

Compliance - Pretend It Was Your Idea

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Let's Talk About...

A Supply Chain Perspective of Compliance

The Compliance Landscape

Confluence of Compliance Standards

Benefits of Process Improvement

Internal Compliance Monitoring

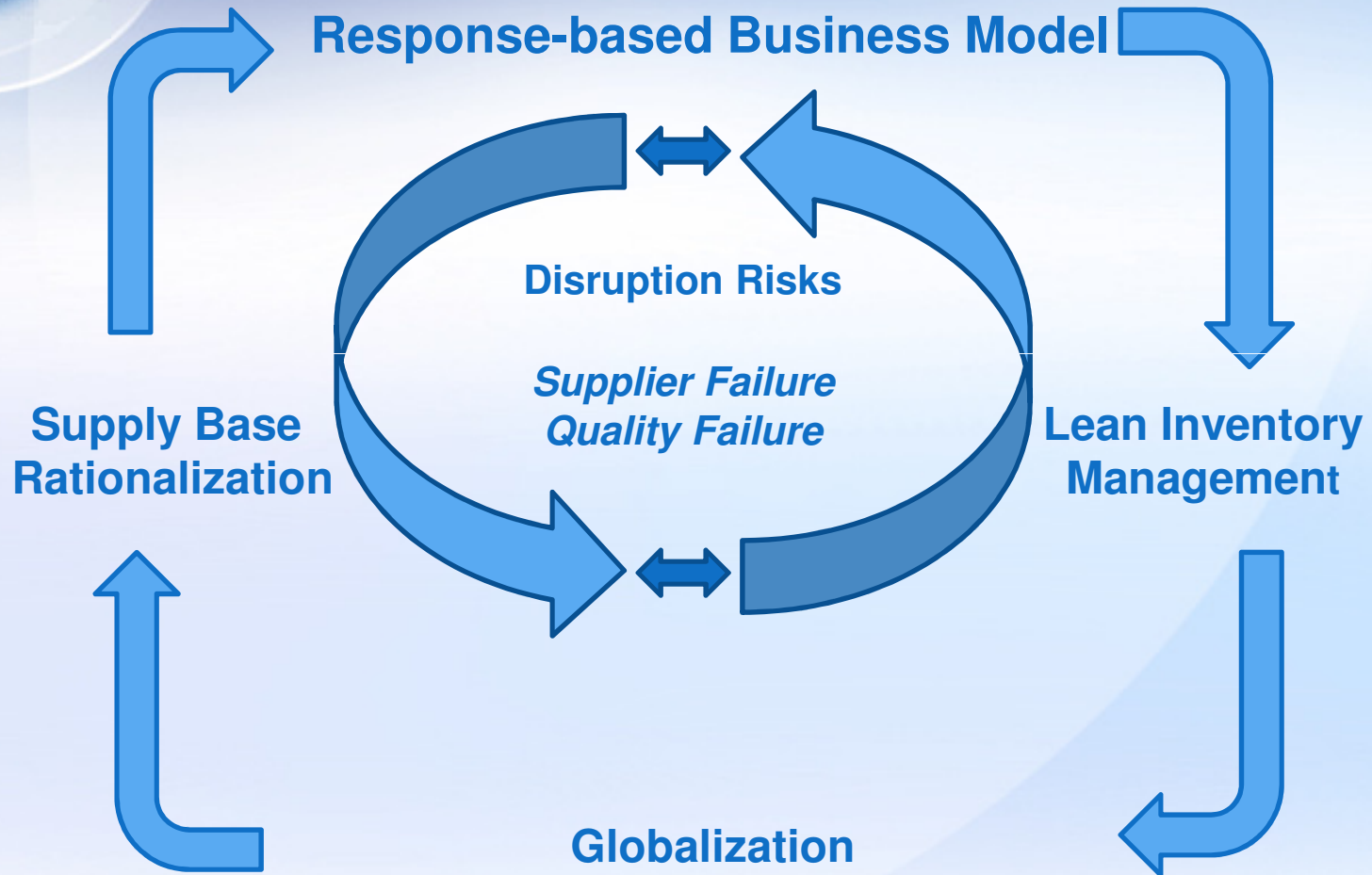


From a supply chain perspective globalization is simply one more factor impacting supply chain risk.

RISK ~ SUPPLY CHAIN COMPETENCIES



Risk and a Responsive Supply Chain

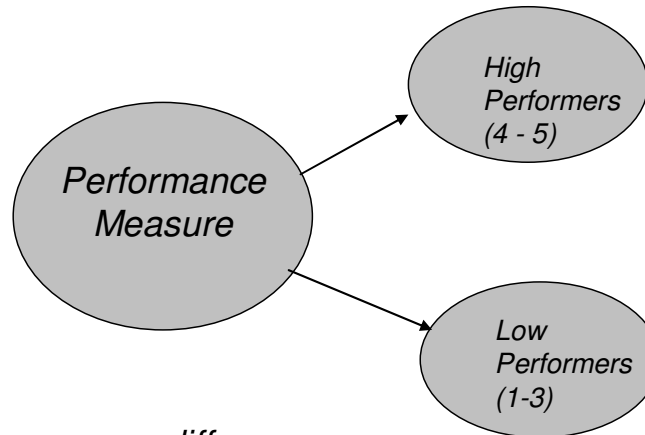




Competencies – X-domains and X-Nodes

Which Competencies Demonstrate the Largest Difference in Performance?

Competencies with high differences between high and low performers



When the average difference between High and Low exceeds 0.7, review difference in competency levels.

Relationship Mgmt
Metrics/Measurement
Process strategy
Service Provider Mgmt
Public Interface Mgmt



Relationship Management

Relationship Management (RM) and Service Provider Management (SPM)

- Any **supply chain protection program is only as strong as its weakest link**. Collaboration with external entities (customers/suppliers and separately, service providers) is necessary to ensure that security procedures are communicated and followed.
- **Global relationships present added security difficulties** as the focal firms are unable to monitor their partner and protect against theft, contamination, or insertion of unauthorized counterfeit cargo.
- RM and SPM are means by which firms may **uncover operational synergies** through increasing security.
- Communicating security related information with supply chain partners and service providers **may help firms to form closer bonds with these entities and encourage collaboration on other, non-security related issues (e.g., sharing demand figures or promotional information)**.

In general, the respondents perceiving a higher performance level in detecting security incidents reported increased audits for supply chain partners.

What Do High Performers Do Differently in terms of Relationship Management?

- **Detect security incidents**
 - Educate supply chain partners regarding security procedures
 - Audit security procedures of contract manufacturers
- **Reduce security incidents**
 - Audit customer security procedures
 - Audit security procedures of infrequently used suppliers
- **Recover from security incidents**
 - Use audits to determine if relationships should be maintained with customers and suppliers
 - Define consequences for supply chain partners who fail to comply with security procedures



Measurement & Metrics

Metrics and Measurement (MM)

- Security metrics and measurement *involves the continuous development, use, testing and redefinition of guidelines* measuring security related procedures, plans, and capabilities.
- Metrics might be implemented to *comply with specific guidelines, such as those of a customer or government agency*, or the firm may develop specific guidelines for which metrics are captured and evaluated.
- Similarly, firms *may conduct audits or require external certification that current procedures and processes are in place* to increase security and defense.

In general, the respondents perceiving a higher performance level reported increased use of supply chain partners in the development and monitoring of metrics and measurements.

What Do High Performers Do Differently in terms of Metrics/Measurement?

- **Detect security incidents**
 - Utilize metrics as part of brand protection program
 - Monitor security metrics across the supply chain
- **Reduce security incidents**
 - Use key supply chain partners to develop security metrics
 - Monitor security incidents across supply chain
- **Recover from security incidents**
 - Utilize metrics as part of brand protection program
 - Monitor security metrics across the supply chain



Process Strategy

Process Strategy (PS)

- Executive commitment to defense and ***fostering a defensive culture is a necessary condition for implementing an effective security and defense environment.***
- Top management needs to encourage frank discussions regarding the importance of defense, both ***for the safety of stakeholders and in maintaining the value of the firm's brand.***

In general, the respondents perceiving a higher performance level reported the existence of a top management position or team with the responsibility, accountability, and broad authority to monitor supply chain defense performance and initiate appropriate initiatives.

What Do High Performers Do Differently in terms of Process Strategy?

- **Detect security incidents**
 - A senior security management position exists with the firm that includes cross-functional responsibility
 - Senior management views security as a cost of doing business
- **Recover from security incidents**
 - Senior management views security as competitive advantage
 - Assessed security capabilities of domestic and international supply chain partners



It's no wonder we get confused and frustrated.

THE COMPLIANCE LANDSCAPE



Categories

Guidelines/Checklists/Benchmarking
Corporate/Industry-developed Standards
Governmental Carrot-Stick Criteria
Non-certifiable Globally-recognized Standards
Certifiable Standards: Sector & Aspect



Carrot-Stick Criteria: C-TPAT

3PL

Air Carrier

Foreign Manufacturer

Highway Carrier

Importer

Marine Port Authority
and Terminal Operator
(MPTO)

Mexico Long Haul
Carrier

Rail Carrier

Sea Carrier

US Customs Broker

Air Freight

Consolidators, Ocean
Transportation

Intermediaries and Non-
Vessel Operating

Common Carriers
(NVOCC)



Compliance Guideline - EMPC

US Department of Commerce: Export
Management and Compliance



Industry-specific: Food

SQF: 3 Level Food Safety & Security

FSIS: Food Industry Supply Chain Security

NCFPD: Food Supply Chain Defense (Manufacturing)

NCFPD: Food Supply Chain Defense (Retail)

IFT: Food Supply Chain Defense

APEC: Supply Chain Security

Domains & ISO Standards

Search Word	Published Standard	Under Development	Total
Quality	1,026	187	1,213
Safety	622	265	887
Security	259	0	259
Defense	0	0	0
Environment	373	50	423
Social	10	1	11
Counterfeiting	1	2	3
Supply Chain	33	13	46
Risk	152	23	175
Mitigation	7	4	11
Customer Service	<u>11</u>	<u>0</u>	<u>11</u>
Total	2,494	545	3,039



Non-Certifiable... Global Standards...

- Not Certifiable Standards – Guidance
 - ISO 26000 ~ Social Responsibility
 - ISO 31000:2000 ~ Risk Management
- Global Status Standards
 - ISO 9001:2008 ~ Quality
 - ISO 14001:2004 ~ Environment
- Established & Evolving
 - ISO 9001 & ISO 14001
 - Same generic model/Specific sectors/Specific challenges



By understanding commonalities across domains and supply chain nodes we can increase the effectiveness of our limited resources.

FOCUS ON UNDERPINNINGS AND EQUIVALENCIES



Key Commonalities

Underpinnings

Continual Improvement

Risk/HACCP

Equivalencies



Continual Improvement

Plan Do Check Act (PDCA)

W. Edward Deming

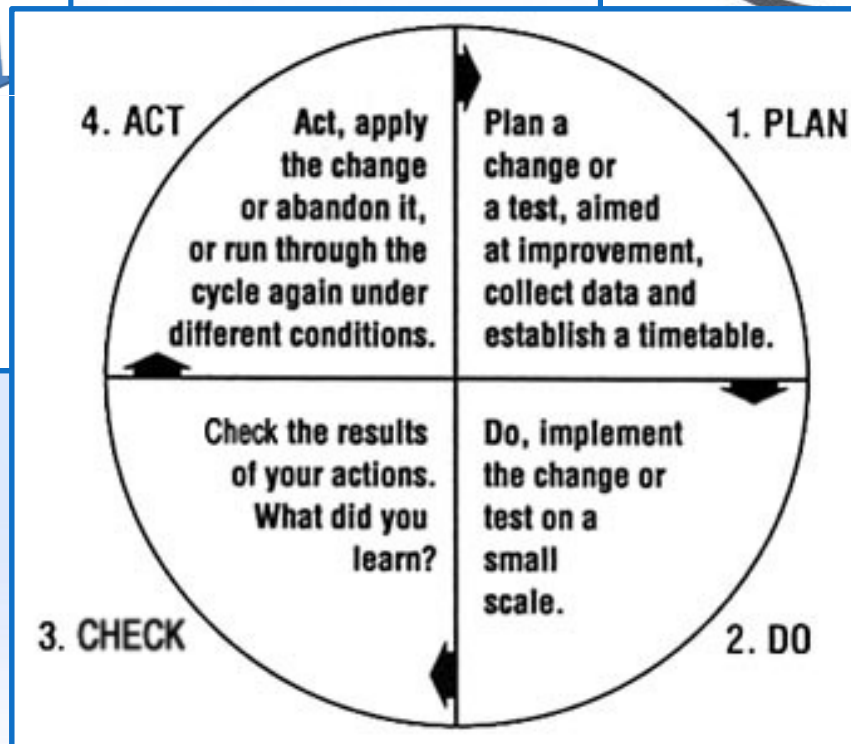
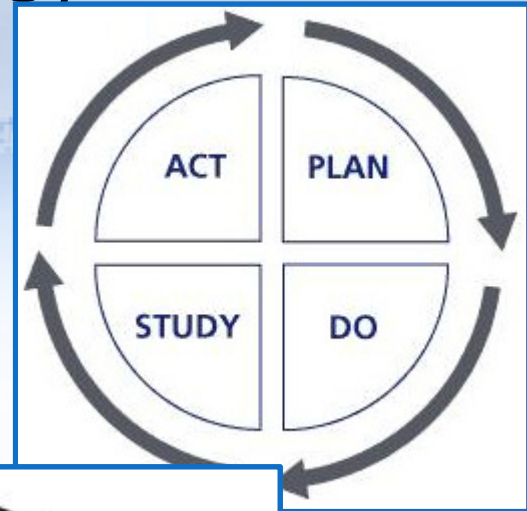
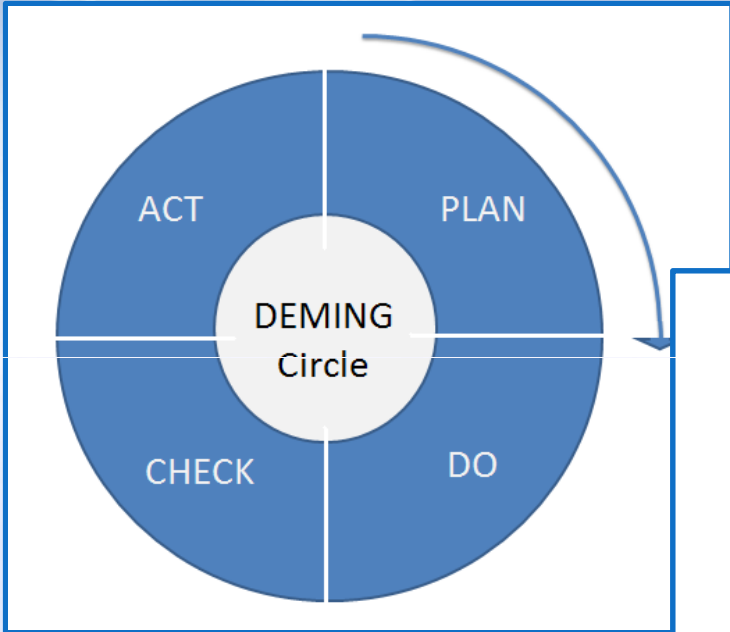
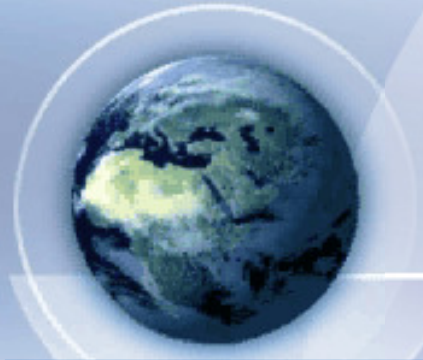
Plan Do Study Act (PDS)

Walter Shewhart

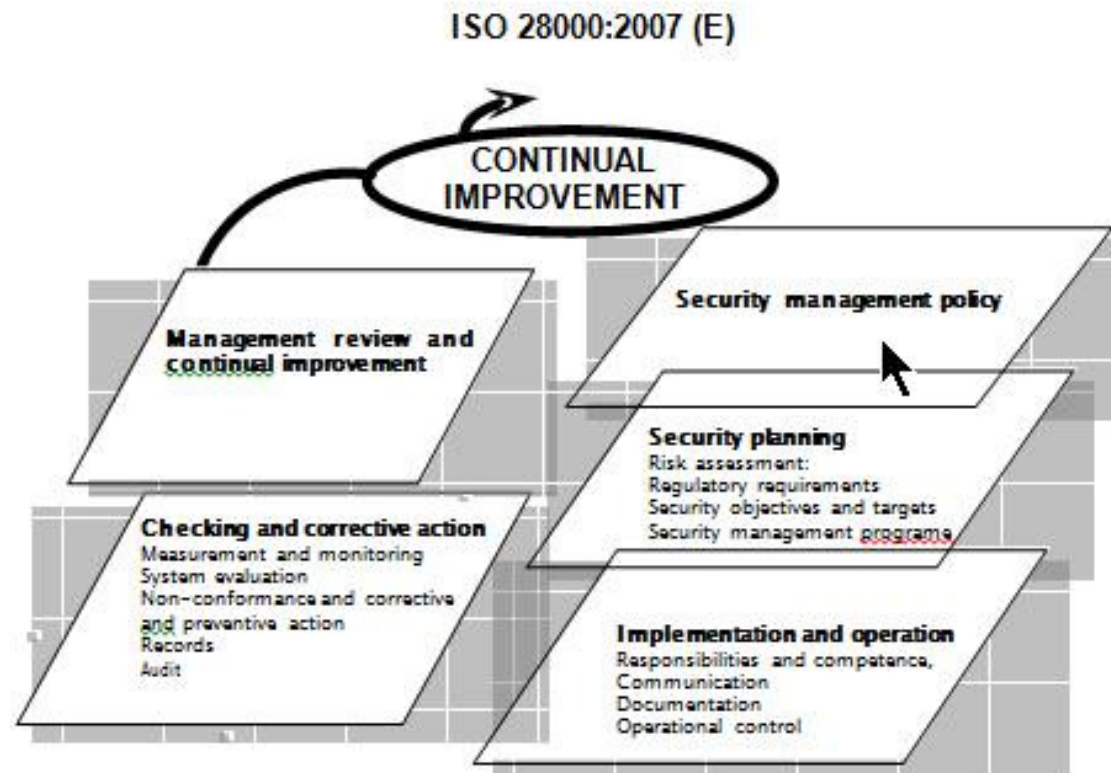
Define Measure Analyze Improve Control
(DMAIC)

Six Sigma

The Same Circle(s)



Different Presentation ISO 28000



Security Management System Elements



Risk & HACCP

Risk throughout compliance criteria

Hazard Analysis & Critical Control Points
(HACCP)

Annex B (informative)

Cross references between HACCP and ISO 22000:2005

Table B.1 — Cross references between the HACCP principles and application steps and clauses of ISO 22000:2005

HACCP Principles	HACCP application steps ^a	ISO 22000:2005	
	Assemble HACCP team	Step 1	7.3.2 Food safety team
	Describe product	Step 2	7.3.3 Product characteristics
			7.3.5.2 Description of process steps and control measures
	Identify intended use	Step 3	7.3.4 Intended use
	Construct flow diagram On-site confirmation of flow diagram	Step 4	7.3.5.1 Flow diagrams
		Step 5	
Principle 1 Conduct a hazard analysis.	List all potential hazards	Step 6	7.4 Hazard analysis
	Conduct a hazard analysis		7.4.2 Hazard identification and determination of acceptable levels
	Consider control measures		7.4.3 Hazard assessment 7.4.4 Selection and assessment of control measures
Principle 2 Determine the critical control points (CCPs).	Determine CCPs	Step 7	7.6.2 Identification of critical control points (CCPs)
Principle 3 Establish critical limit(s).	Establish critical limits for each CCP	Step 8	7.6.3 Determination of critical limits for critical control points
Principle 4 Establish a system to monitor control of the CCP.	Establish a monitoring system for each CCP	Step 9	7.6.4 System for the monitoring of critical control points
Principle 5 Establish the corrective action to be taken when monitoring indicates that a particular CCP is not under control.	Establish corrective actions	Step 10	7.6.5 Actions when monitoring results exceed critical limits
Principle 6 Establish procedures for verification to confirm that the HACCP system is working effectively.	Establish verification procedures	Step 11	7.8 Verification planning
Principle 7 Establish documentation concerning all procedures and records appropriate to these principles and their application.	Establish documentation and record keeping	Step 12	4.2 Documentation requirements
			7.7 Updating of preliminary information and documents specifying the PRPs and the HACCP plan

^a Published in Reference [11].



Identify Equivalencies

Domains and Nodes

Across Standards

Across Nodes

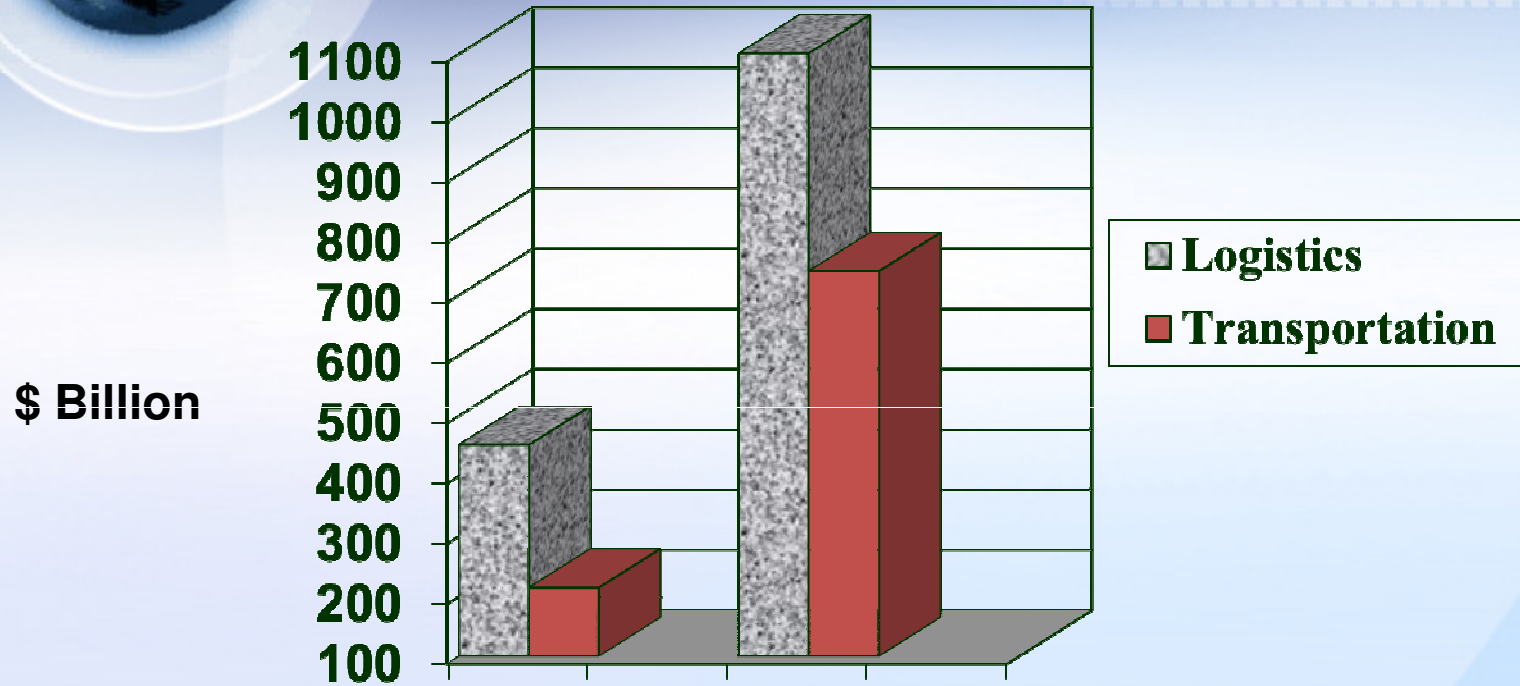


Our choice of language can change how management views compliance. Try “process improvement”... something SC professionals do every day.

PROCESS BENEFITS AND COMPLIANCE



The Logistics of Business is Big Business

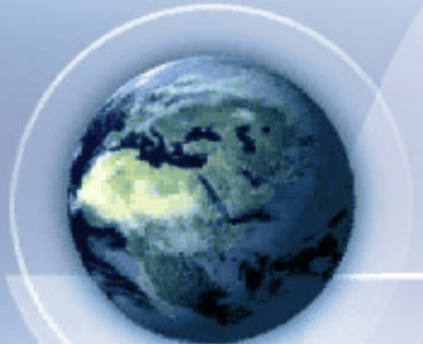


1980

- GDP \$2.80 trillion
 - Logistics Cost \$451 billion
 - 16.1% of GDP
 - Transportation Cost \$214 billion
 - 47.5% of Logistics Cost

2009

- GDP \$14.29 trillion
 - Logistics Cost \$1.1 trillion
 - 7.7% of GDP
 - Transportation Cost \$739 billion
 - 67.2% of Logistics Cost



Process Improvement Pays

Inventory

Reduction

Accuracy

Theft/Authenticity

COST REDUCTION

Visibility

Information Access,
Timeliness, Accuracy

**SUPPLY CHAIN
COLLABORATION**

Efficiency

Fewer Touches

Process Improvement

Personnel Reduction

COST REDUCTION

Resilience

Threat Identification

Resolution

RISK MITIGATION

Viability

Investor Discontent

Brand Equity

Executive Liability

Regulatory Scrutiny

MACRO RISKS

Customers

Confidence

Collaboration

**REVENUE
ENHANCEMENT**

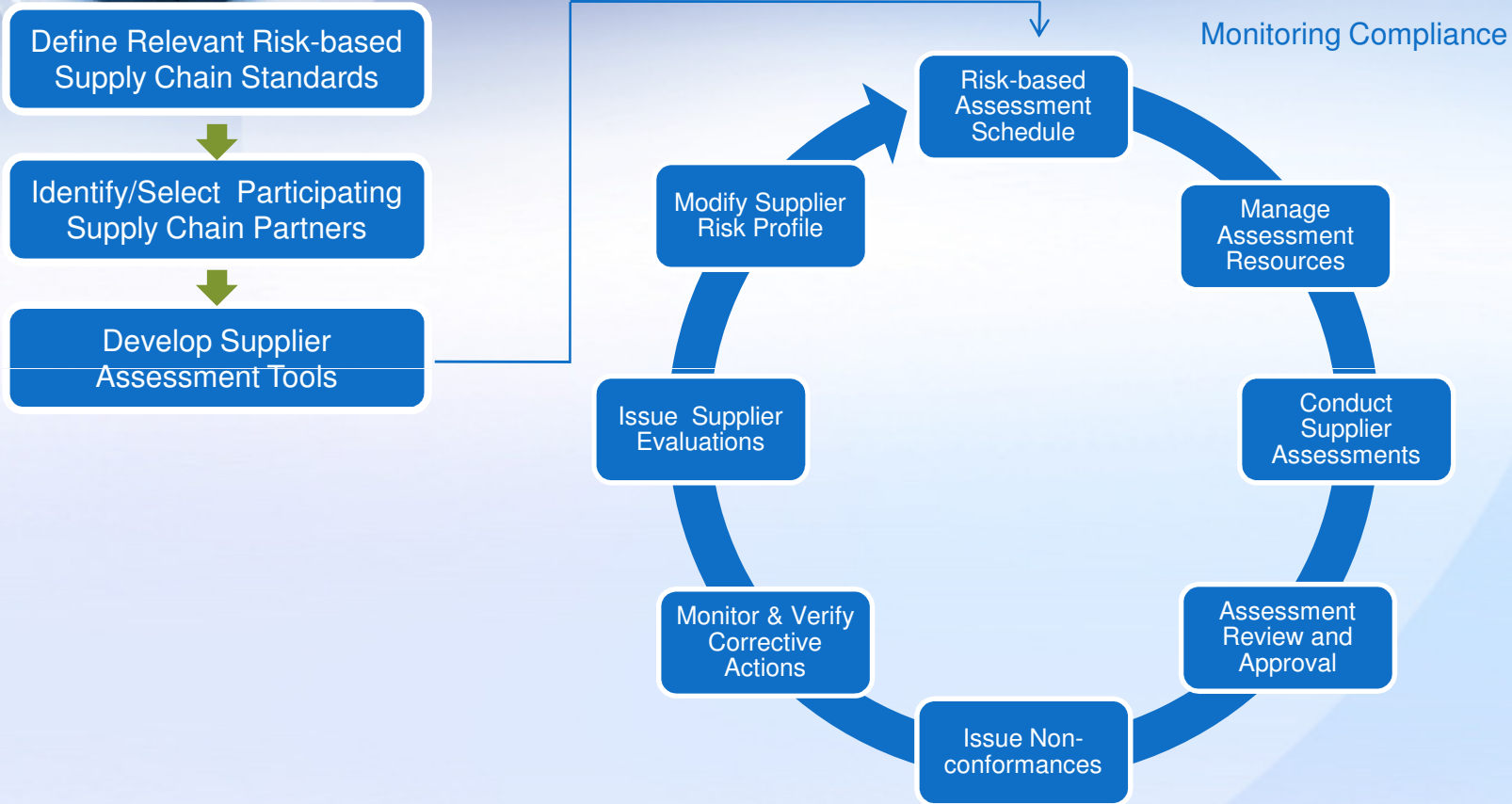


Registrars and Certifiers follow a proven approach to compliance to standards... adopt it.

MANAGING INTERNAL COMPLIANCES



Internal Compliance Process



Support Systems					Internal Compliance				
Notification Management	Document Management	Integrations	Portals	Configuration	Documentation	Training	Internal Audits	CARs and Complaints	KPIs



CONCLUDING REMARKS