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Supply Chain

Text Peter Tatham

Photo US Navy



Key Points

- > The supply chain consumes up to 80% of the expenditure of disaster response agencies.
- > There are differences between commercial and humanitarian supply chain management.
- > There is a clear opportunity for supply network management professionals to assist in the process.

The humanitarian logistics challenge

Crises impact not just on communities, but also on supply chains, according to Peter Tatham, putting the recent Australian floods into context.



After a career of some 35 years as a logistician in the Royal Navy, Dr Peter Tatham MCIPS joined the faculty of Griffith University in 2010 where he lectures and researches in commercial, military and humanitarian logistics and supply network management.

The recent severe weather that has affected Eastern Australia has presented a graphic reminder of the tension between the forces of nature and the desires and aspirations of a population to live in a particular area, in a particular style, and to work in a particular way. Indeed, it could be argued that there is no such thing as a 'natural' disaster as such events only become important when they affect human beings in a significant way. Nevertheless, such disasters do occur at a rate of some 350 to 450 per year, typically affecting over 300million people and with the resultant damages estimated at over \$100billion.

Furthermore, as observed by the UN Secretary General in 2009: "The global demand for humanitarian assistance ... continues to rise. This is triggered and sustained by the increased severity of natural hazards, escalating conflict, and a dramatic increase in vulnerabilities caused by the global financial crisis, continuing high food prices, the scarcity of energy and water, population growth and urbanisation."

Faced with such realities, it is important to appreciate that much of the activity in preparation for, and responding to, disasters would be readily recognised in supply network (or chain) management – albeit, mainly for historic reasons. The humanitarian community tends to refer to this as 'logistics'. Whatever the label, the key activities remain the same – sourcing and purchasing goods and services; transporting them to the affected area; warehousing as necessary; distributing them to the beneficiaries; and managing the associated information. In fact, so pivotal is this supply chain, that it has been estimated to consume up to 80% of the expenditure of disaster response agencies – a figure that can be translated to a very significant sum worldwide every year.

It is also important to appreciate that there are significant differences between the underpinning business model of commercial and humanitarian supply chain management. Key to these is the underpinning financial mechanism which, in a standard business

transaction, flows from the end-consumer back up to the producer. The consumer is, therefore, 'king' in the sense that they can choose which products or services to select and which to reject.

In the humanitarian world, however, donor organisations (governments, the United Nations, the World Bank, individuals, etc) provide the finance with which the goods are procured, transported and distributed. In many cases, the end-recipient has little say in the process and certainly little ability or desire to make choices between assistance and support from one source versus another – quite simply they are engaged in the business of staying alive. As a result, the humanitarian logistician has to act as a proxy-customer, deciding what the beneficiaries will need and negotiating with the donors to supply the required commodities.

This leads to a number of key challenges. Firstly, the so-called needs assessment process – actually finding out what those affected require. This is, unquestionably, a serious challenge especially when the physical (roads,

bridges, etc), power and communications infrastructure will almost certainly have been seriously degraded and when speed is of the essence in saving life and reducing hardship. Clearly, mitigation and preparation are important ways to overcome this challenge, but the current funding system is heavily biased towards post-disaster contributions. Welcome as these are, it is often too late (and sometimes, even too much) – but then the reluctance of donors to pay the insurance premium for an uncertain future event that may never crystallise is understandable in a world of constrained resources.

Nevertheless, improving the overall financial management system is the second key challenge.

This is inextricably linked to the third challenge – that of developing appropriate metrics that will clearly discriminate between 'good' and 'bad' interventions and programmes. Understandably, donors are increasingly keen to ensure that they get the best value for their limited funds, but current metrics are firmly rooted in efficiency rather than effectiveness or outcomes. This, yet again, reflects a core conceptual

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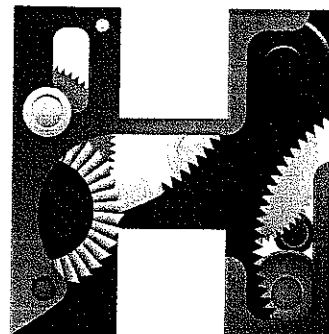
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Supply Chain

difference from the commercial scenario in which the customer behaviour provides clear feedback up the supply network.

The next challenge is that of co-ordinating the supply networks of the myriad of responding agencies. The numbers here are truly astounding, with authoritative estimates suggesting that there are over 30,000 international non-government organisations (NGOs) operating worldwide. Indeed, there are currently over 900 NGOs based in Haiti – and this implies the existence of a similar number of supply networks. Furthermore, and notwithstanding their ultimate focus on those affected by a disaster, there is a considerable degree of competition between the NGOs who are all fishing in a relatively constrained funding pool. Were this a commercial enterprise, there would have been many mergers and acquisitions – but within the not-for-profit world, each NGO is at liberty to stand or fall based on its ability to gain funding and carry out the activities to meet its mandate.

Finally, there are a whole series of challenges based around the need for improved individual and organisational learning and improvement that takes best practice from the commercial world and applies it, as appropriate, in the challenging domain of humanitarian logistics where the price of failure can be counted in terms of lost lives rather than foregone profits.

In short, the challenge facing the humanitarian logistician is massively complex and full of risk and uncertainty. But more importantly, each of the challenges listed above can potentially be ameliorated by an appropriate use of proven commercial tools and techniques. Not least, there is a clear opportunity for supply network management professionals to use their experience and expertise to assist NGOs in developing and improving their people, processes and technology to achieve a more efficient and more effective humanitarian logistics system.



Procurement hiring hotspots

The first quarter of 2011 will be an active one for recruitment in the procurement sector, according to recruiting experts Hays Procurement.

In its Hays Quarterly Report, the recruiter notes that procurement and purchasing teams are doubling in size and needs are growing for consultancy, contract, temporary and permanent roles.

Tim James, senior regional director of Hays Procurement, points out that in an increasingly candidate-short sector, "all levels of procurement and supply chain professionals are expected to be in demand in the coming quarter, for both permanent and temporary hires".

"Infrastructure, engineering, energy, consultancy and construction companies will have a high demand for staff, while across the board, candidates with strong indirect category experience will be sought.

"Procurement is a major focus, driven through both finance and operations. Staff reductions over the last two years have taken their toll on teams, and now that confidence is returning, new roles will be created and employers will also backfill as a result of promotions and leavers.

"There's no doubt that we're very quickly returning to a state of candidate shortage, and will continue

in this direction as more organisations experience growth," he explains.

The report also identifies roles in high demand:

- > Candidates with hands-on purchasing experience are sought as companies increase purchasing and new projects commence. Particular demand exists for candidates with raw materials exposure. Also sought are category managers (see page 12) since companies remain proactive in ensuring their back office is productive and streamlined.
- > A key focus area is in IT procurement functions. These are often separate from the general procurement team. Hays has vacancies for heads of IT, general managers, executive managers and sourcing and contract specialists in this area. This trend is set to continue as companies strive to have cutting-edge IT sourcing teams. There is also a huge demand in all companies for analysts. These candidates have to understand the sourcing process, possess strong Excel skills and be able to communicate at all levels.