

Supply chain leadership is more than procurement



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New Zealand corporate anthropologist, Michael Henderson, has neatly summarised the roles of the CEO in three ways. The *Officer* stands up to take responsibility. The *Executive* ensures things get done. And the *Chief* “sits around the campfire” and grows the culture. I think these three hats are useful way for CEOs to reflect on their organisation’s approach to working with supply chains.

Despite decades of recurring efforts to “leverage safety into procurement”, the results are disappointing. Costs of compliance feel like they are constantly growing. Confidence that we’re on the right side of the law feels as uncertain as ever. And we continue to see flatlining improvements to people being physically and mentally harmed at end of many of our supply chains.

Much of the increased effort in recent years has been in the form of more procurement guidance and requirements, increased utilisation of prequalification schemes and heavy reliance on model contract clauses. These are sensible and important elements and are welcome additions. But they are primarily about management measures connected to legal requirements – or the *Executive* and *Officer*. The *Chief* elements of how we design and deliver our supply chain arrangements feel conspicuous by their absence too often.

Where is your attention going?

As Chief Executive, your leadership currency is attention – where you focus your time and interest signals what is important to your people and suppliers. What are you paying attention to? I think for many organisations the main focus would currently be placed on procurement rules and contractual tightness.

That’s where we need the *Chief* to pay more attention. The *Chief* is interested in growing a culture where relationships and connections across our organisation and supply chains support better work to happen. In that context, paying attention to and valuing high quality connections with your suppliers and delivery partners is crucial, and is certainly more than a procurement policy, prequalification or a contract. *Chiefs* pay attention to the enabling elements of high-quality connections:

- the **design** of our supply chains - if/when we use suppliers? atomized or consolidated? short-term or longer term?
- the **capacity** we make available to ensure those connections are lived and enabled - enough people? top to bottom? sufficient time in people’s roles?
- the **capability** we build in the people responsible for building and sustaining these relationships – soft skills? diversity and inclusion? language?

What do you know about your supply chain community?

Good procurement practices, smart contract design, and good prequalification processes are important and useful tools. But whilst necessary, they are insufficient. Senior leaders are uniquely placed to grow cultures within supply chains, and practically demonstrate that relationships are valued and lived. Those relationships

increase your visibility of what's really happening, they can unlock innovation and, in an increasingly stretched skills market, they can support you attracting and retaining quality suppliers. Ask yourself:

- How well do you understand the operating environment of those delivering for you?
- How do your suppliers see your organisation? Are you easy to work? Beyond payment, how do you value their contribution?
- How does trust and respect get expressed through your supply chain relationships?
- How well do you understand what additional value your supplier market could deliver for you? What's stopping that happening?

Relationships in practice

Simply saying relationships are important is insufficient if we then design work where we have no ability to understand what's really going on, nor value the time and effort needed to sustain those connections. The Forum has shared a number of stories over recent years that demonstrate the value and impact of leaders enabling trusting, longer term relationships with their supplies.

Transpower

By stepping back from increasing levels of client prescription, and talking with their asset management contractors, [Transpower's Alison Andrew](#) learned that the design of their supplier arrangements were effectively strangling any innovation or improvements and contributing to avoidable harm. The fix was a simple change the design of the contract tenure, and the result was improved safety, increased productivity, no cost increases and genuine innovation. It was the relationship with contractors that gave visibility to the problem and the trust for value to be unlocked.



Wellington Water

[Wellington Water's Colin Crampton](#)

faced some fundamental capability pressures with large infrastructure projects in the region putting significant competitive pressure into the contractor market. Colin recognised they couldn't attract suppliers solely with dollars. What he could offer them, however, was a long-term relationship where they would be trusted and valued. He took personal responsibility to meet with each of his key suppliers to establish that connection and share that vision, and he then established a contractor's forum to bring the heads of the key suppliers around a table to collaboratively identify and tackle the issues of shared importance. Previous competitors are now sharing insights and solutions for the mutual benefit of Wellington Water, but also their own businesses. He demonstrated the capability needed to establish the connections and then scheduled and protected the necessary time (or capacity) to sustain and grow those relationships.



New Plymouth District Council

[New Plymouth District Council's David Langford](#)

recognised they were facing significant local skills and capacity pressures in their infrastructure contractor community. He wanted to use the Council's locally significant role as supply chain leader to leverage their infrastructure activities to deliver more than managed assets. They now have a contractor funded Skills Pipeline, leveraged economic development, environmentally innovative practices, and a measurably safer and mentally healthier workforce. But he first had to convince a skeptical contractor community who didn't believe the Council. He started small and worked with his suppliers to co-developed different ways of doing the work. He provided evidence to his elected officials that whilst the cost of some of this work was higher, the economic and leveraged value was disproportionate higher. His commitment to valuing and building high quality connections provided the context for this change to happen.

