability along the supply chain through the development and implementation of standards and common tools for involvement and monitoring of suppliers along the supply chain.

CASE STUDIES

Automotive sector: EUROPEAN AUTOMOTIVE WORKING GROUP ON SUPPLY CHAIN SUSTAINABILITY²²

The European Automotive Working Group on Supply Chain Sustainability coordinated by CSR Europe consists of several automotive manufacturers working together – in addition to their own efforts – to enhance sustainability in their supply chains. In respect to their products and services, people and environment are vital resources in their automotive industry. Therefore, they work together to improve the social, ethical and environmental performance of automotive supply chains. It is of great importance to this group of responsible automotive manufacturers that the individuals making vehicles, components, or providing services, are afforded decent working conditions and are treated with dignity and respect, while minimising the environmental impact of the industry. As the automotive industry has complex value chains and a deep structured supplier base, the group believes in the benefits of a common approach and common messages

²² For more information: <http://www.csreurope.org/european-automotive-working-group-supply-chain-sustainability-1>

towards suppliers, i.e. trainings and other activities. However, every party of the group shall maintain the management of their independent supply chains. In the process of collaboration, the participants strongly agreed to work together in compliance with competition law.

On March 2014 the Working Group adopted the Automotive Industry Guiding Principles to Enhance Sustainability Performance in the Supply Chain²³, which “describe [the industry’s] minimum expectations towards business ethics, working conditions, human rights, and environmental leadership, for [their] suppliers as well as their subcontractors and suppliers”. It was adopted under the auspices of three leading corporate responsibility business associations: the Automotive Industry Action Group (‘AIAG’), the European Business Network for Corporate Social Responsibility (‘CSR Europe’) and the European Automotive Working Group on Supply Chain Sustainability.

COAL MINING SECTOR: BETTERCOAL²⁴

Bettercoal is a global, not-for-profit initiative that has been established by a group of major European utilities to promote the continuous improvement of corporate responsibility in coal mining, with a specific focus on the mines themselves. Bettercoal set standards for ethical, social, and environmental performance in the coal supply chain: in July 2013, the Bettercoal members have adopted the Bettercoal Code, which sets out the ethical, social, and environmental principles and provisions that Bettercoal expects companies in the coal supply chain to align with. The Bettercoal Code has been developed through an intensive consultation process involving coal producers, trade unions, social and environmental organisations, governments, mining related service providers, and utility companies. The Code forms the basis for assessments (self-assessment and third-party assessments) of coal mining sites. Bettercoal members take into account the results of the Self-Assessment and Site-Assessment in purchasing decisions and due diligence processes.

Furthermore, Bettercoal engage and support coal mines to implement the Bettercoal Code and continuously improve systems, processes, procedures and practices with a view to fully align these with the requirements of the Code. Beyond the coal mining site, Bettercoal uses information gathered from assessments to facilitate the implementation of best practices and support collaborative programs aimed to improve conditions on the ground.

ELECTRONIC SECTOR: EICC COALITION²⁵

The Electronic Industry Citizenship Coalition (EICC) is a coalition of companies working together to create a comprehensive set of tools and methods that support credible implementation of the EICC Code of Conduct throughout the Information and Communications Technology (ICT) supply chain.

The EICC Coalition aims to:

²³ For more information: <http://www.csreurope.org/sites/default/files/Guiding%20Principles.pdf>

²⁴ For more information: <http://bettercoal.org/>

²⁵ For more information: <http://www.eiccoalition.org/>

- *Develop and maintain a common Code of Conduct;*
- *Facilitate a credible process for evaluation and management of supply chains covering labour, environmental, and sourcing topics;*
- *Deliver shared training and education to improve social and environmental performance in the supply chain;*
- *Build external awareness and participation through meaningful stakeholder engagement.*
- *Beginning with eight members in 2004, today the EICC is comprised of more than 100 electronics companies with combined annual revenue greater than \$3 trillion, directly employing over 5.5 million people. In addition to EICC members, thousands of companies that are Tier 1 suppliers to those members are required to implement the EICC Code of Conduct. More than 3.5 million people from over 120 countries contribute to the manufacture of EICC members' products.*

1.2 IMPACTS ON VALUE CHAIN'S PROCESSES

The final part of the research aims at identifying the impacts produced on the company's value chain by the new relationships along the supply chain.

A value chain is a set of activities that a firm operating in a specific industry performs in order to deliver a valuable product or service for the market. It was first described by Michael Porter in 1985²⁶. The idea of the value chain is based on the process view of organisations, the idea of seeing a manufacturing (or service) organisation as a system, made up of subsystems, each of them bringing inputs, transformation processes and outputs. Inputs, transformation processes, and outputs involve the acquisition and consumption of resources - money, labour, materials, equipment, buildings, land, administration and management. The way value chain activities are carried out determines costs and affects profits²⁷. In terms of CSR, the value chain can be used as a framework to identify the positive and negative social impact of its activities²⁸.

The analysis takes into consideration only the primary processes of the value chain, that are:

- Inbound logistics: arranging the inbound movement of materials, parts, and/or finished inventory from suppliers to manufacturing or assembly plants, warehouses, or retail stores.
- Operations: dealing with managing the process that converts inputs (in the forms of raw materials, labour, and energy) into outputs (in the form of goods and/or services).
- Outbound logistics: it is the process related to the storage and movement of the final product and the related information flows from the end of the production line to the end user.
- Marketing and Sales: selling a product or service and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.
- Service: it includes all activities required to keep the product/service working effectively for the buyer after it is sold and delivered.

²⁶ Porter, M.E., *The Competitive Advantage of Nations*, 1990, New York: The Free Press

²⁷ Institute for Manufacturing (IfM), *Decision Support Tools: Porter's Value Chain*, Cambridge University, 2013

²⁸ Porter, M.E., Kramer M.R., *Strategy and Society*, 2006, Harvard Business Review

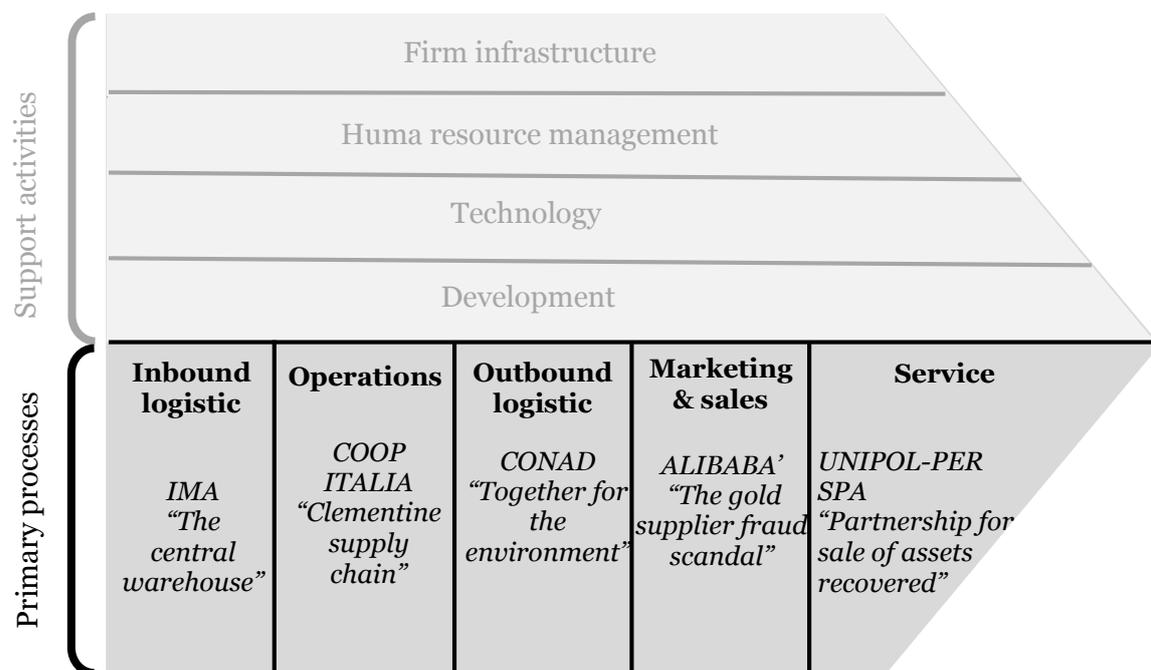
In the following chapter, we describe a business case for each primary process, in order to highlight the impacts of the relationship between the company and its stakeholders in the supply chain.

1.2.1 THE BUSINESS CASES: THE RELATIONSHIP BETWEEN A COMPANY AND ITS STAKEHOLDERS IN THE SUPPLY CHAIN

The company has business relationships with supply chain stakeholders along all processes of the value chain.

In the following paragraph, for each primary process of the value chain, are presented the business cases described in the following image (fig.2).

Fig 2: The analysed business cases for each Porters' value chain primary process



INBOUND LOGISTIC

The inbound logistic refers to arranging the inbound movement of materials, parts, and/or finished inventory from suppliers to manufacturing or assembly plants, warehouses, or retail stores.

The IMA central warehouse of commercial components: innovation and efficiency in supply (since 2009)

<i>Who</i>	<p>IMA spa: a multinational Italian company based in Bologna, Italy. It designs and manufactures automatic machines for the processing and packaging of pharmaceuticals, cosmetics, tea and coffee (member of Impronta Etica).</p> <p>IMA's affiliated companies;</p> <p>Strategic suppliers (manufacturers of components and suppliers of catalogue components).</p>
<i>Why</i>	<p>In IMA's supply chain, each single company involved in it also has to ensure high levels of quality and sustainability: to increase the added value of its offer, IMA has to use selected suppliers and partners, involving them actively in the processes of design, manufacture and assembly of machines. At the same time, the Group monitors the high quality standards requested and the technical and regulatory requirements throughout the supply chain. The goal is to share rigorous methods and standards so that we can then share the successes as well. With specific reference to the supply of catalogue components, IMA's aim was to develop a more efficient and less expensive process, reducing the amount of surplus goods being bought by the Group's divisions.</p>
<i>What & How</i>	<p>The warehouse of commercial components was launched in 2009 to increase efficiency and reduce the amount of surplus goods being bought by the Group's divisions. The supplier of catalogue components have access to the warehouse to buy materials, instead of buying them on the commercial market. In this way, IMA helps each company of the network to focus on their own core business, by delegating non-core activities to other entities in the network. In 2014 IMA developed its warehouse through a process of automatization: AutoStore. AutoStore is an automatic stocking and picking warehouse control system based on robot control.</p>
<i>Risks</i>	<p>In the first phase: an increased investment in human, technological and economic resources necessary to monitor the processes start up.</p> <p>An increased need of technological skills and dedicated staff.</p>
<i>Opportunities</i>	<p>Creation of the warehouse allowed IMA to reduce purchasing costs through economies of scale and to increase the level of service provided to the divisions. Soon after, these benefits were transferred to IMA's main suppliers, who were also able to take advantage of the service provided by the commercial components warehouse.</p>
<i>Outcomes</i>	<p>This purchasing strategy has allowed IMA to achieve a critical mass, making it possible to bypass certain levels of the distribution chain, such as dealers, and to obtain supplies directly from the manufacturer with substantial savings.</p> <p>The results of this project have been satisfactory from 2010 onwards: the turnover of the commercial components warehouse has grown year by year thanks to the Group's acquisitions. Even though initially the total gross margin was negative because of the provision for obsolete and slow-moving inventories inherited from the various Group divisions, it has grown steadily, reflecting the opening up of services offered by the warehouse to the supplier network.</p>
<i>Impacts on value chain</i>	<ul style="list-style-type: none"> - Increased processes efficiency: safer processes, more efficient supply process, more efficient processes monitoring; - Costs reduction: both for IMA and the suppliers. - Less environmental impacts: the central warehouse makes the logistic process more efficient. This results also in a reduction of GHG emissions.

OPERATIONS

Operations refers to managing the process that converts inputs (in the forms of raw materials, labour, and energy) into outputs (in the form of goods and/or services).

Ethics within the supply chain: the emblematic case of the Coop Calabria's "Clementines supply chain" (2008-2015)

<i>Who</i>	Coop Italia, system of Italian consumers' cooperatives which is the largest supermarket chain in Italy
<i>Why</i>	Coop Italia considers ethics and sustainability as fundamental values in its operations. In 2008, Coop Italia developed a project to increase the monitoring of vegetables' harvesting for products/areas considered at risk from an ethical point of view. This project foresaw the deployment of a team of monitors properly trained to verify the respect of ethical and quality standards, in order to have the possibility to intervene where necessary.
<i>What & How</i>	<p>Coop is certified SA8000 and all its suppliers of brand products subscribed the ethical code of conduct. Between 2004 and 2008 Coop undertook several audits on suppliers within the clementine fruits' supply chain, in order to assess the respect of ethical values and working conditions standards.</p> <p>In 2011 in Calabria Region there were important complaints related to the working conditions of the workers for the harvest of clementine fruits. For this reason, Coop decided to strengthen controls over the production process of clementine fruits, in particular concerning salary, quality and safety. The project saw the involvement of Coop suppliers, which have been directly involved to identify improvement actions to face the problems that were identified. The suppliers of Coop clementine fruits decided to be responsible for the selection and monitoring of individual farms on the basis of reputation and ability to clarify the relationship between the amount of product supplied and the amount of labour used. They would otherwise be suspended from being a Coop supplier. The project was intended to be important in two steps of the supply process. First of all, it was considered useful in the supplier selection process. Secondly, the project allowed Coop to develop a monitoring process useful to guarantee the respect of ethical and quality standards within the clementine fruits supply chain.</p> <p>In the following years, Coop Italia applied the same approach to other supply chains in the horticultural sector. Since 2014, Coop Italia required the respect of specific ethical and quality standards also to 240 suppliers of non-brand products.</p>
<i>Risks</i>	<ul style="list-style-type: none"> • A better monitoring throughout the supply chain restricts the number of potential suppliers and the availability of suppliers with higher purchase prices of products, with consequent effects on the competitiveness of Coop brand products. • Coop's commitment to continuous control along the supply chain exposes the company more than other competitors which are less active on investigating the respect of ethical values within their supply chain.
<i>Opportunities</i>	<ul style="list-style-type: none"> • Possibility to communicate to consumers and all stakeholders the intrinsic distinctiveness of Coop and coherence to its mission, then distinguishing itself for coherence and reliability; • Promoting awareness among suppliers about the importance of ensuring working conditions which respect collective labour agreements on health and safety.
<i>Outcomes</i>	Launch of a methodological process of awareness-raising and control, which gives the opportunity to the company to manage the major problems in all sectors deemed most critical.
<i>Impacts on value chain</i>	<p>The main impact on the value chain is the distinctiveness recognised by stakeholders. Coop's strong commitment on these issues has received major external awards both at European and Italian levels.</p> <p>Consumers recognise a greatest value to the brand if it is firmly (and not instrumentally) committed to ethics and legality as well as convenience, safety and environmental protection. Specifically, Coop noted the increase of the quotas of Coop brand products, especially those with a higher sense of values (in 2014 + 15% "Solidal" fairtrade products and + 12% "ViviVerde" eco-friendly products). Coop considers this result as a consequence of a recognition of values by consumers towards Coop products.</p>

OUTBOUND LOGISTIC

Outbound Logistics is the process related to the storage and movement of the final product and the related information flows from the end of the production line to the end user.

“Together for the environment”: the Conad brand products’ logistic and supply chain management (2013)

<i>Who</i>	<p>Conad (Consorzio Nazionale Dettaglianti) is an Italian cooperative retail store brand which operates as one of the largest supermarket chains in Italy (member of Impronta Etica);</p> <p>Supplier of brand products;</p> <p>Freddo Europa (logistics of perishable and frozen products) and Geodis Logistics (general products logistics).</p>
<i>Why</i>	<p>Conad launched a project to centralise the management of the brand products’ supply chain and logistics, in order to increase the efficiency of the company’s performance in terms of economic and environmental impacts. The project was considered as an opportunity to reduce logistics costs, improve the standard of service of the eight Cooperatives within the Conad system (in terms of frequency and thoroughness of supplies) and reduce, thanks to the rationalisation of distribution flows, CO2 emissions.</p>
<i>What & How</i>	<p>The project, which started in 2013, led to the creation of three logistic centralised hubs, specialised in several product families (various kinds, perishables, frozen). Hubs are logistics platforms where suppliers’ deliveries take place, and where the delivery to the distribution centres of the eight Conad cooperatives starts.</p> <p>At the same time, Conad developed a project with suppliers to optimise stocks. In fact, it is crucial for a centralised platform to be able to maintain the right balance of stocks. For this reason Conad launched a project of collaborative supply chain with suppliers, the so-called "Demand Planning": the system allows to program production and supply of brand products, thanks to a connection with suppliers and the optimisation of their production cycles according to Conad’s sales forecast.</p>
<i>Risks</i>	<p>Any critical issues in the process can lead to negative impacts in the supply of Conad stores.</p>
<i>Opportunities</i>	<ul style="list-style-type: none"> • Process optimisation: improve efficiency of the overall supply chain; • Better management of sales peaks during promotional periods and consequent reduction in the levels of "out of stock"; • Reduction of the overall logistics costs and the impact on the environment: optimisation of loads and return logistics (full loads in return).
<i>Outcomes</i>	<ul style="list-style-type: none"> • Rethinking the approach to supply chain: centralisation of services, optimisation of return logistics (fully loaded transport means); • Collaborative integration with suppliers, which in turn may have advantages in their production planning processes; • Reducing the level of "out of stock" products and increase the quality of the service to stores.
<i>Impacts on value chain</i>	<ul style="list-style-type: none"> • General optimisation of supply chain processes, reducing the logistics costs and increasing overall quality for cooperatives; • Greenhouse gas emissions reduction: savings of 42,000 tons / year.

MARKETING AND SALES

Marketing and Sales refers to selling a product or service and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Alibaba Group: the “Gold Supplier” fraud scandal (2011)

<i>Who</i>	<p>Alibaba Group is a Chinese e-commerce company that provides consumer-to-consumer, business-to-consumer and business-to-business sales services via web portals. It also provides electronic payment services, a shopping search engine and data-centric cloud computing services.</p> <p>Alibaba’s “Gold Supplier”, Alibaba.com certified suppliers.</p>
<i>What & How</i>	<p>In 2011, an internal investigation led by an independent board member revealed that from late 2009, Alibaba noticed an increase in fraud claims against sellers designated as "gold suppliers," which means they had been vetted by an independent party as legitimate merchants. The investigation revealed that about 100 Alibaba sales people, out of a staff of 5,000, were responsible for letting fraudulent entities evade regular verification measures and establish online storefronts. The company said it uncovered fraudulent transactions by 1,219 of the "gold suppliers" registered in 2009 and 1,107 of those in 2010, accounting for about 1% of the total number of gold suppliers during those years.</p> <p>After the emergence of the scandal, Alibaba made a thorough restructuring of its procedures and mechanisms for monitoring and controlling suppliers.</p>
<i>Risks</i>	<p>Alibaba does not earn profits on sales to end users, but from affiliation fees that suppliers pay to be allowed in the elite of "Gold Supplier". The qualification system of suppliers "Gold Supplier" revealed procedural flaws and an inappropriate monitoring process that resulted in important consequences on the company's core business.</p>
<i>Opportunities</i>	<p>The immediate reaction of Alibaba, which triggered detailed investigation and strict measures on those responsible, showed the company's integrity and transparency.</p>
<i>Outcomes</i>	<ul style="list-style-type: none"> • The company set up a compensation fund, which has so far paid out \$1.7m to 2,249 buyers. • The scandal caused an important reputational damage, with significant effects on stock price (it fell down by 15% in Hong Kong stock exchange) • The company has experienced significant and rapid changes in the organisation chart: the two main managers, although not directly involved in the scandal, left the company as a sign of integrity and transparency; • The qualification and monitoring procedures of suppliers have been revised to guarantee more protection to consumers.
<i>Impacts on value chain</i>	<p>The scandal caused significant economic impacts for the Alibaba Group, mainly due to the collapse of the value of the stock and the compensation to defrauded customers.</p> <p>At reputational level, the scandal led to important consequences, forcing the company to make significant restructuring both in the procedures and on the staff, in order to give a strong signal of integrity and transparency.</p>

SERVICE

Service includes all the activities required to keep the product/service working effectively for the buyer after it is sold and delivered.

Unipol – Per Outlet Partnership for the sale of assets recovered from accidents (2014)

<i>Who</i>	Gruppo Unipol is an Italian financial services holding operating in the insurance and banking fields (member of Impronta Etica). Per Outlet, e-commerce portal, buys and sells goods from accidents, warehouse inventories, closed stores.
<i>Why</i>	Unipol does not gain from the goods it comes into possession of as a result of settlement of a claim, of which in many cases lost track
<i>What & How</i>	Unipol promoted an agreement with Per spa to sell goods resulting from claims settlement. The project started in 2014, and the first selling campaign was launched in 2015. The agreement foresees the sale of all kinds of goods that Unipol recovers from accidents, and that usually lost their commercial value. In order to assure the wider possible transparency, and to give a benefit to Unipol's employees, any new sale is available only to Unipol's workers for 15 days. After this deadline the sale is open to anyone that is registered on the e-commerce portal. In the first 6 months of 2015 detergents, household appliances, televisions were sold. Carpets will be soon sold as well.
<i>Risks</i>	Considering that there are restored goods, in case of malfunction, a specific procedure is foreseen for their replacement or their reimbursement.
<i>Opportunities</i>	Thanks to this partnership, Unipol managed to find a second-life market for the goods it comes into possession of as a result of settlement of a claim. In this way, Unipol earns money from that goods and, at the same time, reduces the environmental impact of their disposal, promoting a new model of circular economy based on reuse of goods. The supplier Per spa has access to new supply sources and to a wider number of potential buyers. Unipol's employees have access to best sale conditions.
<i>Outcomes</i>	<ul style="list-style-type: none"> • 150,000 euros of revenues in the first six months; • Nine selling campaigns offered to Unipol's employees; • Per Outlet managed approximately 90,000 pieces; • 30,000 pieces sold in the first seven months of 2015: consumer goods (detergents, hygiene products, etc.), electronics, technological devices (telephone, television, photography, large and small appliances), products multimedia (DVD), audio / video systems; • 6500 registered users, of which at least 4000 bought once. • 2000 orders managed by the platform • Good feedback from Unipol's employees
<i>Impacts on value chain</i>	<ul style="list-style-type: none"> • Creating economic value for the company due to the profits from sales of recovered assets; • Creating value for the Group's employees, who have priority access on sales; • Reduction of environmental impacts through the activation of a circuit of reuse of products otherwise intended for disposal; • Pilot test to deliver goods to one Unipol's central venue, to give an additional advantage to employees and reduce logistic-related CO2 emissions.

1.3 THE IMPACTS ON VALUE CHAIN

The business cases described above highlighted the different impacts that relationships along the supply chain can produce. While being aware of the impossibility of declining universally valid impacts, we consider useful to make an extraction and classification of these potential impacts, that may be considered as a framework in the analysis of the relations of the company with its stakeholders in the supply chain.

According to our analysis, the impacts of relationships may occur mainly on costs, processes, market access, resources consumption, reputation and sales. It is possible to classify these impacts into two main categories: economic impacts, and environmental and social impacts. As shown in the business cases, the impacts produced by the relationships between the company and its stakeholders along the supply chain can lead to value creation (when the relationship is managed and based on positive interactions) or otherwise erosion of value (fig. 3).

Fig. 3: The impacts on the value chain of relationships between companies and stakeholders along the supply chain

ECONOMIC IMPACT	SOCIAL AND ENVIRONMENTAL IMPACT
Costs reduction	Reduction in resources consumption and emissions
Processes optimisation	More equal distribution of value and greater value creation
Business development/access to new markets	
Reputation improvement	
Reduction of potential reputational costs or potential lost sales	

A description of these impacts identified through the analysis of business cases is presented hereafter.

ECONOMIC IMPACTS

COST REDUCTION

Cost reduction is one of the positive economic impacts more evident from the analysis of business cases. Most of the projects of partnership and collaboration between companies and stakeholders in the supply chain are in fact oriented to a greater efficiency of processes and resources. If well-structured and monitored in their development, these projects can easily result in reduced costs, both for the leader company and its partners along the supply chain.

PROCESSES OPTIMISATION

In many business cases, the leader company and its suppliers undertake a review of procedures and monitoring mechanisms. This results, in terms of impact, in a general optimisation of the processes, which determines a greater security of the procedures (and hence of the supplies), as well as: a greater effectiveness of the relationship, professionalism, ability to better control and monitor the processes and thus increasing the consistency between expected and achieved results.

BUSINESS DEVELOPMENT/ACCESS TO NEW MARKETS

The supply chain is an important resource for the company, as it is a tool to innovate and develop business and access new markets (both new products markets and new markets areas). Suppliers are strategic partners for business success: a supply chain management based on solid relationships and growth-oriented partnership, as evidenced by the business cases analysed, can maximise the value creation both for the company and its partners along the supply chain. At the same time, negative events in the relationships along the supply chain can result in important negative effects on business: for example, in case of dependence on suppliers in crisis, rather than the scandals caused by unfair or unsustainable behaviour along the supply chain.

REPUTATION IMPROVEMENT

The efficient management of relationships along the supply chain can be an important tool for monitoring processes and behaviours throughout the processes of procurement and production. Therefore, it is a tool and a guarantee for the company with respect to the emergence of possible problems, scandals or emergencies (for example, related to the incorrect behaviour of suppliers and partners). Direct consequences of this is the creation of a positive business reputation, and its maintenance over time, which on the contrary could be undermined or weakened.

REDUCTION OF POTENTIAL REPUTATIONAL COSTS OR POTENTIAL LOST SALES

The reduction of potential reputational costs associated with scandals or emergencies along the supply chain may lead to a consequent reduction in potential lost sales (both in the short and medium term). The effects on sales of a reputational crisis may in fact occur for a long period, being associated with the loss of trust of the consumer / client, which requires medium-long time to be re-established.

ENVIRONMENTAL AND SOCIAL IMPACTS

REDUCTION IN RESOURCES CONSUMPTION AND EMISSIONS

A greater processes efficiency determines, as seen above, a reduction in costs also due to lower energy and resources consumption. This means, in terms of environmental impacts, the reduction of the environmental footprint of the company (and of its partners along the supply chain) due to a lower use of resources and the reduction of GHG emissions.

MORE EQUAL DISTRIBUTION OF VALUE AND GREATER VALUE CREATION

The business cases show that dealing with relationships along the supply chain in a sustainable way allows a more equal distribution of the economic and social value among the different actors, as well as its potential growth. The value produced is distributed directly to the actors involved (leading company and its suppliers / partners) and the territory (for example, in case of investment in training and empowerment on suppliers, which involves people and indirectly determine a growth of the territory).

FINAL REMARKS

How can the company give value to its supply chain as a strategic asset? Which forms does it assume and which impacts does an investment produce in this sense? And what if the company does not invest? Which effects are then determined in terms of production or erosion of value?

The analysis highlights that the company invests on the supply chain for two main reasons: to develop innovation processes or to strengthen monitoring processes. Thanks to these investments, the company is less vulnerable to risks and may have more success in value creation for itself and the territory in which it operates

It is clear from the research that it is simpler to identify the positive impacts in terms of value production that are determined by sustainable relationships and processes along the supply chain: success stories are easily told outside the company.

It is more difficult to identify cases where the value is eroded, and thus to analyse the reasons behind it. On the one hand there is the objective difficulty - for those who intend to study this phenomena - to find accurate information (unless it is a public scandal); on the other hand, we assume that usually a company does not have awareness of the value erosion processes that occur on a daily basis in its relationships and processes.

In fact, when a company does not watch over its supply chain (that means that it does not invest in innovation and monitoring), it becomes more difficult for business to be fully aware of the physiological erosion of value that probably is taking place. This erosion arises and grows, in the long term, from relationships and processes apparently not problematic that, if not managed, tend to reproduce systemic errors, albeit limited, dangerous to the company.

On the one hand, the results of the analysis confirm some hypotheses, first of which the positive impact of experiencing new relationships between companies and stakeholders along the supply chain. On the other hand, the analysis opens a reflection on the importance of innovation processes which should be considered by the company as true opportunities for growth, sustainability and resilience.



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