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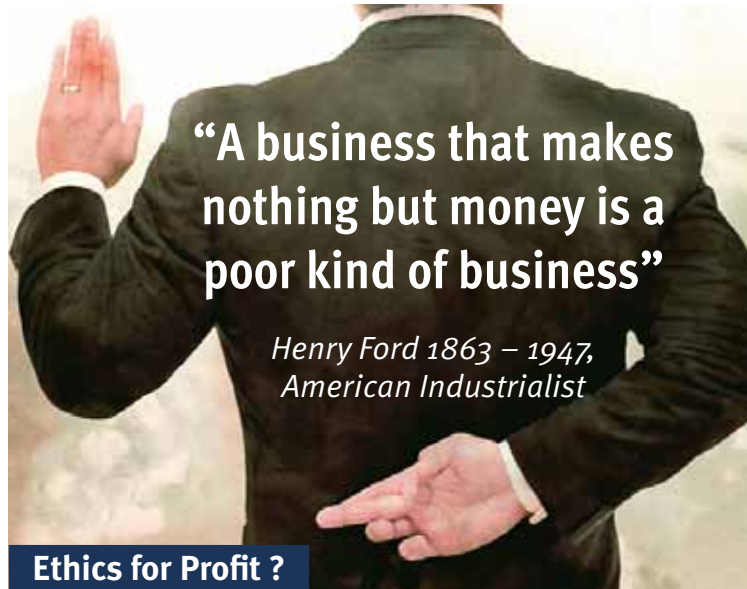
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The global financial crisis that convulsed the world for the last number of years has put the question of ethics into very sharp focus. Whereas all companies have the objective of profit maximisation, it did beg the question as to what extremes a company (or individuals therein) would go for profit? As big names either perished or imploded, it is clear that some business ethics are imposed by law. Others may be a little less clearcut and down to personal judgement or indeed corporate culture.

So what are business ethics? They are defined as written and unwritten codes of principles and values that govern decisions and actions within a company. In the business world it is the culture of organisations which sets standards for determining the difference between good and bad decision making and behaviour. In summary, a definition for business ethics comes down to knowing the difference between right and wrong and choosing to do what is right. Many functions within a corporation have to work through these decisions and choices (sometimes alone) on a daily basis such as the accountant, the buyer, the seller, the quality inspector, the account manager and the CEO.

Many organisations draw up what is known as Codes of Conduct and these are frequently requested as part of RFI / RFQ processes as well. Typical Codes of Conduct can include the following:

1. Employment is freely chosen, no forced, bonded or involuntary prison labour
2. Absolutely no bribes or inappropriate association with customers/suppliers
3. The Right to Collective Bargaining is honoured
4. Working conditions are safe and hygienic
5. Child labour shall never be used
6. Living wages are paid: wages should always be enough to meet basic needs and provide some discretionary income
7. Working hours are not excessive
8. No discrimination is practiced
9. Regular employment is provided

Solutions

SerCom provides solutions to optimize the supply chain.

- Sourcing
- Inventory planning
- Purchasing
- Materials QA
- Supplier management
- Inventory reduction
- Inventory financing
- Supplier consolidation
- Logistics
- Product kitting and configuration

News

SerCom was a key supporter of the Eye for Transport Supply Chain Summit which took place in Amsterdam, 26th – 27th May.

SerCom Solutions, launched its supply chain financial optimisation model at the Eye for Transport, Hi-Tech & Electronics Supply Chain Summit.

The majority of attendees at the summit were Supply Chain and Logistics decision makers.

SerCom Solutions used the Summit to brief delegates on the company's compelling Supply Chain Financial Optimisation Model, which has been developed to enable customers make more effective use of their cash.

By providing upfront financing around the procurement and management of hardware components, inventory financing and logistics, customer's free up cash for both market development and demand generation purposes.

Speaking at the Summit, Kevin Vaughan, Business Development Director, SerCom Solutions said: "By understanding customers' supply chain pain points', we can deliver flexible, robust, and cost focused, supply chain optimisation services, rapidly."

Reality Check – the difficulties



With the soccer World Cup just at a conclusion, it is interesting to note that one of the key issues of the past has been with the manufacture of soccer balls. Major brands discovered to their dismay that their soccer balls were in fact being hand stitched by children outside of a factory environment. And because of the extreme subcontracting nature of some of these activities, many companies cannot even locate all the actual production sites for their products. It took C&A nearly four years to work through the maze of subcontracting pyramids within their supply

chain. According to Nike, ‘secrecy around contract factory locations in supply chains – an inherited wisdom within the industry..- led to a lack of cooperation....the brands risked become caught in a never-ending cycle, placing all resources into monitoring supply chains’. And the issue of child labour is not confined to one geographic area or industry. There are more issues to consider as well. Other abuses such as hazardous working conditions, bribes, extreme overtime, underpay and/or brutal treatment also abound.

SerCom can help!

Most companies want the ability to either increase or maintain their margins by sourcing product more cheaply. However, they also want to balance this with ensuring that factory conditions producing their product are absolutely appropriate and defensible. Nearly all the big brands have now got dedicated teams who are working these issues and many publicise very honest and open reports on their findings. However, because of the extreme levels of subcontracting, many companies simply do not have the resources to assure standards across the board or to ensure them on an ongoing basis.

This is where SerCom can play a role. We enforce rigid qualification procedures for all our own sourced material and more importantly, we engage in monitoring the ongoing adherence of same. We also provide this service on request for our clients when sourcing is done elsewhere.

We are keenly aware at the moment for example, that within certain regions in China, it is getting increasingly difficult for factories to get or keep workers at the moment due to inflationary pressures. And because of the sea change in currency control with the RMB and the resultant product cost increases, it becomes even more difficult to provide wage increases. So in the case of China, there are enormous benefits to being extra vigilant at the current time.



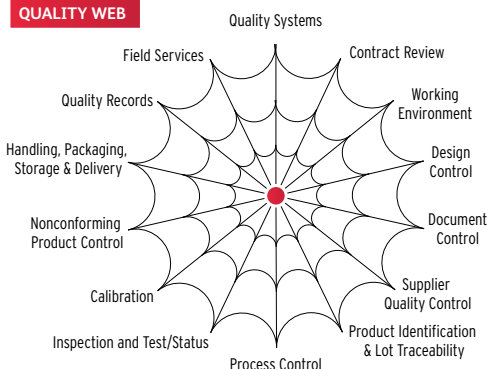
Audit Summary

Below, note the criteria by which SerCom suppliers are qualified and measured on an ongoing basis. This Quality web can change shape depending on the outcome of the audit. Greater weightings can be applied to certain areas as required and higher percentage markings are needed for some areas more than others. For SerCom, Working Environment has the highest weighting of all.

Sample Questions re: Working Environment

3: Working Environment	
3.1	Is there an age requirement for the operators? How is this monitored? Spot check 3 employees
3.2	Are there employee details available? Examples include: ID record, ID validation, training records, resumes
3.3	Are there overtime controls in place? Check records and spot check working hours with employees.
3.4	Is there a rest time in production? Are there rest days? Spot check with employees
3.5	Evaluate Health and Safety procedures
3.6	Are operators paid on time? Spot check with employees

QUALITY WEB



We also do check to see if employees in general look reasonably happy, how they interact during their breaks with each other and so on. Our staff will attend factories during actual production, as well as inspection and pack out. Spot checking information from employees is part and parcel of what we do with many visits, but to ensure no collusion, we do not confine our queries to our own production lines, but will check on other areas to validate employee ages and work rates as well. In certain countries, ID cards can be easily forged so the validation process needs to be quite thorough.

Should you have any queries or concerns which you'd like to discuss in more detail with us, or if you would like to find out more about what auditing services we would provide to our clients, please do not hesitate to contact us.