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Stop Hoarding, Start Trading: The New Data Strategy for GenAI Success

The secret to superior supply chain risk management isn't more data; it is trading data to fill specific gaps.

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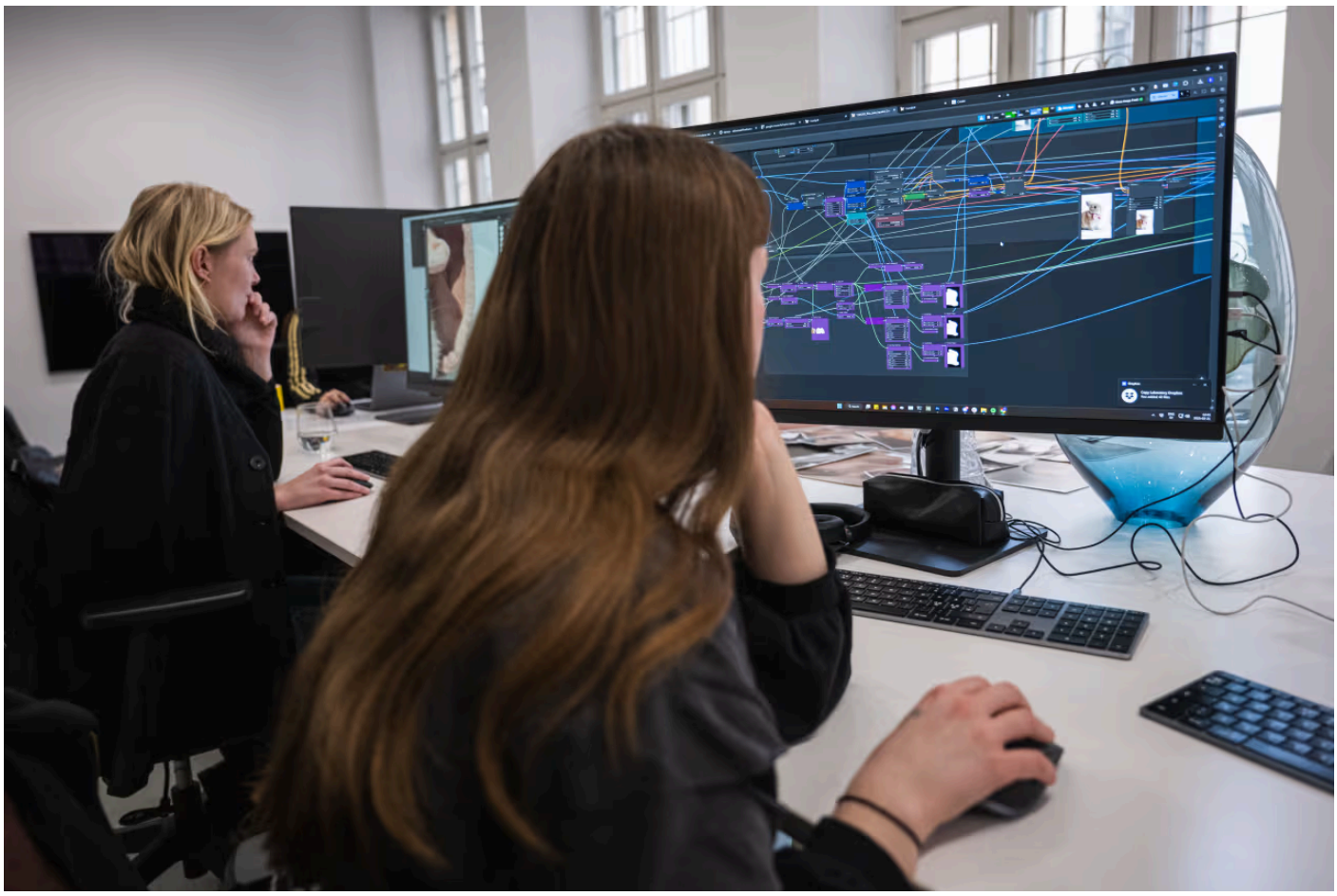

Many companies are drowning in data, yet lack the specific data they need. Data trading could be the key to truly leveraging GenAI. PHOTO: AFP VIA GETTY IMAGES

Companies are racing to use AI and Generative AI to improve supply chain risk management across a range of compliance and sustainability topics. While GenAI has tremendous potential to provide better visibility into their risks through predictive analytics, it only works if you have the right data.

Obtaining that data requires a multipronged approach and a new mindset.

In my previous article, Using AI to Manage Supplier Risk, I discussed how residual risk data can turn the traditional supply chain risk management funnel into an hourglass. Moving beyond an inherent risk assessment to see residual risk—how well a subset of suppliers actually manages their specific compliance and sustainability risks—provides a much more accurate picture of the risk landscape. It turns the funnel into an hourglass.

However, today's regulations and customer codes of conduct demand more than "systems in place." They require data on the performance results. Knowing a supplier has systems in place to reduce greenhouse-gas emissions or manage forced labor risk is critical, but current reporting requirements also demand proof: Are emissions actually reduced? Is migrant labor properly hired?

The Challenge: Critical Data Gaps

These gaps prevent the full power of GenAI from being realized. Many companies are drowning in data, yet lack the specific data they need. They struggle to access timely, accurate insights from customers, suppliers, and even internal departments. While their decisions may be grounded in vast volumes of internally collected data, organizations often remain unaware that critical insights lie outside their immediate reach. Consequently, even when leveraging the full power of GenAI, the final outcomes will inevitably be flawed because of missing data dimensions.

The key to overcoming this hurdle lies in a new strategic approach developed at the Digital Supply Chain Institute (DSCI): **data trading.** Organizations that develop a data trading mindset will gain a sustainable competitive advantage in their use of GenAI.

What is Data Trading?

Data trading isn't about collecting more data; it is about unlocking value by exchanging the *right* data with the *right* partners. It requires understanding the relative value of data and unwavering attention on identifying and filling data gaps to solve specific problems.

Forward thinking organizations realize that the days of rigid, linear supply chains are over, replaced by "constellations of value," adaptable, resilient supply chains intentionally created to meet the needs of specific markets or to solve a unique problem. Data is the glue that holds these constellations together.

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Data Trading in Action

Data trading addresses both operational challenges and sustainability risks. For example, DSCI facilitated a data trading project between a major apparel company and a global logistics company.

The apparel company's production forecast data had little internal value beyond manufacturing planning. However, for the logistics company knowing where products would be coming from six months in advance allowed it to get empty shipping containers to the right port. In return, the logistics company's real-time shipping data, which was relatively routine internally, was highly valuable to the apparel company for improving its logistics management and inventory allocation.

For compliance and sustainability risk management, data trading has tremendous potential to help individual organizations and to improve the collective performance of organizations in reducing risk. By fostering a data-trading environment, GenAI can synthesize diverse external data sets to provide a granular view of compliance and ESG risks that no single organization could achieve in isolation.

However, adopting a new mindset requires change and the willingness to overcome barriers. Two of the most common barriers companies face are internal: from the legal department and the IT department. DSCI has addressed both to reduce the internal friction.

Overcoming Barriers: The Legal and Technical Framework

To address internal friction, DSCI collaborated with Cravath, Swaine & Moore LLP to develop a legal framework for data trading, ensuring that data ownership remains with the original

provider while usage rights are clearly defined through a limited use license. This allows each party to retain ownership of their data while granting the other specific restricted use rights.

On the technology side, the solution is powered by LANACO's AppFusion Platform. AppFusion acts as a secure "data-escrow" platform where each partner places their data and establishes rules that must be met before any information is released.

Beyond one-to-one exchanges, there are significant opportunities for organizations to act as data trading hubs. The Association of Professional Social Compliance Auditors (APSCA) has initiated a pilot program using the DSCI framework. ASPCA's mission is to improve social compliance auditing through governance of audit firms and the professional certification of auditors. APSCA serves as the hub between a wide range of organizations, including brands, retailers, audit firms, and collaborative sharing programs (e.g., Amfori, WRAP, Sedex).

"The organizations in our sphere each have an enormous amount of data related to social compliance and labor rights. Historically, the data has largely remained siloed within that organization. We are excited to participate in this data trading pilot because it lets us take initial steps to sharing strategic data. By aggregating data from different sources we can gain a better understanding of labor conditions and more effectively collaborate to address issues." Ross Nova, CEO, APSCA.

The data trading pilot consists of the following steps:

Step 1: Define the Goal

Every successful data trade starts with a clear purpose. Organizations must first identify a specific problem and the metrics they seek to improve. This ensures that data trading remains focused on value creation rather than becoming a broad, directionless data-sharing exercise. For APSCA, the primary focus was addressing the continuing human rights issue of forced labor in global supply chains.

Step 2: Assess the Data and the Data Gap

Map what internal data exists, what is missing, and where that missing data might reside. In many cases, key partners—suppliers, customers—already possess the necessary data, but they must be convinced to share it. Effectively assessing these gaps is only possible if specific goals have been identified; otherwise the discussion often stalls over theoretical discussions of legal and IT considerations.

Step 3: Determine the Relative Value of the Data

Data trading thrives on mutually valuable exchanges. The key is identifying data that is low-value for one organization but high-value for another. Too often, organizations ask for more data without offering anything in exchange.

For example, APSCA has extensive data showing how auditors perform on exam questions regarding forced labor. However, they lacked data on how the exam performance translated into the field. Conversely, APSCA's member audit firms conduct over 200,000 social compliance audits annually and possess extensive field data on forced labor issues. A trade of aggregated and anonymized data creates value to both parties—and to the larger ecosystem.

Step 4: Preparation

Before engaging in negotiations, organizations must have clear answers to the following questions:

> **What data will be traded and how frequently will it be exchanged?**
>
> **What internal approvals and compliance measures are necessary?**
>
> **How will data storage and integration be managed?**

Preparation ensures that stakeholders across legal, IT, and operations are aligned. For the pilot, APSCA used DSCI's legal framework and LANACO's platform to speed the process.

Step 5: Negotiate the Trade

Successful negotiations require understanding the counterparty's needs, addressing competitive concerns and proprietary data sensitivities, and ensuring regulatory and legal compliance. Have an open conversation about how the data will be used and how often. For ASPCA and its trading partners, monthly frequency is fine.

Step 6: Establish Governance

Trust is essential in data trading and the trust must be built and maintained through robust governance and IT security. Each organization must establish data protection measures and usage rights that are regularly monitored.

The use of LANACO's secure platform provides APSCA and its trading partners with assurance that their data is protected. The data trading agreement developed by Cravath established a legal framework where each organization retains ownership of their data and allows the

trading partner a limited use license. In APSCA's case, they also redacted the names of the auditors, eliminating any complications from the use of Personally Identifiable Information (PII).

"Through this pilot, we aim to deliver direct future business benefits to over 5,000 independent social compliance auditors worldwide," said Dragan Ninić, VP Strategic Development of LANACO. "This is precisely the type of international project that provides us with a genuine opportunity to make a global impact and empower our users by creating a significant strategic value. Our AppFusion Platform provides each trading party with a "data-escrow" account that they control. Our data adapters automatically reconfigure the data to align with the data structure needed by the receiving organization."

Data Trading Benefits

Data trading between APSCA and its member audit firms benefit all stakeholders—brands, retailers, regulators, collaborative programs, and most important, the workers. APSCA plans to expand its data trading pilot to include other stakeholders, and eventually to examine other social compliance topics.

As supply chains strive for greater resilience and adaptability, organizations must embrace strategic data trading. The growth in the use of AI and increasing reporting requirements make it imperative to understand the relative value of data. While, the business environment will continue to evolve and data gaps will always exist, the organizations that learn to systematically identify, value, and trade for the right data will emerge as industry leaders.

Big data is here to stay—but sometimes, "thinking small" and focusing on the right specific exchange is the key to the next level of achievement.

—Craig Moss is executive vice president of measurement at Ethisphere, a board member of the Association of Professional Social Compliance Auditors and a director at the Digital Supply Chain Institute and the Cyber Readiness Institute.