

Big risks hide in small packages

Regulatory compliance protects people, the environment

It was just a fraction of an inch long. It was all alone. It had been on a long journey. Its name: *Pityophthorus glabratus* Eichhoff, also known as a bark beetle. Because this type of bark beetle had never been spotted in the U.S., it attained instant celebrity status. It got its own press release and then its own headlines. Sharing the spotlight with this well-traveled beetle were U.S. Customs and Border Protection agriculture specialists in Norfolk, Virginia, who vigilantly detected the rogue insect in a shipment of untreated wood pallets from Poland.



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Not a welcome immigrant, this wood-boring insect has the potential to do serious damage. An infestation of these pests can seriously impact the U.S. forestry industry, which produces \$200 billion in sales each year and employs about 1 million workers.

Risk is everywhere

As worldwide commerce grows, so does risk. Supply chain specialists have long been concerned about disruption due to natural disasters or war. With the emergence of the global economy, concern focused on quality problems, mainly with products manufactured in Asia. Today, the risk assessment cannot be complete without considering social and environmental impacts.

Perhaps the reason labor cost in other countries is lower is because there are poor work conditions and child labor. Or maybe the suppliers are unethical in other ways or cause excessive pollution. Or maybe — as is likely in the case with the intercepted bark beetle — the supplier skipped a step, such as heat-treating the wood.

In any event, the brand impact and commercial liability of disruptive supply chain events can be quite severe. Stock prices drop, customers flee and social

media flames up when social injustices or lack of sustainability are uncovered. Governments react firmly when corporations are out of compliance.

Corporations now employ large staff to analyze and mitigate risk in the supply chain. They attempt to predict the risks, then either eliminate the risk or minimize the impact. They set rules for suppliers and set processes for attaining compliance. It is a huge task as more risks constantly emerge.

The intercepted beetle is an example of unintended long-term environmental consequences. Normally, we think predominantly of pollution; yet contamination with pests and illnesses have had serious consequences over the last 500 years. Non-native plant species have taken over the environment in many locations and impacted the ecosystem.

Time to listen

Businesses can support the environment in many ways. One way is to be in compliance with import and export regulations, whether done by subcontractors or suppliers. Avoid shifting location for pollution compliance. This happened in the first decade of outsourcing to China where companies facing environmental regulations in the U.S. sent manufacturing to a location with less stringent rules. This is now endangering the health of hundreds of millions of people in China, as well as impacting the entire planet.

The environmental rule set is just one part of compliance management. Yet many employees, customers and investors consider the environmental compliance the most important. Companies should listen. ●



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