

FACTORS AFFECTING GLOBAL SOURCING EFFICIENCY IN HUMANITARIAN ORGANIZATIONS IN KENYA: A CASE STUDY OF UNITED NATIONS CHILDRENS' FUND

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ABSTRACT

Humanitarian organizations play a critical role in Kenya and the rest of the Developing World. Humanitarian organizations contribute significantly in saving lives, alleviating suffering and maintaining human dignity during and in the aftermath of man-made crises and natural disasters. Humanitarian organizations also prevent and strengthen preparedness for the occurrence of such situations. Humanitarian supply chains are the cardinal networks to provide physical aid to beneficiaries. Given such a grand mandate, humanitarian organizations require efficient logistical and procurement network support. Humanitarian organizations operate in developing countries which rely heavily on global sourcing for their operational supplies. The organizations face monumental challenges in their global sourcing chains and these challenges and bottlenecks tend to limit their operations and inhibit their ability to make the required humanitarian impact. This is a pressing concern since the implications of the non-efficient global chains will negatively impact the ultimate beneficiaries: people in need of humanitarian intervention. This research had the overall objective of investigating the factors affecting global sourcing efficiency in humanitarian organizations in Kenya. It investigated the causal influence of supplier specifications interpretation, exchange rate variability, global procurement training and state bureaucracy on global sourcing efficiency. The choice of this humanitarian organization was premised on the fact that it is large in size and relies on global sourcing for the bulk of its operational supplies. Secondly, the organization has faced challenges in its global sourcing function. The research applied the descriptive survey research design and employed random

sampling technique in its data collection process. The UNICEF Kenya office has a population of 102 employees and hence the 30% sample size of the relevant departments translates to 30 employees, (Internal directory). Data collection was conducted with the aid of questionnaires containing relevant questions on the presumed causal variables. The study generated both qualitative and quantitative data. The qualitative data was operationalized with a view to subjecting it to the relevant analysis. The quantitative data was analyzed using descriptive statistics to generate the required frequencies and percentages to interpret and answer the research questions. The study has summarized and interpreted the research findings and provided recommendations for resolving the research problem.

Key Words: *Procurement, Humanitarian Organizations, Global sourcing*

Introduction

The study analyzed the factors affecting global sourcing efficiency in Humanitarian Organizations in Kenya a case study of UNICEF Kenya. Humanitarian supply chains are the cardinal networks to provide physical aid to beneficiaries. Given such a grand mandate, humanitarian organizations require efficient logistical and procurement network support.

Humanitarian organizations operate in developing countries which rely heavily on global sourcing for their operational supplies. The organizations face monumental challenges in their global sourcing chains and these challenges and bottlenecks tend to limit their operations and inhibit their ability to make the required humanitarian impact. This is a pressing concern since the implications of the non-efficient global chains will negatively impact the ultimate beneficiaries: people in need of humanitarian intervention.

Background of the Study

Global sourcing occurs when organizations purchase goods and/or services from sellers located anywhere in the world (Hayes, 2011). This phenomenon is enabled by *inter alia* growing pools of highly skilled resources, state-of-the-art facilities, advances in telecommunications, improvements in collaborative tools and platforms and maturing delivery models (Hayes, 2011). Global sourcing is important to humanitarian organizations since it leads to better supplies standards, reduced product and raw material costs, environmentally friendly sourcing

considerations, and covers for inexistent local supply and takes cognizance of ethical-political issues (Monczka *et al*, 2010). Humanitarian organizations benefit immensely from global sourcing – it yields large rewards: superior quality goods, more advanced technology, broader supply base and expanded beneficiary base (Burt *et al*, 2010).

Ireton, (2012) mentions the global sourcing considerations that humanitarian organizations need to consider as: total landed cost, product quality, logistics capability, location, trade regulations, finances, value-added services, communication capabilities and human toll. There are challenges faced by humanitarian organizations engaged in global sourcing. These include long lead times, lower quality supplies, high purchasing costs and high opacity (Hines, 2008). Global sourcing is faced with exchange rate variability issues that are manifested in uncertainty and instability (Sodersten, 1992). Sodersten, (1992) asserts that exchange rate variability creates complex problems which aggravate the risks connected to global sourcing and international trade and distort the operability of the price mechanism. Lysons *et al* (2006) states that global sourcing efficiency is affected by: government red-tape, fluctuations in government exchange rates and unqualified foreign sources.

Given the central role that humanitarian organizations play in the Developing Countries it is vital that the causal factors to global sourcing inefficiencies be confronted and resolved (Lysons *et al*, 2006). The problems afflicting global procurement need to be dealt with conclusively in humanitarian organizations. Given the benefits of global sourcing to humanitarian organizations, it is vital to conduct a study to unearth the factors affecting the efficiency with a view to getting to the root causes and ultimate sustainable solutions.

Humanitarian Organizations: Global and Local Perspectives

The primary objective of humanitarian organizations is to save lives, alleviate suffering and maintain human dignity during and in the aftermath of man-made crises and natural disasters, as well as to prevent and strengthen preparedness for the occurrence of such situations (Huber, 1981). According to Morrison, (2008) humanitarian action should be guided by the humanitarian principles of humanity, meaning the centrality of saving human lives and alleviating suffering wherever it is found; impartiality, meaning the implementation of actions solely on the basis of need, without discrimination between or within affected populations; neutrality, meaning that humanitarian action must not favour any side in an armed conflict or other dispute where such

action is carried out; and independence, meaning the autonomy of humanitarian objectives from the political, economic, military or other objectives that any actor may hold with regard to areas where humanitarian action is being implemented. Humanitarian action includes the protection of civilians and those no longer taking part in hostilities, and the provision of food, water and sanitation, shelter, health services and other items of assistance, undertaken for the benefit of affected people and to facilitate the return to normal lives and livelihoods (Morrison, 2008).

There are many humanitarian organizations operating in the Developing World, Kenya included (Kariuki, 2010). These organizations can be broadly divided into two categories: those that are purely originated and managed by Kenyans and those that are foreign in origin and control (Kariuki, 2010). According to Morrison, (2008) no matter the control make-up of the organization the general principles of their operation are similar. Globally, the general principles of humanitarian organizations include: respect and promotion of the implementation of international humanitarian law, equitable allocation of humanitarian funding and the strengthening of the capacity of affected countries and local communities to prevent, prepare for, mitigate and respond to humanitarian crises (Huber, 1981).

There are a myriad of humanitarian organizations in Kenya with the collective obligation of striving to meet humanitarian needs (Kariuki, 2010). According to Kariuki, (2010) these organizations provide humanitarian assistance in ways that are supportive of recovery and long-term development, striving to ensure support, where appropriate, to the maintenance and return of sustainable livelihoods and transitions from humanitarian relief to recovery and development activities. A case in point on the important role played by humanitarian organizations was the assistance of the 2008 post-election violence (PEV) victims.

The humanitarian organizations in Kenya rely on donor funding to finance their operations and hence the enormous accountability responsibility (Lim, 2009). Their procurement processes are subject to periodic audits to get the internal and external assurance that the principle of value for money and accountability is observed (Lim, 2009). According to Morrison, (2008) the procurement audits in the humanitarian organizations generate intense interest in all the stakeholders who include host governments, donors, employees and the civil society. The humanitarian organizations' functions and procurement procedures are therefore the subject of periodic and deep introspection and rigorous audit probes (Kariuki, 2010).

Statement of the Problem

Global sourcing is a strategic procurement concept involving the integration and coordination of procurement requirements across worldwide organizations, looking at common items, processes, technologies and suppliers (Monczka *et al*, 2010). Global sourcing is important to humanitarian organizations since it leads to better supplies standards, reduced product and raw material costs, environmentally friendly sourcing considerations, and covers for inexistent local supply and takes cognizance of ethical-political issues (Monczka *et al*, 2010). Global sourcing is the cornerstone for total cost of ownership (TCM) and enables the optimal alignment, management and control of the overall mission of humanitarian organizations (Kharvi, 2010). Humanitarian organizations are inextricably dependent on global sourcing and are able to report up to 10% to 35% cost savings by sourcing from low-cost-country suppliers (Kharvi, 2010).

Global sourcing is on the rise and the geopolitical boundaries are being collapsed by cross-border supply chains within humanitarian organizations (Kharvi, 2010). Global sourcing is a central part of humanitarian organizations' operations and strategies and is the key ingredient for survival specifically in the developing world (Braithwaite, 2003). Humanitarian organizations in Kenya are facing challenges with their global sourcing chains which display inefficiencies as reflected by delayed supplies, chronic misprocurement and declining cost-savings (Kariuki, 2010). UNICEF Kenya depends on the global markets for a bulk of its supplies: medicine, therapeutic foods, draught response kits, floods response supplies, cholera beds, family relief kits, education kits, hypothermal kits, and many more. Inefficiencies in the global sourcing chains imply a hazardous amputation in the ability of UNICEF Kenya and other humanitarian organizations to deliver efficiently on their humanitarian mandate (Kariuki, 2010 and Kumar, 2010). It was therefore vital to conduct a study to unearth the factors affecting the global sourcing efficiency in humanitarian organizations with a view to getting to the root causes and ultimate sustainable solutions.

A number of studies have been conducted on the possible causes of inefficient global sourcing chains. The Happek, (2005) research blames the "Tower of Babel" problem as distorting the global sourcing pipelines causing inefficiencies in humanitarian and other organizations. Most of the studies were carried out in non-humanitarian organizations engaged in global sourcing. In the light of this and the fact that humanitarian organizations perform a pivotal role in Kenya and

the developing world, there was need for a research to specifically focus on the factors affecting the global sourcing chains. Such a research was well-timed and obligatory given that humanitarian organizations play an indispensable role in executing the humanitarian mission in Kenya and the Developing World (Kariuki, 2010).

Specific Objectives

1. To establish whether supplier specifications interpretation affects global sourcing efficiency in UNICEF Kenya.
2. To establish whether exchange rate variability affects global sourcing efficiency in UNICEF Kenya.
3. To establish whether the global procurement training affects global sourcing efficiency in UNICEF Kenya.
4. To establish whether state bureaucracy affects global sourcing efficiency in UNICEF Kenya.

Scope of the study

This study focused on the factors affecting global sourcing efficiency in humanitarian organizations and used UNICEF Kenya as a case study. The choice of UNICEF Kenya was based on the fact that it is a leading humanitarian organization in the country and the region and, secondly, it is currently experiencing challenges in its global sourcing.

Literature Review

A conceptual framework is a set of broad ideas and principles taken from related fields of enquiry and used to structure a subsequent presentation (Kombo *et al*, 2006). It is a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate this. Kombo *et al*, (2006) indicates the benefit of a well-defined conceptual framework as being able to assist the researcher to make meaning of subsequent findings.

The conceptual framework links the independent variables to the dependent variable (Kombo *et al*, 2006). A variable is a concept which can take different qualitative values (Kothari, 2008). According to Kothari, (2008) a dependent variable is a consequence of the other variable

whereas an independent variable is the variable that is antecedent to the dependent variable. An independent variable is the presumed cause, whereas the dependent variable is the presumed effect. This research has four independent variables against one dependent variable.

According to Queensland Purchasing, (2003), failure of the international suppliers to correctly decode the specifications culminates in global sourcing inefficiencies and international trade bottlenecks. Williamson, (2010) states that exchange rate variability impedes global sourcing efficiency in humanitarian organizations. O'Brien *et al*, (2009), however, points at lack of relevant and suitable training in the tasks required by global sourcing functions as culminating in inefficiency in humanitarian organizations' international sourcing (O'Brien *et al*, 2009). Rodrik, (1997) links the declining global sourcing efficiency experienced by humanitarian organizations to inward-looking economies and import practices characterised by specific limitations on trade, customs and administrative entry procedures, lack of well-defined standards, excessive government participation in trade and exorbitant charges on imports.

These constructs and their relationships are illustrated in the following figure 2.1.

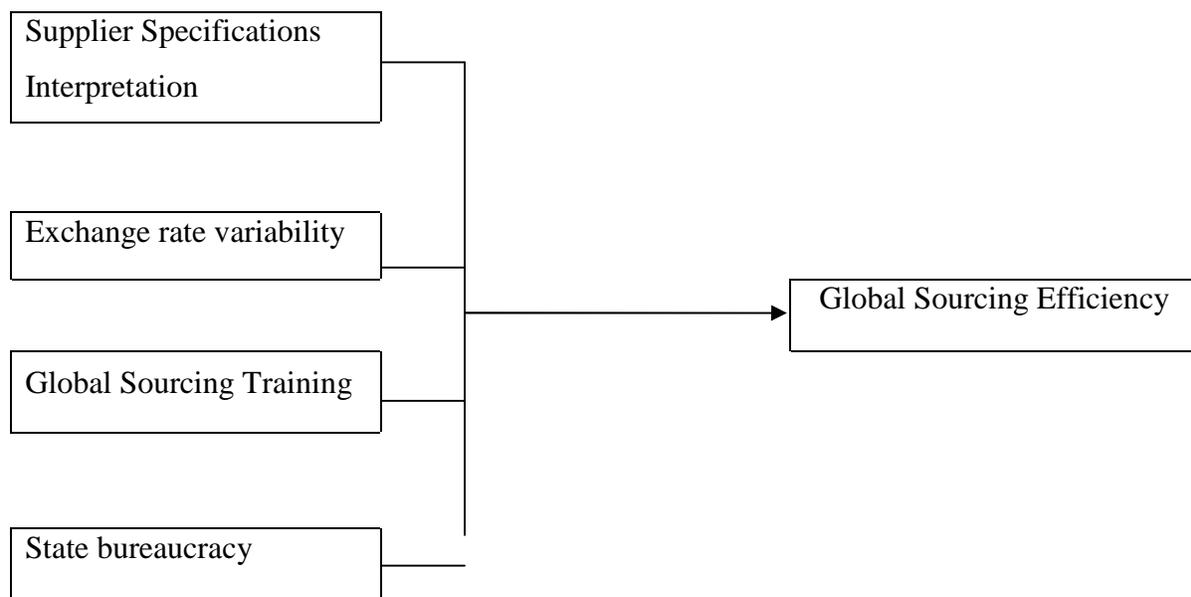


Figure 2.1 Conceptual Relationships between Variables

Research Methodology

This study used the descriptive case study research design. According to Kothari, (2008) descriptive research includes surveys and fact-finding enquiries and describes the state of affairs as it exists at present. A descriptive research design helps to ascertain and be able to describe the

characteristics of the variables of interest in a situation (Sekaran, 2006). It portrays the characteristics of a particular situation and it has the advantages of accuracy and flexibility (Cauvery *et al*, 2003). The design adopted assisted in tackling research questions such as what was the problem, how, when and why it was a problem. This is very appropriate given that the research is concerned with assessing the relationships between the variables and attempts to describe such things as state bureaucracy, exchange rate variability, global sourcing training and global suppliers' interpretation of procurement requirements.

Summary of the Major Findings

Supplier Specifications Interpretation

The language used by the humanitarian organizations in their supplies specifications is simple and clear and they oftentimes employ international metrics and constant values in their RFQs (Request for Quotations). Suppliers from the English-speaking overseas markets are able to correctly read and interpret the supplies specifications for the humanitarian organizations. Most of the supplies returned were from countries whose official languages were Chinese, Japanese, Taiwanese among others from the Eastern World. The suppliers from the European and American markets tended to really grasp the actual requirements as specified by the humanitarian organizations.

Exchange Rate Variability

There is enormous exchange rate variability with respect to global sourcing markets. These changes are driven by the erratic price movements in the international markets exacerbated by non-linear economic performance in the global economic progression. The global supplies environment is characterised by instability and this leads to pricing revisions and sometimes cancellations. The resultant consequence of these movements is the adverse impact in the global sourcing efficiency in the humanitarian organizations.

Training on Global Sourcing

The humanitarian organizations conduct periodic training for their staff. These training programmes are however infrequent and quite semi-structured. The training content does not

take due regard of the changes in the global sourcing trends. The training is conducted by internal staff and does not involve external experts that may be more well-versed with the global sourcing environment. There is no tracking mechanism in place to ensure that all staff undergo the mandatory global sourcing training and on schedule. This affects the global sourcing efficiency.

State Bureaucracy on Global Sourcing

The state regulations guiding global sourcing are clear in articulation but their operationalization is fraught with imperfection. The state agencies are quite unfriendly and the state bureaucracy hinders the smooth flow of the globally sourced supplies. The humanitarian organizations sense the need to revise governmental regulations to make them supportive to global sourcing. The state bureaucratic requirements hence affect the global sourcing efficiency in the humanitarian organizations.

A T-test to ascertain the factors affecting global sourcing in UNICEF Kenya

The significance levels indicate that there is a significant difference between the test value and the observed mean, (They are less than 0.05). The confidence interval for the mean difference does not contain zero, which indicates that the difference between the test value and the observed mean is significant thus the null hypothesis is rejected and the alternative accepted.

The findings indicate that the factors affecting global sourcing efficiency in increasing order of significance are supplier specifications, exchange rate variability, state bureaucracy and training.

Variable	Z statistics	Degrees of freedom	Sig	Mean difference	Lower 95% confidence level	Upper 95% confidence level
Supplier specifications	5.290	40	.000	1.066	.6543	1.4790
Exchange rate variability	3.232	40	.003	.7000	.2493	.7826
Training	1.777	40	.006	.3000	.0158	.7842
State Bureaucracy on	2.647	40	.003	.6000	.1364	1.0798

Global Sourcing

Conclusions

The global sourcing thrust in the humanitarian organizations is very vital to their sustainability. The international suppliers affect the global sourcing efficiency due to their failure to correctly read and interpret the supplies specifications. This problem is, however, limited to non-English speaking nations. The global sourcing efficiency is also affected by exchange rate variability mainly precipitated by volatility in hard currency pricing and commodity price movements. The humanitarian organizations do not have fixed global training calendars for their global sourcing staff. They also do not have dynamic global sourcing modules to keep their employees current on the global sourcing trends and challenges. The state bureaucracy is unfriendly and checks the global sourcing pipeline for the humanitarian organizations. It causes delays and generally hampers the smooth flow of globally sourced supplies.

Recommendations

The humanitarian organizations should use different languages in their global supplies specifications. They should engage language experts to ensure that the language used in the RFQs and other sourcing documentation is well-articulated, precise and easily understandable.

The humanitarian organizations should engage the service of global currency agencies that can help in providing futuristic data on currency movements. The ability to get timely forecasts on the exchange rate movements will enable the humanitarian organizations and global suppliers to make informed decisions that can foster stability in the global sourcing arena.

The humanitarian organizations should collectively lobby to their host governments to revise their policy frameworks guiding global sourcing. The goal of this is to get the state agencies to revise their approaches to global sourcing and appreciate the role it plays in facilitating the operations of the humanitarian organizations.

The humanitarian organizations should develop dynamic training modules to periodically induct its supplies staff on global environment and trends. The organizations should clearly document the competences required to successfully engage in global sourcing and gain the necessary value-addition and effectiveness level out of the process.

The study recommends further research into the merits and relative trade-offs (opportunity costs) of local sourcing in humanitarian organizations.

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