

The social case

Jeux du Commerce | FSA ULaval

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The core of the company

As Bernard Lemaire said,

“Nothing is lost, nothing is created, everything is transformed.”

For 60 years, Cascades has been in constant transformation to maintain its place as an industry leader. Continuous improvement is at the heart of its operations, and its perennial goal of exploiting its full potential in each sphere of the company.

The supply chain is no exception and is a key driver of longevity for Cascades. We would not be remiss in calling it the company’s backbone, as it connects and consolidates each link in its operational chain.

In 2024, supply chain stakeholders are facing unprecedented challenges. With ongoing global tensions and a tenuous economic environment, stakeholders must act quickly to secure their operational resilience and longevity.

The modern supply chain

The supply chain is ever evolving, constantly shaped by a series of new challenges. Businesses must pay close attention to five core issues that can affect all divisions:

- Climate change
- More complex social and enterprise risks
- New technology trends
- New social and governance (ESG) trends
- Geopolitical tensions that may affect global trade flows

These factors must be taken into account not only to maintain corporate competitiveness, but to meet the growing needs of corporate social responsibility (CSR) stakeholders.¹ This is one of Cascades’ major concerns.

In no uncertain terms, supply chains are under pressure, forcing businesses to find more resilient work methods. A resilient supply chain can respond quickly to external disruptions and is flexible in the face of change. Cost management being directly linked to a business’s financial performance, makes it a priority for all logistics activities, from raw material procurement to processing, storage and transportation. Operation traceability and access to real-time information are also priorities for a reliable supply chain. Lastly, access to resources, from raw materials and equipment to labour, is also one of the current challenges that Canadian supply chains are facing.

¹ For more information about CSR, visit

<https://www.bdc.ca/en/articles-tools/entrepreneur-toolkit/templates-business-guides/glossary/corporate-social-responsibility>

Background

The economy at a glance

Economic growth forecasts have taken a hit, impacted by economic downturns that directly impact the supply chain. The Ministère des Finances du Québec adjusted its forecast from 1.4% in March 2023 to 0.7% in November 2023. Meanwhile, the federal government slashed its 2024 growth forecast from 1.5% to 0.4%, before raising it to 2.2% for 2025.²

These forecast adjustments are testament to persistent economic uncertainty that puts considerable pressure on supply chains. Ongoing inflation and prolonged interest rate increases pose a challenge for businesses' expense and investment management. According to a survey by Manufacturiers et Exportateurs du Québec, 75% of businesses are feeling the pinch of higher interest rates, which impacts their ability to plan and invest in operational improvements.³ However, global economic growth, which dropped from 3.5% in 2022 to 3.2% in 2023, and Canadian growth, which declined from 3.8% in 2022 to 1.2% in 2023, both point to growing supply chain challenges. High interest rates—the highest in 23 years—are curbing investments in infrastructure and technology that are needed to improve operational efficiency.

Geopolitics: It's everyone's business

Wars in Europe, the Middle East and Africa are creating significant political tension on a global scale.

During 2024, several national elections took place around the world. Election outcomes lead to significant shifts and changes that can be seen in the global economy (e.g., trade agreements and policies). The recent American election will inevitably impact the North American economy as a whole, given the geographic proximity and close economic ties between Canada and the United States. This means that the entirety of North America is facing the same issues, which include a sharp rise in rental costs, high interest rates and security concerns.

In short, global uncertainty due to inflation, interest rates, market volatility, exchange rates, and political change and tension are significantly impacting business activity.⁴

The importance of eco-friendliness

Climate change has become a crucial, global issue for supply chains. Since fall 2022, the Quebec government has repeatedly expressed its intention to reach its greenhouse gas (GHG) reduction

² [Status of Trade 2024: Supply chains \(international.gc.ca\)](#)

³ [memoire_meq.pdf \(gouv.qc.ca\)](#) [French only]

⁴ [Resilience key to thriving in uncertain times | EDC](#)

target of 37.5% by 2030 and become carbon neutral by 2050.⁵ The manufacturing industry, which is seen as an energy-intensive, polluting industry, generates more than 30% of Quebec's GHG emissions.⁶ However, the sector is making major efforts, and Quebec manufacturers, including Cascades, invest in pollution prevention and reduction measures each year.

If businesses are ready to take up the challenge and go green, they must pursue these goals and also be aware of the challenges they are up against. The impact of climate change is increasingly apparent and disruptive. Extreme weather events, such as floods, freezes and forest fires, are becoming more common and more intense, and causing more direct disruptions to logistics operations, leading to extended shipping delays, production disruptions and increased material costs.

“Among the risks the planet is facing, climate change is undoubtedly a growing concern year after year.”

- **Cascades**

Human-centred change

The pandemic had a major impact on the workforce in Canada and the United States, spurring many workers to rethink their lifestyles and career choices. Lockdowns also triggered significant fluctuations in the unemployment rate.

Unemployment rate between 2020 and 2023 in Canada and the United States

	Canada ⁷	United States ⁸
2023	5.53%	3.61%
2022	5.28%	3.64%
2021	7.51%	5.37%
2020	9.73%	8.09%

Forecasts for Canada's unemployment rate are predicting levels to stabilize around 6%, while it should remain at about 4% in the United States. Currently, the United States is enjoying its lowest unemployment rate in 50 years.

The labour shortage in the manufacturing sector is caused by a variety of factors, including an aging population, skills gaps and other worker qualification problems. The slowdown of the

⁵ [memoire_meq.pdf \(gouv.qc.ca\)](#) [French only]

⁶ [memoire_meq.pdf \(gouv.qc.ca\)](#) [French only]

⁷ [Canada : taux de chômage 2012–2028 \[Canada: unemployment rate 2012–2028; French only\] | Statista](#)

⁸ [États-Unis : taux de chômage \[United States: unemployment rate; French only\] | Statista](#)

national economy in 2024 caused a significant decrease in the number of available jobs. It is clear that labour availability issues are not a thing of the past, and attracting and retaining talent is still a hot topic for manufacturers.

Furthermore, workplace conflicts have significant repercussions on entire industries. Workplace conflicts in industries such as ports and air, rail or ground transportation, or even waste management, can have major consequences on supply chains. For example, several recent strikes⁹ have hit logistics chains particularly hard.

Making technology work

The digital transformation is already well under way in the majority of businesses. According to a June 2023 survey by Manufacturiers et Exportateurs du Québec (MEQ), 92% of businesses have either started or completed their digital transformation. Furthermore, a majority of businesses (68%) plan to invest in advanced manufacturing technology in the coming years.¹⁰ However, the pace of this transition varies depending on the size of the business. Smaller businesses are often more hesitant to invest, which may affect their long-term competitiveness.

At the same time, supply chains are facing growing cybersecurity challenges. Modern supply chains are complex, interconnected networks that connect a variety of providers, suppliers and businesses through a constant flow of digital data. In 2021, major incidents highlighted the vulnerability of supply chains on a global scale, revealing severe threats looming against critical businesses and infrastructure.¹¹ Cyber attacks are different from other types of compromise. Instead of directly attacking an organization's systems, cybercriminals often opt to attack a supplier or partner upstream. They exploit the trust between the supplier and its clients in order to circumvent the security measures of the target organization.

Our mark on the value chain

“In 2012, we launched a major initiative aimed at better understanding the social and environmental practices in our supply chain.”

- **Cascades**

Cascades' supply chain is a complex network that encompasses relationships with customers, suppliers and partners, as well as between internal stakeholders. Cascades' operations are mainly focused on North America, a region with high economic interdependence. Its dynamic,

⁹ It might be worthwhile to learn more about the recent strikes at CN, Port of Montreal and Air Canada for information purposes.

¹⁰ [memoire_meq.pdf \(gouv.qc.ca\)](#) [French only]

¹¹ [The cyber threat from supply chains – Canadian Centre for Cyber Security](#)

integrated structure requires internal and external relationships to be carefully managed in order to maintain optimal performance and tackle market challenges.



Cascades' business model is based on the circular economy and relies on a logistics chain that can meet sustainability requirements while maintaining ongoing product availability. This model requires close cooperation with suppliers, customers and strategic partners to develop an integrated, resilient network.

To develop this network, Cascades focuses on creating value at each stage of the process, from procuring raw materials to distributing finished products. In other words, they can deliver products to a major customer's distribution centre and leave with raw materials, such as empty packaging boxes that are ready to be reused. Customers that prioritize sustainable development can enter into agreements wherein they ship out select raw materials for Cascades to recycle into new finished products. This is what is known as reciprocity. Sound management of this complex network maximizes efficiency, reduces costs and decreases corporate environmental impact by procuring "clean" raw materials. However, reciprocity can lead to its own share of challenges. A terminated or modified agreement may have financial repercussions and affect customer-supplier relationships. The supply chain does not just support the business—it directly contributes to the business's competitiveness.

Cascades' production network is built on an interconnected structure that illustrates just how integrated its activities are. The company's model¹² gives it precise control over each step in its production chain, including its recycling plants, converting plants and distribution centres, where each link in the chain helps meet market requirements and ensure operations run smoothly. The units work interconnectedly to optimize the use of raw materials while maintaining a high level of logistical efficiency.

¹² See Appendix 1.

A complex corporate structure

Cascades' approach to human resources must strike a fine balance between close talent management and operation continuity. Around 10,500 active employees support Cascades' daily operations. These employees are the heart of Cascades. Each year, some 2,476 employees leave the company and 2,210 new employees join. The constant flow underscores the importance of a solid employee management system to meet changing market needs. Beyond the numbers, smooth communication, product quality and service continuity all rely on employees' commitment and expertise.

Cascades' success depends upon its people. Their work, passion and adaptability enable Cascades to respond to challenges while maintaining a human-centred, collaborative approach. At Cascades, people always come first.

Over the years, Cascades has constantly had to adapt to a changing environment, involving the closure of several plants, including three tissue paper plants, two containerboard packaging plants in Ontario, and the EGR and Tacoma Enviro sites. These adjustments have had no major impact on the stability of Cascades' deliveries and operations. An IT structure was set up to support the supply chain. In its SAP software system, Cascades can access almost all its units (some 70 units in North America). A few units are missing, but they will come online within the next two years. Adding a variety of SAP interfaces, including a maintenance planner, will help Cascades manage machinery parts, including the replacement of broken parts, preventive maintenance and inventory management. Business intelligence (BI) components were put in place so system data can be used and analyzed. Cascades also uses an external system to manage and optimize transportation.

Over the past 60 years, Cascades has set up a shared services centre that includes strategic buyers. These buyers were selected to extend the benefit of their high-volume, multi-site purchases to the entire company. Setting up all these different strategies, tools and systems demonstrates the company's ability to restructure itself without compromising operational continuity. Cascades has also made changes to its distribution centres (DCs), opening some and closing others, without affecting overall operational stability. It was able to manage these changes in a way that optimized its resources while continuing to make sure that its products were delivered on schedule. Cascades also uses artificial intelligence internally to manage customer-supplier billing, thereby establishing clear standards and processes. However, Cascades' use of AI is still in its early stages and most certainly requires optimization.

Cascades relies on a network of 75 external physical warehouses, which enable it to pivot around market fluctuations and operational needs. Over the past year, 31% of its warehouses were opened or closed. Cascades works with more than 15,000 customers throughout North America.

Several departments are involved in Cascades' logistics chain, including the S&OP (sales and operations planning) department, strategic buyers (corporate), plants and sales. Roles and responsibilities are not always clearly defined, which leads to an unclear distribution of outcomes for everyone involved. Document management plays a key role in ensuring that contracts signed with customers, including those governing delivery times and quantities per delivery, are upheld. However, with such a vast array of customers, a number of factors can make it difficult to ensure that agreements are enforced. Cascades' enormous operational scope, combined with the large number of external warehouses and Cascades units, also makes it challenging to maintain precise inventory, which is essential for proper supply and demand management. In short, detailed document management, coupled with challenges associated with high staff turnover, cost optimization and inventory management at all sites, can quickly become a major issue.

Your mandate

In a constantly changing environment with a complex ecosystem and burgeoning challenges, Cascades must develop effective strategies to anticipate and mitigate potential disruptions so it can continue to operate smoothly and continuously. To do so, Cascades must stay ahead of the curve so it can hold on to its position as an industry leader, both in its products and work methods. Therefore, the Cascades team wants to assess current global trends so it can position itself for potential improvements to its supply chain processes.

Your team is tasked with the following mandate:

“How can Cascades innovate and draw on current practices from elsewhere in the world to effectively manage the technology, sustainability, traceability and resilience of its supply chain?”

You must present three innovative ideas that Cascades could implement to improve its supply chain. For each idea, you must:

- Present the innovation
- Explain why it meets Cascades' needs
- Describe how the innovation will benefit Cascades

You do not need to present an implementation plan or budget for each idea. However, you must use your research to present an analysis of the current situation. You must take into account the fact that all of Cascades' current buildings have been used for many years or are being rented. Therefore, buildings cannot be modified to accommodate potential projects.

Here is some food for thought to guide your research.

- What tools can Cascades implement to improve its operations management, including customer agreements, workforce management, document management, operations management, cost management and inventory?
- How can Cascades plan and prepare for risks faced by external parts of the supply chain network, such as strikes and weather events?

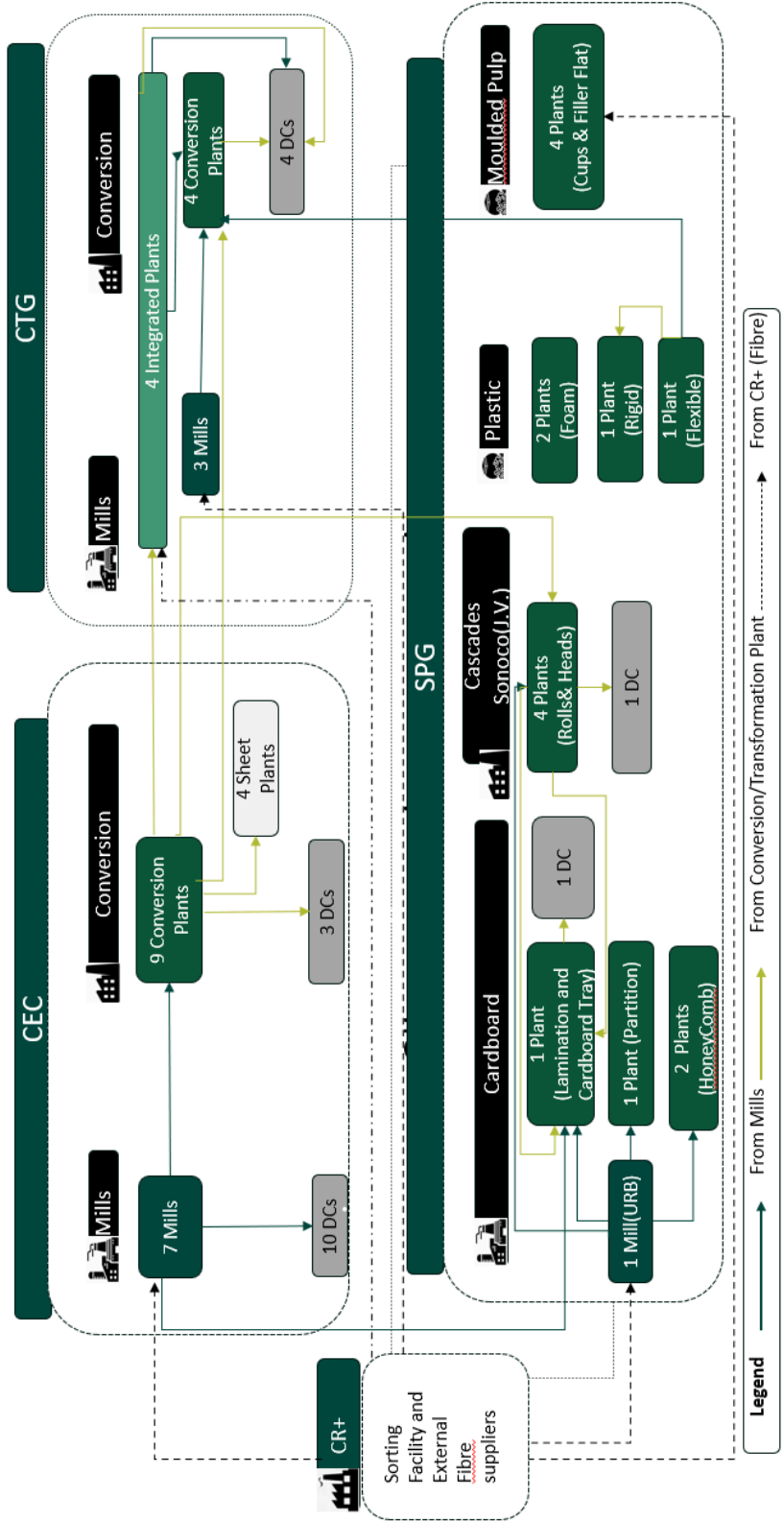
Remember that Cascades is a business that takes sustainable development seriously. Your proposals must take one or more pillars of sustainable development into consideration. In addition, Cascades recently made changes to its senior management. Now, it's ready to continue its journey with the support of your ideas. Be creative, be innovative and think outside the box. Your recommendations must help Cascades maintain its standing as a trendsetting corporation. Do not include information about how to implement your ideas (schedule, budget, risk management or performance indicators) in your presentation; instead, focus on your recommendations.

To assist you

A short video about the logistics chain is posted on our Youtube channel to give you more tools and examples to help you crack the case.

Good luck!

Appendix 1



Mills:

Mills are plants that transform raw materials (cardboard, paper or plastic from recycled materials and sometimes new pulp, etc.) into paper, cardboard or plastic rolls for conversion plants to different requirements (thickness, moisture, rigidity, etc.).

Conversion plants:

These plants convert the rolls from mills (their raw materials) into finished products.

CCP: Containerboard Packaging Group

Examples of this group's products: corrugated cardboard boxes, strawberry baskets, printed customer-branded cardboard packaging

CTG: Tissue Group

Examples of this group's products: paper towels, hand towels, bathroom tissue, etc.

SPG: Specialty Products Group

This group is divided into three types of finished products: cardboard, plastic and moulded pulp products.

Examples of cardboard products: cardboard trays (Lebanese cucumbers), storage pallet cardboard, cardboard dividers for wine or beer cases, etc.

Examples of plastic products: mushroom containers, plastic meat trays in different colours, plastic packaging for tomatoes, lettuce and other food products, etc.

Examples of moulded pulp products: egg cartons, cup carriers ("four-cups"), etc.

CR+: Material recovery centre

Some centres sort commercial and/or residential discarded materials, while others receive specific products (magazines, newspapers, etc.). In addition to sorting, these centres bale the materials and send them to various mills.

Cascades also has a subsidiary, Cascades Transport, which carries out most of its shipping. However, this can lead to higher costs due to working conditions at the plant versus the ground transport market. Having a transportation division creates some efficiency and cost-benefit risks for Cascades.

Appendix 2

Cascades uses SAP ERP with the following modules and processes:

- MM (Materials Management)
- LE (Logistics Execution)
- PE (Production Execution)
- PM (Maintenance Planner)
- P2P (Procure-to-Pay)
- OTC (Order to Cash)
- PP (Production Planning)
- APO (Advanced Planning and Optimization), where MRP is calculated
- WFP (Workforce Planning)
- PLM (Product Lifecycle Management)
- IBP for S&OP

Cascades currently uses Ryder for transport management and Optimus, an in-house software tool, for route optimization. Cascades is looking at rolling out a SAP TMS that will include vehicle load planning. It might be worthwhile to learn more about the benefits of this module.