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# Managing Global Supply Chains: Coca Cola and Sugar in Brazil

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# Managing Global Supply Chains: Coca Cola and Sugar in Brazil

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An article in the Wall Street Journal in June 2013 described supply chain management as "The Hot New M.B.A." The Whitman School of Management at Syracuse University says it has been focusing on supply chain issues since 1919, and says that now "[s]upply chain managers very often hold the key to corporate profitability." But as well as managing supply chains from the perspective of efficiency, corporations also need to manage their legal and reputation risks, especially when their supply chains are global. Transnational corporations manage these risks by developing and monitoring compliance with their own codes of conduct. At the same time the states where producers and manufacturers operate have, and are developing, their own regulatory regimes.

In a special issue of *Politics & Society* on regulation in Latin America, Salo Coslovsky and Richard Locke examine interactions between private codes and public regulation focusing on Coca-Cola's management of working conditions in its sugar supply chain in Brazil. As the authors point out, working conditions in the sugar production industry have generally not been good: sugar production inherently involves hard work in hot climates, and large and politically connected family firms are involved in sugar production in Brazil. Recent events illustrate that focusing on working conditions does not tell the whole story: in October 2013 Oxfam published a report which argued that increasing demand for sugar was encouraging large companies to displace poor sugar farmers. Coca-Cola promptly promised to take action to protect land rights of farmers in sugar-producing areas. Nevertheless, Coslovsky and Locke describe an interaction between private and public regulatory regimes that improves working conditions for sugar producers. And it is the interaction that matters: public regulation and Coca-Cola's efforts combine to help workers.

The article is based on quantitative and field research: the authors had access to 116 audits commissioned by Coca-Cola carried out between 2002 and 2008, and they carried out "field visits to a stratified sample of nine mills and farms in São Paulo and Pernambuco and interviews with 80 representatives of private, public, and nonprofit entities relevant to the sugar sector in Brazil.' The interviewees comprised 45 informants at farms and mills, 29 representatives from labor unions, community groups, and government agencies, and Coca-Cola officials. Interviews were carried out in Portuguese without translators, as the authors are fluent in Portuguese. The authors are conscious that data about improvement in performance on the audits might be the result of gaming the system, but they find independent evidence of improvement in working conditions.

The private sector auditors in the story specialize in labor standards, rather than in the sugar production industry. But the authors found that the auditors could act as intermediaries, communicating the need for change from managers who understood that certain changes could reduce accidents or improve productivity to more senior managers who might otherwise oppose change. The auditors could facilitate firm-level change. At the same time, the actions of public regulators helped to protect workers in general although they might not be able to effect firm-level change. The interaction between these public and private regimes is a rather mysterious sort of interaction. Coslovsky and Locke tell a story in which public and private actors work independently, pursuing their own strategies, and yet the combination of their actions helps workers. They say:

> although private and public agents rarely communicate, let alone coordinate with one another they nevertheless reinforce each other's actions. Public regulators use their legal powers to outlaw extreme forms of outsourcing. Private auditors use the trust they command as company insiders to instigate a process of workplace transformation that facilitates compliance. Together, their parallel actions block the low road and guide targeted firms to a higher road in which improved labor standards are not only possible but even desirable.

The authors recognize that they cannot "disentangle the separate effects of public versus private interventions and apportion separate credit to each" but they argue that their data support the idea that public and private regulation can complement each other to improve labor standards. At the end of the article they raise some important questions about the idea of public and private regulatory interaction. In a world in which public and private regulatory schemes interact constantly, within states and across state borders, this article raises some important questions–and also provides some basis for hope.

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