



## Can Heroes Be Efficient? Information Technology at the International Federation of the Red Cross

**Tuesday, March 18, 2003, Geneva**

The room buzzed with excited conversations, in a jumble of different languages, as people drifted into their seats around the table. Laura poured herself a very dark coffee and found a seat at one corner. The hot cup felt good in her hands and the thick brew made her feel warm and alert. It had been a cold walk from her hotel to the International Federation of the Red Cross and Red Crescent Societies (IFRC) headquarters building in Geneva. Kalle Loovi, IFRC Operations Manager, rose and called the Iraq Operation Task Force meeting to order.

“The ultimatum that the U.S. has given Iraq will run out in 48 hours and we will certainly be facing a conflict without UN support. Later today we will issue an appeal of 130-140 million Swiss francs to cover our first wave of relief. For the first time, the IFRC has repositioned people and relief items in neighboring countries, in anticipation of the outbreak of hostilities. We have positioned teams of experts in water/sanitation, health care, communications, reporting, and logistics along with relief supplies in Iran, Turkey, Syria, Jordan, and Dubai. We are preparing for up to 1.3 million displaced refugees.”

The ensuing discussion focused first on coordination with other relief agencies and then shifted to mobilization. The IFRC would time its appeal announcement with those of the United Nations and the ICRC, its sister organization whose task it was to support vulnerable people within Iraq. If the IFRC was not among the first to issue an appeal, its ability to attract funds would be limited. The IFRC had briefed 25 permanent diplomatic missions in Geneva over the last two weeks. Relief supplies and experts were flowing to the surrounding countries, with some delays due to a shortage of vehicles. Sourcing of supplies had involved armies, governments, NATO and other humanitarian relief organizations.

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This case was written by CDS Research Fellow Laura R. Kopczak and Professor M. Eric Johnson of the Tuck School of Business at Dartmouth. It was written as a basis for class discussion and not to illustrate effective or ineffective management practices. The authors gratefully acknowledge the support of Fritz Institute and the Glassmeyer/McNamee Center for Digital Strategies, which funded the research and development of this case. Version: October 20, 2004.

Laura could not help but be inspired by the intense calm of the group, as they formulated new plans based on this morning's understanding of the chaotic situation, let go of yesterday's beliefs and accomplishments, accepted the factors beyond their control that would limit the effectiveness of their efforts, yet continued to act with confidence and commitment. Her mission seemed simple and mundane by comparison: she was tasked with developing a business case for a new information system that would support procurement and supply chain execution for all of IFRC's operations.

The business case was not part of a decision process about whether to proceed with beta implementation – they would implement it. Rather, it was an action item from an external audit that had found that the IFRC had jumped in without properly justifying its rationale. She agreed that, even at this late stage of implementation, a strong business plan could help solidify commitment to the project and drive future investment for a full scale global rollout.

With fifteen years of supply chain consulting experience in technology firms like Nokia, Hewlett-Packard, Apple, and Lucent, Laura felt certain that the learnings and technology from those firms could help in humanitarian relief. Yet, this was the most challenging situation she had ever seen. She wondered what business principles would apply and how information technology could make a difference in this world of chaos and for this organization of heroes.

## **The Humanitarian Sector**

The IFRC was the world's largest humanitarian relief organization, with annual funding in 2002 of 238 million Swiss francs. It operated in a booming sector of the global economy: between 1990 and 2000 total humanitarian aid from governments increased from approximately \$2.1 billion to \$5.9 billion.

Funding for the world's twelve largest human relief organizations comes from the world's wealthiest countries (see Figure 1). Prominent among these donors are USAID (United States Agency for International Development) and ECHO (European Commission Humanitarian Office) who together contribute almost half of the total.

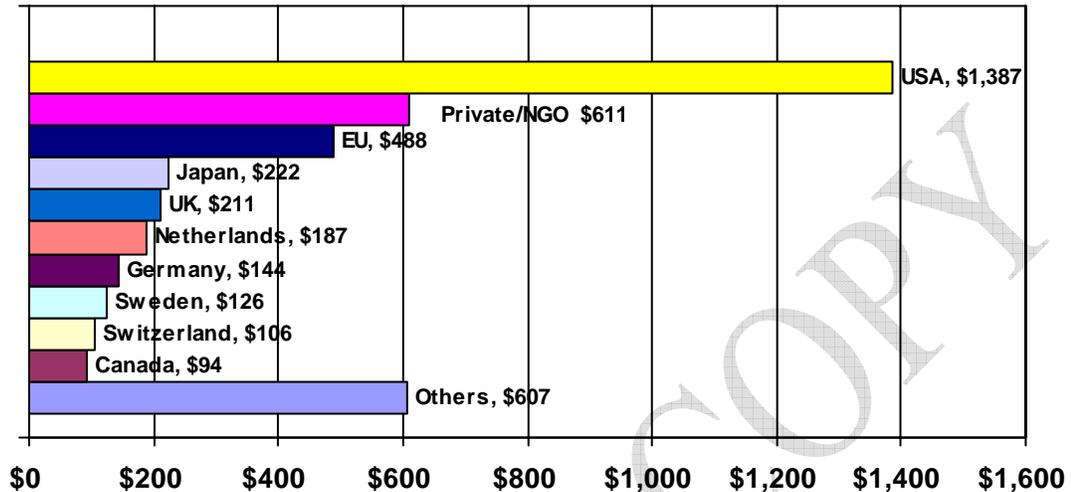
On the other hand, while natural and manmade disasters occur everywhere, they are most prevalent and have the most severe consequences in the world's least well-off countries. In 2002, the Federation launched appeals to assist 52 million people through 115 operations. Southern Africa and the Horn of Africa faced severe droughts, conflict threatened in West Africa and the Middle East, floods engulfed many regions of the planet and Argentinians faced economic ruin.

The IFRC competed directly with UN agencies and major non-governmental organizations (NGOs) such as World Vision, CARE and Oxfam for limited donor funding. Therefore, it was critical for IFRC to continue to cultivate its relationship with donors by reinforcing its reputation for efficient, effective, timely response and by improving ease of doing business. It was also imperative that the IFRC maintain its image of responsiveness – including “planting the first flag” at each major international disaster site. This meant having a team at the disaster site within 24-48 hours, getting goods flowing quickly, and providing the media with

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information and opportunities to create coverage of the human side of disaster that would touch the hearts and assuage the fears of readers and viewers.

**Figure 1: Top 10 Donors in 2002 (\$US Millions)**



Source: Compiled by Ocha based on information provided by appealing agencies

## IFRC Background And Strategy

The IFRC was described on its web site ([www.ifrc.org](http://www.ifrc.org)) as follows:

Founded in 1919, the International Federation comprises 178 member Red Cross and Red Crescent societies, a Secretariat in Geneva and more than 60 delegations strategically located to support activities around the world. There are more societies in formation. The Red Crescent is used in place of the Red Cross in many Islamic countries.

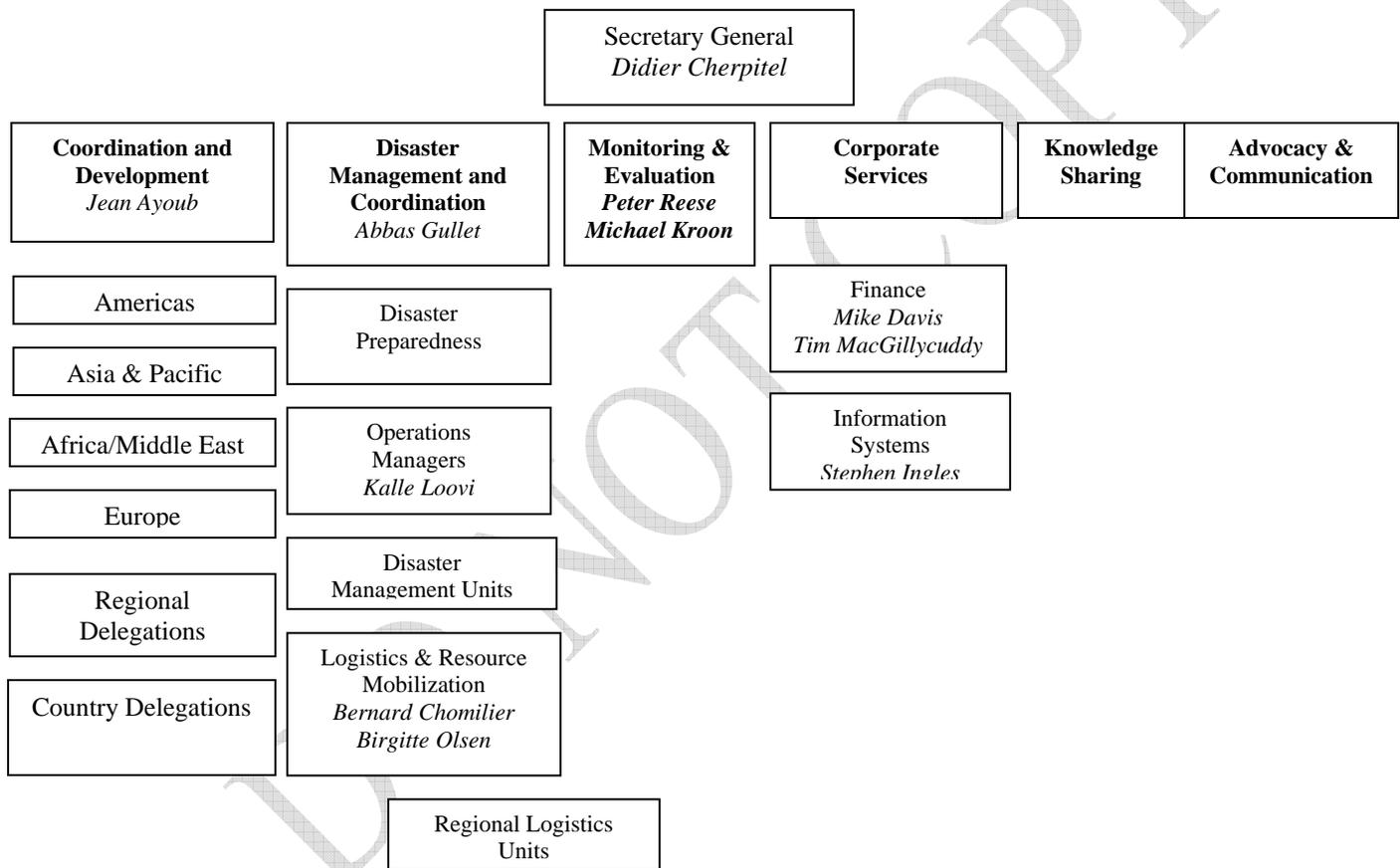
The Federation's mission is **to improve the lives of vulnerable people by mobilizing the power of humanity**. ... The Federation carries out relief operations to assist victims of disasters, and combines this with development work to strengthen the capacities of its member National Societies.

The unique network of National Societies - which cover almost every country in the world - is the Federation's principal strength. Cooperation between National Societies gives the Federation greater potential to develop capacities and assist those most in need. At a local level, the network enables the Federation to reach individual communities. Together, the National Societies have 97 million members and volunteers, and 300,000 employees, assisting some 233 million beneficiaries each year.

The role of the Secretariat in Geneva is to coordinate and mobilize relief assistance for international emergencies, promote cooperation between National Societies and represent these National Societies in the international field. The role of the field delegations is to assist and advise National Societies with relief operations and development programmes, and encourage regional cooperation.

The organizational structure of the IFRC (see Figure 2) supports the Federation's focus on four core areas: promoting humanitarian values (advocacy), disaster response, disaster preparedness, and health and community care.

**Figure 2: Federation Secretariat Organizational Structure, March 2003**



### Organizing For Relief

The relief effort for a major international disaster was organized as a set of short duration operations, each run by one of many (often as many as 200) relief organizations, with limited communication and coordination among the operations. Each relief organization

independently solicited donations, set up a supply chain to get the goods to the relief site, and established infrastructure, staffing and activities at the relief site.

While the IFRC preferred to focus strictly on mobilizing the goods that it solicited on behalf of the recipient National Society (NS), the logisticians and operations managers had to keep themselves apprised of all goods flowing to the relief site, as non-IFRC goods impacted the quantities, timing and types of IFRC-solicited goods, as well as the ability of the IFRC to effectively distribute those relief items. This was done informally.

Goods flowed in under one of six general types of arrangements (see Figure 3). IFRC's stated mission was to coordinate and deliver multilateral aid – aid committed against an IFRC appeal by multiple donors. Both donors and recipient NSs had questioned the value of having IFRC involved; some had recently increased their use of non-coordinated bilateral aid, bypassing IFRC. Since IFRC was run as a loosely knit federation, the IFRC did not require that the NS work through the secretariat.

The IFRC reported to donors on flows of the multilateral aid that it coordinated, both during and at close of operations. There was discussion within IFRC about its current policy of not reporting on aid made under other types of arrangements, and whether this could be an area in which the IFRC could provide value in the future. IFRC was wrestling with whether it would be appropriate, feasible, and competitively advantageous to establish itself as the leading single source of information about relief activities for major disasters, regardless of who was delivering the aid and whether the goods are solicited or unsolicited.

**Figure 3: Types of arrangements for solicited and unsolicited goods**

Multilateral	Solicited by IFRC, agreed to by IFRC
Coordinated bilateral	Solicited by IFRC, agreed to by recipient NS
Other, coordinated	Solicited by other NGOs
Unilateral	Unsolicited goods, without agreement, unannounced
Non-coordinated bilateral	Unsolicited, but recipient NS agrees to receive
Other non-coordinated	Unsolicited, shipped to other NGOs

## The Scope and Importance of Humanitarian Logistics

Humanitarian Logistics refers to the processes and systems involved in mobilizing people, resources, skills and knowledge to help vulnerable people affected by natural disasters and complex emergencies. Humanitarian logistics encompasses a range of activities, including procurement, transport, tracking and tracing, customs clearance, local transportation, warehousing and last mile delivery (see Figure 4).

Logistics is central to disaster relief for several reasons. First, it serves as a bridge between disaster preparedness and response, between procurement and distribution, and between headquarters and the field. Second, it is crucial to the effectiveness and speed of response for major humanitarian programs, such as health, food, shelter, and water and sanitation. It is

generally one of the most expensive parts of a relief effort. Third, since the logistics department tracks goods through the supply chain, logistics data reflects all aspects of execution, from the effectiveness of suppliers and transportation providers, to the cost and timeliness of response, to the appropriateness of donated goods. Thus, it is critical to performance of both current and future operations and programs.

**Figure 4: The Supply Chain for Humanitarian Relief**

**Information Chain**



## Humanitarian Logistics at the IFRC

The Secretariat in Geneva coordinated flow of relief items sourced from in-kind donations from donors, purchases from vendors and pre-positioned stocks that would need to be replenished. For minor emergencies, local NSs would procure locally themselves. As part of its long term strategic plan, the Secretariat was working to establish regional logistics capabilities that would eventually take on much of the logistics work currently done in Geneva.

Within a given disaster response operation, knowledge and decisions from each area of activity drove and constrained logistics efforts, as follows:

- Assessment:** When a disaster struck, the IFRC worked to quickly and accurately ascertain the supplies required to meet the relief needs of the affected population. Typically, an assessment team with individual expertise in areas such as water/sanitation, health care, and nutrition, was dispatched to the disaster area within the first 24 hours of a crisis. Logisticians estimated needs based on early rough projections of numbers of beneficiaries that might swing wildly in either direction as new information emerged.
- Appeals Management:** A preliminary appeal for donations of cash and relief supplies was launched, often within 36 hours of the onset of the disaster. This appeal was the basis for large-scale mobilization of supplies: if donors did not respond and the appeal was underfunded, relief could not proceed. The type and quantity of relief supplies needed were published to a mobilization table (a spreadsheet), that was used to track donations against demand. Since donations might be either in cash or in kind, logisticians had to work with donors to insure that in kind donations were appropriate and useful to the relief need. Simultaneously, any pre-positioned supplies available to the organization were assessed, and procurement activities were begun as necessary.

- **Operations Planning:** Coordination of the distribution of relief supplies with other relief activities such as infrastructure repair and construction of field hospitals was critical to making it effective. Constraints such as the political situation and weather or safety issues were likely to impact planning.
- **Procurement:** Relief items not covered by in-kind donations from donors were purchased from vendors. Recently the IFRC had created blanket agreements with key vendors to set annual pricing and terms of trade, so that paperwork and negotiations were done outside of the response lead time.
- **Mobilization:** International transport capacity was mobilized and supplies sent directly to the afflicted country, where in-country staff arranged for customs clearance and transportation to warehouses at the disaster site. A prerequisite for timely delivery was the timely flow of reliable information among the involved parties.
- **Site Operations:** In-country staff ran the site operation that received, warehoused and distributed relief items to beneficiaries, and reported to the logistician on material flows at the site.
- **Coordination with Other Relief Organizations:** As relief organizations sought to set up facilities and infrastructure, and to move supplies and people in and out, competition for locally available commodities and services often drove up prices. Competition for lodging and vehicle purchase/lease had been known to drive prices up by a factor of ten compared to normal conditions. Congestion also might limit availability of relief supplies, as happened during the Gujarat earthquake, when one main airport with few officials, trucks, and warehouses served as the entry point for 50 organizations flying in goods over a period of ten days.
- **Reporting:** Reports served as a coordinating mechanism as operations unfolded, and as a means to monitor effectiveness of relief during and at the close of an operation. Early reporting to the media increased pledges. Reporting also met donors' needs to inform their own constituencies about their activities. Timely reporting was critical, yet difficult to achieve, given the lack of information systems and communications infrastructure at disaster sites. Reporting was also hampered by a lack of training of field employees.

## The Iraq Appeal

“This appeal seeks CHF 111,039,000 in cash, kind and services to assist 305,000 beneficiaries for 9 months.”

—from IFRC Emergency Appeal no: 8/03, issued Thursday March 20, 2003

To better understand IFRC's logistics processes, Laura discussed the Iraq mobilization with Birgitte Olsen, the logistician responsible for the Iraq operation, and read through the draft of the Iraq appeal. The text of the final appeal, as issued on March 20, is included in Exhibit 1.

Birgitte was leading the effort to pre-position non-food relief items to support a possible mass population movement. Goods were being positioned in five surrounding countries and at regional warehouses in Amman and Dubai.

Birgitte followed the customary process in organizing information about logistics activities for this operation. She used a database program to create the "mobilization table" spreadsheet that details the relief needs by commodity and destination (see Exhibit 2). There were 20 commodities listed in the initial appeal, including tents, blankets, kerosene stoves, mattresses, pillows, kettles, towels, hygiene parcels and jerry cans. She then set up a spreadsheet for each commodity type that tracks each donation through pledge (cash or in-kind), procurement, logistics, and shipment. Each piece of paperwork (e.g. purchase order, Goods Received Notice, invoice) was created in a separate Microsoft Word file, and printed out and stored in the appropriate binder. As goods flowed through the pipeline, paperwork for the various transactions was matched, and reconciliation done, to demonstrate to donors that the flow had been well-controlled, and that pledge money had been converted into distributed relief items.

Birgitte had been in constant communication with donors, vendors, logistics providers, recipient National Societies, and other humanitarian organization. She had sent and received queries, responses, advisories, transactional information, updates and reports by phone, fax, and files attached to email messages.

While the IFRC would have liked to have a standardized process for managing information across all major operations (and ideally across all procurement and logistics activities), this was not the case. Each operation was managed with a separate database and recordkeeping. The process varied based on which logistician was responsible. And there was no visibility across operations.

## Humanitarian Logistics System

In contrast, Wally Lee and Marc Zbinden, the people at Fritz Institute that were leading the Humanitarian Logistics Software (HLS) development, provided Laura with a flowchart of the system and described how it would be used to manage mobilization efforts in the future (see Figure 5).

HLS was structured around four modules, with a report generation capability riding on top. The *general module* supported structural requirements such as set up of operations and specification of relief items. The *mobilization module* supported identification of relief item and service requirements based on appeals and field input, mobilization of goods from in-kind donations and federation stocks. The *procurement module* supported Requests for Quotation, bids, Comparative Bid Analysis, purchase order generation, Goods Received Notices, and purchase invoices. Last, the *logistics tracking module* supported tracking and ensuring delivery of goods to the disaster site. This would eventually include goods in-transit and at regional, country and relief site warehouses.

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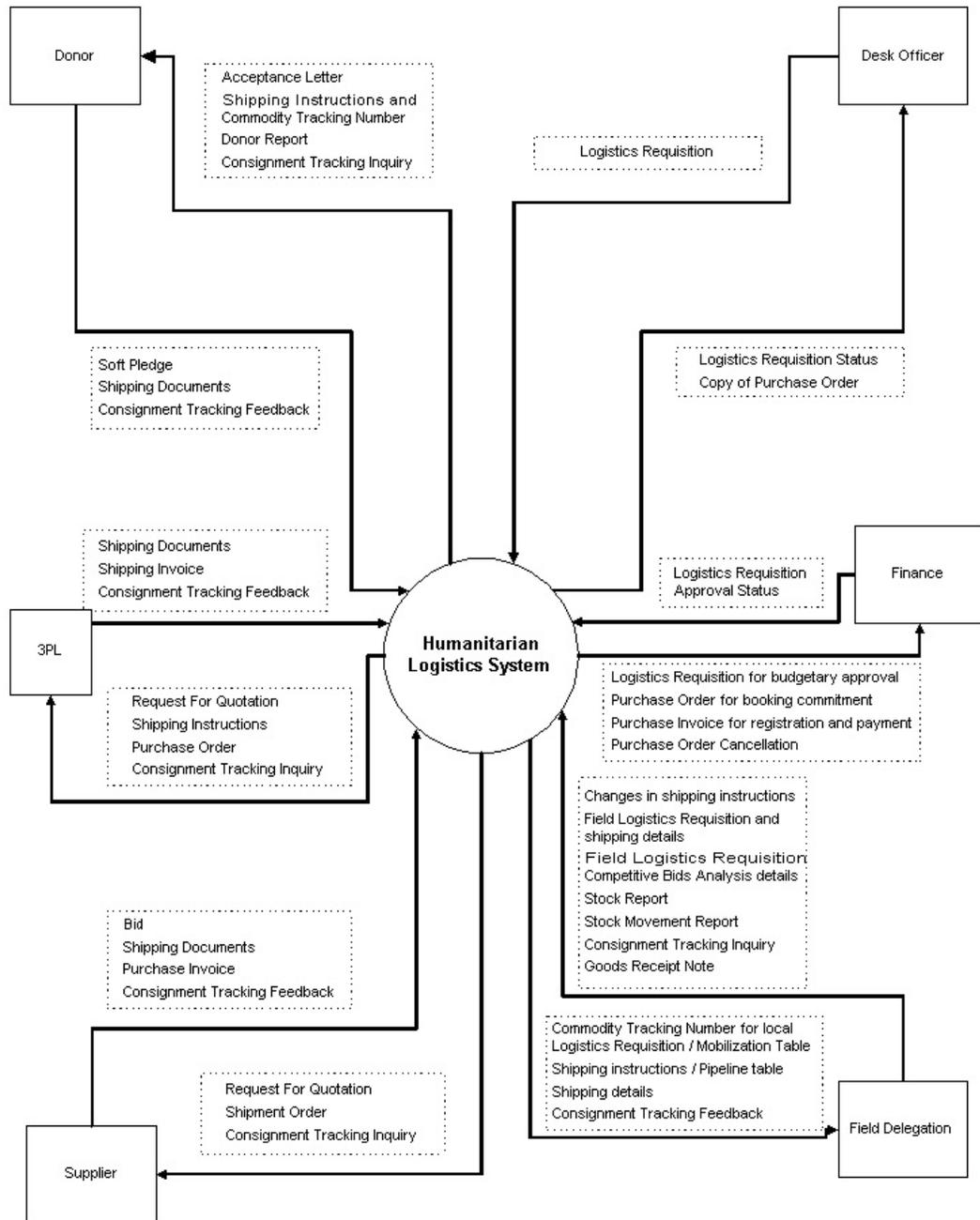
The technology was configured to support web-based queries and electronic information sharing. The central database and easy connectivity would allow the IFRC to summarize historical information across projects and to provide its partners access to its real-time and historical information on an as-needed basis.

Development of HLS was an eventual outcome of a meeting that took place at the January 2001 World Economic Forum meeting, at which three people from the IFRC – Didier Cherpitel, the Secretary General; Jean Ayoub, the head of Disaster Management, and Bernard Chomilier, the head of logistics – met with Lynn Fritz, the ex-CEO of Fritz Companies, Inc., a San Francisco-based logistics company that operated in 120 countries. Having sold the company to UPS in 1999, Lynn had formed and funded the (non-profit) Fritz Institute, who sought to mobilize logistics and technology expertise from the corporate community to strengthen the infrastructure of humanitarian relief organizations.

Over the next eight months, Lynn and Bernard discussed how a Logistics Information System (LIS) could improve humanitarian logistics, and what form that technology should take. Bernard believed a LIS would enable the IFRC to standardize on one system, with one data repository, that would force conformance to standard processes, professionalize approaches, and impose discipline on the field, assuming that connectivity in the field could be established. As Lynn saw it, the IFRC represented a typical humanitarian organization, with a federated structure in which the ideal role for the secretariat would be to provide best practices and tools to its member societies. Logistics was a perfect arena in which to operationalize this model. The fact that the IFRC was so people dependent - with high employee turnover - and little in the way of formalized processes and systems, limited organizational learning and institutional memory. An LIS could address these issues.

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**Figure 5: Data Flows for Humanitarian Logistics Software**



IFRC and Fritz Institute decided to jointly develop an LIS on September 10, 2001. In making this decision, IFRC decided not to use an ERP system for materials management, but to instead have Fritz Institute develop a custom software. Fritz Institute offered to absorb all of the development costs, and hoped to leverage these costs by using IFRC as a success story that would convince other humanitarian organizations to implement it.

IFRC had been looking at implementing an ERP system from one of the “Top Five” ERP vendors. The projected cost of the ERP system was \$12 million. Bernard argued fervently for a “best of breed” solution, on the basis that logistics would not be well-served by an ERP system. Specifically, while an ERP system could support procurement, it could not provide the tracking and tracing capabilities for finances and goods and accountability for dollars spent that donors were demanding. (This required linkages between appeals, funding, procurement, mobilization and distribution.) Fritz Institute further argued that the LIS solution would be much less costly and easier to learn and use than an ERP system. Bernard convinced IFRC to implement a “best of breed” solution, using SAP for human resources, CODA for finance, and the proposed LIS for logistics.

Fritz Institute selected a software developer, Iris Logic-Blue Star, with offices in San Francisco, USA and Mumbai, India. The development project was officially launched in May 2002. The project was proceeding in four phases, with the following start dates:

Requirements Gathering	May 2002
Development	August 2002
User Acceptance Testing	April 2003
Turn-on	September 2003

## Interviews

### Friday March 21, 2003

On Thursday and Friday, Laura interviewed five people from other departments who had a stake in HLS to get their perspectives.

### Kalle Loovi - Operations Planning

Kalle Loovi, a Finn, was one of three operations managers who together oversaw about 35 major international disasters each year. He gave an amusing example of the difficulty in establishing a level of quality for a specified relief item. When the IFRC had assisted refugees in the mountains of Azerbaijan, and Finland had donated summer tents for the relief effort, the local NS had received them as the “best ever” winterized tents.

As Kalle described it, disasters varied in how they occurred – earthquakes gave no notice, often war could not be foreseen; an Ebola outbreak had limited duration, drought and famine might be chronic; a commercial disaster might strike anywhere anytime; hurricanes were subject to seasons and regions. Given these circumstances, the job of the IFRC was to enhance local capabilities and to balance preparedness and relief. Advance planning reduced cost and enabled IFRC to better coordinate with its partners and with other NGOs, alleviating

the inevitable congestion and confusion that inhibited the flow of relief to the beneficiaries. The rule was, “When you can, you plan, and even when you can’t, you still must try.”

Kalle hoped that HLS would make relief more timely and less costly, and reduce the negative impact of relief efforts. As an operations manager, he was keenly aware of the information gathering and decision making that occurred as the organization set up the pipeline for a new disaster. If it was a rapid onset disaster (an emergency), the situation had to be assessed, preliminary donor commitments solicited, and sources for relief items identified within 48 hours. This involved a matching of what was needed with what was available, and a series of negotiations and compromises based on the goals of the various organizations involved and the images that they wanted to project through the media.

The forecast of needs fluctuated dramatically. Updates from the field revised the number of people affected, as well as the understanding of potential impact on housing, water, food supply, sanitation and health. Commitments from the local NS as to what relief items they would supply were subject to change. The local government might refuse certain items, as had been the case in southern Africa when some governments refused to accept genetically modified grain.

On the supply side, the logistician canvassed his or her network for information on cost, quality and timeliness of potential sources of supply and transport options, as well as insider knowledge about what it takes to clear customs and move goods locally. Much of this information was in people’s heads or in notebooks archived from past operations.

Kalle anticipated that HLS would become the source for accumulated knowledge about sourcing and logistics, and that having HLS would free up logisticians and the operations manager to focus on decision making, rather than information gathering. He also saw HLS as a real-time reporting system that would allow donors to track distribution of the goods they supplied, and recipient NSs to anticipate receipt of the goods they need.

He also anticipated that the IFRC would be able to use information on past performance of suppliers and donors to improve cost and responsiveness, and to highlight and resolve ongoing issues. He saw a need to educate “low-performing” donors – to show them that other donors are more responsive and less inclined to donate unsolicited goods. Unsolicited goods clogged the pipeline and in some cases required the IFRC to set up expensive disposal operations. They also could potentially discredit the IFRC, locally or internationally, especially if they drew media attention. Examples included donations of 600 metric tons of unsorted second-hand clothes, or planeloads of European beef at the time of the “mad cow” disease scare.

### **Peter Reese - Donor Reporting**

Peter Reese felt strongly that reporting was an area in which IFRC could distinguish itself from its competitors. Donors required reports that showed how their donations flowed to the beneficiary, as a form of oversight and as a source of information that they shared with the media to publicize their impact. The media valued reporting, particularly in the first 48 hours of a rapid-onset disaster. Peter had seen cases in which early reports from the field, supported

by cable media film footage, increased pledges by 50%. He also saw a cost-competitive reporting process as a potential differentiating factor.

Yet reporting was time-consuming, people-dependent and inconsistent. For a given operation, the budget holder – the local delegate for a particular programme (such as health or water/sanitation) wrote a report on relief items related to that program. Reports were then consolidated at the regional level and finally by Peter Reese's group in Geneva. Peter also received from the logistician a reconciliation statement for each commodity type that showed inflows and outflows from the field warehouse and tied all flows of relief items to pledges. Eventually a post-operation review was generated, to be read by the Geneva organization with an eye towards addressing gaps. Reports for individual donors for a given operation were created. In addition, semi-annual and annual reports were generated.

If the local delegates for an operation happened to be computer savvy and appreciative of the value of reporting, then information flowed smoothly. This had been the case in Yugoslavia. Early shipments made by the German and Spanish NSs had been quite visible in the media. This enhanced the credibility of the IFRC and increased pledges dramatically. On the other hand, there had been very poor reporting and coverage of the floods in East Bengal and Orissa.

Peter offered the idea that someday the IFRC could provide a web-based self-service reporting system that donors could use to monitor the location of their donated items in real-time. He also supported the idea of a pledge marketplace, in which donors could see the gaps between what was needed versus what had been pledged, and then make pledges on-line. He emphasized, however, that it was during the first 48 hours that information was most valued, and wondered whether HLS could address that need. Furthermore, he was concerned about reliability and timeliness of information coming from the field. For instance, in Yugoslavia, the local NS has 660 branches, with 2-5 paid staff plus volunteers working in each branch.

### **Abbas Gullet – Disaster Management and Coordination**

A print of Mount Kilimanjaro hung on the wall of Abbas Gullet's office, a reminder of a time when he worked with Bernard in the Nairobi field office. He focused on the opportunity for IFRC to exhibit leadership within the humanitarian sector, to be "ahead of the pack." This meant being accountable, transparent, cost-effective, flexible, responsive and modern. As he put it, "In June when we prepare our projections for 2004/2005, the secretary general will be asking, 'How will you do business differently?' The answer must be that we will be faster, that we will work more closely with the field, with donors and with other NGOs, and that we will innovate and roll out new initiatives before being driven to do so by donors." As decentralization occurred, HLS would force the field to follow standard processes, maintain fair, transparent business practices and report to donors in a timely manner.

He also discussed IFRC's plan to decentralize logistics, and argued that the implementation of HLS as an initial investment needed to prepare for the move to the RLU structure. Currently IFRC had one regional logistics unit – in Panama – that was responsible for procurement and logistics in support of disaster preparedness and response in 13 countries in the Caribbean and Central America. The plan was to eventually start up additional regional

logistics units in Johannesburg, Kuala Lumpur, Abu Dhabi, Nairobi, and other locations that would support operations in their region, directly and through support of country delegations. This was part of IFRC's strategy to empower the field, country NSs and country delegations, and to change the role of Geneva to one of oversight and leadership.

### **Birgitte Olsen – Logistics and Resource Mobilization**

Birgitte had been tasked to develop a procurement strategy for IFRC. She was collecting data from the field – the Panama regional logistics center, IFRC's field delegations, and the local NSs – in order to understand where procurement was being done and what types of goods were being purchased.

While donors had been putting pressure on IFRC to decrease head count in Geneva and transfer activities to the field, Birgitte had reservations about what realistically could be made to work. As she saw it, transfer of procurement of medicine to the field would be very risky. It would be extremely difficult, if not impossible, to prevent corruption and fraud, and to insure the integrity and quality of supply. Transfer of global food procurement to a place such as Abu Dhabi, a location in the region where most food aid was distributed, would also carry some risk, but that risk could be overcome. The issues related to food included lack of professionalism of local logisticians, lack of knowledge and relationships with key food suppliers, lack of experience in monitoring food quality, and connectivity issues. Transfer of non-food items such as tents and water sanitation kits was more straightforward, as there was less risk of doing harm if quality control suffered. Insuring speed of response was, however, still an issue even for these items.

Birgitte felt that HLS could facilitate the transfer of procurement activities to the field by codifying knowledge and by enforcing professional standardization and discipline. To create these benefits, however, field personnel would have to use the system. She was concerned about how the IFRC would roll out the system to the field. At the regional level, roll-out could be done by having someone from Geneva spend 3-6 months working at the regional logistics unit with the people there. It was less clear how roll-out to small local NSs and emergency field operations could be done, particularly given the high employee turnover, poor connectivity and the pressure to forego any time-consuming administrative processes in order to focus on the actual distribution of aid.

### **Stephen Ingles – Finance**

Stephen felt that the business case for HLS should be built around how it would impact operational efficiency, speed, and number of touch points for transactions throughout the IFRC and at donors. He also touched on the need for process integrity and control, especially as IFRC moves to the decentralized structure. He had been impressed by the way that HLS was driving the logistics department to focus on process documentation and improvement. He felt that IFRC could earn donor respect by demonstrating continuous process improvement.

While he saw HLS as a useful tool for providing visibility of the pipeline, he stressed that IFRC had not yet resolved who would use HLS and for what HLS would be used. He had

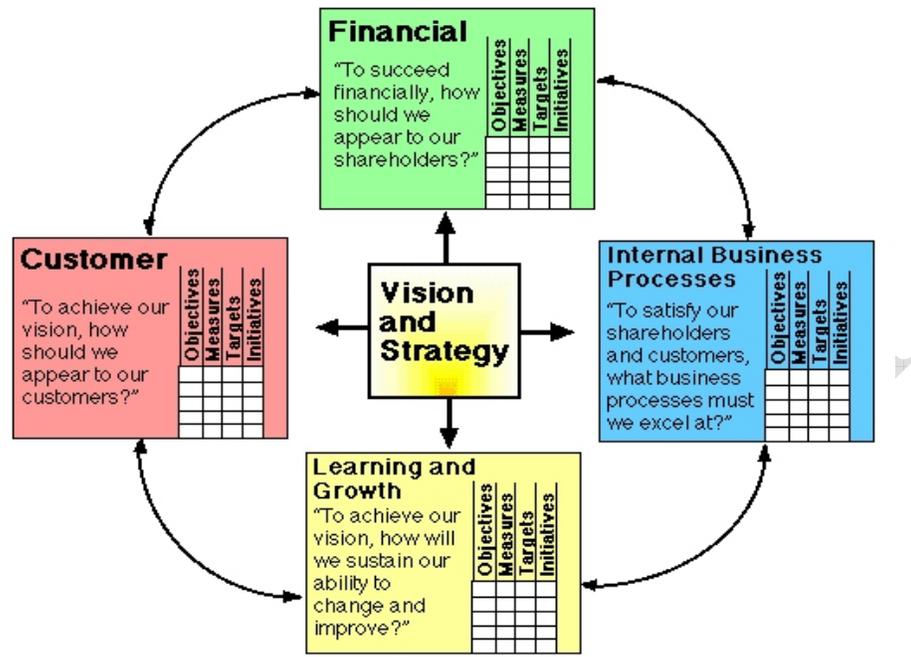
recently been involved in a cross-functional team that worked on improving information management for the income process – tracking of pledges. He would like to see the IFRC eventually monitor and publish both multilateral and non-coordinated bilateral (donor to recipient NS) pledges through its information system, so that the whole need would be recognized. He felt that the IFRC should not track unsolicited donations, as that was not part of their stated mission.

Laura asked Stephen what measures of logistics and procurement performance the top management team would like to see on a regular basis. He didn't have any in mind. Top management did look regularly at statistics on pledges, as they provided the cash flow that allowed IFRC to keep operating. They had not, however, expressed interest in seeing statistics on logistics. Stephen felt that it was up to Bernard to define his goals and establish measures that he would like to track.

When she showed Stephen the balanced scorecard approach that a team of INSEAD students had suggested that the IFRC pursue, he indicated that currently the organization's focus was on financial measures (pledges and distribution to beneficiaries) and customer measures (surveys of the NS's to assess their perception of how well the secretariat was supporting them). Measures of internal business processes and measures of learning and growth were not in place, nor was anyone asking for them.

### **Saturday March 22, 2003**

What had impressed Laura most that week had been what she saw as a paradox. The IFRC was so committed to its mission and went about the daunting task of relief with such grace, humanity, insight and drive. At the same time, she couldn't understand the lack of a clear plan for how they would evolve over the next few years and how they would measure success, beyond their current focus on reporting to donors about use of pledges to help beneficiaries.

Figure 6: Balanced Scorecard<sup>1</sup>

The potential for rolling out HLS to organizations beyond the Secretariat carried both opportunity and risk. The formidable response capability of the Secretariat was built on the strength of its enduring relationships with its diverse set of stakeholders and on its ability to configure, run and disband supply chains in uncertain, chaotic environments. The knowledge behind this capability resided in Geneva. Thus, there was risk in trying to relocate this knowledge to other locations and organizations. At the same time, there was the opportunity to strengthen capabilities by combining the knowledge and professional strengths of Geneva with local understanding of the field organizations and by better integrating Geneva with its other stakeholders.

Given this view, Laura set about developing her recommendations in two areas. First, as requested, she would present her findings on the business case for HLS, as used either by Geneva or by regional logistics units to support mobilization for international emergencies. In addition, however, she would present recommendations on how the IFRC should, together with its other stakeholders, manage development and roll-out of information technology initiatives both internally and within its network.

<sup>1</sup> From "Building a Balanced Scorecard for the IFRC," INSEAD Business School

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**Exhibit 1: Iraqi Appeal, pages 1 and 4**

International Federation  
of Red Cross and Red Crescent Societies

Appeal no: 8/03  
20 March, 2003

**IRAQ AND NEIGHBORING COUNTRIES: HUMANITARIAN  
CRISIS**

*The Federation's mission is to improve the lives of vulnerable people by mobilizing the power of humanity. It is the world's largest humanitarian organization and its millions of volunteers are active in 178 countries. For more information: [www.ifrc.org](http://www.ifrc.org)*

**IN BRIEF**

**THIS APPEAL SEEKS CHF 111,039,000 (USD 79,776,929 or  
EUR 75,481,631) IN CASH, KIND AND SERVICES TO ASSIST  
305,000 BENEFICIARIES FOR 9 MONTHS**

**Executive Summary**

Responding to potentially enormous humanitarian needs in the region caused by a possible mass population (internally displaced) movement within Iraq, or from Iraq to the neighboring countries of Iran, Turkey, Syria, Jordan, Kuwait and Saudi Arabia, the Federation, the ICRC, and respective NSs have formulated a strong, flexible and cohesive Movement-wide strategy. In line with the Seville Agreement, the ICRC is lead agency in Iraq, while the Federation is responsible for the Movement's humanitarian response in neighboring countries. The Federation's immediate overall priorities, reflected in updated contingency plans, are primarily focused on providing assistance to national societies to support the delivery of assistance to refugees (or other beneficiaries) by:

- Scaling-up of operational capacity;
- Enhanced disaster preparedness training;
- Pre-positioning of stocks; and
- Preparing refugees or displaced persons camp sites.

The Federation's immediate relief response will focus, more specifically, on health and care, water and sanitation, the distribution of non-food and food items, and temporary shelter.

The situation is clearly evolving, and there remains considerable uncertainty regarding the direction, duration, size and impact of military action, and the resulting humanitarian crisis. But this response is part of a Movement-wide and coordinated humanitarian relief strategy, as well as operational partners such as UNHCR, WFP, and other UN agencies, and NGOs.

Despite the time involved in drawing up this strategy, it remains difficult to predict the total number of people that might eventually seek assistance and protection outside Iraq, and the length of time that this assistance might be needed. The Federation and respective NSs in the region have therefore agreed on a two-phase operation, consisting of:

- Phase 1: reinforcing effective disaster response capacity in Iraq and neighboring countries involving updated contingency plans, pre-positioning of relief stocks, and disaster response training (action already accomplished) in preparation for the anticipated relief operation; while
- Phase 2: planning for rehabilitation programmes aimed primarily at national society capacity building.

The Federation is therefore seeking CHF 111,039,000 to implement a flexible operation based on assisting the national societies in the region to fulfill their mandates in effectively delivering critical assistance to vulnerable groups. Unearmarked funds are sought in order to provide enough flexibility to cover the already incurred expenses and to enable the operation to evolve in line with developments in the region at large.

## Exhibit 2: Preparations to Date

Details on the total regional preparedness stocks available for 65,000 families or 305,000 persons (approximately five members per family) are reflected in the following table:

Commodity	Iraq* (15,000 families)	Iran (20,000 families)	Turkey (16,000 families)	Syria (1,000 families)	Jordan (1,000 families)	Regional in Jordan (8,000 families)	Regional in Dubai (4,000 families)	Total
Family tents 4x4	2,000	20,000	16,000	1,000	1,000	8,000	4,000	52,000
Blankets	45,000	100,000	160,000	5,000	5,000	40,000	30,000	385,000
Plastic Tarpaulin							10,000	10,000
Kerosene stove	15,000	20,000	16,000	1,000	1,000	8,000		45,000
Kerosene heater 5.21	8,000			1,000	1,000	8,000		34,000
Mattresses			16,000	5,000	5,000	40,000		50,000
Pillows				3,000	3,000	24,000		30,000
Beds						16,000		16,000
Kitchen sets (5 person)	15,000	20,000	16,000	1,000	1,000	8,000	5,000	66,000
Kettle		20,000						20,000
Bucket		20,000						20,000
Jerry cans 20 l	15,360		16,000	2,000	2,000	16,000		51,360
Jerry cans 10 l							15,000	15,000
Tanks for water and fuel		40,000						40,000
Kerosene lamps	15,000	20,000	16,000	1,000	1,000	8,000		61,000
Towels	45,000			3,000	3,000	24,000		75,000
Soap sets (5pcs/100g)	15,000			1,000	1,000	8,000		25,000
Hygiene parcels (1/family/month)		60,000						60,000
Plastic sheet (rolls 60x4)	2,000			100	100	800		3,000
Rubbhalls						4		4