



SUPPLY CHAIN & PROCUREMENT INSIGHTS REPORT

FOCUS INTERVIEW

LAKERIDGE HEALTH AND ROUGE VALLEY HEALTH SYSTEM

Boris Tsinman

Joint Director,
Procurement and Supply Chain

As a Joint Director, Procurement and Supply Chain for Lakeridge Health and Rouge Valley Health System, Boris Tsinman is responsible for the promotion of safe and quality health care through the implementation of optimal supply chain management practices and standards. It is his responsibility to ensure that his organization has the right product, at the right place, at the right time, in the most cost effective manner. Boris provides key support and expertise to clinical areas in minimizing overall supply spending, while maintaining the highest quality of care to patients.

Boris worked as a Mechanical Engineer in the private sector, followed by 17 years with the Federal Government of Canada, mainly in the field of Procurement and Contract Administration of Science and Professional Services, Environmental Projects, Research and Development, and Electronics. He was a member of the team responsible for the construction of the 13KM Confederation Bridge, which links Prince Edward Island to Canada's mainland. He is a recipient of both the Departmental Achievement Award from PWGSC, and the Treasury Board of Canada's Award of Excellence.

Boris is the author of a two-day course in Procurement and has taught the course at Saint Mary's University in Halifax, Nova Scotia, in their Professional Development Department. He taught the procurement course on behalf of the Procurement Management Association of Canada.

As an author of an educational series called "Lunch with Boris" he conducted weekly training sessions on all aspects of supply chain and government policies and guidelines. Boris is currently working on new upcoming seminars.

In today's dynamic, global market, agility and the ability to act quickly are fundamental to supply chain and procurement success. To better understand the developments, needs, and future trends of how these functions have and will evolve, Grand & Toy commissioned Leger Marketing to conduct research with Canadian supply chain and procurement executives to uncover the challenges and opportunities that lie ahead, as well as organizational preparedness and global competitiveness.

The businesses that are able to adapt, stay competitive by deploying agile and responsive supply chain and procurement strategies and processes. Boris Tsinman helps his healthcare organization provide patients with quality service by looking beyond simple cost reductions, and focusing on other supply chain and procurement strategies including the standardization of products and equipment, and training employees on how to properly operate equipment.

Boris Tsinman participated in the qualitative interview stage and the following is the transcript from his interview.

AS A SUPPLY CHAIN AND PROCUREMENT EXECUTIVE WHAT KEEPS YOU UP AT NIGHT?

Well, I think I can honestly say it's maintaining adherence to the Ontario Government broader public sector procurement directives and making sure that all respective parties are well adjusted to this new environment.

WHAT FORCES CONTRIBUTE TO PROBLEMS WITH ADHERENCE ON THE SUPPLIER SIDE - BECAUSE IT SEEMS THAT ORGANIZATIONS WHO WANT TO DO BUSINESS WITH PUBLIC HEALTHCARE IN ONTARIO WOULD BE ADHERENT?

The problem is the legacy systems that we're emerging from. Each organization had a different set of procurement rules and regulations and it was quite difficult for anybody on the supplier side to understand how to propose their goods or services.

HAS THIS NOT BEEN CLARIFIED BY POLICY DIRECTIVES COMING DOWN FROM THE GOVERNMENT?

Well it's clear to the procurement professionals but I'm not sure that everyone involved in the supply chain understands it fully. As time goes by, knowledge of the directives will increase not only amongst suppliers but with our own staff members as well.

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IF YOUR STAFF DOESN'T UNDERSTAND ALL OF THE PROCUREMENT POLICIES WOULDN'T THIS JUST FURTHER A LACK OF ADHERENCE?

Yes, that is correct, so part of my job is to conduct ongoing mandatory training of both staff and vendors. But I think that everybody understands how complicated things are in the procurement world these days and the importance of compliance with the procurement rules.

ARE THERE ANY ONGOING AREAS WITHIN YOUR SUPPLY CHAIN OR PROCUREMENT FUNCTIONS WHERE YOU CAN TARGET EFFICIENCIES?

In the supply chain, definitely. I think at this point suppliers have already understood the strength of publicly posted procurement requirements using web based marketplaces. They provide equal access to all public sector opportunities. Reporting on the supply chain side, however, is a challenge from the point of view of obtaining reports to manage and make decisions for the organization in real time. Currently, great strides are being made in healthcare in order to allow us to do just that – access information to manage the supply chain with greater efficiency.

SO IS THE LEVEL OF FUNCTIONALITY OF LEGACY SYSTEMS OR THE LEVEL OF DATA INTEGRATION BETWEEN DIFFERENT LEGACY SYSTEMS THE PROBLEM WHEN IT COMES TO REPORTING OR EXPOSING DATA?

I consider both to be problems, the first due to a generational increase in demand for information that the systems cannot meet and the second when it comes to taking information from suppliers and uploading it into the system in order to interpret it.

WHEN YOU'RE TALKING ABOUT GETTING DATA INTO THE SYSTEM, IS THAT A MANUAL PROCESS?

Right now, it's often a manual or limited integration. But as a future example for the future, we are now implementing SAP within our organizations and SAP is capable of doing all of the upload functions. In addition, suppliers could play a larger role in improving the data integration processes. Often suppliers have the know how, proven solutions, and sound recommendations that can help public sector organizations to improve data flow.

SO WOULD YOU CONSIDER SUPPLIERS WITH THESE CAPABILITIES TO BE POTENTIAL STRATEGIC SUPPLIERS? IS IT A TARGET TO FORM PARTNERSHIPS WITH SUPPLIERS LIKE THIS?

The target is to get away from transactional relationships and move toward corporate alliance relationships providing a continuum of services within contract length. The preference would be for the latter of the two which brings value to both parties aligning goals in order to provide best care and service to patients and customers.

WHEN IT HAS BEEN IDENTIFIED THAT VALUE WILL BE DELIVERED OVER THE DURATION OF A LONG-TERM CONTRACT DO THE PROCUREMENT RULES ALLOW FOR THIS?

Certainly they do. Everything has to be procured properly through an open bidding process. But the relationship must be viewed over the life of the contract on the basis of continuous improvement instead of on a one time transactional basis, aligning organizational goals with the supplier's goals. So when synergy is created, the organization receives higher service levels at a reduced cost. The value for the supplier is in receiving organizational recognition for providing outstanding service and benefitting from full contract compliance.

WHAT ABOUT SMALLER HEALTH CARE ORGANIZATIONS THAT DON'T HAVE THE SAME LEVEL OF EXPERTISE AS LARGER ORGANIZATIONS — HOW CAN THEY ALSO DEVELOP A STRATEGIC VIEW OF SUPPLY CHAIN?

What happened about 20 years ago is that the hospitals formed buying groups. What the smaller hospitals said is "We don't have volumes to bring spend dollars down so we're going to pool together our procurement needs and create an outside organization which will be responsible for buying activities on behalf of its members." We call these group purchasing organizations (GPOs).

ARE THESE BUYING GROUPS EFFECTIVE? HOW COULD THEY IMPROVE IT?

GPOs have done a tremendous job reducing costs within the supply chain. I think that the next opportunity is in optimizing other stages or phases of procurement, such as contract management.

WHEN YOU ACHIEVED THIS TRANSFORMATIONAL CHANGE, I'M ASSUMING YOUR STARTING POINT WAS A PURCHASING FIXATED ORGANIZATION. HOW WERE YOU ABLE TO GET MANAGEMENT TO BUY INTO YOUR VIEW OF CHANGE?

Step #1: Set expectations properly, set the processes and policies clearly, conduct your processes fairly, openly and transparently, and be sure to say what you mean and do what you say. Organizational support is paramount; supply chain activities create value, reduce costs, and are aligned with the organizational strategic plan. Step #2: Communicate your processes and policies to staff through all available channels and above all strive to provide the best client service.

IS THE KEY TO CONVINCING MANAGEMENT THAT YOU CAN DEMONSTRATE SOMETHING MORE THAN JUST PURCHASING?

Reducing costs is always seen as the main target for any supply chain organization. But cost savings are never strictly my goal. Each project has a set of targets or deliverables which customer departments must meet in order to provide superior patient care. Procurement personnel must create and lead the bidding, evaluation and selection processes with precision to meet those stated targets. Targets could vary from cost reduction to the standardization of products and equipment, to their proper utilization.

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ARE YOU SAYING THAT BRINGING SUPPLIERS CLOSER TO THE ORGANIZATION IS A MEANS OF EXPOSING OPPORTUNITIES TO CREATE EFFICIENCIES IN THE SUPPLY CHAIN/PROCUREMENT PROCESS?

I'm saying that if the post award relationship between the organization and the supplier is based on trust and mutual respect the vendors go the extra mile in being creative and providing support to achieve greater results. It has been my experience that such a cooperative approach to procurement translates to better care for our patients.

YOU HAD MENTIONED PREVIOUSLY THAT HAVING SUCH A STRONG FOCUS ON PURCHASING VS. THE ENTIRE PROCUREMENT PROCESS CAN BE DETRIMENTAL. WHAT ARE SOME EXAMPLES OF THE IMPACTS SUCH A FOCUS CAN HAVE?

The entire process starts with the definition of the requirements and ends with the disposal of assets. If you buy a chair or an eraser there is no driver behind buying such a commodity except price. Vendors should shift their focus from selling commodities to provision of service. By making this subtle change, suppliers will demonstrate that they have a program behind these individual products. For example: desktop delivery of stationery supplies with a fill rate of 99.8% transforms a transactional relationship into a program.

SO EVEN A COMMODITY TYPE PRODUCT CAN BECOME A PROGRAM IF THE CUSTOMER AND SUPPLIER VIEW EVERYTHING THAT SURROUNDS THAT PRODUCT, END-TO-END?

Exactly. For example, housekeeping supplies such as floor cleaning solutions – If the staff do not follow the instructions provided by the manufacturer the results are wasted dollars and unsatisfactory cleaning. In our case the supplier provided equipment to ensure proper dilution and then trained our personnel on its use and techniques. The supplier also was at the site for the duration of the contact to answer any

concerns and to train any additional personnel. This extra step created an atmosphere of cooperation and resulted in cost savings as well as a better and long lasting relationship with the supplier.

HOW DO YOU MEASURE YOUR PROGRESS?

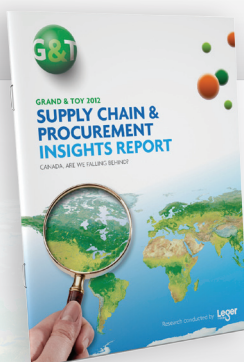
Progress is usually measured in financial terms. Right now in the procurement world people are talking about productivity, order to pay cycle, how much money you saved as a percentage of managed spend, return on investment, procurement operating costs as it relates to a managed spend, etc. So you build Key Performance Indicators (KPIs) based on these and other measurements. You post goals and work towards the targets.

DOES THE LEGACY SYSTEM INFRASTRUCTURE ALLOW HEALTHCARE ORGANIZATIONS TO ESTABLISH AND MEASURE AGAINST A FULL COMPLEMENT OF KPIs?

Not entirely. We still have too many manual processes so it is tough to do. But new Enterprise Resource Planning systems will allow for reporting on all KPIs.

HOW DO YOU THINK PROCUREMENT WILL DEVELOP IN THE FUTURE?

Supply chain staff should be spending more time on analytics and on driving value for the organization, removing all the non-value added activities from the processes. For example if the procurement and supply chain functions are automated end-to-end the staff will use their time mainly on customer service and less on mundane tasks such as chasing orders or invoices in the building. The goal is to reduce unnecessary touch points and to empower end users to trace their orders from requisition stage to receipt and all the way to final disposal. Such a seamless system helps organizations to manage their spent dollars and to optimize the use of organizational purchasing power.



Boris participated in the research for
**2012 Supply Chain & Procurement Insights Report:
Canada, Are We Falling Behind?**

To download a complimentary copy of the full report, visit:

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Interview conducted in February 2012 with Leger Marketing.