



# SUPPLY CHAIN MANAGEMENT FOR EFFICIENT CONSUMER RESPONSE SYMPOSIUM

12-14 MAY

2011

**SCM 4 ECR  
SYMPOSIUM**

**Performance Management of Supply  
Chain using Balanced Scorecard in  
Nonprofit Organizations**

**Viorica Cosman**

**Virgil POPA**

# TOPICS

1. INTRODUCTION
2. SUPPLY CHAIN MANAGEMENT IN NONPROFIT ORGANIZATION
3. MEASURES
4. BALANCED SCORECARD AND SUPPLY CHAIN
5. CONCLUSIONS

## 1.INTRODUCTION

A nonprofit organization is an organization that conducts business for the benefit of general public without shareholders and without a profit motive, independent of government control.

NGOs engage in two broad types of activities:

- Relief activities – short-term activities
- Development activities – long-time activities

Some NGOs are concerned with relief, some with development, and some address both areas.

# THE NEED FOR SUPPLY CHAIN MANAGEMENT IN NGOs

- The supply chain is a critical component not only of corporations but also of humanitarian organizations and their logistical operations.
- In the humanitarian sector, organizations are 15 to 20 years behind, as compared to the commercial arena, regarding supply chain network development.
- At least 50 cents of each dollar's worth of food aid is spent on transport, storage and administrative costs.

# THE NEED FOR SUPPLY CHAIN MANAGEMENT IN NGOs

*There are two distinct categories of emergencies –those for which you are prepared and others for which you are not.*

In humanitarian logistics supply chain networks, it is crucial to have reliable suppliers and distributors to meet demands at demand points. To be able to deliver the humanitarian goods to the affected area in the first 72 hours after a disaster is crucial.

## 2.SUPPLY CHAIN MANAGEMENT IN NGOs

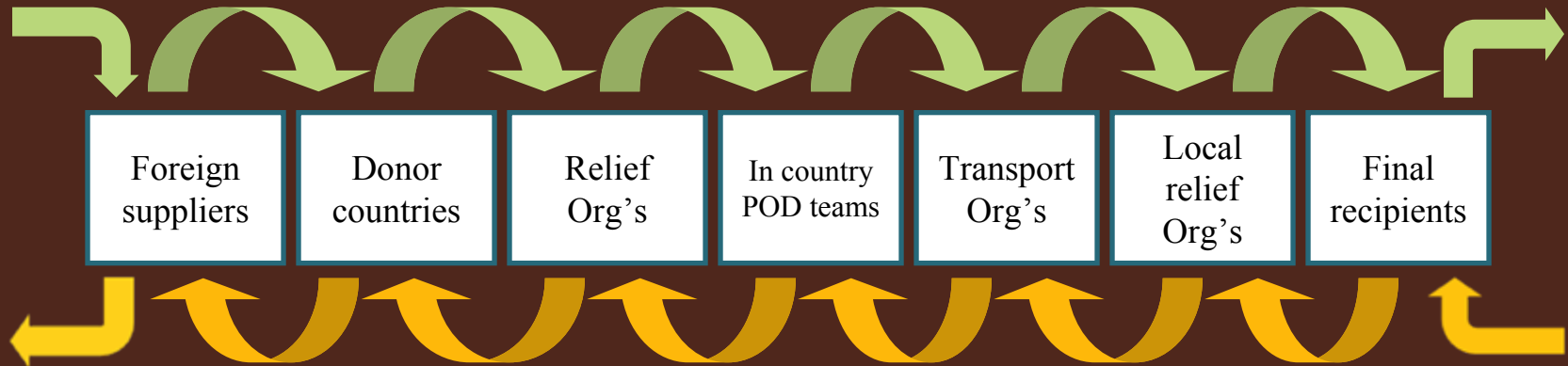
Supply chain - System of organizations, people, technology, activities, information and resources involved in moving a product or service from supplier (donors) to customer (beneficiary).

Most NGOs typically have several different and parallel supply chains—e.g., food relief items, non-food relief supplies, food for development activities, non-food for development activities.

## 2. SUPPLY CHAIN MANAGEMENT IN NGOs

- Serves as a bridge between disaster preparedness and response through the establishment of effective procurement procedures, supplier relationships, pre-positioned stock and knowledge of local transport conditions.
- The speed of response for major humanitarian programmes involving health, food, shelter, water and sanitation interventions is dependent on the ability of logisticians to procure, transport and receive supplies at the site of a humanitarian relief effort.
- Since the logistics department is usually involved in every stage of a relief effort, it is a rich repository of data that can be analyzed to provide post-event learning.

# HUMANITARIAN ASSISTANCE SUPPLY CHAIN



**“Products” are relief supplies arriving in-country**

Source: *Supply Chain Analytics for Humanitarian Logistics Transformation*, P.M. Thompson, 2008

# **SUPPLY CHAIN IN NONPROFIT VS FOR PROFIT ORGANIZATIONS**

The fundamental difference with the commercial world is in the motivation for improving the logistics process – going beyond profitability.

Humanitarian logistics involves organizational components such as procurement, transportation, warehousing, inventory management, trace and tracking, bidding and reverse bidding, reporting and accountability. In the corporate sector, these components are supported by expert staffing, know-how, IT systems, MIS systems, framework agreements, corporate relationships, infrastructure, standardization and collaborative initiatives. In the humanitarian world, these key support mechanisms are rare.

# SUPPLY CHAIN IN NONPROFIT VS FOR PROFIT ORGANIZATIONS

- Demand characteristics
- Multitude of stakeholders
- Financial constraints
- Customer characteristics

# ISSUES IN HUMANITARIAN LOGISTICS

- Identifying people in a disaster
- Facilitating movement of people and aid
- Producing 'before' and 'after' pictures of disaster areas
- Predicting or preventing disasters
- GIS to support humanitarian logistics
- Inappropriate donations
- Preventing looting and pilfering
- Deployable logistics systems
- Logistics of information flow
- Scales, indices or indicators of disaster severity, aid effectiveness.

# SUPPLY CHAIN MANAGEMENT ISSUES IN NGOs

- Managers come from social field - *no management experience*
- Lack of *know-how*
- Lack of investment in *technology and communication*
- Scarce resources
- Humanitarian supply chains are mostly *unstable*
- Humanitarian demand is often ‘*seasonal*’ with need often dictated by the specific requirements of an emergency.
- Locations are frequently *unknown* until the demand occurs

# EFFECTIVENESS IN A RELIEF ENVIRONMENT

- What does it mean to be effective in a relief environment?
- Cultural and economic differential between donor and recipient nations
- Individuals and organizations often act in their own self interest
- Issues of equity, need, natural outcomes, dignity.

Effective humanitarian relief management is based on anticipating problems and identifying them as they arise, and providing specific supplies *at the right time* where they are *most needed*.

### 3. PERFORMANCE MEASURES

- Performance measures vary with perspective. From whose perspective do we optimize?
- Cost measures – who pays, who donates
- Benefit measures – who gets credit, who receives Aid
- Teaming aspects – is win/win possible, from whose Perspective
- Gaming aspect - Who controls the decisions that influence the cost of transport?
- Whose budget is affected by these decisions?
- What is the effect of these decisions – is more relief actually delivered if cost is less?
- Who determines what gets sent where and when, by who?

# SAMPLE PERFORMANCE MEASURES

- Benefit
- Self-serving – organization/capability/market oriented
- Budget used
- Number of folks in theatre
- Tons delivered
- Order (early vs. late arrival on-site)
- Publicity (e.g. media coverage / mentions / photos)
- New donations
- Awards
- Market share
- Altruistic – mission effectiveness oriented
- Lives saved
- Delivered tons used (e.g. meals served, tents lived in, etc.)
- Health care provided
- **Cost**
- Money
- Loss/leakage

## 4. BALANCED SCORECARD

BSC, invented by Kaplan and Norton in 1992, is one of the most powerful measurement systems. It considers four different perspectives to evaluate a business, which are Financial, Customer, Internal Processes, and Learning/ Growth.

While the Balanced Scorecard approach was not specifically designed for the Supply Chain, it does give a good guidance for your core measures. The central idea is to focus on key metrics that have real meaning to your company. The Balance Scorecard approach helps you to **keep your measures aligned with your objectives**. These measures should be tracked over time (usually monthly) with specific targets for each.

# BSC and SCM

Successful implementations and vast usage of BSC in SCM, along with the following important features, makes it a good candidate to develop a measuring system:

1. Formulating the strategy elements, missions, visions, objectives, and measures down to the action plans in one coherent view, strategy map.
2. Its capability to incorporate multiple levels of implementation in an integrated strategy map, decomposition.
3. Its simple diagnostic and alerting feature with respect to the indicated vital strategic parameters, measures, that is helpful developing a control system across all the Supply Chains.

# IMPLEMENTING A PERFORMANCE MANAGEMENT SYSTEM

## STEPS:

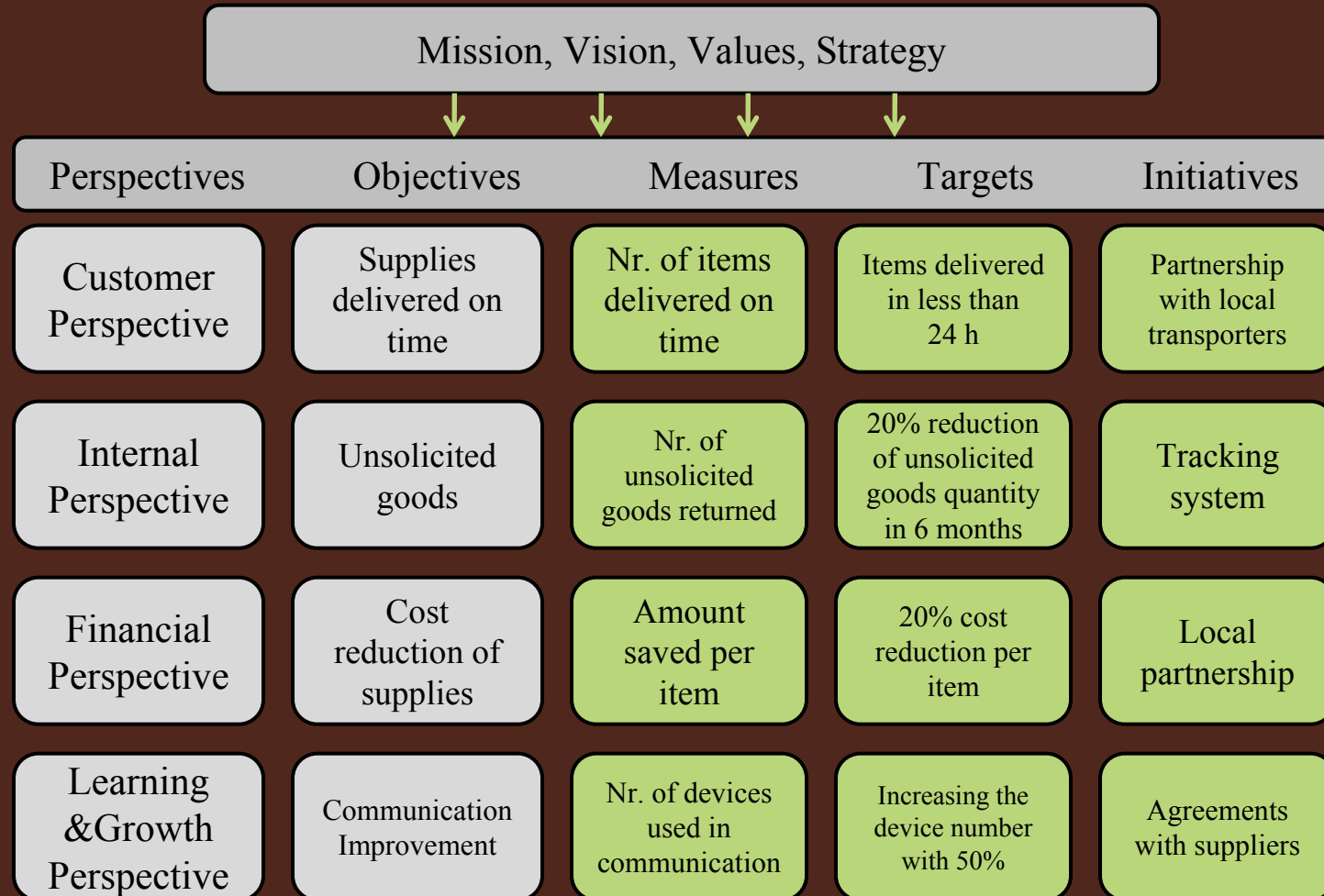
*1. Set supply chain strategy objectives – developing supply chain objectives to support the strategy*

*2. Choose metrics and targets that support the objectives – identifying the specific metrics and targets to monitor progress*

*3. Identify supporting initiatives – performance-improvement programs to support achieving of supply chain objectives.*

*4. Implement the programs – gather data and develop tools for reviewing data and to support the decision making process.*

# SUPPLY CHAIN BALANCED SCORECARD



# CASCADING SUPPLY CHAIN BALANCED SCORECARD

- Overall supply chain objectives and strategies undertaken to meet these objectives are linked with the supply chain performance measures through Balanced Scorecard.
- Objectives, strategies and performance measures at the supply chain level can then be linked to the organizational level.
- Supply chain Balanced Scorecards are created for each organizational unit, department, team, and individuals involved in the supply chain and they will align with the organizational balanced scorecard, identifying objectives and measures to be monitored for gauging their contribution to the general success.

# SUPPLY CHAIN BALANCED SCORECARD

The right collection of indicators helps as one can assign values and numbers to those and keep for further consultations. Deviations can be spotted well within time and correction procedures be implemented to come out of the trapped situations.

In all, by taking help from BSC, one can calculate the steps and judge whether the actions have been occurring in the intended manner or not.

## 5. Conclusions:

- Supply Chain Balanced Scorecard can provide significant benefits in many areas of humanitarian assistance supply chains
- Performance is multi-faceted

**THANK YOU!**

**HAVE A GREAT DAY!**