



# Whitepaper

Do you have concerns about growing risks within your supply chains, and require a toolkit to map your journey towards managing them?

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# Clear view from the top of the mountain



The rules for doing business have changed: without visibility there is no accountability, says **Rick Sanderson** FIFST, Co-founder and Head of Partnerships, STAR Index. To succeed in today's environment, you need to get a **clear view from the top of the mountain**.



Only those most adaptable to change will survive. Darwin's view, taken from his famous quote, has never been so true as it is in today's business world. Transparency in all walks of life is changing the way we make our buying decisions, none more so than in business. Investors, stakeholders, shareholders, management, employees and customers are demanding more insight and more honesty in terms of how goods and services are delivered.

This is a positive thing, right? Nobody would argue about that. However, the foundations of modern capitalism have been built on the premise of growth, margin, return on investment and maximum yield at minimum cost.

On the back of this, the promise of value to be delivered – the 'value proposition' – for large brands and others has been built around claims and credentials, which until now the consumer has simply trusted to be authentic.

However, several seismic jolts over the past 20 years have shaken consumer confidence in how we produce goods and services. Because of events such as the BSE<sup>1</sup> outbreak in cattle in the mid-90s, the financial crash<sup>2</sup> of 2007/08, the 2013 Rana Plaza<sup>3</sup> garment factory collapse in Dhaka, Bangladesh and Volkswagen's emissions scandal<sup>4</sup> in 2015, consumers and investors alike are now seeking more transparency and integrity from businesses and brands.

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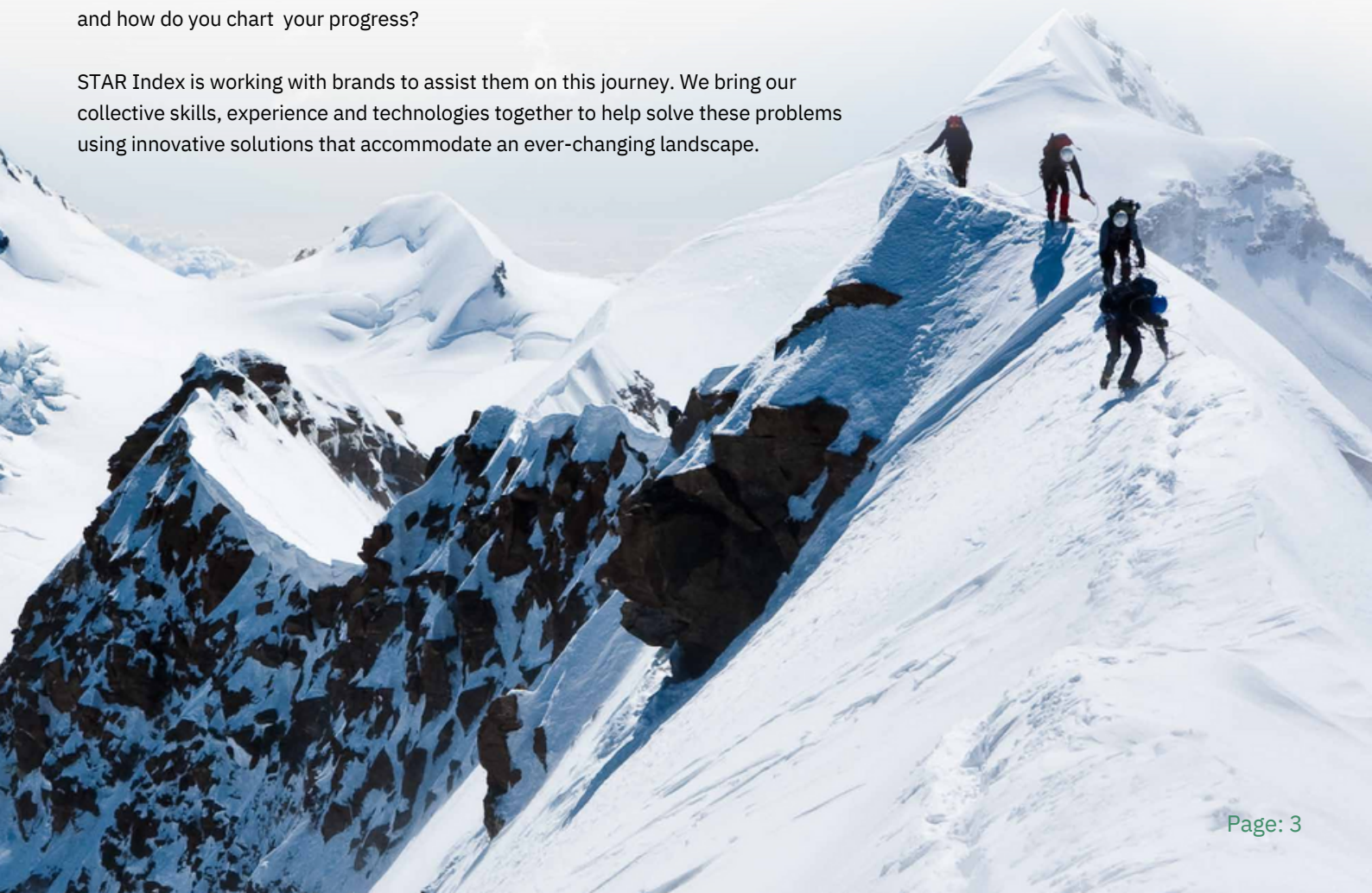
So, have we reached the end of traditional capitalism as we know it? Or is its end on the near horizon? Business ethics<sup>5</sup> and trust are fast becoming the gateway to consumer spending, as we look for organisations that have a more balanced approach to how they address economic, social and environmental issues in a way that benefits people, communities and society.

Corporate social responsibility (CSR)<sup>6</sup> as we now know it has become increasingly more prominent across modern business, moving from spurious ‘greenwash’ statements of the past, to board level positions and policies in the present.

But what about the future? Businesses need help and guidance to raise the bar and prove they are delivering social, environmental (or ecological) and financial or ‘triple bottom line’ benefits<sup>7</sup>. There is room for optimism with tools and frameworks now available for companies to adopt good environmental, social and governance (ESG)<sup>8</sup> through organisations such as B-Corp<sup>9</sup>, also known as Benefit Corporation. While these can help companies to become more purpose driven, where do you start from and how do you chart your progress?

STAR Index is working with brands to assist them on this journey. We bring our collective skills, experience and technologies together to help solve these problems using innovative solutions that accommodate an ever-changing landscape.

*Our firm belief is that without visibility there is no accountability and only those most responsive to change will survive. Over the following pages I will describe how.*



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# Overview

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The landscape for modern businesses is incredibly complex, with internal matrix management and differing motivations. Then there are external shareholders and investors that want short-term gains as well as long-term returns. In this environment, ensuring your business has a collective purpose and direction can be very challenging. If your business is not clear and confident about its mission statement and how to achieve it, then you cannot expect your suppliers, customers and investors to follow you on that journey.

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Key to knowing where you are heading is understanding where you are starting from. STAR Index is committed to helping businesses on that journey.

**The questions you need to be asking yourself –and have the answers for – are:**

- How many suppliers and products at tier one and beyond are in our supply chain at any given time?
- Are we communicating our values and codes of practice to them? And are they being adhered to?
- Are there sustainability risks within these supply chains that could undermine our ability to continue trading successfully?
- Do the UN's Sustainable Development Goals (SDG)10 impact our business?
- Are our supply chain technical approval and risk management processes optimised?
- Does our supply chain utilise natural assets/resources that are finite? And would our business be able to trade successfully without easy and cost-effective availability of these assets?
- Would a failure in our responsible sourcing policies – such as a modern slavery scandal – damage the value of our brand?

*In this whitepaper we will share our collective experiences of these emerging challenges and set out an argument why **'being a better business is better for business'**.*



## What we'll cover in this whitepaper

### We aim to explore:

- How to understand where your business is starting from.
- What help is out there to guide you on this new path.
- Why you must take suppliers with you.
- Why transparency is now a given, and how you can deliver it.
- How technology can be an enabler in building your roadmap.

## Methodology

This paper offers a blend of our own market research, client experience and deployment. It will also include anecdotal observations and opinion, as well as a description of what online resources are available. There will also be testimony from a real case study [?].

Our own research reflects a desktop analysis of the UK and Ireland's top 200 food and beverage companies. This explores their approaches to corporate social responsibility (CSR) and their compliance with the best practice framework for the 2015 UK Modern Slavery Act (MSA)<sup>11</sup>. Some headline insights from sub-sectors will also be provided [?].





# Where is my business starting from?

When a climber attempts to scale a mountain, the first thing he or she must do is ensure that the right team has been put together. Sufficient funding is crucial, as is meticulous preparation. It is also crucial to have a clear plan and an understanding of how it will be delivered. Contingency plans must also be developed in the event of something going wrong.

It is also important to communicate to those crucial to the mission where they are going and the reason why. And, to continue the mountaineering metaphor, before a single crampon starts the snowy climb, you must first get to base camp. Base camp is known territory from where the journey starts. It must be a clearly visible location that other team members can find if they need to return to it. They will also need to have a map to hand – the plan – that clearly sets out how they will reach the summit.

*So, as you start your ‘ascent’ into the new territory of responsible sourcing and transparency, have you followed all the preparatory steps that our climber will have done?*

It is likely that this isn't the case. Many people set off in a snow blizzard, without key team members, short of funds, resources and know-how. They are likely to be thrown off course many times and taken by surprise by new demands not previously experienced. They may reach the first ridge only to find themselves stranded and in need of rescue, since having searched all their pockets, they suddenly realise they forgot the map!

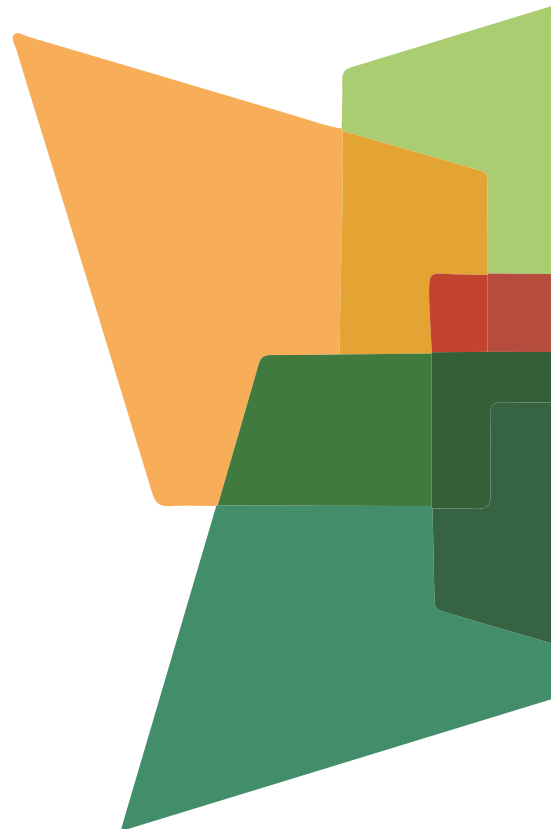
This mountaineering analogy works well as it's one I have experienced myself – and one I've also recognised in others.



# Establishing base camp

Coming back to your own business, do you fully understand the landscape in terms of your capability to succeed and where you are starting from? Let's start with the 4 Ps: **P**eople, **P**olitics, **P**latforms and **P**artners.

- **People:** Do you have the right team around you, with the right skills, in order to deliver in this new world? Do they have the understanding, capacity and ability to adapt? Can they absorb new thinking and challenges, engage with third parties and non-governmental organisations (NGOs)<sup>12</sup>? Have they had previous experience and bring external insights? And can they engage right across your business and influence those at the top of it?
- **Politics:** Are all departments and influencers within your organisation aligned and buy into the need to embrace change? Do they have objections that need addressing, practical issues in their own roles, irrational fears about whether all of this 'stuff' really matters?
- **Platforms:** Do you have the raw materials, technology and solutions in place in order to map, manage and monitor your mission and chart progress as you move forward? Do you have a clear platform from which to communicate with customers and suppliers?
- **Partners:** Crucially, are your supply partners with you on this journey? Do they understand it? And where are they starting from? Are you aligned with the right strategic suppliers, that understand why this is important – ones that are not hiding at the back, but leading from the front? Are you in a position to support and coach them; to communicate clearly your aims and objectives; and to get a clear understanding of their commitment across all areas of responsible sourcing?

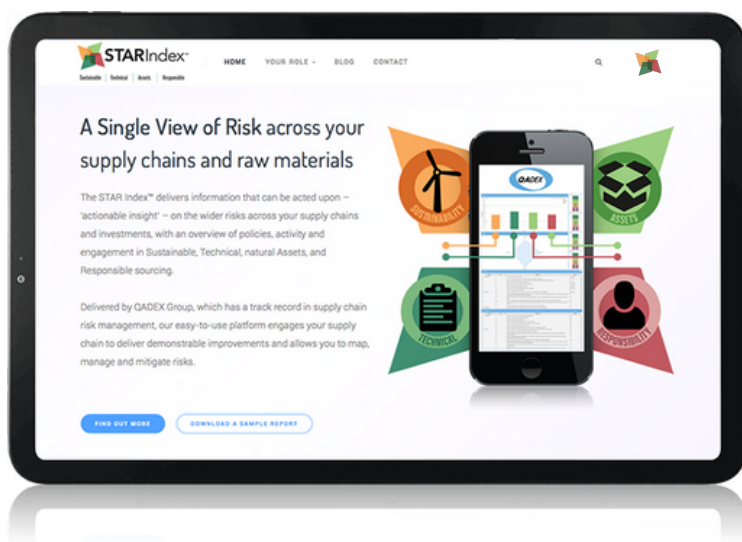




# Signposting technologies and techniques

Companies looking to start their journey towards more responsible sourcing or chart the progress already made, need a common language or framework through which to articulate the outputs. Moreover, they also need a structured approach to capturing and standardising data. This is not easy with many companies still depending on ‘old world’ technologies to solve ‘new world’ problems, which multiply down the supply chain.

However, companies such as STAR Index have been working hard to develop cutting-edge technologies and techniques to solve this problem. STAR Index has developed portals for accurate data capture, collaborative supply chain mapping software, and a proven platform for mapping, managing and mitigating risk across the core four areas of compliance: **Sustainable – Technical – Assets**, including agriculture – **Responsible** sourcing. Introducing: **STAR Index13**.



# Solution – STAR Index™

A single view of risk across your supply chains and raw materials.

The STAR Index™ delivers information that can be acted upon – ‘actionable insight’ – on the wider risks across your supply chains and investments, with an overview of policies, activity and engagement in Sustainable, Technical, natural Assets, and Responsible sourcing.

Delivered by QAD<sup>EX</sup>14, which has a track record in supply chain risk management, our easy-to-use platform engages your supply chain to deliver demonstrable improvements and allows you to map, manage and mitigate risks.

The STAR Index™ is a methodology for measuring your supply chain risk profile across four key areas. Developed by QAD<sup>EX</sup> over 12 years, our unique RAG (Red, Amber, Green) rated index measures and benchmarks your business and its supply chain, using a combination of publicly available information, supply chain data and our own expertise.

The rating is not an exact science but is offered as guidance and to identify areas for improvement. The rating can be further enhanced by our consultation process. This makes use of our expertise and that of our partners to develop a set of actions using an algorithm based on insights drawn from your own data, teams and third parties.

*The platform is supported by QAD<sup>EX</sup>, a team of experts in risk management, data and supply chain due diligence, with more than 12 years’ experience, supporting 16,000 facilities worldwide. So what problems are we helping you tackle?*



## Sustainability

The UN's Sustainable Development Goals (SDG), also known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.



These 17 goals build on the successes of the UN's Millennium Development Goals<sup>15</sup>, while including new areas such as climate change, economic inequality, innovation, sustainable consumption, and peace and justice, among other priorities. The goals are interconnected – often the key to success with one will involve tackling issues more commonly associated with another.

Now more than ever it is expected that businesses articulate their impact through the prism of the SDG. Every function within a business must play its part in upholding these values – for people and the planet. However, it's a team effort and if your suppliers are not aligned, then your business cannot deliver.

*If you can't map it, you can't manage it. The STAR Index™ provides a framework to help you track this crucial element of doing business and helps your suppliers build knowledge and capacity.*

## Technical compliance

Technical standards can be voluntary and mandatory. They define benchmarks and technical specifications with which products comply in order to gain access to a market, while meeting the demand from the authorities and consumers for safe and high-quality products.

Technical accreditations give you a clear way to demonstrate to customers that you are trusted when it comes to product safety and integrity. They show that you measure up to certain standards of raw material safety, environmental performance and – if applicable – stewardship and welfare. Standards are typically measured via regular independent inspections and audits, assessments, data insights, and global standards.

However, they can be difficult to monitor – often with a churn of suppliers and raw materials throughout the year – and with challenges of an increasingly global supply chain; and a growing requirement for diligence beyond tier one suppliers. The STAR Index™ gives you peace of mind that this can be managed in a cost-effective and transparent way.

## Assets & environment

Careful management of natural assets and stewardship of the environment are critical to responsible modern production. The way companies respect the environment and ecology – including their use of water and disposal of waste – will differentiate them in the future, while being cornerstones of good practice today.

Integrated economic, environmental and social principles are now being incorporated into a 'triple bottom line' when general impacts are assessed. Unlike a traditional approach where the profit margin is the single overriding consideration, sustainability is also considered, together with the social and environmental factors. It can be a complex task to gather essential data, track commitments and targets, and map products down commodity chains. The STAR Index™ has a solution to take the strain.



## Responsible sourcing

According to the International Chamber of Commerce<sup>16</sup>, responsible sourcing is “a voluntary commitment by companies to take into account social and environmental considerations when managing their relationships with suppliers”.

There has been more recent focus in this area with issues around modern slavery, which is a crime and a violation of fundamental human rights. It takes various forms, such as slavery, servitude, forced and compulsory labour and human trafficking. The legal and moral onus is firmly on businesses to monitor and mitigate these risks and, crucially, to demonstrate supply chain due diligence in their efforts to eradicate it.

The Transparency in Supply Chains (TISC) report<sup>17</sup> – an independent repository for Modern Slavery Act (MSA) statements – highlights that almost 20% of companies with a turnover of more than the £36m threshold, which brings them within MSA scrutiny, have failed to produce an MSA statement as they are required to do. What are the chances of these being companies in your supply chains?

Moreover, in an article written by me about modern slavery in the UK food and beverage supply chain for the Institute of Food Science and Technology (IFST)<sup>18</sup> and published in the IFST's Food Science and Technology<sup>19</sup> in March 2020, I quoted our own research of companies carried out in the fourth financial quarter (Q4) of 2019. This showed that of the firms in the sector in the top 200 companies by turnover that had produced a statement, a third were non-compliant four years after the MSA was introduced.

Tracking this crucial area of responsible sourcing is complex, time consuming and requires specialist knowledge. The STAR Index™ does this work for you, delivering a ‘cockpit view’ of your risks and exposure, while highlighting areas of common non-conformance against legal compliance and your own code of ethics.

## Supply Chain Transparency

The modern consumer assumes, rightly or wrongly, that we in business know our suppliers and supply chains. Most risks in our businesses lie beyond our four walls and sit within our tier one supply base – and in many cases way beyond, lurking unseen like an iceberg.

If you can't map it, you can't manage it. And at STAR Index we have a collaborative state-of-the-art platform called [supplychainmapper.com](https://supplychainmapper.com)<sup>20</sup> to deliver supply chain insights and monitor risk. We have many years of experience in doing this on behalf of companies like yours. But, it's not easy and for lots of businesses, it's counterintuitive. However, with our technology and know-how, we can deliver a program that builds a platform of robust due diligence.



# Conclusion

Doing business in the new world that we have commented upon in this paper is incredibly complex. Issues that companies had not previously planned for are now main priorities, while we have yet to face tomorrow's emerging issues.

Some of the existential challenges of our times will take years of collaboration and innovation to resolve. They include complex societal issues from the other side of the globe. So, we must consider the law of unintended consequence when trying to tackle them.

Given these mountainous challenges we have to conquer, we need a plan, we need to know where our base camp is and we need a map at hand. We also need to be clear with those around us that our journey will involve overcoming ridges and obstacles in the path we have to climb. Be in no doubt, however, it is essential that the mountain is tackled. It would be negligent in this modern world of business if we didn't. After all, **without visibility there is no accountability.**

*The STAR Index™ enables businesses to deliver demonstrable progress over time in a volatile, uncertain, complex and ambiguous world. Why not take the first steps and reach out to us for a demonstration of what this platform can do for you? We believe **being a better business is better for business** and we would like to partner with you on your journey.*

# References

<sup>1</sup>  
BSE Crisis

<sup>2</sup>  
Financial Crisis

<sup>3</sup>  
Rana Plaza collapse

<sup>4</sup>  
Volkswagen emissions scandal

<sup>5</sup>  
Ethical business practice and regulation: a behavioural and values-based approach to compliance and enforcement, by Christopher Hodges and Ruth Steinholtz

<sup>6</sup>  
Corporate social responsibility (CSR)

<sup>7</sup>  
Triple bottom line (TBL) benefits

<sup>8</sup>  
Environmental, social and corporate governance (ESG)

<sup>9</sup>  
B-Corp

<sup>10</sup>  
UN's Sustainable Development Goals (SDG)

<sup>11</sup>  
2015 UK Modern Slavery Act

<sup>12</sup>  
Non-governmental organisations (NGOs)

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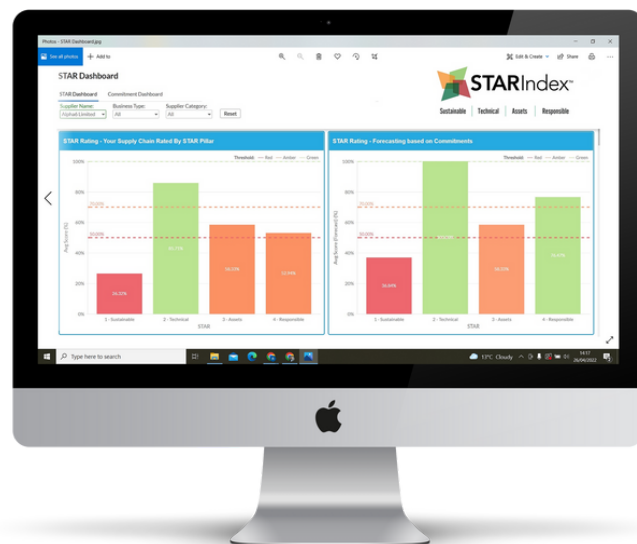
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