Inconvenient Sourcing Truths

By Josh Green

This weekend, word spread that a major African supplier to Gap and Levi is suspected of harming people and the environment. According to a report in London's Sunday Times last week, the Lesotho facility of Taiwan-based supplier Nien Hsing is dumping harmful chemicals into a river that serves as a source of drinking water. It appears that Gap and Levi are moving aggressively to investigate these claims, and we'll likely learn more in the weeks ahead about what's going on and who's to blame.

In the past, incidents like these have served as catalysts for positive change [1]. Will it be the same this time? Yes, particularly if the sourcing community embraces two inconvenient truths:

Not An Isolated Problem
It will be tempting to write this off as a one of a kind incident. However, if pressed, most sourcing professionals will admit that "compliance" problems are widespread in global manufacturing. Why don't we hear more about these problems? Because the only people interested in exposing these problems have limited power (those physically harmed), limited attention span (the press) or limited financial resources (NGOs).

Press and NGOs tend to focus their investigative efforts on big companies, which make big targets. But these big companies — whether motivated by a desire to make a positive difference or a desire to protect their brands — have made the most progress in addressing compliance problems. Yes, sometimes the big companies get caught doing something wrong, but it's a good bet that the vast majority of abuses of people and the environment are happening in the supply chains of small- and medium-sized companies, which are not under constant scrutiny and lack the resources to effectively monitor manufacturers around the world.

Technology Is Not Keeping Up With Changes In The Sourcing Organization.
The role of the sourcing organization has expanded dramatically over the last few decades. Today's sourcing professional has to do much more than find low-cost suppliers of goods and services; indeed, one has to cope with an array of risks that come with doing business across borders (political, macroeconomic, environmental, ethical, legal, etc.).

Unfortunately, as the role of the sourcing professional has changed, the tools at one's disposal have basically remained the same. Those tools? Middle-men (who will

investigate a factory on your behalf) and airplanes (that will get you to a factory in case you want to do it yourself).

Given the many technology advances of the last few decades, why do today's sourcing professionals not have better tools for tackling their many challenges? In particular, why are there not more effective risk-management tools for companies of all sizes? Primarily because we have failed to recognize the dangers of pervasive global supply chain risk and, as a result, we have failed to imagine how technology can be leveraged to manage risk.

But technology, while not a cure-all, *can* be leveraged to help sourcing professionals do their increasingly complex jobs — and, in particular, manage risk. For instance, technology can help organizations capture information from a variety of stakeholders and intelligently use this information to spot risky behavior.

I would love to hear your ideas for how technology can help sourcing professionals at josh@panjiva.com [2]. As they say in DC these days — we must not let this crisis go to waste.

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