Supply chain management is about more than just cutting costs and verifying quality — it's an important step toward making sure a company's suppliers are paying fair wages, following safety regulations and behaving ethically overall.

Middle market companies may hold less sway over suppliers than larger corporations, experts say, but being clear with expectations and creating long-term relationships can go a long way.

When establishing supplier relationships, it's important to have a supply chain strategy that clearly outlines your company's vision, philosophy and expectations, said James Domingo, president of The Domingo Group LLC in Twinsburg, which aims to help industrial manufacturers grow.

Domingo had a long career at Swagelok Co. before starting his own business.
Price is an important factor when selecting a supplier, but “capabilities and reliability” are often even more critical, Domingo said.

Domingo suggests having a “checklist” of points on which to assess potential suppliers, including product quality, attention to health and safety and approach to environmental issues.

By outlining your company's principles, it becomes clear who is and who is not a good fit. And, he said, it's important to have a way to clearly communicate those standards to suppliers.

Companies can say that they'd like to see certain safety practices implemented at a business in order to use them as a supplier.

“With good conscience, we can demand and expect that of suppliers,” Domingo said.

A local example can be found at Great Lakes Cheese in Hiram, which did not respond to repeated requests for comment.

The company's supply chain was brought into question after evidence of animal cruelty surfaced at one of its suppliers in November 2014.

In March, the company updated its animal welfare policy. The policy clearly outlines expectations for suppliers, from requiring dairy farm employees to sign an annual Employee Code of Ethics to asking suppliers to phase out tail docking by 2018 when possible.

“Willful mistreatment or cruelty to animals will not be tolerated,” the company said as part of its animal welfare policy on its website.

“High quality dairy products begin with high quality milk from well-cared for and humanely-treated animals.”

**Relationship building**

Globalization has made it so companies have to really do their due diligence when selecting a supplier that aligns with the behaviors they expect, said Oya Tukel, chair of the operations and supply chain management department at Cleveland State University's Monte Ahuja College of Business.

“Lot of times, suppliers over-promise and under-deliver,” she said.

Creating long-term relationships with suppliers can help address that. Those types of suppliers understand their customers' beliefs and can act accordingly, Tukel said.

Jakprints Inc. in Cleveland has a relationship-driven supply chain, said CEO Nick DeTomaso.

Suppliers have to align with the printer's strong ecological values, he said, which has led to the company using mostly domestically sourced, responsibly forested paper for that part of its business.
The company's product development team reviews potential suppliers to make sure their business ethos matches Jakprints', DeTomaso said.

But as a printer, Jakprints — which has grown from annual revenues of about $5.5 million in 2005 to $25 million last year — is also familiar with being part of another company's supply chain.

Overall, communication is critical, DeTomaso said, especially when Jakprints becomes a larger part of another company's supply chain. The company will fly employees out to the customer, even keeping a person on site if need be.

Relationships are especially important in what DeTomaso calls the company's virtual inventory fulfillment, which allows Jakprints to print products by the order for entities like Viacom Inc. and Sony Music Entertainment, instead of keeping items stocked in a physical warehouse.

DeTomaso said Jakprints separated the virtual inventory part of its business from its legacy business so that it could curate its customers and choose those who work as true partners.

**Size matters**

Companies with ethical supply chains are those that not only trust their suppliers, but also make sure to verify that everything’s happening as planned, said Michael Graska, president and owner of supply chain and logistics company IGSCM Group LLC in Brecksville. It's also important to make sure expectations on price, delivery and ethics are clear to suppliers, a necessity that may be easier for smaller companies with fewer suppliers.

"As you grow larger, as you expand, as you go from small to medium, you sometimes have a harder time being clear with your expectations," Graska said.

Middle market companies face the same supply chain challenges as larger ones, but they have less leverage than a corporation the size of Apple Inc., said Mahesh Srinivasan, associate professor and program coordinator for supply chain at the University of Akron.

If a smaller company goes to one of its suppliers and asks them to pay employees fair wages, suppliers may not have reason to listen, he said.

Ultimately, Srinivasan said, the driving force behind corporate social responsibility practices is customer demands.

Srinivasan has been studying such practices, looking at factors such as whether members of a supply chain are following laws or paying fair wages.

And while there are companies that truly care about the issues, these practices can hurt competitiveness, he said, driving up prices and tightening margins.

Working to make sure suppliers are acting ethically isn't a new concern for companies, but as supply chains have become increasingly global, companies have to address new cultural and logistical issues, said Steve Ash, professor and chair of the department of management at the University of Akron. Smaller companies may have to even rely on intermediaries to manage those relationships.
“That distance creates a lot of different barriers,” Ash said.