



TOPLINESUMMARY OF INTERIM FINDINGS

Canadian Supply Chain Sector Council Strategic Human Resource Study 2012

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1 Background and Objectives

The CSCSC was established in 2006, based on the recommendations of the initial HR Study of the Supply Chain Sector in Canada (completed by the Canadian Logistics Skills Committee in October 2005). Since then, there have been significant changes in the factors that influence the sector, including rapid technological progress, globalization, and economic turmoil.

The purpose of the current HR Study Update is to capture changes that have occurred since the 2005 HR Study, as these specifically relate to recruitment, training, technology and retention.

This topline summary of interim findings is not intended to be comprehensive. Rather, it provides a glance into the work done thus far and is focused, primarily, on results at a total level (employers only) for the current year. Comparisons with the 2005 baseline study and regional differences will be explored in the final report.

2 Methodology

The 2011 HR Study Update included quantitative and qualitative components:

- The online quantitative survey was conducted between April 28, 2011 and June 24, 2011 among:
 - 1,357 employers, representing over 80,000 employees in the sector
 - 1,805 employees (results not included in this summary)
 - 82 training systems providers (results not included in this summary)
- Qualitative focus groups and KIIs were conducted to explore issues identified in the quantitative phase:
 - 9 focus groups were conducted between August 6 and September 7, 2011. Groups were held in: Vancouver, Calgary, Edmonton, Regina, Winnipeg, London, Brampton, Montreal (moderated in French), and Halifax
- 6 KIIs conducted between September 7 and September 27, 2011.

3 Key Findings

Firmographics

The survey reached corporate decision makers in large, mid-size and small companies. Participating companies operated in local and international locations and represented a wide range of industries (which reflects the wide scope of the supply chain sector in Canada). Participants included both users and suppliers of services.

- 68% occupied senior level positions (owners, VPs, Senior Managers)
- 12% worked in companies with revenues of \$1B+, and 61% <\$50M
- 23% indicated that their organization is global, 66% Canadian based, and 11% indicated that they operated a Canadian branch of a multinational organization
- 64% operated in ON and 47% in QC. Not unexpectedly, just 19% operated in the North. A total of 44% operated in the US and 29% in Europe.
- 82% had their Head Office in Canada, 11% in the U.S. and 7% in another international location. The larger the company, the more likely they were to be located overseas.
- Participants included a mix of users and providers. In total, 66% were providers of services and 34% were users of services.

Employers were asked to indicate the number of employees they currently have in each of the various operational, tactical and managerial positions listed in the survey, and how many they anticipate having in five years time. Results suggest that there will be growth in demand across all categories and sub-functions over the next five years. This is true across for both larger and smaller business; however, very large businesses are expecting particularly large increases in the number of purchasing positions that need to be filled over the next five years (at both the managerial and the tactical level).

- For companies with revenues of <\$1B, the required number of employees in Purchasing positions is expected to increase by 5% to 11% in five years. For companies with reported revenues in excess of \$1B+, the anticipated percentage increase is in excess of 15%.

Use of Contractors

Contractors are used by roughly four employers in ten (38%), primarily in order to meet a temporary or seasonal demand. Usage of contractors is significantly higher among larger companies, but the reasons for employing contractors show little variation by company size. The types of jobs contracted out are more likely to be operational in nature (i.e., transportation and warehousing).

- A total of 38% employ contractors. Among companies with \$1B+ in revenues, this proportion is higher (at 57% vs. 39% of companies with <\$1B in revenues). Contractors represent 21% of supply chain personnel overall.
- Roughly half (51%) hire supply chain contractors in order to meet a temporary or seasonal demand. No significant variation is observed by company size.
- A total of 37% contract out for operational transportation services and 26% for operational warehousing services. This compares to 15% contracting out for managerial marketing and sales positions (the managerial position that is most frequently contracted out) and 21% for tactical transportation services (the tactical position that is most frequently contracted out).

HR Challenges & Recruitment

The major HR issues identified in the quantitative research are consistent with results of the qualitative.

- Employers were asked whether each of a list of human resource issues currently represented a challenge for their organization, and whether they believed they would be a challenge in the next three to five years.
- The issues most likely to be identified as “major” right now were recruitment, leadership skill, succession planning, and retirement of experienced employees. This is consistent with the results of the qualitative research:
 - **Recruitment** (identified as a “major issue” by 27%): Focus group members saw recruitment issues as rooted in a lack of awareness and understanding of the supply chain (starting in high school), the jobs available, and the career path for those entering the sector. Additional validation is found in the quantitative results. When asked to identify “major” recruitment issues, *awareness* was mentioned (aided) by roughly 1 in 5 (24%).
 - **Leadership skills** (a “major issue” by 25%): Focus group members talked about the lack of ‘soft skills’ as a disturbing emerging trend among new recruits.
 - **Succession planning** (“major issue” by 24%): In the focus groups, employers with smaller companies experienced challenges trying to make time for succession planning. Results of the quant validate this; lower revenue (<\$50M)

- companies are significantly less likely to mention this as a challenge, likely because they are simply not engaged in this activity to the same extent.
- **Retirement of experienced employees** (22%): Focus group participants talked about retirement as a problem primarily because they were unable to recruit employees with the skills to replace retirees. In the quantitative research, 38% of employers identified *difficulty finding workers with the correct skills / training* as a “major” recruitment issue.
- Within the next three to five years, employers expect the following to become more of an issue: recruitment, retirement and retention. While retirement is expected to be an issue for all companies, regardless of size, retention is expected to be worse for larger employers. Again, this underscores the fact that, currently, recruitment remains the most challenging issue.
- Retirement is identified as a “major” issue by 22% of employers, but 33% expect it to be a “major” issue in 3-5 years (a 11% increase)
 - Retention is identified as a “major” issue by 19% of employers, but 28% expect it to be a “major” issue in 3-5 years (a 9% increase)
 - Recruitment is identified as a “major” issue by 27% of employers, but 33% expect it to be a “major” issue in 3-5 years (a 6% increase)

Results of both the qualitative and quantitative research suggest that poaching from other organizations is relatively common across all sub-functions. It is more prevalent among companies that operate in multiple regions. The need to poach experienced workers rather than find and develop new talent speaks to the challenges mentioned earlier; that employers are struggling find recruits who have the skills they require, and they don't necessarily have the time or resources to train existing staff to fill the gaps left by retirees.

- For all types of positions (managerial, tactical, operational) employers were most likely to cite “other organizations’ supply chain talent pool” as their most used source for finding new recruits.

Companies are using a variety of channels for finding new employees, but the dominant channel, by a large margin, is still word of mouth. Companies with HR strategies tend to use a much wider range of recruitment channels, but even these companies are most reliant on word of mouth.

- Word of mouth is used by 70% of respondents.
- 68% of companies with an HR strategy use on word of mouth (compared to 76% of companies with no HR strategy).

Training

Succession planning is still somewhat limited. A total of 38% companies have an HR strategy and 35% do not (the remainder were unsure whether they had one or not). The larger company, the greater the likelihood that they have a succession plan (73% of companies with \$1B+ in revenues have a succession plan vs. 56% of companies with \$50M to \$1B in revenues and 29% of companies with <\$50M in revenues).

Companies that do not have an HR strategy are less likely to engage in the activities that will address the issues facing the sector:

- They offer fewer training programs and training supports
- They engage in fewer activities aimed at retaining skilled employees (e.g., providing a career path, continuing education, professional development)

Compared with other sectors of the economy, the supply chain sector as a whole is very receptive to work-study programs. On-the-job training is the dominant form of training, but that is true of most jobs. External and internal courses and programs as well as professional associations provide significant professional development opportunities. While usage of training courses increases with company revenue, there is significant uptake by all sizes of company. A very small percentage of companies (12%) offers no support.

- A sizeable proportion of employers offer work-study programs (54% co-ops; 53% internships; 34% apprenticeships)
- External courses and programs are offered by 54%, and internal courses and programs are offered by 48%. Membership in professional associations is offered by 39%.

Retention

Retention remains an issue for the sector. Results of both the qualitative and quantitative research suggest that this is due to a number of factors, but low levels of awareness and understanding of the sector are major issues.

The sector is engaged in a range of career awareness activities, particularly larger companies. However, smaller companies are also involved, particularly in high schools. This may be because, for them, this is a primary feeder market for future employees. This certainly was suggested in the qualitative research. Opportunity exists, for both larger and smaller companies, to increase activities within high schools in order to increase awareness of the sector and the career opportunities within it.

- Overall, 26% of employers are engaged in career awareness activities in high schools. This compares to 45% involved in these activities in universities or colleges.
- 15% of companies with \$1B+ in revenues are engaged in career awareness activities in high schools compared to 28% of companies with <\$50M in revenues.

The sector employs a variety of strategies to hold on to valuable staff. Larger companies are engaged in a broader range of retention strategies; however, offering a “flexible work schedule”, was offered equally among all size of companies. Again, having an HR strategy generally meant trying a wider range of strategies.

- *Flexible work schedule* and *providing a career path* were the most frequently mentioned (on an aided basis) retention strategies (both mentioned by 55%).

Turnover rates were significantly higher among larger companies. Overall, warehousing, marketing/sales and senior management had the highest level of turnover.

- Turnover rate was 11.9% for operational warehousing positions; 11.8% for managerial marketing/sales positions; and 10% for senior management positions.

A higher incidence of workers leaving to go to other supply chain companies was observed among larger companies, companies operating in multiple regions, and companies with HR strategies. This is likely due an increased network among this group (increased opportunity to leave).

3 Key Findings

In sum, the key findings of the research conducted to date are as follows:

- Low awareness and understanding of the sector is a major issue.
- More promotional efforts **early on** are required – activities within high schools somewhat limited at this time.
- Recruitment methods are somewhat limited in reach. Word of mouth is still the main method used, regardless of company revenues.
- Sector is facing shortage of skilled employees as experienced employees retire.
- New recruits are seen as lacking the skills companies require; particularly the soft skills (e.g., numeracy, literacy, decision making).
- Companies are competing for the same resources at all levels (managerial, tactical, or operational).
- 35% do not have an HR strategy. These companies are less likely to engage in the activities that will address the issues facing the sector:
 - Fewer training programs and training supports
 - Fewer activities aimed at retaining skilled employees (e.g., providing a career path, continuing education, professional development)
- Generally, these companies have lower revenues and cannot afford the cost of offering competitive incentives to retain employees. They lack the budget for training programs and rely more heavily on “on-the-job” training. This can put a burden on staff members who may be already stretched to deliver beyond their capacity.

4 Next Steps

- Labour Market Projections: November 2011
- Draft Report: January 2012
- Thought leadership validation session: January 2012
- Final report: March 2012