

SSI Consulting Solutions

The Death of Free Trade?

by Keith Carruthers

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There has been a lot of press lately around government protectionism practices, and government International Trade Policy. This renewed debate was re-ignited by President Trump's comments regarding how the U.S. was getting poor value from NAFTA, and his apparent desire to pull out of the agreement.

These types of discussions have historically proven to be quite common when countries are faced with tough economic realities, and are mostly politically motivated with a strong message focused on job creation. But is President Trump's most recent efforts to renegotiate the NAFTA agreement a true indication of changing times ahead, or more of a public relations, headline grabbing strategy to win political favour in preparation for future election campaigns?

Moving the global economy towards reduced protectionism through a reduction in trade barriers has been a struggle since Adam Smith's initial stance in 1776 that the world would be a better economic place for all of it's citizens with reduced barriers to trade. After all, is the job of a government not to maximize the standard of living of it's citizens? And if that is the case, should citizens not be better off if the goods and services they require are produced in the most efficient manner, by the countries in the world best suited to do so?

Overall, the world has made slow but steady progress towards the establishment of free trade agreements over the past several decades, albeit not without significant debate around

the pro's and con's of such an approach. The argument tends to boil down to the "greater good" from free trade (as outlined above), versus specific examples of domestic companies or industries that are being,

until it comes time to pay for it. We would all like to see the goods and services we buy come from local sources, until we realize the price of the \$5 item we used to buy just became \$8.50.



or will be, hurt by free trade, and the resulting impact on jobs in the domestic economy. This is why the topic is, and will remain to be, a hot political debate, with arguments for and against shifting to serve the political agendas of the various political parties during varying economic times.

So the question remains, if we see advantages with free trade, should we be concerned over recent events related the potential renegotiation of NAFTA?

History has shown, notwithstanding the current challenges faced by the British around Brexit, that although free trade is from time to time hotly debated in the political arena, cooler heads tend to prevail, and continued progress towards a borderless global economy tends to win out. The reality is, everyone wants to support the ideal of localized production, and the resulting growth in jobs,

It will be interesting to see how NAFTA negotiations unfold, and what the British will do when the reality of Brexit actually sinks in, and the effects of such a significant decision begins to impact British citizens in their wallets. Many were surprised by their decision to pull out of the European Union, given the potential serious impact of such a significant shift in Economic Policy. Even more were surprised of reports, within days of the referendum, of British citizens who voted to leave, but who did not really understanding the meaning of what they were actually voting for. It appears many had simply got caught up in the PR put forth by the Brexit movement.

As for NAFTA, it still remains to be seen whether or not the North American agreement will suffer the same fate, with a key member of the partnership deciding to no longer participate.



Keith Carruthers
Supply Chain and
Operations Specialist

Keith Carruthers is a global sourcing specialist, involved in the leveraging of both domestic and international supply chains. Keith has become well known over the past decade as a global sourcing expert. For more information on Keith, visit

www.ssiconsulting.ca



Larry Rosborough
Quality and Environmental
Systems Specialist

Larry Rosborough has 30 years of management experience in the industrial manufacturing sector, bringing with him a deep understanding of industrial manufacturing practices.

For more information on Larry, visit

www.ssiconsulting.ca

Supply Chain Management: Are Distribution Centers an Endangered Species?

Few could argue that the world is a different place that it used to be, even just a few short years ago. Change has become the norm, and continues to happen at an ever-increasing pace.

Technological advancements have had a lot to do with the speed and amount of change that occurs in our day to day lives, and the fact that customers expect delivery of the products and services they desire, immediately, if not sooner.

As the business community gains increasing awareness of this change in customer expectation, many challenges have surfaced related to the ineffectiveness of our existing processes to deliver value to our customers. Customers have become less focused on price (although competitiveness is still necessary), and more focused on our ability to deliver

in a timely manner, with no delays. This has become a key requirement to winning or keeping business.

Traditional supply chain designs involving the utilization of regional distribution centers had their place in delivering value to the customer of the past. Although one can argue that holding stock closer to the end user should result in quicker turnaround on customer orders, the distribution center concept was primarily grounded in cost reduction....being able to reduce freight costs by shipping full truckload shipments from main plant facilities into regional markets, then breaking those shipments down for shorter delivery distances to customers. The thought being the added cost of operating the distribution center would be more than offset by the freight savings, and shorter customer lead times.

Today, however, these “shorter lead times” to the customer are under heavy scrutiny, and intense pressure. While it is true that the time from the distribution center to the customer is in many cases shorter than from the main plant site, this is not the case when we analyze the supply chain in its entirety, also considering the time and extra work involved to ship from the main plant site to the distribution center... and the cost of running a two or three stage network such as this, makes competitiveness increasingly difficult with those who do not.

In these days of Lean production, Lean inventories, and immediate customer delivery, it may very well be that traditional Distribution Center network designs are becoming an endangered species, and a luxury no longer affordable in today’s competitive business environment.

Quality Management: The Power of Observation

Many different areas of the business have a need for effective problem solving, whether it be Finance, Production, or Health and Safety. The need for effective problem solving is also a critical skill when working on Quality Improvements, and sometimes the most basic tools can be the most effective.

We all believe we are good at observing what is happening around us. The fact is, however, we are often “looking” but not “seeing”. Many of us have had this experience while driving on the highway; we get to

our exit and realize that we don’t recall passing the previous exit. What just happened? We were distracted!

While everyone can quickly understand the safety implications of this type of distraction, what about when you are distracted at work? How about when you are investigating that quality issue or missed shipment to a critical customer? Are you really taking the time to observe what is happening or just looking around because you are distracted by something else?

Observing takes time and discipline. Watching one cycle of the machine is not enough to determine why it is not producing the way it should be. Watching many cycles and what interactions are happening at the machine will allow you to see trends, and understand patterns that may be contributing to the issue.

Does the problem happen every cycle or only when the machine beside it starts up? Do the operators have to make a lot of tweaks to keep it running properly?

Good observation skills is a basic but critical tool to use when sorting out problems. Take the time to do it right, and try not to be distracted by other things. Good note taking is also important so that you are able to remember the details, but can also be time consuming, requiring the necessary tools at hand to do so. The use of your smart phone to take pictures and video is a great way to quickly and easily document details so they are not forgotten.

Let's take an example from

Health and Safety. As an operational Leader, do you really look for unsafe acts or unsafe conditions when walking through the plant on your way to a meeting? Many of us believe we do, that we are constantly on the look out for important safety violations.

The reality is, however, we are walking with other things on our mind, and really aren't concentrating on anything else. or do you have other things on your mind? Would a dedicated walk through the plant at a regularly scheduled time, just

to focus on observation of safety factors help identify potential risks? Would it be a more effective approach?

It is amazing what you can "see" when you take the time and really "observe". Sometimes an outside, unbiased observer is a good way to "see" what is happening, as this individual is often unfamiliar with the environment, and tends to question things that are normally not noticed or taken for granted.

Noteworthy Numbers



Canadian Job Market

Canadian Businesses reported 468,000 job vacancies in Q3 of 2017, up 15.1% from Q3 of 2016. Quebec and British Columbia were hardest hit, with Newfoundland and Labrador being the only Province where the number of job vacancies fell (Statistics Canada)

Unemployment rates in Atlantic Canada , March 2018 data (source, Statistics Canada)

| | | |
|---------------------------|--------|------|
| New Brunswick | 8.0 % | Down |
| Prince Edward Island | 10.3 % | Up |
| Nova Scotia | 7.4 % | Down |
| Newfoundland and Labrador | 14.2 % | Up |

IHS Markit Canada Manufacturing PMI (source, scma.com)

"April data indicated a positive month overall for the Canadian manufacturing sector, helped by the fastest rise in incoming new work since the start of the year. Export demand picked up markedly, with the latest rise in new orders from abroad the strongest since March 2011". For more information, go to www.scma.com

Foreign Exchange Rates CDN vs. USD (source, Bank of Canada)

| | |
|---------------|--------|
| February 2018 | 1.2586 |
| March 2018 | 1.2932 |
| April 2019 | 1.2733 |



Tracy Dixon
HR Specialist

Tracy Dixon has extensive hands-on experience in Human Resources, and has been involved in start-ups, mergers, downsizing and high growth industries. For more information on Tracy, visit www.ssiconsulting.ca



John Cameron
OH&S Specialist

John Cameron is an innovative and creative Occupational Health & Safety Expert with over 40 years experience in Employee Relations, Occupational Health and Safety and Industrial Engineering. For more information on John, visit www.ssiconsulting.ca

Human Resources: Employee Engagement Surveys

We often hear of companies who have gone through the process of conducting an Employee Engagement Survey. In fact, the gathering of this type of feedback is more commonplace in today's organizations, and is a key tool that is becoming an annual event for those with a focus on the people side of the business.

Employee Engagement Surveys allow organizations to gather candid and anonymous data from employees as to their thoughts and opinions related to business goals, organizational culture, demonstrated leadership styles, teamwork, and the level of engagement present in the business from an employee point of view. This type of feedback, while sometimes difficult to hear, can be a great opportunity for the organiza-

tion and its' management team to focus on people, and to establish and promote a culture of engagement throughout the organization.

Many organizations are starting to realize that a key differentiator between them and their competitors is their people. The creation and promotion of a culture of engagement benefits all, including the organization and their customers.

If managed properly, the results from an Employee Engagement survey can contribute to organizational strategic planning for the future, and can identify areas of concern in the workplace. This allows the organization to shape the development of programs that encourage a deeper commitment to the success of the business.

But Employee Engagement surveys can also have their pitfalls as well. Some of the most common pitfalls include employee concerns about the anonymity of answers, the potential for low participation rates, or failure to act on the findings.

To avoid potential pitfalls, consider the following:

- Involve a neutral third party to manage the Survey and collect the Results
- Ensure the results of the Survey are communicated
- Once results are received, develop an Action Plan to address concerns or issues. Include your team in the planning
- Regularly communicate progress towards addressing Survey results

OH&S: Catch Your People Doing Something Right

Traditionally in safety, as in many other aspects of our business, we spend a lot of our time catching our employees doing something wrong, and although it is prevalent in many areas of the business, it is unfortunately particularly common place in the area of Occupational Health & Safety.

During the course of my career, I have worked as a safety officer on many major construction sites across this country, and have experienced this negative mind-set on many occasions. On one particular site, there were at least 35 safety officers for a workforce of approximately 1500. Why was that level of support required?

Many organizations today still have this mentality of "policing" health and safety, as opposed to taking a proactive approach focused on establishing a posi-

tive safety culture, where each and every employee is responsible for the safety of themselves and others. In the example mentioned above, I still remember one safety officer coming back into the office jumping up and down celebrating "I got one, I got one". He had caught someone doing something wrong, violating a safety rule and he was ready to celebrate.

What this individual and others in the organization failed to realize is that this approach creates a culture of fear, a culture of hiding stuff, and a very negative outlook with respect to organizational health and safety issues.

If managers, supervisors and safety coordinators spent as much time and effort catching and acknowledging their employees who are doing something right as they do catching

them doing something wrong, there would be a much more positive mind-set throughout the organization. In many cases we walk past hundreds of people doing the right things, and never acknowledge their positive efforts with a word of encouragement.

There is no question that in most, if not all organizations, we will have the 1-3 % of people who blatantly violate the rules, and that a strict disciplinary approach will be required to correct the issue. This however, should be the exception, rather than the rule. By focusing on the positive, and by taking our set-backs as an opportunity to learn and improve, and establishing a positive safety culture, we can achieve results simply not possible with the traditional approach to managing occupational health and safety.



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Becoming an Employer of Choice

As I talk with Executives at companies throughout Atlantic Canada, the number one problem I hear is that they can't find and retain high-performing workers. This is indicative of a larger problem in Atlantic Canada in that young people come here for their education, but then leave for "better opportunities" elsewhere, not realizing that the "better opportunities" could be right here at home.

This situation creates a shortage of high-performing, highly engaged workers, and increases the competition among employers for the limited pool of quality candidates. The fact is, while wages are an important consideration for engaged employees, they are typically not "the" most crucial factor.

Engaged employees want to work for a company where they can make a difference, contribute, and be recognized as an important contributor to the success of the organization. They want to be appreciated and have the opportunity to learn and grow with the company. They want challenges that they can take-on and overcome. They want to be treated well and respected. They want to work for companies that share their personal values.

Organizations that provide these types of work environment are seen as "employers of choice" by the top job candidates. High performing people will want to work for those companies, while disengaged employees are not as interested in taking on the challenge, likely eliminating themselves.

An "Employer of Choice" culture starts at the top with the owner or CEO of the company, but its highly impacted by the organization's Frontline Supervisors. It must be genuine, exist throughout the entire organization and be exemplified in deed, not just in words.

If you have a Culture of Engagement, you can expect to have higher customer satisfaction, higher profitability, lower absenteeism and lower turn-over of staff, which means you aren't spending your money training employees who eventually work for your competitors.

And once the word gets out about your organization's culture of engagement, you will have no shortage of job candidates to choose from.



Don Smith
 Vice President Business
 Development

Don Smith is a seasoned business professional who understands the importance of root cause problem solving and the value of implementation to ensure that results are actually realized
 For more information on Don, visit
www.ssiconsulting.ca

For additional information, visit our website at www.ssiconsulting.ca
 or call us toll free at 1-877-576-3370

Did You Know?

Goal setting is an important part of achieving success. Clarifying what you are trying to achieve “improves your aim”, enhancing the probability of actually attaining the results you set out to achieve.

To maximize the effectiveness of your goals and objectives, take extra time and effort to ensure your goals are **S.M.A.R.T.**

| | |
|----------|------------|
| S | Specific |
| M | Measurable |
| A | Achievable |
| R | Relevant |
| T | Time-bound |



Bernie Casey
Business
Strategist

Bernie Casey is a career entrepreneur, and a seasoned business strategist with significant experience in Finance, Profitability, and Cash Flow Management. For more information on Bernie, visit www.ssiconsulting.ca

Finance and Profitability: Investing in a Small Business

Buying a small business is a big decision, with significant repercussions. How do you know it is the right business? What questions should you be asking, or information should you be looking at. How much should you pay?

Business Valuation

Valuation is always about “what someone is willing to pay” or what the market values the business at. The methods used to determine value vary, but are usually an “average” of asset based valuation, cost based methods, earnings valuation, or the value of similar businesses that are available for sale.

The physical exercise of spreading the numbers out and studying the features of each method provide a very enlightened profile on value. The sell-

er is always convinced that the enterprise is worth much more than it actually is, and buyers typically do not think about how value may change over the long term.

Trend Analysis

Examining the business results at a specific point in time often does not present the real picture. Comparing results over time, and analyzing trends in the data, provides a better understanding of the business strengths, and the challenges that may lie ahead. Spreading out the income statement for the past 3 to 5 years and comparing the various revenue streams for top line sales and gross profit margins is a great starting point. It is important to understand what is improving and what is not to aid in the development of a “go-forward” sales budget

based on achievable goals to capitalize on the positive trends.

One important area of consideration is a re-adjustment or normalization of salaries to exclude those who are exiting and insert new salaries for those remain or are entering the business. Another important consideration is yearly debt service payments for borrowed funds required to purchase shares. What is the effect on bottom line?

Financing the Business

If you are financing a purchase with debt and a traditional bank is involved as a partner, keep in mind that banks are fair weather friends. If a business starts to trend negatively, banks will exert as much pressure as they can to protect their depositor’s money. When a bank is a term debt partner, they have first dibs on everything until the debt is repaid.

Process Improvement: Lean Thinking in Service Environments

Lean Thinking has proven its value in the manufacturing world for several decades now. There are countless examples of how the application of Lean techniques has helped to transform manufacturers around the world into world class companies by improving service, cost, and quality.

Unfortunately, there are far fewer examples of Lean success in the service sector, despite the fact that the successes that have occurred are notable.

One industry where Lean Thinking is gaining in popularity is Health Care. As costs continue to rise, and governments, private companies, and the insurance industry struggle with the burden of these steadily increasing costs, the industry as a whole needed to “think outside the box”, and to come up with ways to eliminate cost rather than simply passing those costs on down the line.

One big opportunity for the industry to streamline and eliminate waste, was through the implementation of Lean thinking, and process improvement.

As a result of Lean Transformation efforts, wait times in healthcare and transaction costs in the insurance industry have improved dramatically. Having said that, most people would freely admit we have a long way to go, and still need to improve the capacity available to deliver these all important services in a more timely manner.

There are other examples as well. Lean implementation is responsible for service-level improvements in postal delivery, as well as supply chain improvements in some larger retail environments.

The service sector represents a fantastic opportunity to apply

the principles of Lean Thinking, and to help organizations improve their customer experience, a primary goal for any service business.

Large and small service businesses alike can benefit from applying the principles of Lean. Focusing on process improvement, and ensuring that you are getting consistent results should be a universal goal for all.

Unfortunately, most service sector businesses are small and don't take the necessary time to evaluate their processes for waste and inefficiency. Many of these non-traditional Lean environments can benefit from identifying and eliminating waste in each and everything they do. Whether the opportunity is customer facing or happens behind the scenes, improving processes and reducing waste will improve customer experience and enhance your business bottom line.



Mike Farrell
Process Improvement
Specialist

Mike Farrell is an innovative and professional Productivity & Process Improvement Leader with over 25 years of experience in successfully assisting organizations to improve their business performance
For more information on Mike, visit www.ssiconsulting.ca

Upcoming Events

| | | |
|---|-----------------|------------------|
| CPHR New Brunswick Conference | Saint John, NB | May 8-9, 2018 |
| Dartmouth Job Fair | Dartmouth, NS | May 14, 2018 |
| Montreal Manufacturing Technology Show (MMTS) | Montreal, PQ | May 14-16, 2018 |
| Moncton Job Fair | Moncton, NB | May 15, 2018 |
| Atlantic Business Outlook; Nova Scotia | Halifax, NS | May 16, 2018 |
| Atlantic Business Outlook: New Brunswick | Fredericton, NB | May 17, 2018 |
| SCMA National Conference | St. John's, NL | June 15-18, 2018 |
| Atlantic Canada Petroleum Show | St. John's, NL | June 20-21, 2018 |
| DEFSEC Atlantic 2018 | Halifax, NS | Oct 2-4, 2018 |

For additional information, visit our website at www.ssiconsulting.ca
or call us toll free at 1-877-576-3370



Canada:
475 McElmon Road
Debert, NS
B0M 1G0

USA:
330 Golf View Drive
Cohutta, GA
30710

Mailing Address:
14 Court Street
Suite 200-158
Truro, NS
B2N 3H7

Phone: 877-576-3370

Email: info@ssiconsulting.ca

We are on the web:
ssiconsulting.ca

The SSI Team



John Cameron
Occupational
Health and Safety
Specialist



Mike Farrell
Process Improvement
Specialist



Bernie Casey
Business Strategist



Keith Carruthers
Supply Chain and
Operations
Specialist



Tracy Dixon
Human Resources
Specialist



Larry Rosborough
Quality and Environmental
Systems
Specialist



Don Smith
Vice President
Business
Development

About Us

SSI Consulting Solutions is an Atlantic Canadian company that specializes in helping its clients gain competitive advantage through implementation of world class business practices.

It is through these practices that our clients not only compete, but gain significant advantage over their competitors, thereby allowing them to gain

market share and enhance shareholder profitability.

Our consulting philosophy is grounded in the concepts of teamwork, partnership, service, and quality, both in the coordination of our efforts within our firm and in our interactions with our clients. The core project team will be led by a member of our senior

consulting team. The strength and qualifications of our firm enables us to provide analysis that is both prompt and thorough.

We strive to form partnerships with our clients. Our best recommendations can be delivered only through recognition of each client's unique situation.

Our Areas of Expertise: Lean Continuous Improvement, Six Sigma, Occupational Health and Safety, Finance, Quality Management, Marketing, Frontline Leadership, Human Resources, Business Strategy and Strategic Planning, Change Management, Supply Chain and Operations Management

**For additional information, visit our website at www.ssiconsulting.ca
or call us toll free at 1-877-576-3370**