



# A risky business

Grand & Toy survey reveals the status of supply chain and procurement in Canada

by Kevin Edwards

**W**E LIVE IN A RISK-FILLED WORLD. Every year we face disasters, both natural (earthquakes, tsunamis, hurricanes and tornadoes) and man-made (economic crises, strikes, civil unrest). All of these have the potential to create immediate and long-term impact on the availability of goods and services to Canadians.

In an age when nations are intricately linked to one another, it is important that organizations prepare for the myriad disruptions that can affect them. Because most of these disasters tend not to strike Canada directly, we have been, for the most part, fortunate not to have faced the brunt of these challenges.

However this does not mean that we haven't felt their impact and won't be affected increasingly in future.

Within our economic framework, it is supply chain and procurement (SC&P) that most acutely feels the impact of disaster. Grand & Toy recently released the Supply Chain and Procurement Insights Report, conducted by Leger Marketing, researching the status of SC&P in Canada. While there were several positive discoveries, overall the report's findings paint a picture of Canadian organizations falling behind, continuing with a tactical focus, and having blinders on when it comes to the mitigation of related global risk factors.

If we keep this inward focus and don't begin to spend more time looking beyond our borders, we will fail to identify both the opportunities that exist and the risks that lie ahead; this is true for both the public and private sectors. The results from the survey are troubling in this regard. Only 16 percent of executives said their company is extremely capable in their ability to mitigate supply-chain risk, while the vast majority (82 percent) said their organization is at best "somewhat capable" of mitigating their key supply chain risks. Similarly, just 16 percent said their organization assesses risk to their supply chain with detailed models of cash flow

at risk, the standard for risk assessment.

The risks to the public sector, should SC&P professionals not start thinking more globally and strategically, are numerous. For those organizations that make products, the risks are obvious. A breakdown in supply chain, for whatever reason, means supply does not meet demand – ultimately affecting the bottom line.

The public sector operates primarily in a services-based environment. SC&P professionals need to have a firm grasp of where the specific risks lie that could impact an organization's ability to provide those services. If a supply-chain issue negatively impacts services, the public's degree of satisfaction and trust in dealing with a public institution may decrease. Reputation has a value without price.

One potential area of improvement unearthed by the survey was that, overall, government agencies are not prone to sharing supply chain strategies with supply chain partners. By improving collaboration there is an opportunity to create a more seamless supply chain process, one that will not only help mitigate risk, but also likely lead to better service delivery.

There are many issues that can impact an organization's SC&P processes. The survey found that over the past three years, increasing environmental concerns and regulations are a more significant challenge for government supply chain professionals than for those in the private sector. These concerns were especially noticeable in education and healthcare. Over the next five years, according to the survey's respondents, these sectors are also significantly more likely than the private sector to see increasing policy and regulatory requirements. The research also found that, at least in government, silos create communications gaps. Respondents said that functional areas do not understand the impact of their operations on other functional areas.

When it comes to how to improve these supplier relationships we can turn to the writings of John W. Henke Jr. and Chun Zhang, who wrote in the MIT Sloan Management Review that, "suppliers are more willing to invest in and share innovative ideas and technol-

ogies when their relations with customers are collaborative and open."

Henke Jr. and Zhang cite three basic collaborative activities for suppliers and organizations:

- 1) Supplier involvement – early in product development, effective use of supplier skills.
- 2) Customer communications – open and honest, with timely and adequate information.
- 3) Customer assistance – help suppliers reduce costs, improve quality, and have flexibility to meet cost objectives.

We can find many examples of successful supplier/organization relationships, which lead ultimately to better risk mitigation. Consider for a moment the smartphone on your desk. By all measures smartphones have been very successful, and arguably one of the most innovative products in decades. On top of that they are shining examples of strategic supply chain operations.


If you take a look inside any smartphone you may be surprised to find that the company whose brand sits on the outside manufactured very few, if any, of the components on the inside. Instead, each company works with its suppliers to produce the components that fit its specific design requirements. Suppliers are viewed as strategic partners. This allows the companies to focus on innovation and design while still achieving the objective of managing costs.

The tech industry is of course a leader in global and strategic supply chain relationship building. Open any computer and you'll find parts designed and manufactured by others. But these cooperative relationships are not unique to technology. They occur in the automotive industry and other market sectors. We can all take a page from these industries on how to effectively manage supply chain relationships.

The Grand & Toy survey also involved qualitative interviews with various industry professionals. Emily Eyre, Manager of Purchasing Services & Sustainability at the Humber Institute of Technology and Advanced Learning had this to say on how to strengthen relationships and reduce risk. "You have to identify what the risk is. Is it meet-

ing a quality standard; is it meeting a delivery time? Then sit down with that vendor or multiple vendors to determine how to reduce the chance of it happening. The biggest part of supply chain is being able to identify what the risk is. This is why communication is so important."

In terms of next steps she added that, "if you're doing an RFP, you get your specs, [then] go to RFP and when it's closed, that's it. You need to include everything on how you're going to rate vendors up front in your requirements. There's no changing the rules half-way through, or after the fact."

In today's competitive global economy, to succeed is really to be prepared for the unexpected. Canadian organizations can start preparing for this by assessing risk from all sides, and focusing on greater collaboration with suppliers. Focusing solely within our borders and ignoring the bigger picture will no longer suffice. 

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