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Notes

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**JOHN MANFREDI**

*John Manfredi*

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VII. SUPPLY

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Background ...

## **SUPPLY DIVISION, ONCE A “STAR,” IS BEING REGARDED WITH INCREASING CONCERN**

- “Take the supply operation. Where and how are we buying? Are we getting the best prices? I'm worried about that. I see the quality going down, the prices going up. Why is that? Is overhead out of control?”

Major Country Representative

- “Supply Division requires 6 months lead time on ordering. Think of that! But local sourcing is the wave of the future. Why buy a product in the South, ship it up North and then send it back South again? An example: the Côte d'Ivoire is one of the biggest coco producers, and the special knives are produced right here. But UNICEF buys them in Pakistan and stores them in Copenhagen, then sends them to Africa. That can't be right. And cement. We can get delivery in 6 weeks. Why wait 6 months?”

Country Representative

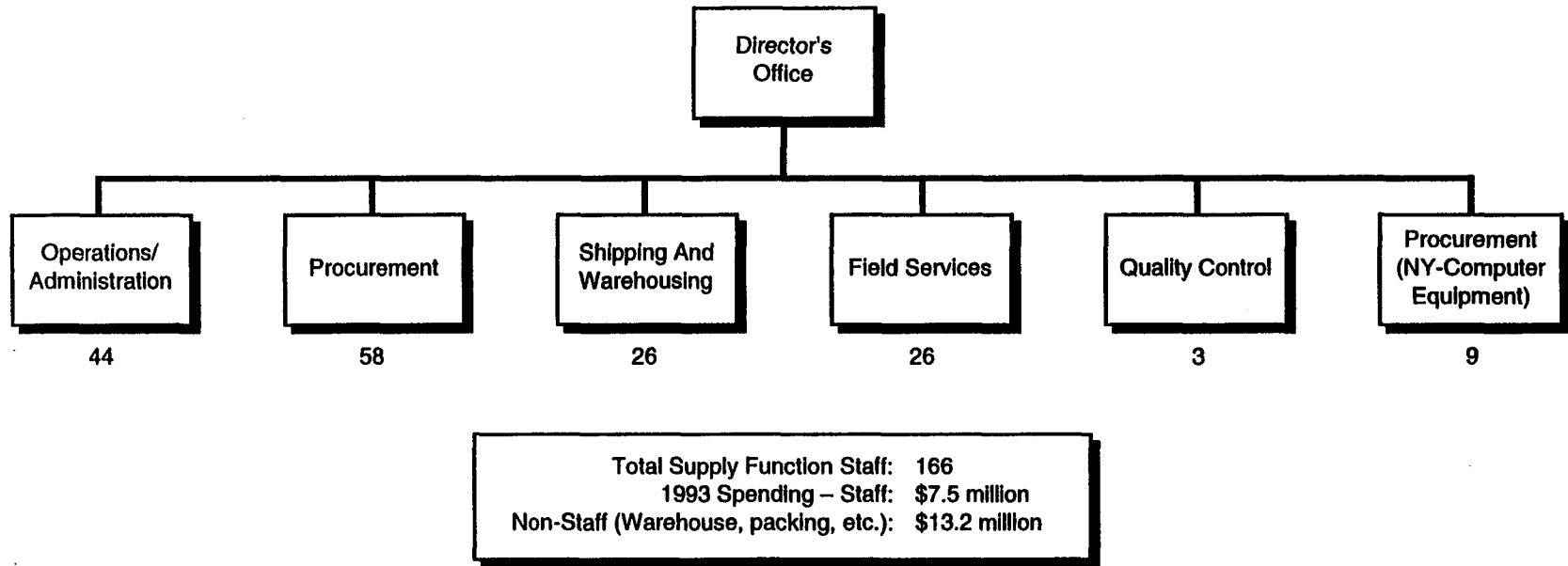
- “The cost/price advantage appears to be disappearing. Competition is getting better on price, lead time and after-service. For example- jeeps from Japan, spare parts etc. And essential drugs. Perhaps we don't need that warehouse any more, especially in view of the fact that Copenhagen can't respond in an acceptable time period.”

Country Representative

- “I think UNICEF's organization works rather well. My only complaint might be the Supply Division. They are slow enough on deliveries to encourage do-it-yourself.”

Head of a major NGO

**SUPPLY ACTIVITIES EMPLOY ABOUT 166 STAFF, PRIMARILY IN COPENHAGEN, AND COST ABOUT \$21M ANNUALLY**

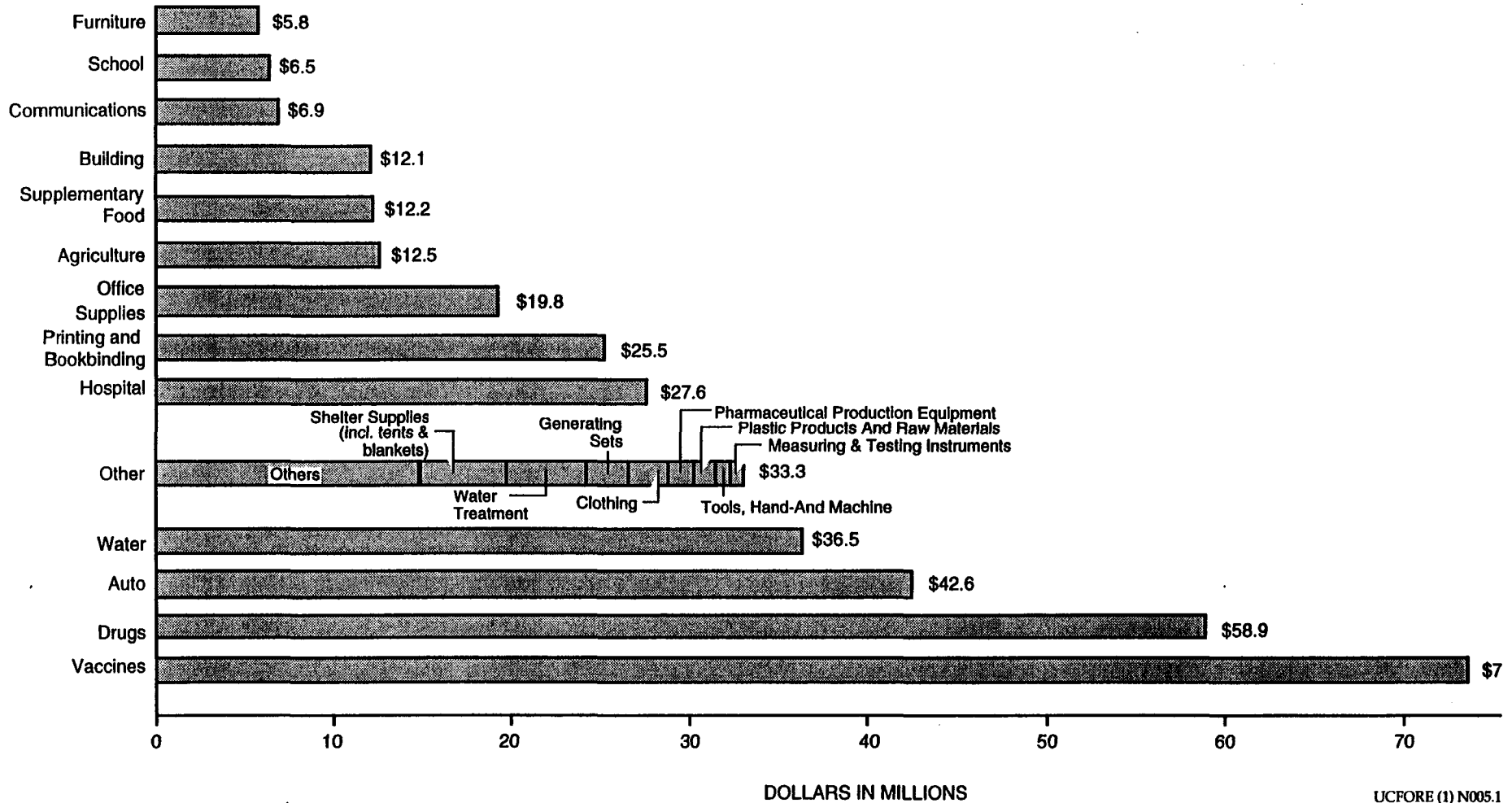


UCFORE (1) PM014•12/94/NY.R

Source: UNICEF Organograms  
Administrative and Programme Support Budget 1992-1993  
Supply Division Annual Report, 1993

**UNICEF PURCHASED \$374 M OF SUPPLIES IN 1993 – VACCINES, DRUGS AND HEALTH SUPPLIES COMPRISE 43% OF THE DOLLAR TOTAL**

**SUPPLIES BY CATEGORY OF COMMODITIES**



Sources: Supply division Analysis Reports; BA&H analysis

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## INFORMATION CONSTRAINTS ARE A SIGNIFICANT HANDICAP TO EFFICIENT LOGISTICS MANAGEMENT

AREA	ISSUE	CONSTRAINTS PERCEIVED BY SUPPLY MANAGEMENT
<b>Demand Data Management</b>	<ul style="list-style-type: none"> <li>• Historical data mixes normal and abnormal data</li> <li>• Normal “baseline” cannot be isolated</li> </ul>	<p>"Inventory management is, we agree 100%, an area which requires re-evaluation..."</p> <p>The customer service level which is where a good stock management system begins, is understood neither as a concept nor as a tool for managing our relationships with customers." Copenhagen Manager</p> <p>Also identified:</p> <ul style="list-style-type: none"> <li>• Lack of internal expertise</li> <li>• Lack of financial resources to get external help</li> <li>• Lack of guidance from top management</li> </ul>
<b>Forecasting</b>	<ul style="list-style-type: none"> <li>• Forecasting is done independent of historical data</li> <li>• Customer order frequency is not reflected</li> </ul>	
<b>Stock Planning And Management</b>	<ul style="list-style-type: none"> <li>• Safety stock calculations do not consider purchase frequency</li> <li>• Lot size calculations require fictitious parameter setting</li> <li>• No real “stock planning” function is provided to reflect that items are supplied in set packages</li> <li>• There is no linkage between stock and:                             <ul style="list-style-type: none"> <li>– Sourcing</li> <li>– Programme usage</li> <li>– Forecasting</li> </ul> </li> <li>• Purchase orders fix delivery dates which precludes supplier flexibility and economies</li> </ul>	



## **OUR OBSERVATION OF SUPPLY DIVISION LEADS US TO THESE CONCLUSIONS:**

- We recommend integrating Supply Division more effectively into the field operations of UNICEF rather than “spinning it off” as an outside, self-financing quasi-commercial operation
  - It has been at its best as a close partner of the country operations, in both emergency and regular programme aspects
  - The distraction of trying to develop a “public utility” rather than a dedicated UNICEF resource may explain at least in part some of the complaints about service
  - The idea of self-financing is considered risky. Could at some future point have a negative effect on Supply Division pricing to UNICEF countries
  
- At the same time, UNICEF should demonstrate to Supply Division that it is perceived to be a primary resource – what Supply management calls a “front-line” activity
  - Needs more involved, supportive top management attention than was possible when lodged among accounting and administrative activities – Supply people resent historic arms-length positioning
  - Implies new positioning on the organization chart, near interested management where it will get “front-line” sponsorship and involvement
  - Management should lay out a new “performance contract” with Supply Division that provides quantified goals for buying effectiveness, improved order times and delivery times
  - Campaign to develop non-UNICEF clientele should be set aside until such time as targeted performance objectives are met
  - Supply should be required to conduct an annual customer satisfaction survey, reporting results to HQ supervisor

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## **CONCLUSIONS, CONTINUED...**

- **Work should continue to study in further detail the configuration of the Copenhagen facility in light of changes in technology, economics and global logistics**
  - **In a renewed UNICEF mission and strategy, what changes would become implicit in terms of Supply Division's role in the next 10-12 years and beyond?**
  - **What kind of facility is needed in light of changed world transportation and outsourcing opportunities?**
  - **What are the alternative models?**
  
- **Supply Division has agreed with most consultant team findings as regards opportunities to improve management and supplier relations:**
  - **We believe these are worth pursuing**
  - **Could be an element in the overall logistics study cited above**
  
- **We do not see this as a "workshop" undertaking: too technical, systems-oriented**

Recommendations...

**IN SUMMARY: INVEST IN SYSTEMS ANALYSIS AND RE-ENGINEERING, INTEGRATE SUPPLY ORGANIZATIONALLY WITH ITS CUSTOMERS**

<b>ISSUE</b>	<b>ACTIONS</b>
<b>FURTHER STUDY</b>	<ul style="list-style-type: none"><li>• Invest in systems analysis and re-engineering to improve productivity, delivery time and cost effectiveness</li><li>• Information management will be an important element</li></ul>
<b>CUSTOMER SERVICE</b>	<ul style="list-style-type: none"><li>• Develop operating policies aimed at high performance in terms of customer service levels to UNICEF emergencies and UNICEF country organizations, before looking outward to broader customer base</li><li>• Institute improved monitoring to provide a continuous “read” on customer satisfaction</li></ul>
<b>ORGANIZATION</b>	<ul style="list-style-type: none"><li>• Create a relationship between Copenhagen and NY which better integrates Supply into the overall UNICEF strategy – move to Field Division from Operations</li></ul>

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