

Procurement Structure of Third Sector Organizations: An Analysis

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**PROCUREMENT STRUCTURE OF THIRD SECTOR ORGANIZATIONS:
AN ANALYSIS**

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**THESIS SUBMITTED IN PARTIAL FULFILMENTS OF THE DEGREE
OF MASTERS OF PROCUREMENT & SUPPLY MANAGEMENT**

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SUPERVISOR AUTHORISATION

I hereby recommended and certify that this dissertation entitled “Procurement Structure of Third Sector Organizations: An Analysis” is a research work conducted by Muhammad Azizur Rahman, MCIPS, a student of BRAC Institute of Governance and Development, BRAC University, BU ID No. 1338201 under my supervision for partial fulfillments for the degree of Master in Procurement and Supply Management, BRAC University, Dhaka, Bangladesh.

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ABSTRACT

This thesis has been designed to validate a professional finding for the Third sector while the researcher worked in BRAC as Head of Procurement from 2007 to 2014. The proposal is to carry out an inquiry whether a mixed structure of centralized and decentralized procurement i.e. hybrid structure could be ideal for a large Third sector organization like that of BRAC. In line with this inquiry, the literature review has been carried out first to see what really is meant by the Third Sector. After determining the same, the researcher has delved into the arena of literature review where he has tried to determine which structures are currently being applied and what the current practices of procurement for all three sectors were. Furthermore, the researcher has elaborated various facets of centralized, decentralized and mixed or hybrid procurement structures with specific reference to the Third Sector. In the hybrid segment the four available types, such as Strategically Controlled Action Network (SCAN), Centre Led Action Network (CLAN), Devolved procurement e.g. the Lead Buyer System and Partnering, have also been focused. It is deduced from the review that hybrid structure depending on the type of purchases could be ideal for a large Third Sector Organization like BRAC that is spread over continents.

To further validate the finding, the researcher also carried out surveys through primary data collection. A population of 50 highly qualified procurement professionals was selected from the three sectors for responding to the questionnaire out of which 44 professionals responded. The professionals have the experience of working mostly in the upper level of the procurement function and have risen to their respective positions from the functional level to the strategic level having grasp of the issues involved with designing or streamlining the structure of all three sectors including the Third Sector. As many as 27 questions were framed ranging from the demographic data of the respondents to centralized/decentralized structure and then the hybrid structure. In the survey, Strategically Controlled Action Network (SCAN) hybrid system obtained overwhelming support from 61.4 % respondents, Centre Led Action Network (CLAN) hybrid system got 25 %, the partnering 11.4 % and the Lead Buyer System secured no following. It speaks volumes in support of the thesis that SCAN hybrid system would be ideal for a dispersed organization like BRAC and to a lesser degree CLAN system could be applicable to the Third Sector Organizations where devolvement to the division level is required for meeting the local requirement.

TABLE OF CONTENTS

ACKNOWLEDGEMENT	5
ABSTRACT.....	6
TABLE OF CONTENTS.....	7
LIST OF TABLES AND FIGURES.....	9
CHAPTER I - INTRODUCTION.....	10
1.1 Historical Background	10
1.2 An Overview on Centralization and Decentralization of Purchasing Function	11
1.3 Significance of the Study	13
1.4 Problem Statement	14
1.5 Research Questions	15
1.6 Objectives	15
1.7 Scope & Limitations	15
CHAPTER II - LITERATURE REVIEW	17
2.1 The Third Sector	17
2.2 Development of the Third Sector over the years	17
2.3 Significance of the Third Sector to the Society and the Economy.....	17
2.4 Defining and Theorizing the Third Sector	18
2.5 Partnership between Public and Third Sector	19
2.6 Procurement Structure.....	22
2.7 Development of the Radical Organizational Structure	23
2.8 Different Organizational Structures	24
2.9 Basis for Departmentalisation/Structuring.....	25
Strategic Business Unit	30
2.10 Emerging Trend in Organizational Structure.....	31
2.11 Restructuring.....	32
2.12 Organisational Structure According to Lysons & Farrington	33
2.13 Matrix Organizational Structures.....	34
2.14 Centralised or decentralized or devolved structure	37
2.15 Hybrid or Mixed Structure.....	42
2.16 The Structure of a Centralized Procurement.....	44

2.17	Hybrid Structures	46
	Summary	48
	CHAPTER III - METHODOLOGY	49
3.1	Introduction.....	49
3.2	The Research Methodology of this Study.....	49
3.3	Sample Selection and Determination of Size.....	50
3.4	Instrumentation	50
3.5	Data Collection	51
3.6	Data Analysis.....	51
	Summary.....	52
	CHAPTER IV - DATA ANALYSIS AND FINDINGS.....	53
4.1	Introduction.....	53
4.2	Demographic information of the respondents.....	53
4.3	Analysis of the Responses.....	54
	General information	54
	Centralized Purchasing	70
	Decentralized Procurement Structure	74
	Hybrid Structure of Procurement.....	76
	CHAPTER V	78
	RESULTS AND DISCUSSION WITH REFERENCE TO BRAC	78
5.1	A Case Study on BRAC.....	78
5.2	Economic Development.....	80
5.3	BRAC Structure and Procurement Function.....	86
5.4	Result Implications for BRAC.....	87
5.5	Summary	87
	CHAPTER VI.....	88
	CONCLUSION.....	88
	ANNEX I	92
	QUESTIONNAIRE	92
	Annex II -List of the respondents	94
	ANNEX III- Glossary	96
	BIBLIOGRAPHY	98

LIST OF TABLES AND FIGURES

Tables	
Table 1: A continuum of Intra organizational mechanism taken from Lysons and Farrington.....	Page 34
Table 2: Comparison of Localised and Centralised Function (Lysons & Farrington).....	Page 46
Table 3: Demographic Information of the Respondents (Source: Annex II).....	Page 53
Table 4: Significant opportunities of procurement in NGO sector.....	Page 55
Figures	
Figure 1: The Functional Structure (Source: Google Images).....	Page 26
Figure 2: Geographic or Divisional Structure (Source: Google Images).....	Page 26
Figure 3: Product Structure.....	Page 27
Figure 4: Customer/Market Organization Structure (Source: Google Images).....	Page 28
Figure 5: Traditional Nonprofit Organizational Structure (Source: Google Images).....	Page 28
Figure 6: Matrix Organizational Structure.....	Page 29
Figure 7: SBU organizational Structure (Source: Google Images).....	Page 30
Figure 8: Matrix Structure (Source: Internet).....	Page 35
Figure 9: Centralisation & Decentralisation (Source: Google Images).....	Page 38
Figure 10: A Small Centralised Procurement Unit Structure (Source: Google Images).....	Page 45
Figure 11: Organization of a Medium Sized Procurement Function (Source: Google Images).....	Page 45
Figure 12: Organization of Large sized Procurement Function (Source: Google Images).....	Page 46
Figure 13: Significant opportunities of procurement in NGO sector.....	Page 54
Figure 14: Procurement Standard.....	Page 56
Figure 15: Procedural Guidelines.....	Page 57
Figure 16: McKinsey 7 S Framework (Source: Internet).....	Page 57
Figure 17: Budget involved in procurement.....	Page 58
Figure 18: Approaches of procurement.....	Page 59
Figure 19: Kraljic Matrix (Source internet).....	Page 60
Figure 20: Suitability of structure.....	Page 60
Figure 21: Effectiveness of structure.....	Page 61
Figure 22: Effectiveness and Efficiency (*Source, CPO Rising).....	Page 62
Figure 23: Orientation of procurement functions.....	Page 62
Figure 24: Degree of Stakeholder involvement.....	Page 63
Figure 25: Significance of stakeholder involvement.....	Page 63
Figure 26: Strategy alignment.....	Page 64
Figure 27: Percentage of procurement activities of the respondents.....	Page 64
Figure 28: Nature of procurement functions.....	Page 65
Figure 29: Suggestion to improve.....	Page 66
Figure 30: Suggested type of guidelines.....	Page 67
Figure 31: Suggestion to improve organizational structure.....	Page 67
Figure 32: Automation of procurement process.....	Page 68
Figure 33: Involvement in demand management.....	Page 68
Figure 34: NGOs vs. Social enterprise.....	Page 69
Figure 35: Areas of centralization.....	Page 70
Figure 36: Opportunities of centralised procurement in NGO.....	Page 71
Figure 37: Difficulties Observed in implementing procurement decisions centrally.....	Page 73
Figure 38: Framework Agreement.....	Page 74
Figure 39: Opportunities of decentralised procurement in NGOs/TSO's.....	Page 75
Figure 40: Difficulties in implementing the field level/ SBU level procurement strategy.....	Page 76
Figure 41: Hybrid Structure of Procurement.....	Page 76
Figure 42: SCAN or CLAN system for a widely dispersed TSO.....	Page 77

CHAPTER I - INTRODUCTION

1.1 Historical Background

Historically Procurement Function was, in the not too distant past, a clerical type of function and looked after administrative coordination of procuring goods and material for the production or operations department, other tasks of the function being looked after by the operation, the commercial, the finance and other functions. Over the years it has developed in to a fully functional discipline. Prior to 1900, purchasing was recognized as an independent function by many railroad organizations, but not in most other industries. Prior to World War I, purchasing was regarded as primarily clerical. During World War I & II, the scope of the function increased due to the importance of obtaining raw materials, supplies and services needed to keep the factories and mines operating. During the Second World War, the importance of Supply Chain Management including that of Procurement enhanced manifold because of the fact of keeping the Allied Forces logistically provided from the USA across the Atlantic so that the war fighting could go on unabated in the European theatre.

In the 1950s and 1960s, Purchasing continued to gain stature as the techniques for performing the function became more refined and as the number of trained professionals increased and the emphasis became more managerial than clerical. With introduction of major public bodies, intergovernmental organizations and multilateral bodies, such as United Nations, procurement became a well-recognized science. In the 1970s and 1980s, more emphasis was placed on purchasing strategy as the ability to obtain needed items from suppliers at realistic prices increased. In September 1983, Harvard Business Review published a ground-breaking article by Peter Kraljic on purchasing strategy namely “Purchasing must become supply management” that is widely cited today as the beginning of the transformation of the procurement function, something that is viewed as highly tactical to procurement or supply management, something that is viewed as very strategic to the business. In the 1990s, Procurement started to become more integrated into the overall corporate strategy and a broad-based transformation of the business function is ignited, fueled strongly by the development of supply management software solutions which help automate the source-to-settle process.

In the 2000s, the leader of the procurement function within many enterprises is established with a C-Level title - the Chief Procurement Officer (CPO), sometimes called the Head of Procurement. Websites, publications, and events that are dedicated solely to the advancement of Chief Procurement Officers and the procurement function for transforming the procurement function came up. The global recession of 2008-2009 placed procurement at the crux of business strategy. In the 2010s, the elevation of the function continues as Chief Procurement Officers are recognized as important business leaders and begin to take on broader operational and strategic responsibility in the corporate body of any organization. The Procurement Function of the Non-

governmental Organization (NGO)/Not for Profit Organization/ Charities, commonly grouped into Third Sector Organizations (TSO) similarly developed over the years. However, in case of NGO's, social enterprises generate surplus instead of profit as applicable for private organization for recycling for social development. While the profit of private organizations are distributed amongst the owners or shareholders, the surplus of NGO's are recycled for the development of the society through rendering services to the beneficiaries who are the less fortunate members of the society than their more affluent counterparts. The public sector is more tuned to providing service to the general public through efficient procurement management. In the case of NGO's, effective service delivery is the main focus to the beneficiaries who are the members of the society.

1.2 An Overview on Centralization and Decentralization of Purchasing Function

It has now been established beyond doubt that Procurement plays a vital role in achieving the bottom line or the top line of any enterprise or any organization. It is now ascertained that 60% to 80% of expenditure of a manufacturing organization is now incurred through the Procurement Function of any organization. A saving of 5% in the purchasing of raw materials or other product categories can accrue a huge financial leverage to an organization. This is so very vital in case of an international NGO like that of BRAC as this huge savings can be recycled for the development of the society in the fields of poverty, education, health, nutrition, population control, child mortality etc.

The Marketing and Sales Function can only contribute to the bottom line provided they can sell finished products which are never assured depending on the market condition. The amount of margin or contribution to profitability also depends on the market conditions which are hardly stable and, often volatile depending on the economic down-turn or booming conditions of the economy. But the savings from purchases is dependent on the structure of the Purchasing Function and the expertise and motivation of the human resources of the Purchasing Function. To a great extent the effectiveness and the efficiency of a Purchasing function depends whether the function has been organized in a Centralized, Decentralized or Hybrid manner which is determined by the requirement of the organization as per its size, spread, localization, globalization etc.

If the top management or corporate level makes the decisions with little or no input from the functional/operational level, then the organization is called centralized. The degree of centralization depends on whether the decisions are filtered or vetted through from the lower strata or the decisions are vested in a single point or a group of people. The more the tendency towards vesting all the authority to a single pivot, the more is the degree of centralization. When the managers and supervisors at the middle and lower levels are given considerable autonomy in decision making, the organization is considered to be decentralized. It assures that those most involved with the particular product, service or consumers know what to do and can do it more quickly if given the authority to commit resources. Purchasing is a window to the outside world.

If any industry purchase means buying of equipments, materials, tools, parts, stores etc required for the industry, the major tasks of purchasing decisions are related with (a) getting the right quantity of the product, (b) as per the required or right quality, (c) at the right time, (d) delivered at the right place, (e) from the right source, (f) with right packaging and (g), of course, at the most economically advantageous price.

The issue of centralization of purchase function is basically concerned with decision about the purchasing policies defining the purchasing authorities and the resultant responsibilities. When an organization has several facilities, management must decide whether to buy centrally or locally. Centralized purchasing is a method of procurement of all types of materials, supplies, equipment etc. through a single department, not necessarily centrally located, under the direct control and supervision of one single procurement entity.

Decentralized or localized purchasing means that divisions or smaller areas of an organization have their own purchasing departments. For instance, BRAC has various enterprises and each enterprise can have their own purchasing function or they can also decide to purchase centrally through the BRAC Central Procurement Department. BRAC has operation in 12 different countries of Asia, Africa and the Latin America, as such the question as to whether centralized purchasing could be the ideal form and if so to which areas this kind of purchasing structure could be established is one of the focuses of the study.

Hybrid Buying System is the system derived by taking advantages from both centralized and decentralized or localized buying. High value or large or bulk purchases can be procured through centralized purchase for cost effectiveness through economies of scale. Where plant operating supplies, purchase can be decentralized and can be made to procure by the plant as those are of day to day requirement. For instance, the corporate group of IBM negotiates on centralized basis only at the request of local plant and day to day requirement are procured at plant level. This study tries to discover the best possible outfit for the Procurement Function designed for a Third Sector Organization e.g. BRAC Bangladesh and BRAC International.

“Centralized procurement (is required) to sharpen the Whitehall efficiency. Bringing the government’s buying power for common goods and services under one roof results in better value for money as shown by the 10% savings already made. But the top of the Crown Commercial Services to do least should be beefing up its commercial skills. The appointment of a private sector specialist to run the new department is a good move.” (Supply Management, August 2013, p.7). The hiring of a private sector specialist to run public department in a centralized structure highlights the requirement of use of private sector knowledge for running the public sector procurement for achieving goals. The magazine further postulates that “Centralizing (of) Purchasing ‘may be (the) only answer’.” It notes that “a fundamental culture shift is required.”

In the Professional/social Network LinkedIn, a debate was initiated in June 2011, where various proponents came to the conclusion that no single system, Centralized or Decentralized could be said to be ideal for all occasions across the board, rather the structure depends on circumstances and the issues at hand. From a centralized position there are greater opportunities to obtain greater Value for Money and target cost efficiencies, but they must also take into consideration the requirement of Strategic Business Unit (SBU) tactical and operational aspects while making procurement decisions. However, Centralization generally takes longer reaction time. Other proponents favoured a mixed or hybrid system. It seems that the general consensus is that the most effective system could perhaps be centralized strategic and capital works procurement with decentralized operational and tactical procurement.

Should the procurement function be organized centrally or should the structure be in a decentralized manner or should there be a strategy of combining both the methods into a structured hybrid one? This is the basic question that this paper tries to deliberate, delve into, enquire from various experts, procurement professionals and formalize those results and make an effort to come to reasonable and, hopefully, acceptable conclusions which is presented to the inquisitive reader. But, the scope of the study has been kept limited to randomly selected organizations including a large Third sector Non-Governmental Development Organization of Bangladesh, namely BRAC, so that the study could be meaningful given the time available.

1.3 Significance of the Study

BRAC being an internationally reputed and the largest TSO in the world (Briner, The Global Journal, February 2015) can act as a role model for a distributed large third sector organization. All big NGO's like BRAC need a sustainable and effective purchasing system for its operation. For example, currently BRAC is operating in Bangladesh as well as five more Asian countries e.g. Afghanistan, Pakistan, Sri Lanka, Myanmar and the Philippines, five countries in Africa e.g. Uganda, Tanzania, Sudan, Sierra Leon and Liberia and the Latin American Country of Haiti. In addition, BRAC USA operates independently and carries out most of its operation in Latin and South America in addition to raising fund for BRAC. BRAC UK also helps in raising fund for BRAC. A robust and effective Procurement System is essential for smooth and flawless operation of the worldwide network of BRAC family. This is also more or less applicable for other big NGO's in Bangladesh.

Large size TSO's like BRAC, Save the Children, Action Aid Bangladesh, World Vision etc. have worldwide operations. Some of them like BRAC have grown into big conglomerates and have now worldwide operations. The old type of functional structure cannot meet the requirement of a behemoth that some of these TSO's /NGO's /CBO's (hence forward all of them are grouped into TSO's) have now become. BRAC manages about 70% of its fund requirements from its own income generated out of microfinance, enterprises and investments like banking, insurance, universities etc. The rest 30% approximately comes from the donor community for its operation. This donation comes with lot of strings attached to it as well as with lot of

opportunities. The donor's prerogatives are also to be taken into consideration. In this backdrop, how procurement can be a force for good in achieving TSO objectives including BRAC, that strategy need to be worked out. The system of procurement, whether it should be centralized, decentralized and/or hybrid type could be a good starting point for working out such a practicable strategy.

But then in a big TSO for instance, in a conglomerate like BRAC that have divergent and dispersed operations across Asia and Africa, is it wise to have a centralized purchasing function only? For example, if BRAC Uganda needs leafy plant cuttings for its Tissue Culture Lab, could it be wise to procure the same through the BRAC Central Procurement Department located in Bangladesh? Would it be cost effective and add more value than the same being purchased from Uganda itself? If the same is not available, could it be purchased regionally, say from Tanzania or Kenya? In this case, what procurement system should be followed? Should the Procurement System be decentralized one that could deliver the outcome of value for money? But again when purchasing is done regionally should it be called decentralized or localized centralization as the goods could be stored in regional warehouses for quick response for servicing in the region? And what impacts are those decisions going to make? All these need a thorough and detailed study through a systematic process to arrive at a satisfying decision by the Top Management. This paper is an attempt towards that direction to give some food for thoughts to the top management as well as stakeholders of NGO's so that they are more aware about the value of Procurement Function being centralized, decentralized or hybrid in nature to deliver the effective service that it is supposed to do (firsthand knowledge of the author during his tenure as Head of Procurement of BRAC from 2007 to 2014).

Not to talk of international operations, there is a lot to be enquired into the structure of procurement function of BRAC within Bangladesh itself. BRAC Dairy and Food project needs huge quantity of raw milk to be collected/purchased from villages across Bangladesh, especially from northern delta. Is this possible to buy those centrally sitting in BRAC Centre, Dhaka itself? Or for successful operation of the function should it not be decentralized? Then again, what should be considered when the BRAC Dairy and Food project needs a cold room for preserving raw milk? Who has the best expertise to buy the machineries to set up a cold room of substantial capacity? Certainly the Central Procurement Department would be perhaps in a better position to do the job. Therefore, for in country operations also, a study needs to be carried out to determine what operations need to be centrally run and what operations need to be done in a localized manner, which in BRAC called Field Procurement. This research, therefore, would take both in country and international operations into perspective while carrying out the study (ibid).

1.4 Problem Statement

The present structure of a BRAC Central Procurement Department in the Head Office in Dhaka, Bangladesh and other smaller network of purchasing functions operating in the far flung countries as well as in the field level within the country have been functioning for the recent past.

But is the structure capable to deliver the desired results for the world renowned NGO? Can it play the strategic role that the system should deliver? If not, does the system need to be revamped and if yes, in which direction? Does more centralization or less of it or more decentralization or the right mix of the two making it a hybrid type of system could deliver the value added services that is expected from an ever expanding Third Sector including that of BRAC Conglomerate need to be determined through a detailed study taking all the facets into consideration. There is no doubt that there is lacking in the capacity of the function and the capabilities of the procurement professionals as well as the systemic deficiencies to meet the world wide requirement of procurement function. This study is an attempt towards achieving a framework for the future Third sector organizations (TSO) including BRAC of a more value adding Procurement System and structure that would be capable to meet the multifarious procurement requirements in the most effective way. Here BRAC has been taken as a role model of the Third Sector Organization (TSO) for assisting the study.

Thesis Statement

A mixed or hybrid procurement system tailored to the need of the large TSO's, depending on the size and the breadth of operation, could best support the corporate objectives of the TSO's.

1.5 Research Questions

(1) Are there structural inadequacies in the present Procurement System of large TSO's including BRAC, to meet the global requirement considering the fact that quite a large numbers belong to this category of international NGO's having programmes/operations across the world, mainly in Asia and Africa?

(2) Can the present procurement structural practices be reinforced through a rationalized mixed or hybrid procurement structure that can support the corporate objectives of these TSO's?

1.6 Objectives

(1) To discuss in threadbare the inadequacies in the procurement structure of large TSO's like that of BRAC and to determine whether the present procurement structures are capable to meet their worldwide procurement requirement, mainly in Asia and Africa.

(2) To find out how the procurement structural practices can be reinforced through a rationalized mixed or hybrid procurement structure that can contribute to the achievement of the corporate objectives of these large TSO's considering the modern development in the area.

1.7 Scope and Limitations

The study is mainly limited to TSO's operating in Bangladesh or Bangladeshi NGOs operating abroad e.g. BRAC and BRAC International and other Bangladeshi public, private and TSO's to support the study. In the case of BRAC Bangladesh efforts are made to carry out detailed analysis of the present procurement systems being practiced within the country by various BRAC subsidiaries, institutes, enterprises, programmes, investments other than enterprises,

affiliated organizations etc. However, in case of BRAC International, the study takes into consideration BRAC Uganda and BRAC South Sudan only. The present author, in December 2012 and January, 2013, had an opportunity to carry out study of the Procurement System of BRAC Uganda in order to prepare the BRAC Uganda Procurement Guidelines and Procedures which was a requirement of World Bank funding. Subsequently the author also visited South Sudan in February 2015 for the same purpose and formulated Procurement Guidelines and Procedures of BRAC South Sudan to meet donor requirement, particularly that of USAID. Political, Economic, Social, Technological, Legal and Environmental (PESTLE) analysis as well as Internal Analysis of both the organizations was carried out by the author for formulating the Procurement Guidelines. Experiences of that study are referred while carrying out analysis and drawing conclusions within the time frame available for the study.

The author also, as Head of Procurement of BRAC, from 2007 to 2014 was involved in formulating several Procurement Guidelines for BRAC Enterprises in addition to the central BRAC Procurement Guidelines and Implementation Procedures. Experiences of that period are also drawn in largely to point out the deficiencies and how best those could be met. Opinions of procurement professionals of a cross section of Public and Private sector organizations are also studied to have a broad view of the procurement structure considering the fact that TSO Procurement is that of a combination of public and private sector procurement. It may be noted that programme purchases are donor funded where the prerogatives of public procurement e.g. transparency, accountability, fairness, competitiveness and value for money are enshrined; whereas in case of social enterprises purchases are self financed and triple bottom line driven mostly like that of private sector procurement.

CHAPTER II - LITERATURE REVIEW

2.1 The Third Sector

In this section effort is made to define what is actually understood by a Third Sector Organization (TSO). The views of various experts on the field is presented to have a clear grasp of the formation, organization, structure, the imperatives and, above all procurement function of the Third Sector organization, especially those of large size TSO's.

The Third Sector is also known as voluntary sector or community or non-profit or not for profit sector. The tasks that these organizations perform are dedicated to social development, especially for the lower strata of the society. Essentially they are non-governmental, but often there can be collaboration between public and the Third Sector Organizations (TSO's). Some also prefer to call this sector as civic or social sector emphasizing its relationship with the civil society different from public and private sector. Given the diversity of organizations that are considered part of this sector, Peter Frumkin (HBR, 2002) prefers to call this sector as "Non-profit and Voluntary Sector". This study refers to this sector as Third Sector for convenience and as per the present day practice.

2.2 Development of the Third Sector over the years

Discourses on the Third Sector began in France in the 1970s because of the crisis in the welfare state. In the United Kingdom the Cabinet Office until 2010 had an Office of Third Sector that defined it as "the place between state and the private sector". This definition fits well and describes succinctly in few words what actually the Third Sector is. Now this is called the Civil Society. In India this sector is commonly called the "joint sector" and includes industries run in partnership with the state or private sector.

2.3 Significance of the Third Sector to the Society and the Economy

The presence of a large non-profit sector is sometimes seen as an indicator of a healthy economy in national and international arena. With a growing number of non-profit organizations providing social services including education, health, sanitation, gender equality etc., the nonprofit sector has become a part of the national and international economy providing humanitarian assistance as well as development throughout the developing or the so called Third World. Peter Drucker (1990) suggests that the nonprofit sector provides an excellent outlet for a variety of society's labour and skill. Daniel Bell (2008) predicted that the Third Sector would become the

predominant sector in society, as the knowledge class overcame the effects of the private sector. For example in Ireland the nonprofit sector accounts for about 8.8% of the GDP. In Sweden the TSO's have been credited with fostering a nationwide social change. In Italy the TSO's are considered to be viewed as the primary source of employment. In the US 10% of the GDP is attributable to the Third sector. It is an established fact that Bangladesh has achieved better social indicators in comparison to other regional countries because of positive contribution by the Third Sector along with public and private sector. Bangladesh is no more regarded as a "basket case" because of the combined efforts of all these three sectors.

2.4 Defining and Theorizing the Third Sector

In this segment efforts are made to define and theorise the Third Sector as expressed by Olaf Corry and published in the book *Third Sector Research* (Taylor R (Ed), 2010). This gives a clear view of what the term Third sector really means. This gives a firm base to further develop how the procurement function of these diverse bodies can be framed. In the study, only the large Third sector organization such as BRAC is considered to limit the scope of research and findings.

It is said that Third sector by nature is not suitable for singular definition (Osborne 2008). Third sector is often associated with civil society, voluntarism and charity. It is difficult to bring it into market structure.

Firstly, unlike the state and the market economy, it is something that can hardly be subjected to detailed planning or regulated without it losing some of its third sector qualities such as voluntary participation, value-based motivation, and independence from more institutionalized power structures. Second, the term "third" itself betrays the idea of the third sector as a residual category for things that do not fit into two other "primary" and "secondary" categories – usually the state and the market i.e. the public and the private sector. In practice "third sector" is used to refer to widely differing kinds of organization such as charities, nongovernmental organizations (NGOs), self-help groups, social enterprises, networks, and clubs, to name a few that do not fall into the state or market categories.

The American View is that the third sector is a discrete sector characterized by certain qualities such as civility, whereas European theorists tend to take "the hybrid view" that views third sector organizations essentially as mixtures of other kinds of social organization such as private and public. The civil society views the Third Sector as a dialogue zone between various actors e.g. the government, the civil society, the pressure groups, the religious institutions funding charitable activities, the Waqf voluntary organization, the trust and foundations etc.. A national economy can, in fact, be divided into three sectors e.g. the public, the private and the third sector. (Ridley-Duff and Seanor, 2008: p. 9). They are organized as they possess some institutional shape and exist physically i.e. they are legal entities. They are private in the sense that they are

separate from the government. They are non profit distributing and recycle the surplus for social well being or development. They are also voluntary as the participation is not forced on any one. They are self governing. (Salamon, 1995).

Civil Society refers to the arena of uncoerced collective action around shared interests, purposes and values. The organizational forms are different from that of the government or the private sector although it may be sometime difficult to distinguish clearly or can be said blurred. Civil societies embrace a diversity of spaces, actors and organizational forms. Civil Societies are often populated by organizations, community groups, women’s organizations, faith-based organizations, professional associations, trade unions, self help groups, social movements, business associations, coalitions and advocacy groups. (Centre for Civil Society, 2009). Some European researchers define TSO’s as “organisations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interests of capital investors is subject to limits.” (Defourny and Nyssens 2006: p. 5, quoted in Nyssens 2008: p.87).

The British Government view the Third Sector as comprising of “ non-governmental organizations which are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives; it includes voluntary and community organizations, charities and **social enterprises**, cooperatives and mutuals.” Here a new breed of TSO’s i.e. the social Enterprises also features.

BRAC in particular would now have to heavily rely on these social enterprises that it has like the Aarong, the Dairy project, the Feed Mill, the Solar programme, the Chic raring firms, and multifarious other smaller enterprises e.g. fish firms, the Seed Processing plant (Uganda), etc to earn surplus for recycling for social development as the donor fund can eventually dry up after graduation of Bangladesh to the Middle Income Country. The Social Enterprise in this sense has become vital for social development by the Third Sector in the future days to come.

2.5 Partnership between Public and Third Sector

Partnership became a major theme in the 1990s. This was required to arrest the fragmentation of public services by a generation of outsourcing and the breakup of large public providers. More interest was on promotion of partnership and networked form of governance across the public sector and public services (Rhodes, 1996). “Externalisation, both to private and third sectors, has been a continual theme of ‘reform’ of public services, which, for example, has seen over half of social housing services transferred to third sector providers in just over 20 years, widespread outsourcing of social care to the ‘independent sector’ since the early 1990s, and more recently greater ‘diversity’ of provision of health, employment services, youth services and within the criminal justice system.” (ibid).

“A particular form of partnerships, public-private partnerships (PPPs) has also been a long-standing feature of certain areas of public service delivery, sometimes also involving third sector

partners, and often involving long term contracts, major infrastructure renewal and private financing (Bovaird, 2010). Many major projects in the UK and other western countries are now being built by PPP funding with the involvement of the civil society for delivery of services in a more effective manner. This augurs well for the TSO's where they also can facilitate such execution of project or ensure citizen entry in the delivery of services or ensuring quality of the services being delivered. For example, they can intervene that the contractors provide good quality materials for such projects provided such a partnership with the TSO's can be developed by the public bodies executing PPP projects.

For instance the UK government has been in many respects radical in the development of its approach to service delivery, with the promotion of a 'Big Society' involving new and expanded roles for TSOs in public service delivery, expanded roles for mutuals and co-ops (particularly in health), the 'community right to challenge' and the public sector staff 'right to provide' (through 'spin-out' organizations). It has also moved quickly to extend relatively novel organizational configurations in welfare to work policy, with TSOs envisaged as having a key role in 'supply chains' in the new Work Programme. In Bangladesh also the Public Private Stakeholder Committee (PPSC) under Public Procurement Reform Programme (PPRP) II has approved proposal for citizen entry in value delivery system in big projects funded by the World Bank or other multilateral bodies. Here they would ensure the value for money for such big procurement to implement the project is ensured through the Third Sector participation.

From the above discussion it is evident that how important is the procurement function for delivery of services to the beneficiaries as the TSO's have become so diverse and so wide encompassing. The best value for money achievement is sine qua non for success of delivery of service objectives. Therefore, the structure of procurement is also paramount for an effective procurement function. Again, the partnership agenda has also been a key driver for an increasing number of mergers in the sector (Mullins and Craig, 2005). At this point it is worth pointing out the distinction between procurement and commissioning as they have regularly been conflated. Procurement is the range of processes involved in purchasing goods and services from provider organizations, in whatever sector. Commissioning is a broader set of service delivery processes which involve consultation, needs assessment and service planning and design. It is therefore evident that the arena of procurement function as far as delivery of service is concerned has further widened as commissioning is also an extension of service procurement. Therefore the structure of Procurement Function would have a far reaching impact on the delivery of service to the TSO beneficiaries.

Two main strategies were supported: clustering and sub-contracting. The first sees the grouping of a number of small and medium sized organizations into a consortium to bid jointly. The second involves sub-contracting to one or more smaller organizations by a larger prime contractor. The clustering project involved working with clusters of small community-based support providers to share back office resources to increase their resilience. The project demonstrated that consortia cannot include all endangered providers, require considerable joint

effort and planning, and provide no guarantee that they would win. Subcontracting requires the promotion and enforcement of good supply chain management to ensure that smaller providers are not exploited. Clustering also generated significant benefits for smaller providers and in some cases led on to consortium tenders for contracts. But the analytical gap in understanding more specifically the state-third sector relationship appears to be longstanding: The voluntary sector has always sought a partnership with the state, but its nature, in terms of funding, terms and conditions and the associated expectations of each party have changed significantly over time. Neither the specialist third sector nor the generic welfare state literature has been particularly successful in addressing the voluntary-statutory relationship (Powell and Glendinning et al, 2002).

As has been noted, government-third sector service delivery relationships are not new and where they have been collaborative or ‘complementary’ the relationship has long been loosely characterized as a ‘partnership’. Equally TSOs can have a supplementary role – providing a safety net where state services do not provide, especially in the US – or adversarial relationship to government (Anheier, 2005). There has been a trend in many countries towards a more collaborative, less hierarchical, relationship in which “the non-profit sector is seen as a necessary part of a more comprehensive solution to difficult problems (Mandell and Keast, 2008: p. 186). This has partly derived the move from government to governance. In the UK it also reflected recognition of the limitations of the ‘contract culture’ that developed in the 1990s (Rees et al 2012). Additionally it has been argued that in various countries contracting relationships have reflected this, becoming less adversarial (‘relationship contracts’) and with greater flexibility in adjusting the contract if necessary (Brown and Troutt, 2004). The emphasis on partnership witnessed in the creation of the Voluntary Sector Compact in the UK involved the desire to reconfigure the relationship away from principal-agent delivery towards a more equal partnership with TSOs as more autonomous actors (Macmillan, 2010).

The potential conflict between the new public sector commissioning and procurement agenda, which often treats TSOs simply as service providers, and support for the wider role of TSOs in advocacy and lobbying for policy change, in line with their core mission, the interests of their key stakeholders and the priority client groups they represent, has been a key theme of policy debate for some time. This conflict in one part of the UK was highlighted in a recent report by the Northern Ireland Audit Office which stated that “public sector bodies must be aware of the potential effects of their procurement arrangements and guard against any unintended and unwelcome alteration to voluntary and community organizations’ roles” (Northern Ireland Audit Office, 2010 p 9). Bidding for and undertaking contracts – and the move to ever bigger contracts might be pushing TSOs to consider collaboration even more seriously.

Thus, real world third sector partnerships have tended to be horizontal (for instance between TSOs doing similar work) or vertical (TSO providers working with public sector commissioners or private sector prime contractors). Horizontal collaboration within the third sector might be appealing to a variety of stakeholders as it appears to have the potential to yield economies of

scale (witnessed, for example, in claims for back office savings and reduction of duplication) while minimizing the threat to organizational independence. Mergers have been pursued with similar cost and efficiency objectives but with a tradeoff of independence; however it is interesting to observe that group structures and partial integration after mergers often reflects continued value placed on partial independence and preservation of previous organizational identities. The attraction of vertical collaboration is related more to hopes that it can achieve greater integration between service planning, design, and delivery and scale economies. However, they may be economically inefficient by restricting procurement to a narrower range of providers and imposing top-down control. In particular the third sector is increasingly being characterized as offering innovative, local and community-based services in potential alliances with larger organizations with greater capacity and clout. If the governments would like to reduce a fiscal deficit, while promoting the role of non-public sector providers of public services in an ideological frame of reference that non-public sector organizations are better at controlling costs and are more able to ‘liberate’ innovation. But, again, these have simply joined much longer-standing Governmental support for outsourced services, partnership and networked forms of governance across the public sector and public services (Macmillan, 2010).

Summary

From the above discourses a reader is now more aware about what do the third sector really mean and encompass, what their functions are, how dispersed are their activities and the requirement of procurement role in the delivery of the services to the society and its members. From the foregoing discussion it is also evident that the scope of the TSO’s has expanded phenomenally over the years where they have reorganized and are now providing services to the society in collaboration with the public and private organization including that of PPP projects and projects funded by the multilateral bodies. Many of these large TSO’s like BRAC have operations widely dispersed across the continents. These TSO’s need to provide services across continents and if they want to do that they need procurement function to procure goods and services for performing their tasks. Now how the procurement function needs to be structured considering the above multi faceted widely dispersed function is the subject of study of this paper.

2.6 Procurement Structure

Organizational structure refers to the way that an organization arranges people and jobs so that its work can be performed and its goals can be met. When a work group is very small, and face-to-face communication is frequent, formal structure may be unnecessary, but in a larger organization decisions have to be made about the delegation of various tasks. Thus, procedures are established that assign responsibilities for various functions. It is these decisions that determine the organizational structure.

In an organization of any size or complexity, employees' responsibilities typically are defined by what they do, who they report to, and for managers, who reports to them. Over time these definitions are assigned to positions in the organization rather than to specific individuals. The relationships among these positions are illustrated graphically in an organizational chart. The best organizational structure for any organization depends on many factors including the work it does; its size in terms of employees, revenue, and the geographic dispersion of its facilities; and the range of its businesses (Encyclopedia.com 2009).

2.7 Development of the Radical Organizational Structure

Understanding the historical context from which some of today's dominant organizational structures have developed helps to explain why some structures are the way they are. For instance, why are some organizations like BRAC still using vertical hierarchies? Even new organizations start their operations with a hierarchical structure. But there are also organizations that are structured more horizontally for capitalizing on the innovativeness of their employees. Part of the reason, as this section discusses, is that organizational structure has a certain inertia—the idea borrowed from physics and chemistry that something in motion tends to continue on that same path. Changing an organization's structure is a daunting managerial task, and the immensity of such a project is at least partly responsible for why organizational structures change infrequently.

At the beginning of the twentieth century the United States business sector was thriving. Industry was shifting from job-shop manufacturing to mass production, and thinkers like Frederick Taylor in the United States and Henri Fayol in France studied the new systems and developed principles to determine how to structure organizations for the greatest efficiency and productivity, which in their view was very much like a machine. Even before this, German sociologist and engineer Max Weber had concluded that when societies embrace capitalism, bureaucracy is the inevitable result. Yet, because his writings were not translated into English until 1949, Weber's work had little influence on American management practice until the middle of the twentieth century.

Management thoughts during this period did match Weber's ideas of bureaucracy, where power is ascribed to positions rather than to the individuals holding those positions. It also was influenced by Taylor's scientific management, or the “one best way” to accomplish a task using scientifically-determined studies of time and motion. Also influential were Fayol's ideas of invoking unity within the chain-of-command, authority, discipline, task specialization, and other aspects of organizational power and job separation. This created the context for vertically-structured organizations characterized by distinct job classifications and top-down authority structures, or what became known as the traditional or classical organizational structure.

Job specialization, a hierarchical reporting structure through a tightly-knit chain-of-command, and the subordination of individual interests to the super ordinate goals of the organization

combined to result in organizations arranged by functional departments with order and discipline maintained by rules, regulations, and standard operating procedures. This classical view, or bureaucratic structure, of organizations was the dominant pattern, as small organizations grew increasingly larger during the economic boom that occurred from the 1900s until the Great Depression of the 1930s. Henry Ford's plants were typical of this growth, as the emerging Ford Motor Company grew into the largest U.S. automaker by the 1920s.

The Great Depression temporarily stifled U.S. economic growth, but organizations that survived emerged with their vertically-oriented, bureaucratic structures intact as public attention shifted to World War II. Post-war rebuilding reignited economic growth, powering organizations that survived the Great Depression toward increasing size in terms of sales revenue, employees, and geographic dispersion. Along with increasing growth, however, came increasing complexity. Problems in U.S. business structures became apparent and new ideas began to appear. Studies of employee motivation raised questions about the traditional model. The “one best way” to do a job gradually disappeared as the dominant logic. It was replaced by concerns that traditional organizational structures might prevent, rather than help, promote creativity and innovation—both of which were necessary as the century wore on and pressures to compete globally mounted (ibid).

2.8 Different Organizational Structures

There are multiple structural variations that organizations can take on, but there are a few basic principles that apply and a small number of common patterns. The structure of every organization is unique in some respect, but all organizational structures develop or are consciously designed to enable the organization to accomplish its work. Typically, the structure of an organization evolves as the organization grows and changes over time. Researchers generally identify four basic decisions that managers have to make as they develop an organizational structure, although they may not be explicitly aware of these decisions.

- (1) **Division of labor.** The organization's work must be divided into specific jobs.
- (2) **Departmentalization.** Unless the organization is very small, the jobs must be grouped in some way.
- (3) **Span of control.** The number of people and jobs that are to be grouped together must be decided, which is related to the number of people that are to be managed by one person.
- (4) **Authority.** The way decision-making authority is to be distributed must be determined.

In making each of these design decisions, a range of choices are possible. At one end of the spectrum, jobs are highly specialized with employees performing a narrow range of activities; while at the other end of the spectrum employees perform a variety of tasks. In traditional bureaucratic structures, there is a tendency to increase task specialization as the organization grows larger. In grouping jobs into departments, the manager must decide the basis on which to

group them. The most common basis, at least until the last few decades, was by function. For example, all procurement jobs in the organization can be grouped into a procurement department, all engineers can be grouped into an engineering department, and so on.

The size of the groupings also can range from small to large depending on the number of people the managers supervise. The degree to which authority is distributed throughout the organization can vary as well, but traditionally structured organizations typically vest final decision-making authority by those highest in the vertically structured hierarchy. Even as pressures to include employees in decision-making increased during the 1950s and 1960s, top management usually made final decisions. The traditional model of organizational structure is thus characterized by high job specialization, functional departments, narrow spans of control, and centralized authority. Such a structure has been referred to as traditional, classical, bureaucratic, formal, mechanistic, or command and control. A structure formed by choices at the opposite end of the spectrum for each design decision is called unstructured, informal, or organic (Encyclopedia.com).

2.9 Basis for Departmentalisation/Structuring

Many organizations group jobs in various ways in different parts of the organization, but the basis that is used at the highest level plays a fundamental role in shaping the organization. There are four commonly used bases: functional, geographic, product, and customer/market.

(1)Functional Structure: Every organization of a given type must perform certain jobs in order to do its work. For example, key functions of a manufacturing company include production, purchasing, marketing, accounting, and personnel. The functions of a hospital include surgery, psychiatry, nursing, housekeeping, and billing. Using such functions as the basis for structuring the organization may, in some instances, have the advantage of efficiency. Grouping jobs that require the same knowledge, skills, and resources allows them to be done efficiently and promotes the development of greater expertise. A disadvantage of functional groupings is that people with the same skills and knowledge may develop a narrow departmental focus and have difficulty appreciating any other view of what is important to the organization; in this case, organizational goals may be sacrificed in favor of departmental goals. In addition, coordination of work across functional boundaries can become a difficult management challenge, especially as the organization grows in size and spreads to multiple geographical locations.

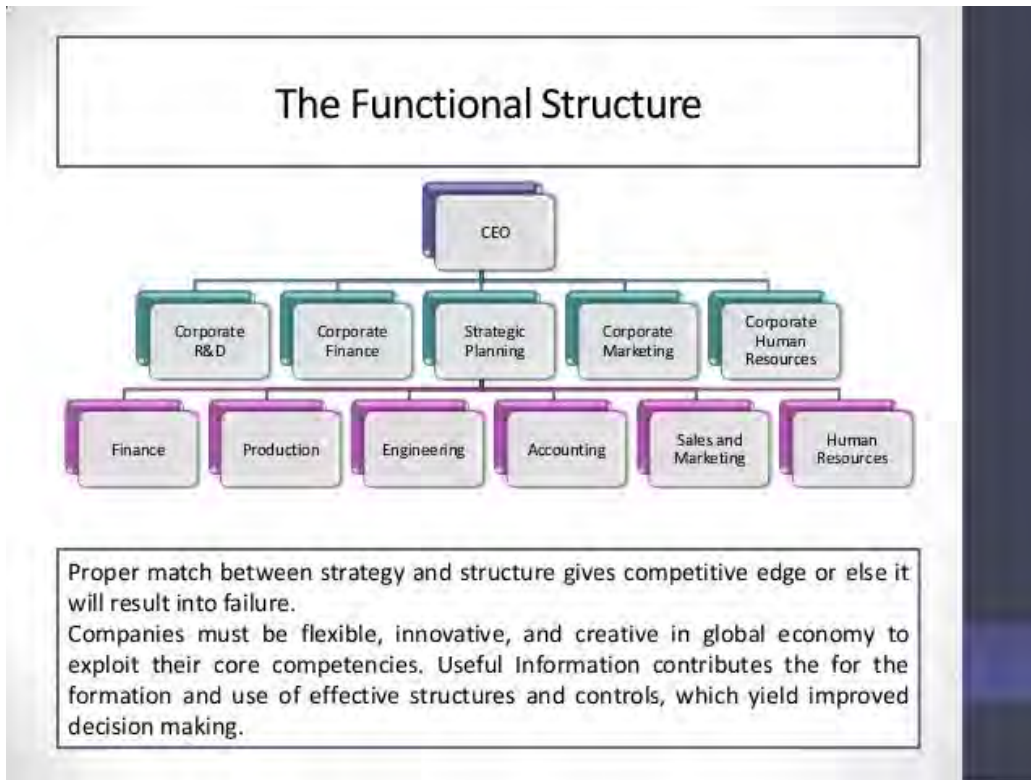


Figure 1: The Functional Structure (Source: Google Images)

(2)Geographic Structure: Organizations that are spread over a wide area may find advantages in organizing along geographic lines so that all the activities performed in a region are managed together. In a large organization, simple physical separation makes centralized coordination more difficult. Also, important characteristics of a region may

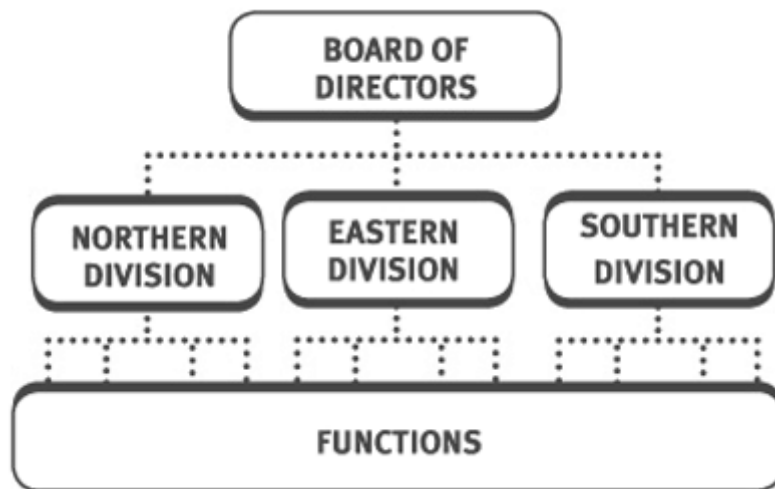


Figure 2: Geographic or Divisional Structure (Source: Google Images)

make it advantageous to promote a local focus. For example, marketing a product in Western Europe may have different requirements than marketing the same product in Southeast Asia. Companies that market products globally sometimes adopt a geographic structure. In addition, experience gained in a regional division is often excellent training for management at higher levels.

(3)Product Structure: Large, diversified companies are often organized according to product. All the activities necessary to produce and market a product or group of similar products are grouped together. In such an arrangement, the top manager of the product group typically has considerable autonomy over the operation. The advantage of this type of structure is that the personnel in the group can focus on the particular needs of their product line and become experts in its development, production, and distribution. A disadvantage, at least in terms of larger organizations, is the duplication of resources. Each product group requires most of the functional areas such as finance, marketing, production, and other functions.

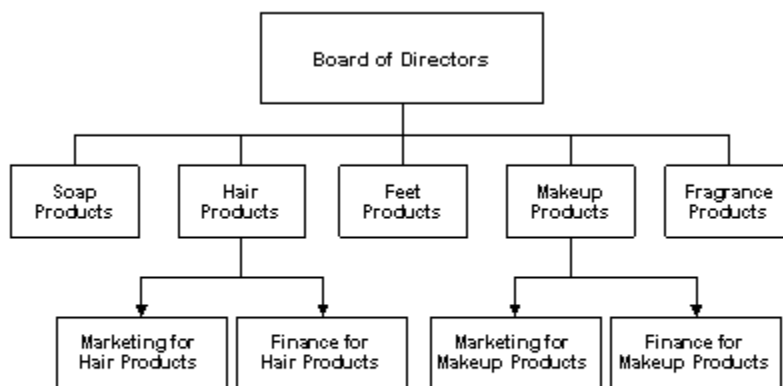


Figure 3: Product Structure (Source: Google Images)

(4)Customer/Market Structure: An organization may find it advantageous to organize according to the types of customers it serves. For example, a distribution company that sells to consumers, government clients, large businesses, and small businesses may decide to base its primary divisions on these different markets. Its personnel can then become proficient in meeting the needs of these different customers. In the same way, an organization that provides services such as accounting or consulting may group its personnel according to these types of customers (Encyclopedia.com).

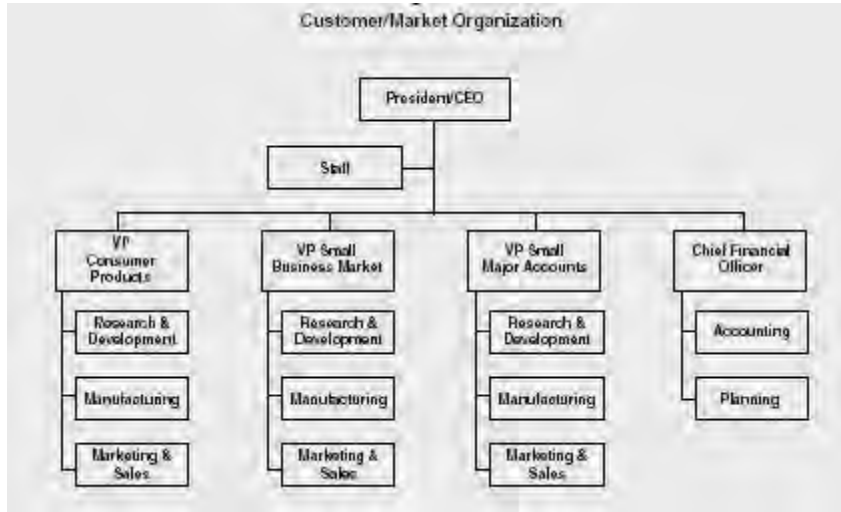


Figure 4: Customer/Market Organization Structure (Source: Google Images)

Traditional Organizational Structure

The traditional approach is the vertically-arranged organizational structure that came to dominate in the first half of the twentieth century. This traditional model is easily represented in a graphical form by an organizational chart. It is a hierarchical or pyramidal structure with a president or other executive at the top, a small number of vice presidents or senior managers under the president, and several layers of management below this, with the majority of employees at the bottom of the pyramid. The number of management layers depends largely on the size of the organization. The jobs in the traditional organizational structure usually are grouped by function into departments such as accounting, sales, human resources, and so on.

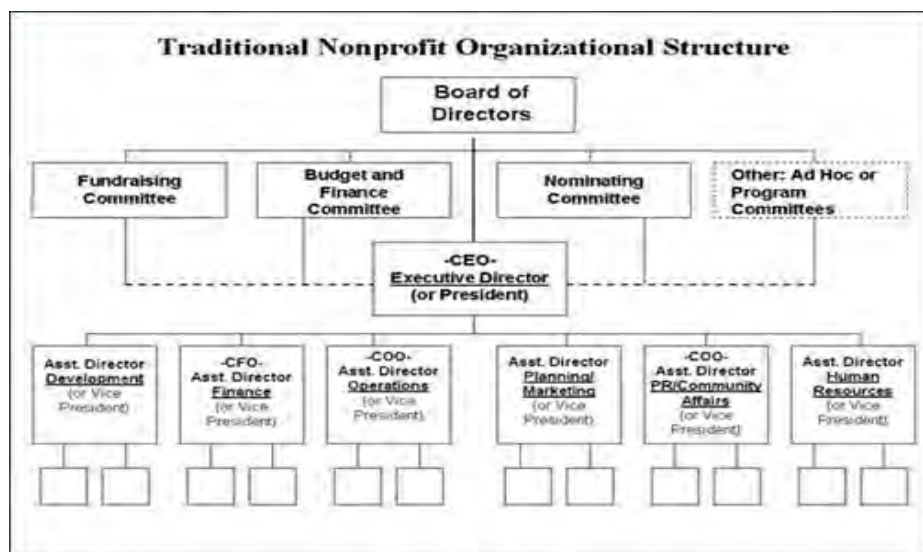


Figure 5: Traditional Nonprofit Organizational Structure (Source: Google Images)

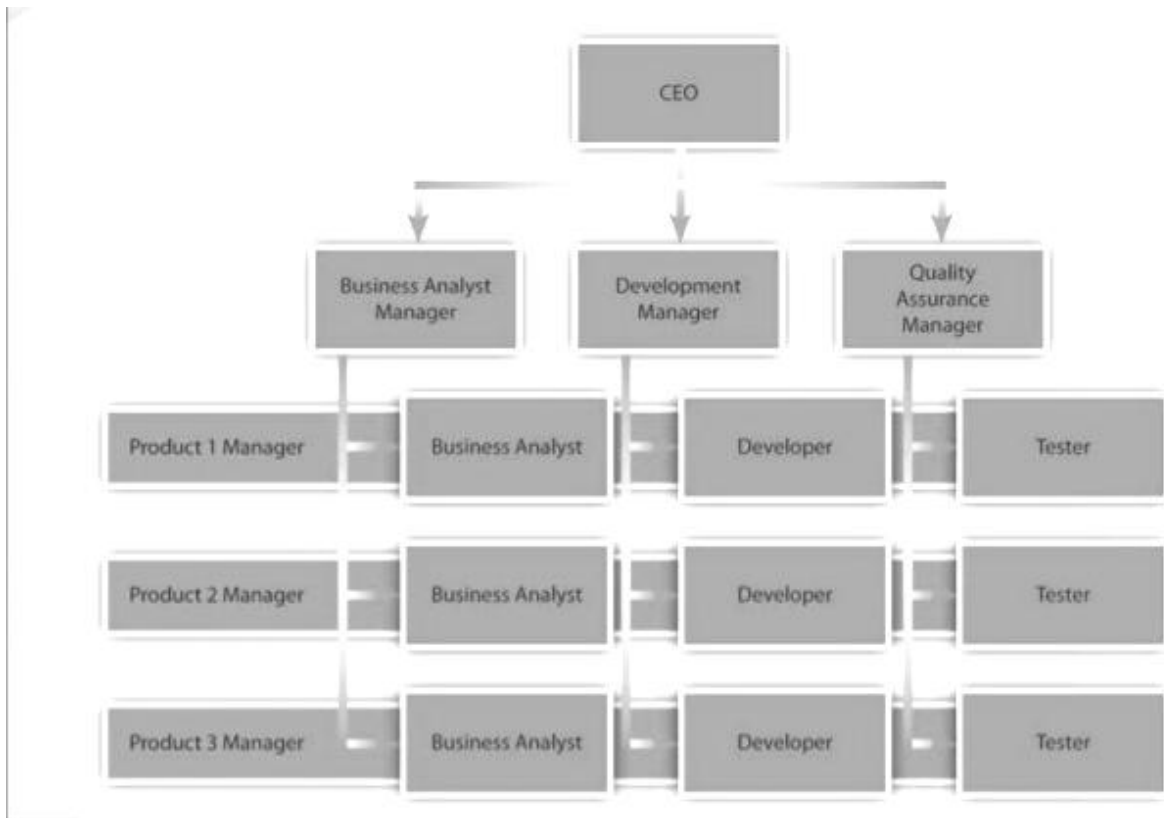


Figure 6: Matrix Organizational Structure (Source: Google Images)

Matrix Organizational Structure

Some organizations find that none of the aforementioned structures meet their needs. One approach that attempts to overcome the inadequacies is the matrix structure, which is the combination of two or more different structures. Functional departmentalization commonly is combined with product groups on a project basis. For example, a product group wants to develop a new addition to its line; for this project, it obtains personnel from functional departments such as research, engineering, production, and marketing. These personnel then work under the manager of the product group for the duration of the project, which can vary greatly. These personnel are responsible to two managers.

One advantage of a matrix structure is that it facilitates the use of highly specialized staff and equipment. Rather than duplicating functions as would be done in a simple product department structure, resources are shared as needed. In some cases, highly specialized staff may divide their time among more than one project. In addition, maintaining functional departments promotes functional expertise, while at the same time working in project groups with experts from other functions fosters cross-fertilization of ideas.

The disadvantages of a matrix organization arise from the dual reporting structure. The organization's top management must take particular care to establish proper procedures for the

development of projects and to keep communication channels clear so that potential conflicts do not arise and hinder organizational functioning. In theory at least, top management is responsible for arbitrating such conflicts, but in practice power struggles between the functional and product manager can prevent successful implementation of matrix structural arrangements. Besides the product/function matrix, other bases can be related in a matrix. Large multinational corporations that use a matrix structure most commonly combine product groups with geographic units. Product managers have global responsibility for the development, manufacturing, and distribution of their own product or service line, while managers of geographic regions have responsibility for the success of the business in their regions (Encyclopedia.com).

Strategic Business Unit

As corporations become very large they often restructure as a means of revitalizing the organization. Growth of a business often is accompanied by a growth in bureaucracy, as positions are created to facilitate developing needs or opportunities. Continued changes in the organization or in the external business environment may make this bureaucracy a hindrance rather than a help, not simply because of the size or complexity of the organization but due to a sluggish bureaucratic way of thinking. One approach to encourage new ways of thinking and acting is to reorganize parts of the company into largely autonomous groups, called strategic business units (SBUs).

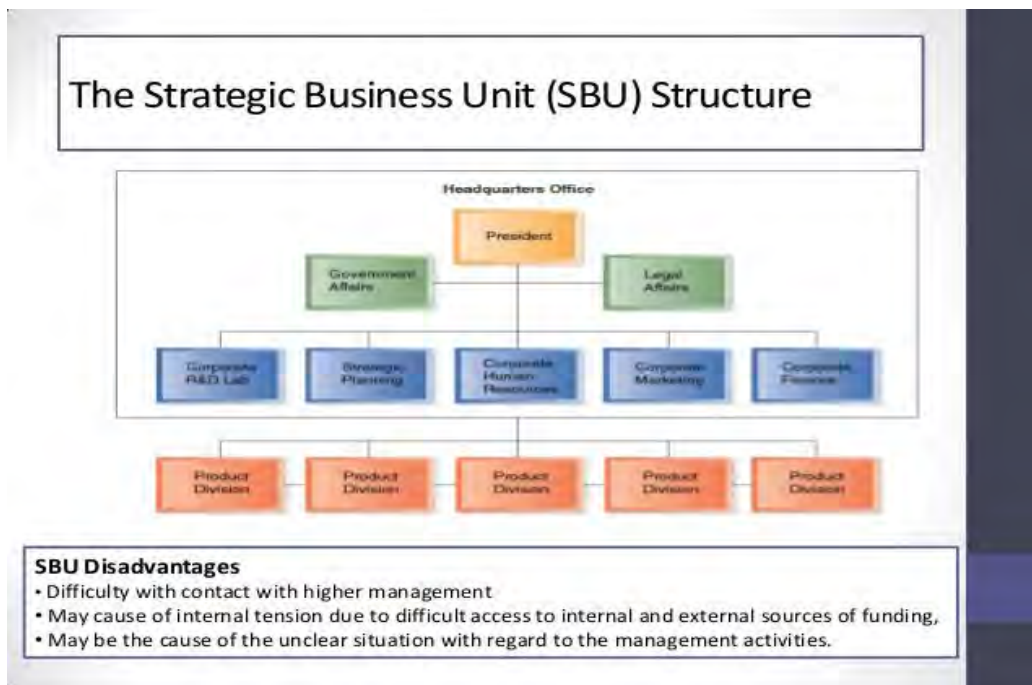


Figure 7: SBU organizational Structure (Source: Google Images)

Such units generally are set up like separate companies, with full profit and loss responsibility invested in the top management of the unit—often the president of the unit and/or a senior vice president of the larger corporation. This manager is responsible to the top management of the corporation. This arrangement can be seen as taking any of the aforementioned departmentalization schemes one step further. The SBUs might be based on product lines, geographic markets, or other differentiating factors.

2.10 Emerging Trend in Organizational Structure

Except for the matrix organization, all the structures described above focus on the vertical organization; that is, who reports to whom, who has responsibility and authority for what parts of the organization, and so on. Such vertical integration is sometimes necessary, but may be a hindrance in rapidly changing environments. A detailed organizational chart of a large corporation structured on the traditional model would show many layers of managers; decision-making flows vertically up and down the layers, but mostly downward. In general terms, this is an issue of interdependence.

In any organization, the different people and functions do not operate completely independently. To a greater or lesser degree, all parts of the organization need each other. Important developments in organizational design in the last few decades of the twentieth century and the early part of the twenty-first century have been attempts to understand the nature of interdependence and improve the functioning of organizations in respect to this factor. One approach is to flatten the organization, to develop the horizontal connections and de-emphasize vertical reporting relationships. At times, this involves simply eliminating layers of middle management. For example, some Japanese companies—even very large manufacturing firms—have only four levels of management: top management, plant management, department management, and section management. Some U.S. companies also have drastically reduced the number of managers as part of a downsizing strategy; not just to reduce salary expense, but also to streamline the organization in order to improve communication and decision-making.

In a virtual sense, technology is another means of flattening the organization. The use of computer networks and software designed to facilitate group work within an organization can speed communications and decision-making. Even more effective is the use of intranets to make company information readily accessible throughout the organization. The rapid rise of such technology has made virtual organizations and boundary less organizations possible, where managers, technicians, suppliers, distributors, and customers connect digitally rather than physically.

A different perspective on the issue of interdependence can be seen by comparing the organic model of organization with the mechanistic model. The traditional, mechanistic structure is characterized as highly complex because of its emphasis on job specialization, highly formalized

emphasis on definite procedures and protocols, and centralized authority and accountability. Yet, despite the advantages of coordination that these structures present, they may hinder tasks that are interdependent. In contrast, the organic model of organization is relatively simple because it de-emphasizes job specialization, is relatively informal, and decentralizes authority. Decision-making and goal-setting processes are shared at all levels, and communication ideally flows more freely throughout the organization.

A common way that modern business organizations move toward the organic model is by the implementation of various kinds of teams. Some organizations establish self-directed work teams as the basic production group. Examples include production cells in a manufacturing firm or customer service teams in an insurance company. At other organizational levels, cross-functional teams may be established, either on an ad hoc basis (e.g., for problem solving) or on a permanent basis as the regular means of conducting the organization's work. Aid Association for Lutherans is a large insurance organization that has adopted the self-directed work team approach. Part of the impetus toward the organic model is the belief that this kind of structure is more effective for employee motivation. Various studies have suggested that steps such as expanding the scope of jobs, involving workers in problem solving and planning, and fostering open communications bring greater job satisfaction and better performance.

The organizational structure that some organizations adopted is described as a set of nested circles, rather than a pyramid. At the center is the self-directed production cell, called a Work Unit. These teams make most, if not all, decisions that affect only team members. Several such teams make up a wider circle called a Work Unit Module. Representatives from each team form the decision circle of the module, which makes decisions affecting more than one team or other modules. A number of modules form a Business Team, of which there are three in manufacturing. Leaders from the modules form the decision circle of the Business Team. Representatives of each Business Team form the Manufacturing Action Council, which oversees manufacturing. At all levels, decision-making is done on a consensus basis, at least in theory.

2.11 Restructuring

Industry consolidation—creating huge global corporations through joint ventures, mergers, alliances, and other kinds of inter-organizational cooperative efforts—has become increasingly important in the twenty-first century. Among organizations of all sizes, concepts such as agile manufacturing, just-in-time inventory management, and ambidextrous organizations are impacting managers' thinking about their organizational structure. Indeed, few leaders were likely to blindly implement the traditional hierarchical structure common in the first half of the twentieth century. The early twenty-first century has been dominated by the thinking that changing organizational structures, while still a monumental managerial challenge, can be a necessary condition for competitive success. In fact a poor design of structure can lead to lost profits and even result in the failure of the institution.

Indeed, corporate restructuring has become a popular response to financial difficulties in the twenty-first century. However, there are dangers to following the path of reorganization. Removing layers of bureaucracy to cut costs is tempting, but it can often be the case that removed layers of management creep back into the organization. It can also be difficult to reshape an organization with a strong organizational culture, as many well-established firms have. Further, reorganization may not be an appropriate response to trouble. In efforts to improve performance, most organizations go right to structural measures because moving lines around the org chart seems the most obvious solution and the changes are visible and concrete. However, such cryptic changes are generally only short-term and several years later, companies usually end up in the same place they started.

Whatever the potential dangers, structural reorganization is likely to remain a popular corporate strategy in the fast-paced global environment of the twenty-first century. Properly handled, restructuring—particularly away from the traditional vertical model—can increase competitiveness and reorient the organizational culture and behaviors to enhance productivity and profits. Even with the attendant dangers, restructuring is a tempting path. As the authors of *Diagnosing and Changing Organizational Culture* (Cameron & Quinn, 2006) note, “The failure rate of most planned organizational change initiatives is dramatic,” but “organizations that are not in the business of change and transition are generally viewed as recalcitrant.”(Encyclopedia.com)

2.12 Organisational Structure According to Lysons & Farrington

In their seminal book “Purchasing & Supply Chain Management” (1981), Kenneth Lysons and Brian Farrington have given importance to the structure of the procurement function and discussed in detail in Chapter 4 and 5. The researcher tried to review the relevant part in this section for the purpose of understanding how structures could play an important role in the achievement of the procurement objectives.

According to Mintzberg as quoted in the above book organizational structure has been defined as “the sum total of the ways in which the enterprise divides its labour into distinct tasks and achieves coordination among them.”The three aspects that impact on the structure are specialization, coordination and Control. It is said that traditionally, specialization was the division of organizational activities into functions, occupations, jobs and tasks. The vertical integration through structural alignment is essential to achieve the procurement objectives of the organization. The present emphasis, according to Prahalad & Hamel (2001), is the core competencies and the competitive advantage. The most important criterion is core competence that should be difficult for a competitor to imitate. It may be noted such competence can only be derived from the integration of specialist technologies and the coordination of diverse production skills. This concentration on the core competencies have led to outsourcing of the complimentary competencies.

The second aspect of structure is Coordination. This highlights that different functions are grouped together in such a way so that this grouping and alignment help the best possible way to achieve the organizational objectives. In fact the hierarchy of authority is considered to be a powerful coordinating influence. Often now-a-days coordination is considered synonymous with integration. Where such integration cannot be achieved it acts as a hindrance to achievement of corporate goals as the same leads to sub-optimization.

Table 1: A continuum of Intra organizational mechanism taken from Lysons and Farrington

Mutual adjustments	Which achieves the coordination of work by simple process of informal communication
Direct supervision	Which achieves coordination by having one individual take responsibility for the work of others
Task forces or committees	Meetings of managers or non managerial employees representing various areas of expertise who aim to solve specific mutual problems
Cross functional teams	People from various functions or processes who work together to achieve specified tasks or objectives. By definition, the objectives are those that cut across organizational or functional boundaries and impact a number of parts of the enterprise as a whole. The most effective cross functional teams are those that ensure participation of staff from all areas of the enterprise and have experienced leadership.
Matrix Structures	There are essentially combinations of functional departmentalization according to project or product. Members of matrix organizations are therefore simultaneously members of a specific function such as, purchasing and a project team.

The above table depicts how intra-organizational communication and integration between various parts of an organization including Procurement can be achieved.

2.13 Matrix Organizational Structures

A matrix type of organizational structure combines the traditional departments seen in functional structures with project teams. In a matrix structure, individuals work across teams and projects as well as within their own department or function. For example, a project or task team established to develop a new product might include engineers and design specialists as well as those with

marketing, financial, personnel and production skills. These teams can be temporary or permanent depending on the tasks they are asked to complete. Each team member can find himself/herself with two managers - their normal functional manager as well as the team leader of the project.

An example of a matrix structure is illustrated below:

	Marketing	Operations	Finance	HRM
	<i>Marketing Manager</i>	<i>Operations Manager</i>	<i>Finance Manager</i>	<i>HR Manager</i>
Project A (Team Leader)	Marketing Team (A)	Operations Team (A)	Finance Team (A)	HR Team (A)
Project B (Team Leader)	Marketing Team (B)	Operations Team (B)	Finance Team (B)	HR Team (B)
Project C (Team Leader)	Marketing Team (C)	Operations Team (C)	Finance Team (C)	HR Team (C)
Project D (Team Leader)	Marketing Team (D)	Operations Team (D)	Finance Team (D)	HR Team (D)

Figure: 8: Matrix Structure (Source: Internet)

Matrix structures have advantages and disadvantages.

Advantages

- Can help to break down traditional department barriers, improving communication across the entire organization
- Can allow individuals to use particular skills within a variety of contexts
- Avoid the need for several departments to meet regularly, so reducing costs and improving coordination
- Likely to result in greater motivation amongst the team members
- Encourages cross-fertilisation of ideas across departments – e.g. helping to share good practice and ideas
- A good way of sharing resources across departments – which can make a project more cost-effective

Disadvantages

- Members of project teams may have divided loyalties as they report to two line managers. Equally, this scenario can put project team members under a heavy pressure of work.
- There may not be a clear line of accountability for project teams given the complex nature of matrix structures.
- Difficult to co-ordinate
- It takes time for matrix team members to get used to working in this kind of structure
- Team members may neglect their functional responsibilities

It is important to remember that a matrix structure often sits alongside a traditional functional structure – it is not necessarily a replacement.

Matrix structures are highly effective for high uncertainty, complicated technology, medium or long project duration, internal dependence or high differentiation. It may also be effective in diversified or distributed organization with division structure. Most of the disadvantages of Matrix organization, according to Lysons and Farrington, derive from the dual or multiple relationships that may lead to conflicts between resources and business managers and confusion where the authority lies. However, it can be said more positively that horizontal communication linkages of matrix organization should encourage integration and team work. Integration also leads to rules, regulations, policies and procedures. This kind of formalization also shows the culture of control in the organization, the centralization and decentralization aspects.

Thirdly, the third aspect that we would take into consideration for organizational structure is a control system which embraces two essential elements e.g. a power base and a control mechanism which may embrace any of the following;

- a. **Centralisation.** In this system, the decision-making is either approved by a centralised authority or requires the approval of the centralized authority before it is implemented.
- b. **Formalisation.** As stated earlier this relates to regulations, policies, rules, and procedures that provide guidelines, objectives or goals.
- c. **Output control.** It means determining objectives or goals that can help in decision making.
- d. **Cultural Control.** The shared values and norms that guide decision making is called culture and where culture is strong, it is not essential that you have a strong structure. In a cultural context the control is exercised through the informal structures. “No manager can succeed without understanding the informal structures that operate within a particular work setting.” (Lysons & Farrington).

The Determinants of Structures

According to CIPS Study Book for Module D1- Context of Procurement it is said that a number of factors determine the designing of structure of a procurement function. These are discussed below.

- a. **The size, nature and role of Procurement Function.** Lysons and Farrington referred to Mintzberg who said that the older and larger an organization, the more standardized would tend to be its policies and procedures as such it is difficult to bring in changes there. Again the organization can have a range of activities necessitating the degree of specialisation which demand more control and communication. Procurement may be a dedicated service reporting at the highest level when it is called a strategic service or be a subsidiary function reporting to admin or Finance of production when it is called a clerical service.
- b. **Alignment with Corporate Structure and Strategy.** Procurement activities have to be aligned with corporate structure or strategy. For this to achieve often they are subdivided into category of items e.g. MRO, OEM, Direct Purchase or as per the line of products e.g. Toiletries, food and beverages etc.; or plant location; supplier group; or internal customer group e.g. different departments in an SBU setting.
- c. **The Structure and Environment in which the procurement operates.** This includes the internal organizational structure such as where procurement reports to, what mechanisms are in position to coordinate activities; who the internal customers are and the relationship of procurement with them e.g. direct service provider, advisor or regulator; how procurement competence and contribution is perceived and measured in the organization; the impact of corporate policy on procurement roles and responsibilities. Again the size, geographical spread, degree of specialization and critical success factors have an impact on the external supply market and organization's supply base.
- d. **The Strategic Objectives of the Procurement Function also determines centralization or decentralization.** If cost reduction is an objective, procurement can be centralized to enable economies of scale and value for money. On the other hand if customer service is the priority, then decentralization or devolved structure to allow responsive local decision making could be the priority. If supplier performance is the priority, the function may be organized by product or supplier group.

Lysons & Farrington give importance to two more key structural issues for purchasing and supply. These are;

- a. Increasing focus on business processes and supply chains, leading to the increasing integration of supply activities and the creation of horizontal e.g. cross functional and inter-organizational structures.
- b. The existence of diversified and/or geographically dispersed multi- divisional organizations raising the issue whether to centralise or decentralise or to have a mixed or hybrid structure.

2.14 Centralised or decentralized or devolved structure

Monczka et al., 2009 have identified the sense to think of purchasing authority on a continuum, with complete centralisation at one end and complete decentralisation at the other. Centralised procurement implies that purchasing decisions are made either by company headquarters or some regional or divisional level. A decentralised procurement function means that an organization's activities are spread over a number of plants or locations. More recently, it also refers to purchasing delegated to actual users (Lysons and Farrington, 2006).

CENTRALISATION AND DECENTRALISATION

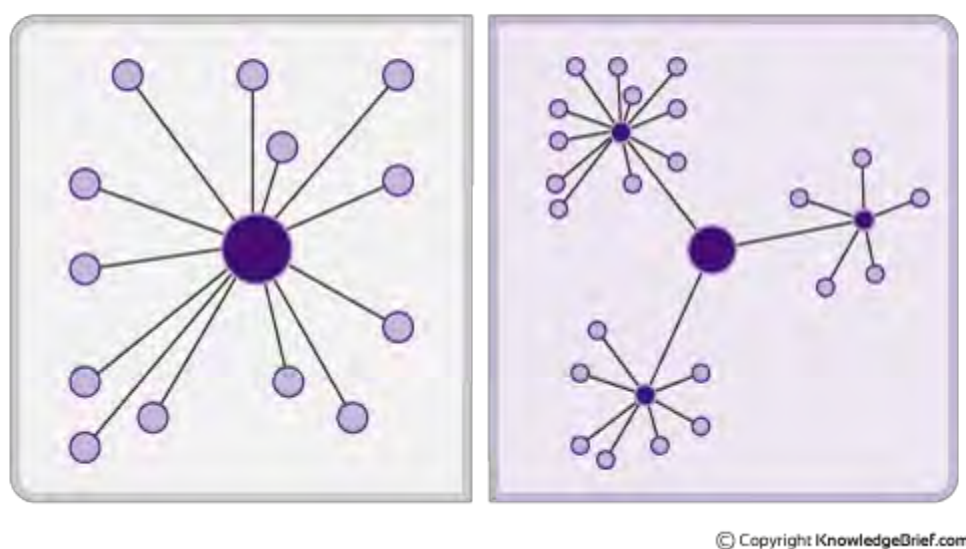


Figure 9: Centralisation & Decentralisation (Source: Google Images)

One of the most debated issues in the procurement function is whether the procurement function should be centralized or decentralized. That is to say, whether the function is being controlled by one department reporting to a single top executive or devolved in to different strategic business units or user department. Sometimes it is seen that procurement is carried out by users or budget-holders, rather than by procurement or supply chain specialists. The question is further highlighted when the company is dispersed over multi site operations. An organization that is operated through a number of branches or divisions, often separated by considerable distances, may either function through one single procurement department at the Head Office known as centralization or separate functions at each division known as decentralization. It is, however, very difficult to make a decision in favour of either of the two as a lot of factors are to be taken

into considerations before arriving to such a decision. Most experts are of the opinion that major activities e.g. policy formulation, supplier selection and relationship management, major contract negotiations and so on may be vested at the central level i.e. should lie as far as possible with the procurement specialists in order to reap maximum benefit through leveraging procurement functions. However, in reality it may not be possible always to centralise procurement operation to the fullest degree because of the fact that there may be a need for specialist expertise, relationships, systems and procedures to accommodate distinctive market requirements of the division at the SBU level for being close to client or customers in order to respond to their specific requirement. Again if the SBUs or the operational sites are widely dispersed geographically, especially in area where transport and communication networks are not well developed, local procurement may become a necessity. This minimizes difficulties, risks, and costs of long transport and communication lines.

A Centralised Purchasing system is one in which all the departments or SBU's of a company with a wide geographical distribution can make purchases through a common purchasing organization. The best deals with local vendors for the corresponding location of the company unit or division can be achieved through centralized procurement function. This avoids duplicity of orders and promotes benefits arising from the high volume bulk discounts, lower transportation and inventory management costs, organized transactions and improved vendor relationship management. Investopedia (2 July, 2013) defines Central Purchasing as a department within a business or organization that is responsible for making all purchases. Central purchasing works with other departments and agencies to consolidate orders for products and then use economies of scale in order to obtain cheaper prices. Additionally, organizations use a central purchasing department in order to keep the organization spending in a centralized location that can be checked for discrepancies easily.

Organizations with many locations can adopt a decentralized purchasing model. This allows each facility or a group of facilities to carry out their own purchasing. This purchasing model can be successful where the culture of the organization is such that each location acts as its own profit center, or has a business that is different from other locations. For companies that have acquired businesses that may not be akin to their core business, then the decentralized purchasing structure would be more appropriate. Local purchasing organizations often operates similar to the small business model where they have closer ties to local vendors and be able to react quickly when required. Where facilities require the delivery of items at a moment's notice, the centralized purchasing model is not appropriate. If a stock out is imminent, and manufacturing needs to be halted, then a local vendor can often deliver the same day, whereas centralized purchasing probably deals with a national vendor who is not able to offer the same response. Decentralized purchasing refers to purchasing materials by all departments and branches independently to fulfill their needs. Such a purchasing occurs when departments and branches purchase separately and individually. Under decentralized purchasing, there is no one purchasing manager who has the right to purchase materials for all departments and divisions. The defects of

centralized purchasing can be overcome by decentralized purchasing system. Decentralized purchasing helps to purchase the materials immediately in case of an urgent situation.

Many companies have tried to adopt a mix of centralized and decentralized purchasing, where facilities have the purchasing responsibility for certain critical production items, but the central purchasing organization have the task of purchasing non-critical items.

Advantages of Centralized Procurement

- (1) **Specialisation of Procurement Staff.** Purchasers can focus on particular skills such as, contract negotiation, or particular materials and markets, such as machinery or chemicals and develop their knowledge to greater depth, with potential to improve quality and lower costs. For example, if ten procurement staff is located in ten divisions they have general responsibility for a wide range of activities. This gives them only generalist knowledge and skills. On the other hand if ten procurement staff are based in a single, centralized unit there is the opportunity for each buyer to develop knowledge in more specialized techniques, procedures or categories of knowledge.
- (2) **Potential for the consolidation of Requirements.** Consolidation of requirements of various units or divisions by aggregating demands and putting them into a single requirement or procurement package can provide volume benefit or economies of scale because of larger orders or contracts. This also reduces the number of suppliers and contributes to supplier rationalization effectively making it easier for supplier relationship management.
- (3) **Greater coordination of Procurement Activities.** Uniform procurement policies, procedures, and good practice can be introduced and applied, facilitating standardization, variety reduction, better value for money and improved compliance. This minimizes maverick or laissez faire purchasing. Training & development of staff also become easier and more streamlined.
- (4) **Greater Standardisation of Specification.** As the procurement of each division is done centrally, the specifications of products can be made standardized through a number of ways such as, facilitating consolidation of orders, reducing inventory and handling costs because of less variety and greater utilization; focusing on the supplier base because of fewer specialists requirement, improved quality requirement e.g. ease of inspection and simpler or facilitative communication.
- (5) **More effective control of procurement Activity.** The procurement performance measurement can be done centrally with less resource dedication through effective monitoring of KPI's and budgetary control measures. The unit may also be considered as separate cost or profit centre for closer accountability.
- (6) **Avoidance of conflict between business divisions.** This is another benefit of centralization as scarce resources can be utilized more effectively. Unequal budgetary

allocation of procurement expenditure or differences in price or value obtained in procurements.

- (7) **Access to specialist skills, contracts and resources such as**, procurement research would be possible which might be difficult at division level.

Advantages of Decentralisation

- (1) **Reduces the Burden on Top Executive.** Decentralisation relieves the top executives of the burden of performing various functions. Centralisation of authority puts the whole responsibility on the shoulders of an executive and his immediate group. This reduces the time at the disposal of top executives who should concentrate on other important managerial functions. So, the only way to lessen their burden is to decentralise the decision-making power to the subordinates.
- (2) **Facilities Diversification.** Under decentralization, the diversification of products, activities and markets etc., is facilitated. A centralised enterprise with the concentration of authority at the top would find it difficult and complex to diversify its activities and start the additional lines of manufacture or distribution.
- (3) **To Provide Market Access.** A product loses its market when new products appear in the market on account of innovations or changes in the customers demand. In such cases authority is required to be decentralised to the regional units to render instant service taking into account the price, quality, delivery, novelty, etc.
- (4) **Executive Development.** When the authority is decentralised, executives in the organization get the opportunity to develop their talents by taking initiative which also makes them ready for managerial positions. The growth of the company greatly depends on the talented executives.
- (5) **It Promotes Motivation.** “Decentralisation stimulates the formation of small cohesive groups. Since local managers are given a large degree of authority and local autonomy, they tend to weld their people into closely knit integrated groups.” (Allen 2013) This improves the morale of employees as they get involved in decision-making process.
- (6) **Better Control & Supervision.** Decentralisation ensures better control and supervision as the subordinates at the lowest levels have the authority to make independent decisions. As a result they have thorough knowledge of every assignment under their control and are in a position to make amendments and take corrective action.
- (7) **Quick Decision Making.** Decentralisation brings decision making process closer to the scene of action. This leads to quicker decision-making of lower level since decisions do not have to be referred up through the hierarchy.

2.15 Hybrid or Mixed Structure

(1) **Centralised decision making.** Many in the procurement profession are convinced that control must emanate from headquarters and all purchasing categories must be managed from there. In today's environment where companies now operate all over the very flat world, that mindset needs to change. It's better to shift the perception from "decision making from central headquarters" to "centralized decision making," and even consider a new hybrid procurement operation called "regional central procurement." With this model, procurement decisions are centralized in the region where most of the operations and suppliers are located, not at the company's headquarters. For example, if a major electronics company uses printed circuit boards (PCBs) in its manufacturing process in Taiwan where the bulk of those suppliers are located, it makes more sense to centralize the global category team for PCBs in Taiwan, not the head office in Silicon Valley or some city in central Europe (Jimmy Anklesaria 2014).

(2) **Process, talent and pace.** The decision to centralize or decentralize procurement should be made based on factors like process, talent and pace of the business. Those that argue in favor of decentralized procurement purely based on proximity to a key manufacturing location or supply base should also consider that it is necessary to use a common corporate-wide process. What a company would not want is for there to be a different strategic sourcing process for each team or region. A center-led but decentralized procurement process could work where templates and procedures are common across businesses, but decisions are often made by a category team located in a specific region (Jimmy Anklesaria 2014.)

(3) **The Pace of business.** The "pace" of business is also a determining factor in whether to centralize or decentralize procurement. In the oil and gas industry it takes years to sink oil wells and decision making is fairly slow. In such cases, a centralized structure would work. However, in the electronics industry which is far more dynamic, it may be prudent to have category teams located closer to the action and decentralized procurement would be more suitable (Jimmy Anklesaria 2014).

(4) **Attracting talent.** Finally, there is the issue of attracting talent. Regardless of whether procurement is centralized or decentralized, a category team must consist of really talented individuals whose focus is more on being good business partners than just saving money. Companies, when making decisions about centralization or decentralisation, need to decide where to locate a global category team. There are some companies where both headquarters and the key businesses are located around inhospitable areas where it is difficult to attract good talent. In such cases, a decision is taken to centralize procurement in a region that has good universities, standard of living and opportunities for growth – thereby attracting top talent (Jimmy Anklesaria 2014).

(5) Hybrid arrangement. Good companies understand that centralized procurement does not necessarily mean the decisions have to be made at headquarters. They recognize there are many benefits to this hybrid arrangement, which allows for regional central procurement and group decision-making to leverage volume. It is hard to imagine there would be numerous category teams located in different parts of the world depending on the location of the manufacturing facilities and key suppliers. If it is a truly global category team, members of the team should represent the key business units that use a certain category and not a bunch of individuals located in a county where the head office is situated.

(6) It is the ultimate combination of the power of centralization with the benefits of decentralization. When central procurement takes place from a specific region, the divisions or business units do not buy independently, they buy off a corporate contract for all of their operations. Ideally, to leverage volume, the global category team follows a global category strategy and use a corporate contract or master service agreement (MSA) that applies to all purchases of a particular product or service across all business units. The Framework agreement can also help in this respect.

(7) It ensures success. The category team in the region where most manufacturing takes place is closest to the operation and probably its supply base, so they can leverage their spend more efficiently than someone from a faraway home office. The people closest to the operation and who actually procure the products or services have more credibility with the suppliers. Of course, this assumes that the manufacturing plants are in the same general region as that of the major suppliers. If not, then a global category team may be located either close to the largest manufacturing region or that of the major suppliers.

(8) It promotes good supplier relationships. If a category team is located near its supply base, good supplier relationships grow organically around shared interests. It's very difficult and expensive to build successful relationships from afar.

(9) It is less costly and easier to manage. When a company uses regional central procurement, it does not need to spend thousands of dollars to fly in people from headquarters for sporadic supplier meetings which inevitably are brief. Far too often, a team from corporate procurement descends on a supplier for a meeting and starts the proceedings with a discussion on how they can catch an earlier flight out. Suppliers appreciate and cooperate with the procurement teams whom they trust because of a good relationship. And that is hard to build from a distant place. For example, a large electronics company is headquartered in Seoul, South Korea, and its appliance division is headquartered in another city in Korea, where it operates a large manufacturing facility. This appliance division makes procurement decisions for all of the appliance manufacturing facilities around the world, leveraging the spend of the entire division. On one hand it is decentralized procurement because the division is acting on its own. However, the appliance business is as big as or bigger than Maytag or Whirlpool, so it really is central

procurement from a region. The appliance division's procurement team is buying off a contract that is centralized for a particular division, not the entire electronics company. Of course, one may argue that there are many products and services an appliance division of a company may buy that are purchased by other business units like mobile phones, displays or other electronic devices. With sharing of common processes, templates and information among divisions this would offer an opportunity for even more leverage.

Summary: Centralized vs. decentralized is no longer a clear-cut, black and white choice, rather a hybrid structure is the byword.

The companies that continue to use the old-fashioned model of central procurement at headquarters making all the decisions face an uphill battle of controlling their business units. More often than not, the business units believe corporate procurement is neither qualified nor knowledgeable enough to make decisions on behalf of their businesses. They resent decisions pushed their way and find ways to resist and go off on their own. The most successful central procurement departments act as resources for the business units, sharing corporate services, processes and templates with them, and at the same time, recognizing and using the value of the business units' relationships with their suppliers. The new hybrid, regional central procurement, is becoming popular as a result of the globalization of corporations and the increasing responsibility of business units to contribute to the bottom line. More companies are recognizing the fact that regional central procurement can offer advantages over headquarter centralized procurement. It is certainly not one size fits all, and companies need to select the model that works best to meet its financial objectives. Therefore, the best approach for a large TSO having operations across continents would be a Centre led or strategically controlled procurement network.

2.16 The Structure of a Centralized Procurement

As discussed earlier, the way in which procurement tasks are divided among members of staff in a dedicated unit or department depends mainly on the size. In a very small procurement unit the structure may look as follows:

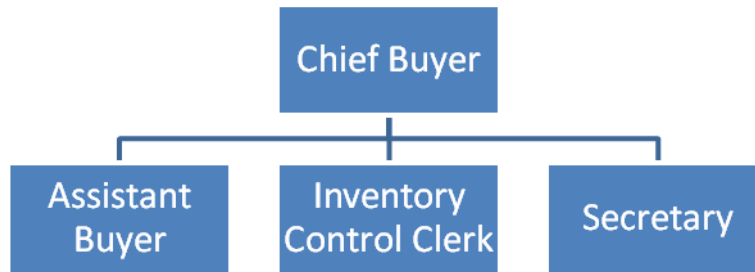


Figure 10: A Small Centralised Procurement Unit Structure (Source: Google Images)

It is evident that this kind of structure leaves little scope for specialization. Most buying policies and decisions would be initiated by the buyer with routine matters delegated to the assistant buyer. In a larger organization, the procurement function is likely to be more developed with more staff and greater specialization.

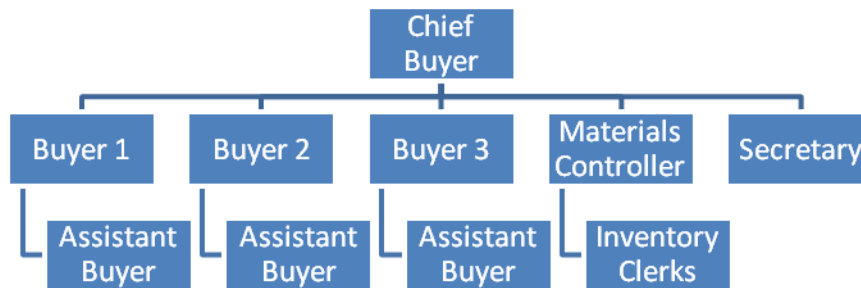


Figure 11: Organization of a Medium Sized Procurement Function (Source: Google Images)

In this type of organization the chief buyer would be responsible for procurement policy, as well as for managing smooth running of the department, but many perhaps of the day to day decisions is taken by the buyers, who have the opportunity to specialize. In this type it may happen that each buyer deals with a particular category e.g. Direct Purchases, MRO, and CAPEX and so on. In a Large organization often problems of communication and control are likely to be much greater and must be addressed carefully if optimum performance is to be obtained.

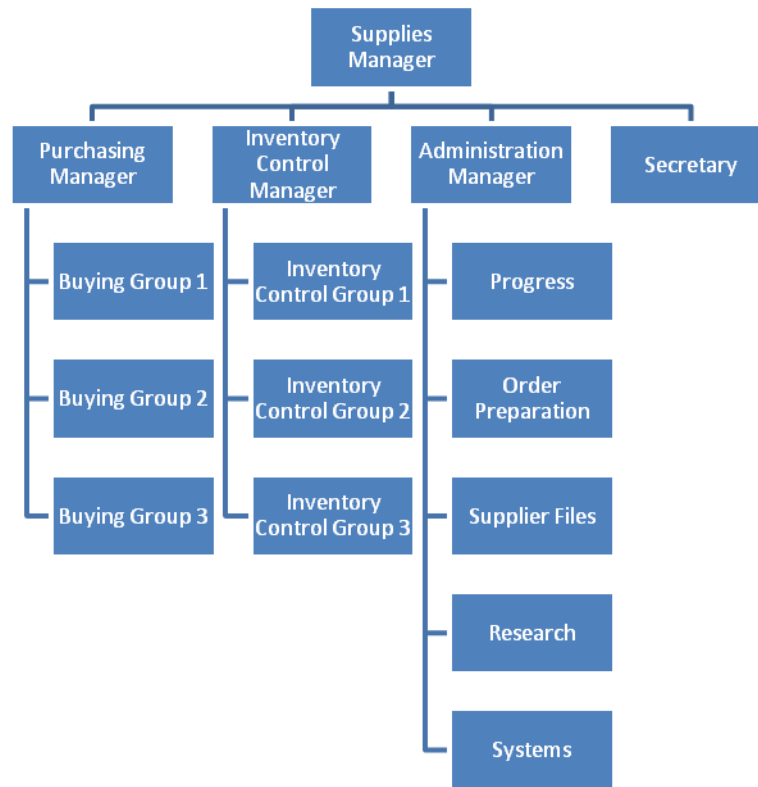


Figure 12: Organization of Large sized Procurement Function (Source: Google Images)

2.17 Hybrid Structures

Lysons suggest that a mix of centralized and decentralized procurement is common in practice with both central and devolved procurement functions dividing tasks between them.

Table 2: Comparison of Localised and Centralised Function (Lysons & Farrington)

Local Procurement Function	Centralized Procurement function
Small order items	Determination of major procurement and supply chain policies
Items used only by the local division	Preparation of standard specifications
Emergency procurements (to avoid disruption to production)	Negotiation of bulk contracts
Items sourced from local suppliers	Stationary and office equipment (generic, shared supplies, which can be bought most economically in bulk)

Local procurement undertaken for social sustainability reasons	Procurement research
	Procurement of capital assets
	Procurement capability development e.g. training and development

Lysons & Farrington further elaborate on this model and say that procurement may be centralized across board from a highly centralized to a highly devolved structure.

- a. **Centralised.** Strategy, systems, standards as well as all procurement activities are controlled centrally. This is good for SBU's requiring same kinds of direct and indirect purchases.
- b. **Coordinated devolved.** Strategy, policy, system and standard are controlled centrally, items common to few SBU's may also be procured centrally, but other operational items are procured by the SBU's.
- c. **Consultative Centralised.** In this type both strategic and operational are devolved to the SBU's which take guidance and advice from the central Procurement function.

A number of specific Hybrid models have been developed and most notables of them are discussed here.

- a. **The CLAN (Centre Led Action Network)** is a relatively decentralized model. In this type, procurement staff is mainly located in different SBU's. They report primarily to the local management of their business unit with secondary responsibility to a small central procurement department at head office. The role of the procurement system is to lead and coordinate the network of buyers by formulating policy, setting standards and encouraging best practice. Elements of centralized, decetralised and matrix structure are used to achieve coordinated devolution. Procurement is identified closely with local needs and can react swiftly to local needs, but there is a potential loss of leverage and the centre is always required to highlight the importance of cooperative activities to achieve desired results.
- b. **The SCAN (Strategically Controlled Action Network)** is a relatively centralized model. Structurally it is similar to CLAN except that local procurement staff report primarily to the head office central procurement department which is responsible for strategy, policy, training and performance management. It also includes centralized category managers who are also responsible for particular categories of goods and services. SCAN has taken over CLAN in much large organizations which want to leverage procurement expertise although this may be fraught with disadvantages of centralized procurement mentioned earlier.

- c. **The Lead Buyer Approach.** Certain procurement responsibilities may be delegated to designated members of the user departments as lead buyers for particular category of items. The key benefit of this type is that key members of user departments are directly involved with procurement which provide agility in procurement decisions. Lead buyers are not procurement professional as such they need support from central procurement department. Where implemented effectively this can help foster good internal customer management.
- d. **A business partnering approach** is one in which procurement guidance can be exercised in SCAN. A member of the procurement team works within a user department where there is a large or complex external spend. The procurement representative liaises with the user function and identifies situation where procurement expertise can add value.

Summary

In this Chapter of Literature Review, the researcher firstly discussed about the Third sector perspectives and the procurement issues that could be involved with the large TSO's vis-à-vis public and private sectors. Third sector procurement is a combination of Public sector and private sector procurement. He has shown that in the public sector transparency, accountability, efficiency, effectiveness, competitiveness etc are essential for achieving value for money. In the case of a TSO, this is applicable for all programmes run by donor funded projects. In case of Social enterprises, those are run in line with private sector where surplus is generated to recycle for social development through executing various programmes and projects. The procurement functions are to be tailored to those perspectives. Quoting different sources and authorities on the subject, the researchers first identified the determinants of structure and then presented the various kinds of structures that multifarious organisations can have. Then he has taken up the specific procurement structures e.g. centralization, decentralization and hybrid structures that have been propagated by Lysons and Farrington as well as other authorities on the subject. In the hybrid section among other types he has mentioned about the CLAN and SCAN types, among others, that could be ideal in a large TSO like BRAC.

CHAPTER III - METHODOLOGY

3.1 Introduction

The purpose of this study is to examine the procurement structure of Third Sector Organizations such as, BRAC in particular and other public and private bodies in general with reference to Centralized and Decentralized procurement structure prevailing there with a purpose to draw conclusion how best those structures could be rationalized into a probable more beneficial mixed structure for large TSO's like BRAC dispersed across continents. The four purposes of this chapter are to (1) describe the research methodology of this study, (2) explain the sample selection, (3) describe the procedure used in designing the instrument and collecting the data, and (4) provide an explanation of the statistical procedures used to analyze the data.

3.2 The Research Methodology of this Study

A descriptive research methodology was used for this study. A survey was administered to a selected sample from a specific population size of 50 most qualified procurement professionals from the three sectors- public, private and third. The term 'survey' as is well known is commonly applied to a research methodology designed to collect data from a specific population, or a sample from that population, and typically utilizes a questionnaire or an interview as the survey instrument (Robson, 1993). More specifically, on line survey method through application of Google Forms was applied for this study.

Surveys are used to obtain data from respondents/experts in the field. Sample surveys are an important tool for collecting and analyzing information from randomly selected respondents. They are widely accepted as a key tool for conducting and applying basic social science research methodology (Rossi, Wright and Anderson, 1983). Here in this case the researcher has applied the on line survey through questionnaire method and sometimes Interview methods to validate the findings. The best approach for a Large TSO having operations across continents would be a Centre led or strategically controlled procurement network.

According to Leary (2011), there are distinct advantages in using a questionnaire vis-a-vis an interview method. Questionnaires are less expensive and easier to administer than personal interviews; they lend themselves to group administration; and, they allow confidentiality to be assured. Robson (1993) indicates that mailed surveys are extremely efficient at providing information in a relatively brief time period at low cost to the researcher. In this case instead of mailed questionnaire the online questionnaires designed through Google Forms were sent to respondents for prompt response.

3.3 Sample Selection and Determination of Size

The samples were selected in a randomized manner. Random sampling is the best single way to obtain a representative sample. No techniques, not even random sampling, guarantee a representative sample, but the probability is higher than for others. Stratified random sampling is an appropriate methodology in order to make proportionate, and therefore meaningful, comparisons between subgroups in the population. Robson (1993) tells us that sampling theory supports stratified random sampling as an efficient choice because the means of the stratified samples are likely to be closer to the mean of the population overall. Leary (2011) is of the opinion that that a stratified random sample would typically reflect the characteristics of the population as a whole. Consequently the researcher decided to collect data from all the three sectors of production i.e. public, private and third sector. It may be noted that the TSO procurement function usually follows either the principles of public procurement or private procurement depending on the sources of fund and the conditionality attached to such funds.

The list of those who have undergone CIPS Diploma, Advanced and Professional Diploma courses and those who have undergone or undergoing Masters in Procurement and Supply Management courses at BRAC University were collected. Students who have obtained CSCM courses from the ISCEA were also collected. Out of that on random basis 50 respondents were selected on the basis of following formula:

$$n = \frac{N}{1 + N(e)^2}, \text{ where } N \text{ is the total population, } n \text{ is the sample size and } e \text{ is the error indicator.}$$

If we take a population size of 50 randomly selected procurement professionals for this study we come to a derivative of 44 respondents. That is what the researcher did to select the sample size.

3.4 Instrumentation

Leary (2011) offers seven guidelines for designing a useful questionnaire e.g.

- a. Use precise terminology in phrasing the questions.
- b. Write the question as simply as possible, avoiding difficult words, unnecessary jargon and cumbersome phrases.
- c. Avoid making unwarranted assumptions about the respondents.
- d. Conditional information should precede the key idea of the question.
- e. Do not use double barreled questions that have more than one question but provide the respondent for only one answer.
- f. Choose an appropriate response format.
- g. Pretest the questionnaire.

Robson (1993) indicates that a high reliability of response is obtainable by providing all respondents with the exact same set of questions. Validity is inherently more difficult to establish

within a single statistical measure. If a questionnaire is perfectly valid, it must measure in such a way that inferences drawn from the questionnaire are entirely accurate. Suskie (1996) reports that reliability and validity are enhanced when the researcher takes certain precautionary steps:

- (a) Have people with diverse backgrounds and viewpoints review the survey before it is administered.
- (b) Find out if:
 - each item is clear and easily understood
 - they interpret each item in the intended way
 - the items have an intuitive relationship to the study's topic and goals, and
 - your intent behind each item is clear to colleagues knowledgeable about the subject.

A total of 44 respondents were selected from the public, private and Third sector. Out of these, 21 from the public sector, 11 from the private sector and 12 from the Third sector responded to the questionnaire.

There were total four sections in the questionnaire; the General section having 19 questions, the Centralised Procurement section having four questions, the Decentralised and the Hybrid sections having two questions each.

3.5 Data Collection

Initially questionnaire was made in typewritten form without the use of Google tools in December 2014. Then the researcher interviewed 8 BRAC procurement staff during that period. The researcher has taken BRAC as a case to validate his findings and to help him determine what kind of procurement structure a large TSO like BRAC should have for achievement of objectives. Many procurement experts had to be approached personally for response and out of the 50 selected experts, 44 responded to the questionnaire eventually. This met the statistical requirement of the formula having a 5% margin of error.

3.6 Data Analysis

After collection of data the collation of data was done in a systematic manner in accordance with the questions. Because of use of the Google tool it was convenient to do so. The collation was followed by the graphical presentation that a reader would be able to find in the data analysis. The analysis of data was a professional part. It was heartening to note that the analysis followed by evaluation supported the thesis that Hybrid procurement, particularly SCAN system should be the structure that should be adopted by the large TSO's like BRAC that are dispersed across continents. Further details can be seen in the data analysis in next segment.

Summary

The purpose of this chapter was to describe the research methodology of this study, explain the sample selection, describe the procedure used in designing the instrument and collecting the data, and provide an explanation of the statistical procedures used to analyze the data. Online survey with questionnaire method was used for carrying out the survey through questions designed through Google tools. A sample of 44 highly qualified public, private and third sector procurement professionals were selected from a population of 50 such professionals who responded to the questionnaire. A total of 27 questions - 19 on General procurement information, four specific questions on centralized and two each questions for the decentralized and hybrid sector encompassing the total spectrum of procurement to meet the requirement of Thesis questions probing. Detailed questionnaires can be seen in Annex I to this Thesis.

CHAPTER IV - DATA ANALYSIS AND FINDINGS

4.1 Introduction

This Chapter presents, analyzes and interprets the data gathered from the responses to the questionnaires as incorporated in Annex I relating to the research subjects of this study. The issues that have been taken into consideration are (a) Demographic information of the respondents, (b) Objectives of procurement, (c) Means of maintaining the procurement standard, (d) Procedural guidelines and other related information, (e) Budget involved in procurement, (e) Procurement function and its structure (f) stakeholders of procurement and their significance in decision making, (g) Procurement strategy and its formulation and so on. Above all how the procurement structures can be reinforced, whether the centralised, decentralised or hybrid structures should be adopted for Third sector have been probed. Finally if a hybrid structure is recommended, then what kind of hybrid structure could be adopted for large TSO like BRAC.

4.2 Demographic information of the respondents

The respondents of the study were composed of 44 procurement professionals from Public, Private and Third Sector from Bangladesh and abroad. To conduct the survey, mainly online survey method has been used. However, to clarify and validate data, the researcher also included informal interviews of the people with strong related background and experience. 59.1% of the respondents of this survey were aging from 35 and above with more than 10 years of experience in related field who gave their valuable opinion and contributed significantly. The designations held by the respondents include various top management positions e.g. Procurement Consultants & Specialists, Director General, Joint Secretaries of different Ministries of Bangladesh Govt., Chief Procurement Officer, Sourcing specialists, Deputy Project Director and so on. The survey covered the organizations like BRAC, USAID, World Bank, Airtel Bangladesh Ltd., Robi Axiata, Jatiyo Protibondhi Unnayan Foundation (JPUF), Rangs Properties Ltd, Bangladesh Computer Council, Higher Education Quality Enhancement Project etc.

Table 3: Demographic Information of the Respondents (Source: Annex II)

Sector	Frequency (No of respondents)	Percentage
Public	21	47.73%
Private	11	25%
Third sector	12	27.27%
Total	44	100%

Out of the 44 respondents there were 21 in number or 47.73% from the public sector, 11 or 25% from the private sector and 12 or 27.27% from the Third sector. The list of the respondents and their organizations can be seen in Annex III to this paper. This figure 44 (88%) out of a total 50 or 100% has been derived from the Chart given in the article titled “Determining Sample Size for Research Activities” Krejcie and Morgan (1970). This has been verified and found to be correct also through the formula mentioned in Chapter III-Methodology. The population was selected from among the best professionals on the criteria as follows:

- (a) MCIPS or having some CIPS qualifications.
- (b) MPSM Degree holder or studying.
- (c) Having some other professional qualifications in procurement International Diploma in SCM from International Trade Centre, WTO Geneva or CPSM/CSCM from the ISCEA.
- (d) Having experience working in large public bodies or private organization or Third Sector Organizations.
- (e) Having, say 10 years service in the procurement field. If we check we can find that out of the total 44 respondents --- are Members of the Chartered Institute of Procurement & Supply.

4.3 Analysis of the Responses

General information

1. What are the primary and secondary objectives of procurement in your organization? Please rank. (Rank 1st, 2nd, 3rd, 4th and 5th among the given options)

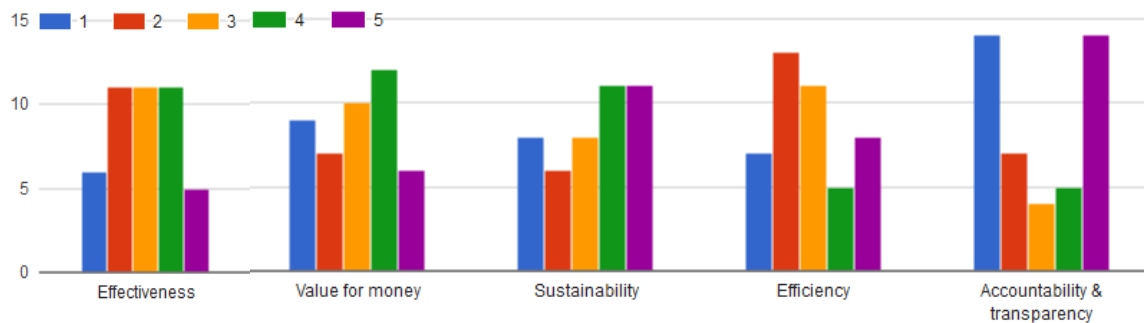


Figure 13: Significant opportunities of procurement in NGO sector

Table 4: **Significant opportunities of procurement in NGO sector**

Title of the objective	Frequency	Percentage
Accountability and transparency	14	31.8
Efficiency	13	29.5
Effectiveness	11	25
Value for money	12	27.3
Sustainability	11	25

As it is seen in the above table and the figure, in NGO sector, Accountability and transparency is the most significant opportunity with 31.8% vote from the respondents. ‘Non-governmental organizations (NGOs), including charities, advocacy groups and voluntary organizations, have a responsibility to demonstrate to the public that their operations are consistent with their values. These organizations are formed to serve a cause, rather than generate profits for owners and investors.’(GRI 2011, Increasing transparency and credibility). Thus GRI justifies the expert opinion supporting the need of accountability and transparency.

It may be noted that Third Sector procurement is a combination of both public and private sector procurement depending on the fund availability and the strings attached to such donations. The propensity to proximity to public procurement procedure and requirement depend on whether the funds are made available by the public sector or such multilateral bodies like the World Bank or otherwise. In such a situation, the procurement process would have more emphasis on transparency, accountability, efficiency, value for money, competitiveness, fairness etc. The results thus deducted from the figures subscribe to the ideas that accountability and transparency should get more prominence in ensuring value for money and delivery of services to the beneficiary which ultimately determines the sustainability of a Third Sector organization and not the financial health through profit making from social businesses thus accrued and not recycled.

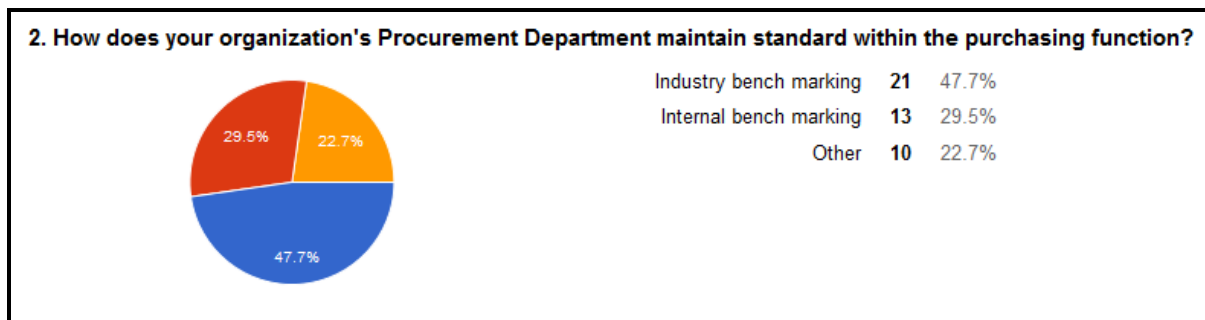


Figure 14: Procurement standard

In the figure presented above, 47.7% of the respondents (procurement professionals) from various organizations including private, public and NGO sector have stated that they are supposed to follow the industry bench marking to maintain standard within the purchasing function whereas 29.5% of them follow internal bench marking. Thus the significance of the industry bench marking can be assumed and it can be implemented in NGO sector as well. However, it seems that internal bench marking between various programmes conducted by TSO's can also put insight in to the fact why some programmes or projects are doing better than others and the comparison results can be an eye opener for implementing all good findings in the running of other programmes/project for delivering better services to the beneficiaries. Therefore we would like to deduce that a combination of both internal and external bench marking could be ideal for large size TSO's.

Implications of benchmarking include:

- Understanding present available capabilities and resources
- Assess performance , business value and strategy
- Identify and prioritize improvement opportunities that offer the greatest potential return
- Highlight and address areas of risk /threat as well as weakness.
- Plan, manage and accelerate journey towards world-class performance
- Can indicate the performance level of competitors and can boost up the organizational speed.

CIPS suggests Ten Lever to manage benchmarking in procurement. NGO benchmarking requires a blend of industry and internal benchmarking. The ten value lever includes the following areas:

- (1) Business alignment and stakeholder engagement
- (2) Structure, governance and operating mode
- (3) Leadership, people and team strength
- (4) Process excellence and technology

- (5) Category and supplier value management
- (6) Reform of the supply chain
- (7) Outsourcing, off-shoring etc.
- (8) De-risking the supply chain
- (9) Product, process and relationship innovation
- (10) Ethical sourcing and CSR

Through scoring the organization on a scale of 10 in the above mentioned areas, an organization can measure its performance and compare to the benchmark with an intention to keep going forward and improving on a continuous basis. In these 10 value levers, No. 2 is the structure, governance and operating mode which is vital for any organization including that of a TSO.

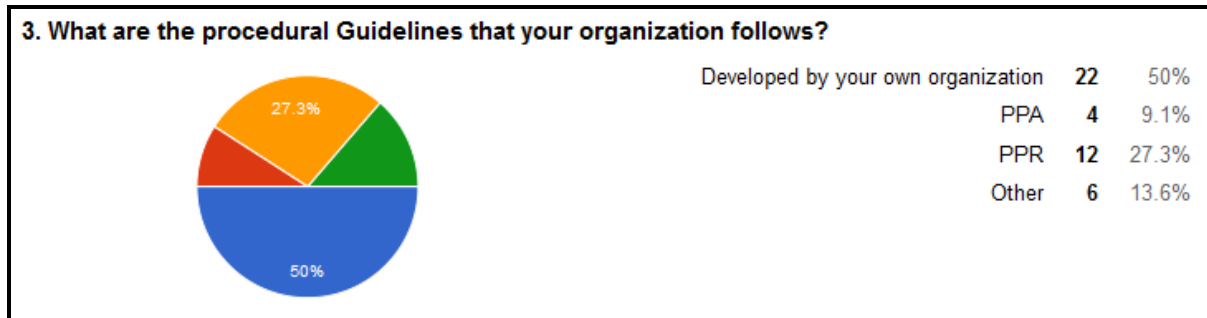


Figure 15: Procedural guidelines

The figure above shows that the majority-50% of the respondents (procurement professionals) gave their opinion by stating that they follow their organizations' own formulated procedural guidelines and the next closest percentage 27.3% who follow PPR. The information stated above clearly shows the current trend of the procurement function. Large TSO's/NGO's need their own developed procedural guidelines as they are different in nature, mission and vision. It may not be possible for all small TSO's to have their Procurement Guidelines formally written in an elaborate manner, but it can be deduced that all large TSO's either have the same or would like to have their own Guidelines otherwise it may be difficult for them to manage the organizations. This is supported by the McKinsey 7-S model which involves seven interdependent factors that are categorized as either "hard" or "soft" elements:

Hard Elements	Soft Elements
Strategy	Shared Values
Structure	Skills
Systems	Style
	Staff

Figure 16: McKinsey 7 S Framework (Source: Internet)

"Hard" elements are easier to define or identify and management can directly influence them: The hard elements of Strategy, Structure and Systems are required to be managed in an optimum manner for achievement of corporate objectives. "Soft" elements, on the other hand, can be more difficult to describe, and are less tangible and more influenced by culture. However, these soft elements are as important as the hard elements if the organization is going to be successful. The way the model is presented in Figure above depicts the interdependency of the elements and indicates how a change in one affects all the others. TSOs can use the 7-S model to facilitate analysis of the present state (Point A), a desired future state (Point B) and to find out gaps, inconsistencies and improvement areas between them. It is then a question of adjusting and tuning the elements of the 7-S model to ensure that the organization works effectively and well once it reaches the desired endpoint. Therefore here lies the importance of the TSO Structure to be drawn in line with the organizational requirement.

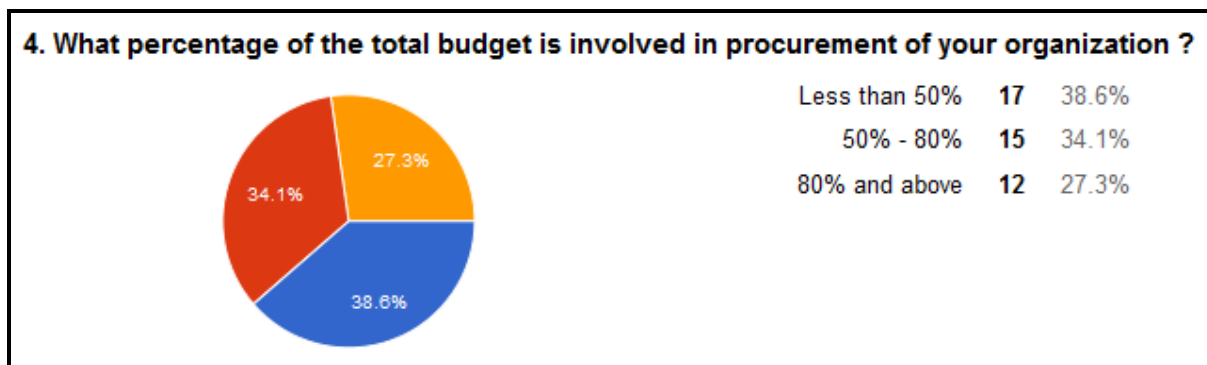


Figure 17: Budget involved in procurement

The above graphical representation indicates the significance of procurement functions and the role of the procurement professionals by indicating the budget involvement of the organization in procurement activities. 34.1% of the respondents have stated that in their organization the budget allocation for procurement ranges from 50% - 80% where as 27.3% of them stated the respective range is above 80%. Such high percentage is a clear indication that procurement activities are the one of the most important part of organizational activities and needs resources to be managed. Although these figures are not directly related to NGO procurement they help us to understand the level of expertise of the respondents respective to the budget allocation for procurement in their organization. These figures speak volumes about the importance of procurement. In case of such savings in procurement in TSO's the amount thus saved could be diverted to the social development. There comes the importance of proper structure and procurement that can play a vital role in achieving objectives of all large TSO's.

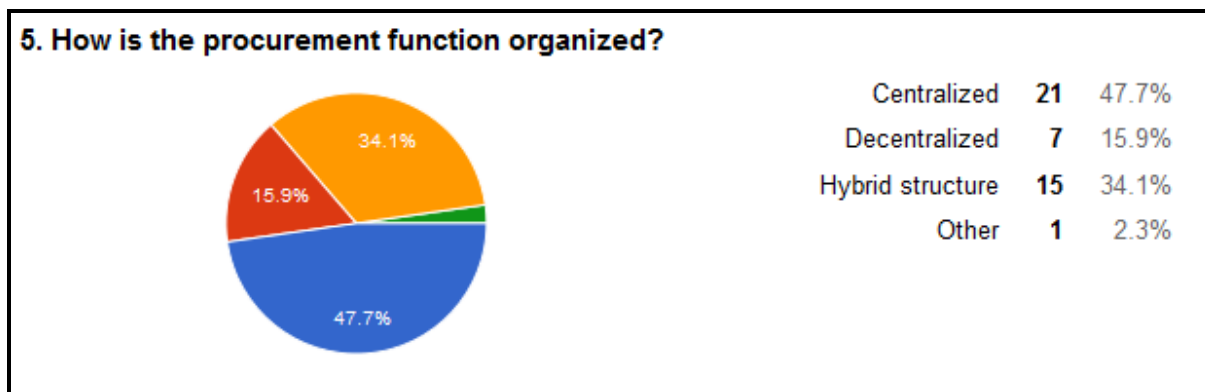


Figure 18: Approaches of procurement

The above figure is showing that 47.7% of the respondents are managing their procurement tasks centrally whereas 34.1% of them are doing the same tasks in a hybrid structure. The present practices tend to be centralized. However, “It is better to shift the perception from “decision making from central headquarters” to “centralized decision making,”and even consider a new hybrid procurement operation called “regional central procurement.”(Chapter II – Literature Review) With this model, procurement decisions are centralized in the region where most of the operations and suppliers are located, not at the company’s headquarters. ‘There is a recent trend toward designing hybrid, centre-led procurement models which merge the most beneficial elements of centralised and decentralised structures’.

The figure presented above mostly represents the existing practices of procurement activities. But as the business world is ever changing one, new approaches of procurement need to be initiated to balance between efficiency and effectiveness. Both centralized and decentralized procurement have drawbacks as well as advantages, the areas of centralization and decentralization needs to be identified to take the full advantage of the hybrid structure. To identify the areas of centralization and decentralization, Kraljic Matrix, shown below, can be used. Usually categories e.g. Strategic or critical items that require highly experienced procurement professionals to deal with may be carried out through centralized procurement at headquarters or at regional headquarters. This is required because of the fact that at SBU level such expertise may not be available or may be made available at a disproportionate cost. Other purchases like the routine and leverage items may be purchased at SBU level for quick response to meet operational requirement. These kinds of purchases also do not require handling by highly experienced procurement staff and can better be handled by low level buyers.

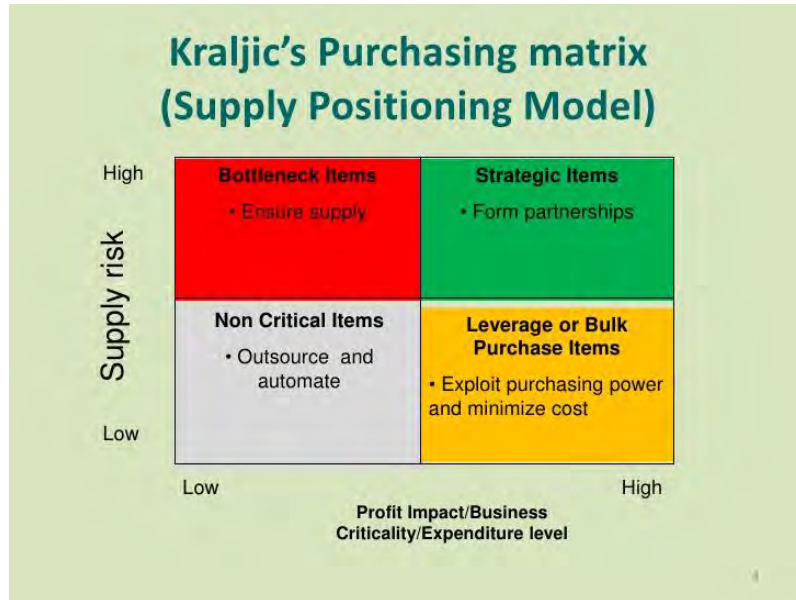


Figure 19: Kraljic Matrix (Source internet)

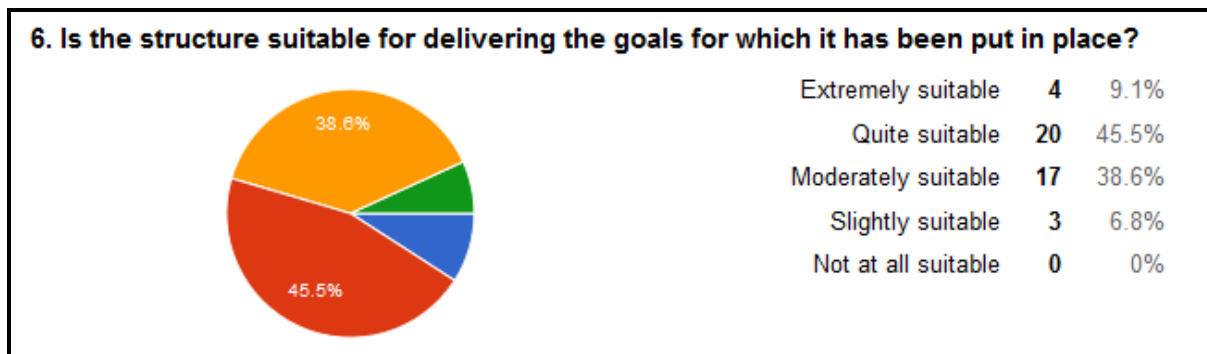


Figure 20: Suitability of structure

As the figure presents, 45.5% of the procurement professionals gave opinion as ‘ quite suitable’ and 38.6% of them have identified it as moderately suitable structure and only 6% as lightly suitable and 9.1% as extremely suitable; therefore it can be deduced that this is an indication that there are scope of improvement and attention in this area. This indication may lead to initiate study of different kinds of structures which could be verified by subsequent questions and needs further probing.

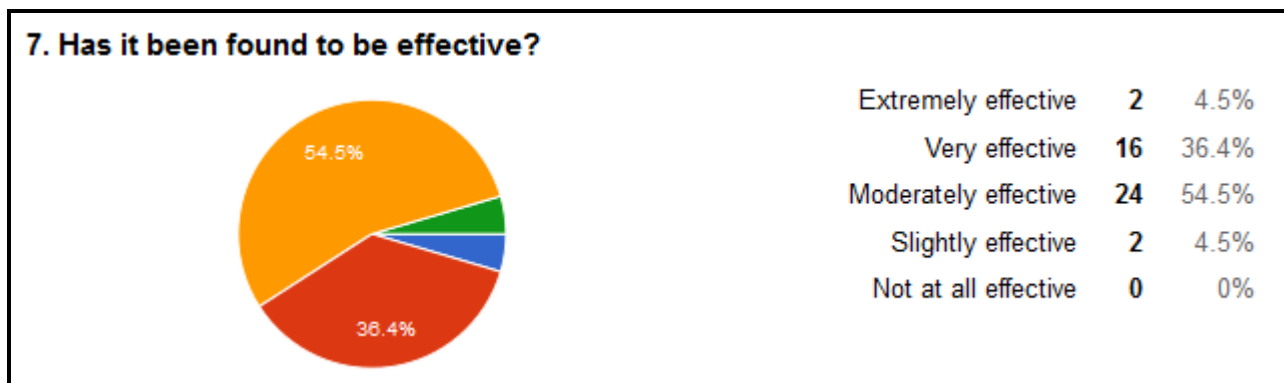


Figure 21: Effectiveness of structure

The data presented in the figure 7 refers to that of figure 6, the effectiveness of the structure of procurement function. The maximum numbers of the procurement professionals who were interviewed- 54.5%, have claimed their procurement function structure to be ‘Moderately effective’. ‘Efficiency is the well-oiled machine that enables us to achieve more output with less input, the slickness that gives us a bigger bang for our buck. Being efficient *is* important for success. But it is only half the story; the second half at that. The first half, the more important bit, is to be effective’ (Andrew Bartolini, Publisher of CPRising.com, the largest website focused on procurement and supply). As indicated in figure 7A, efficiency without effectiveness leads to failure, it is just a question of how fast or slowly failure comes. The percentage 54.5% with their response as ‘Moderately effective’ depicts the necessity of attention to effectiveness in procurement functions. Effectiveness in delivery of services to the beneficiaries is a buzzword in the Third sector. The very existence of a TSO is dependent on the support and acceptability of a population or stakeholders at large that it serves. That is why, service delivery is vital and effectiveness in delivery of services translates in to an outcome that is acceptable to the society at large. Otherwise fund would dry up and the TSO eventually ceases to exist. Side by side efficiency, like the public sector, is vital for delivery of services to the beneficiaries. The figure below shows that efficiency and effectiveness go hand in hand to achieve the TSO objectives, for that matter for any organization. They are not mutually exclusive, rather inclusive and if one increases, the other does so proportionately.

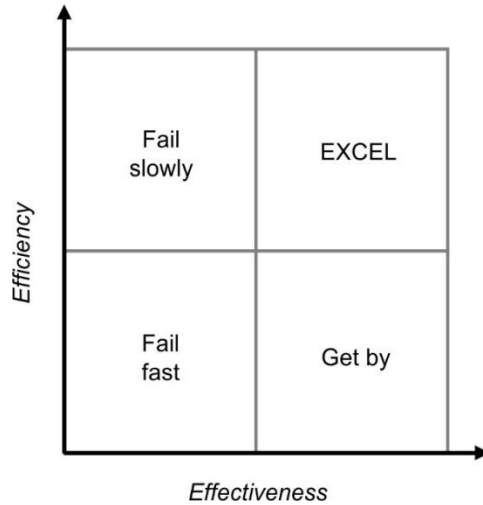


Figure 22: Effectiveness and Efficiency (*Source, CPO Rising)

In case of TSO's, along with efficiency, effectiveness is more important because the beneficiaries are more interested in the outcome of any intervention. Because that is what matters at the end as that is what they get at the end. Here we can see that very effective is only 16%. That means it needs more probe and the structure needs to be studied and developed in such a way so that more effective delivery of service can be ensured to the TSO's beneficiaries.

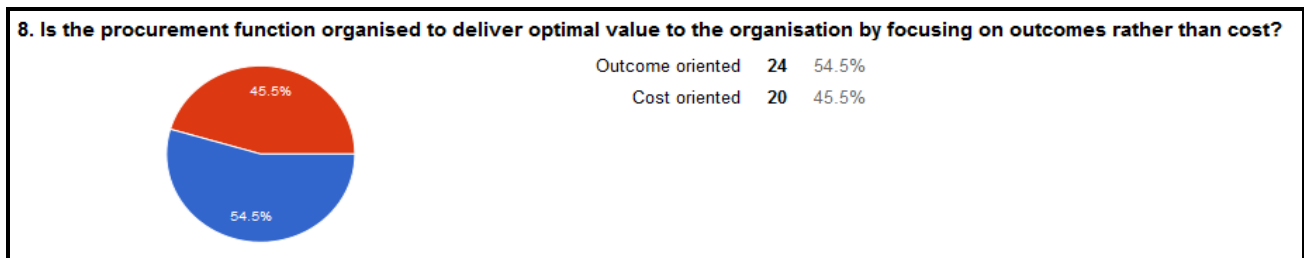
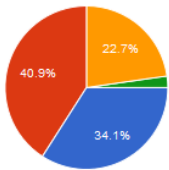


Figure 23: Orientation of procurement functions

This figure clearly states the orientation of the organization represented by the respondents. 54.5% of the procurement professionals, who were interviewed, have said that their organization focuses of quality rather than cost in terms of orientation. From this figure we can see that the respondents have given almost equal emphasis on outcome and cost, outcome having been more pronounced. This is more supportive to TSO requirement where outcome is more emphasised than cost, but cost is also definitely important because the money that TSO's earn and spend belong to the general public as such both cost and outcome are important to the stakeholders.

9. Are key organisational stakeholders fully engaged in the development of procurement's strategy, and does this reflect the wider organisational strategy?



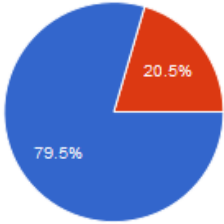
Strongly engaged	15	34.1%
Moderately engaged	18	40.9%
Slightly engaged	10	22.7%
Not engaged	1	2.3%

Figure 24: Degree of Stakeholder involvement

These figures are symptomatic of any organization whether public, private or TSO. The figure is representing the degree of stakeholder engagement in procurement / organizational strategy formulation where 22.7% of the respondents have stated as ‘slightly engaged. ‘This is a significant percentage and can be an alarming sign as here what we are discussing is stakeholder engagement which is a ‘core component of procurement success’ and also ‘Without the engagement of stakeholders throughout the entire sourcing/procurement process, the chances of a successful initiative lessen. Procurement must work to communicate their goals and objectives to all those involved in the process from the beginning and establish open communication with all stakeholders’.

It is, however, good omen that the votes in favour of strongly engaged and moderately engaged represent 75% of opinions. That is what it should be for stakeholder buy-in. However, we are not sure whether the external stakeholders are also of the same opinion as they have not been included in this survey. For now we should be happy that the internal stakeholders i.e. the procurement professionals (only one segment of the internal customers, a one sided one, so to say) have inclination to be involved with formulation of procurement strategy. This should be good for any large TSO.

10. Do your internal stakeholders have a significant role to play in the procurement decision?



Yes	35	79.5%
No	9	20.5%

Figure 25: Significance of stakeholder involvement

20.5% of the procurement professionals have said internal stakeholders are not playing a significant part in decision making process. Although this may create undue alarm, but when we

see that 79.5% have said in favour of significant role to play in the procurement decision, then this becomes heartening. This is what seems to be ideal in any large TSO.

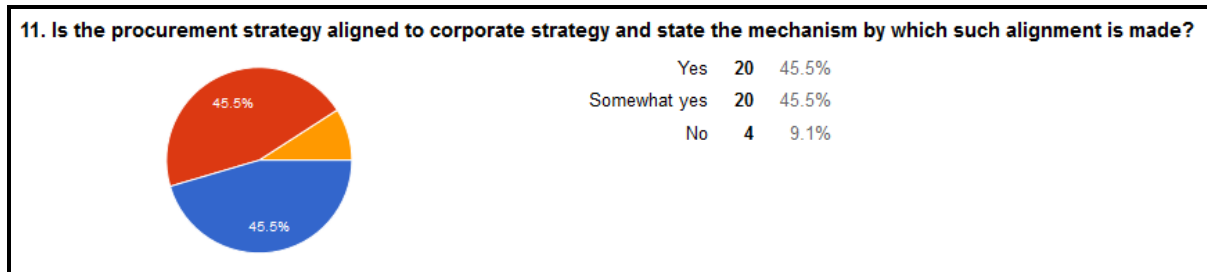


Figure 26: Strategy alignment

“The activities of Procurement have a direct impact on the overall performance of the organization, as they cut across the whole organization, ‘a product well bought is half sold. Supply chain executives need to fully understand the corporate strategy and goals at a high level so that they can own and easily align the Procurement strategy and goals to that of the organization. For purchasing objectives to reflect and be aligned to corporate objectives, it is critical that corporate objectives and strategies are defined, and then used to derive the purchasing objectives and strategy. If Procurement fully understands its role and mandate, the procurement strategy can be aligned easily to the business strategy,”(Chartered Institute of Purchasing & Supply (CIPS) unit content Level 6, Unit 2, ‘Strategic Supply Chain Management). So the significance of such alignment is understood from the above references. The present practice in Bangladesh tends to be quite aligned with corporate strategy. From the above figures we can see that about 90% of the procurement professionals have witnessed such practice during their work. This augurs well for any TSO.

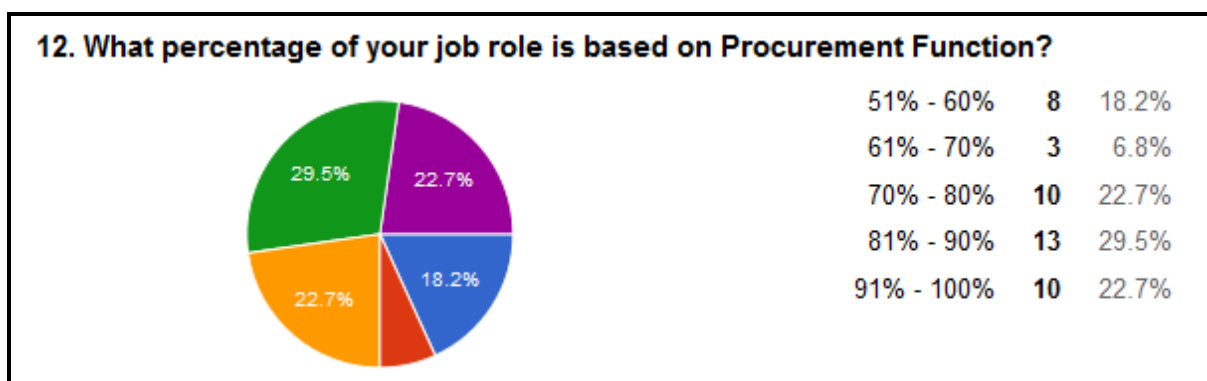


Figure 27: Percentage of procurement activities of the respondents

In the figures presented above, percentage of the job role of the respondents actually depicts the level of expertise of them which is related to the significance of the accuracy of their responses.

As stated above in the pie chart, work of 22.7%, 29.5% and 22.7% of the respondents say that 70-80%, 81-90% and 91-100% respectively is related to direct procurement. That means that about 75% of the respondents are of the opinion that 70% or more of their work contributes directly to procurement function. This makes the data more trustworthy as the respondents are practically involved in procurement function.



Figure 28: Nature of procurement functions

‘Clerical procurement functions are generally subsumed within another department. Typically, it is a subsection of the finance or accounts payable departments. The function is expected to contribute to the business only in so far as it detects waste and prevents major abuses of institutional procedures.’(Association of Colleges, Further Education Library of Procurement). 13.6% of the respondents, who actually represent their organizations, have experienced procurement job role as clerical function which can further be interpreted that- these organizations actually pay least attention and allocate least amount of resources to get their procurement done and cannot actually be identified as specialised. The Place of Procurement refers to positioning Procurement within the entity to optimize the influence and impact of Procurement on internal and external stakeholders as recommended in the American Bar Association (2000) Model Procurement Code (MPC). The Place of Procurement also refers to the horizontal separation from other departments, which ensures organizational checks and balances and reinforces the public trust. (Public Procurement Practice: NIGP). “ Centralised procurement is a central function within the organization and may also operate other central services such as, warehousing and surplus.”(Ibid).

And ‘Strategic procurement is, perhaps, most obviously recognised by the reliance of the purchaser on a core group of excellent suppliers and the availability of accurate, timely information on expenditure with the supplier and, more importantly, by item and commodity type. Procurement exists as a specialist department, has a clear functional head and is perceived to provide a core business activity. It is involved with well over 50% of the institution's non-pay expenditure on goods and services. The procurement function contributes directly to the institution’s corporate strategy and has representation on its Senior Management Team.’(Ibid).

In this survey 31.8% of the respondents working as Procurement Professionals consider it as strategic procurement. These numbers also signifies that procurement function has gained ground

over the years and the numbers that are still clerical stage are a minority. Majority of the respondents i.e. 54.5% have the experience of doing their job role as commercial function. Therefore, it is deduced that the procurement functions in many organizations could not yet come up to strategic level where a procurement head or CPO is consulted while making strategic decision such as while deciding procurement of major machinery and equipment that give competitive advantage.

14. What are your suggestions to improve the procurement guidelines or procedures either in central purchase or in local or field level purchase? (5 for the most significant suggestion decreasing the score to 0 for the least significant suggestion)

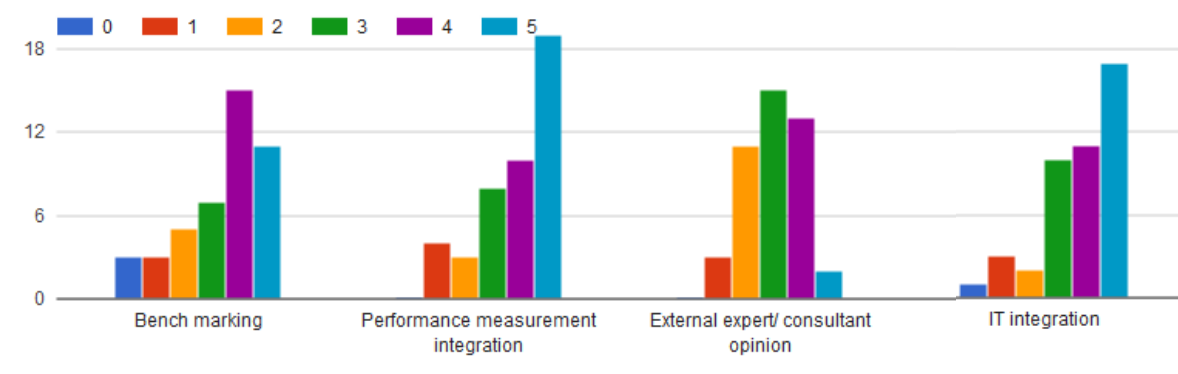
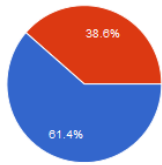


Figure 29: Suggestion to improve

The figures give us a very interesting and thought provoking insight. If we look at the figure deeply we can see that the maximum concentration has been given in the performance measurement integration and IT integration. Even after 8 years of efforts the present author as Head of Procurement of BRAC could only establish a stand-alone procurement management software system. He tried his best to integrate the Finance, HR and other functions of BRAC Head Office but could not succeed because of lack of ownership at higher level. Even his effort to integrate the Procurement Planning and requisition management through integrated software could not make headway because of resistance. However, it is a question of time that all these function is integrated through an integrated ERP system, hopefully soon as the donors are putting pressure now for such a system for transparency and accountability which are vital for ensuring value for money and delivery of services to the beneficiaries for any large TSO's like BRAC. The Performance measurement system implementation also depends to a large extent on the integrated ICT system. They are interdependent.

15. Do you think in a distributed organization single overarching guidelines can solve the procedural management problem? Or there should be separate guidelines for each SBU or distributed organization?

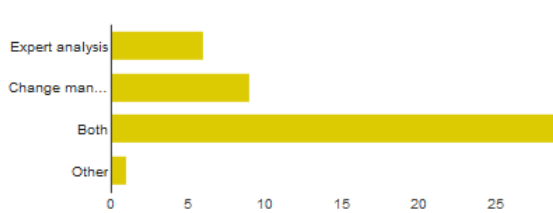


Single overarching guidelines	27	61.4%
Separate guidelines for each SBU or distributed organization	17	38.6%

Figure 30: Suggested type of guidelines

Here also the figures are noteworthy. Majority have sided with single overarching guidelines, even in a distributed organization. Most of the respondents are in favour of centralised procurement or a variety having control at the central level. BRAC has centralised guidelines for procurement of CAPEX items such as, centralised control for machinery and equipment purchase, but for OPEX items this should be decentralised to achieve operational efficiency in service and more optimum response to meet operational requirement. It is however important to note that MRO items and direct purchases, where required, could be decentralised for achievement of economy, efficiency and effectiveness.

16. If you have come to the conclusion that that the organizational structure needs to be improved, how should it be addressed?



Expert analysis	6	13.6%
Change management through ownership by higher management	9	20.5%
Both	29	65.9%
Other	1	2.3%

Figure 31: Suggestion to improve organizational structure

To cope up with the ever changing business world & increased supply chain complexity, organizations are supposed to improve their structure on a continuous basis. To address such improvement both expert analysis and change management by higher management have to be used with an intention to make the process more acceptable and effective for the organizational procurement function. 65.9% of the interviewed procurement professionals have suggested to use both of the approaches for a better and improved organization structure. This can also be applied for large TSO's because the respondents while responding did know about the study being carried out for the Third sector and they responded keeping that fact in mind.

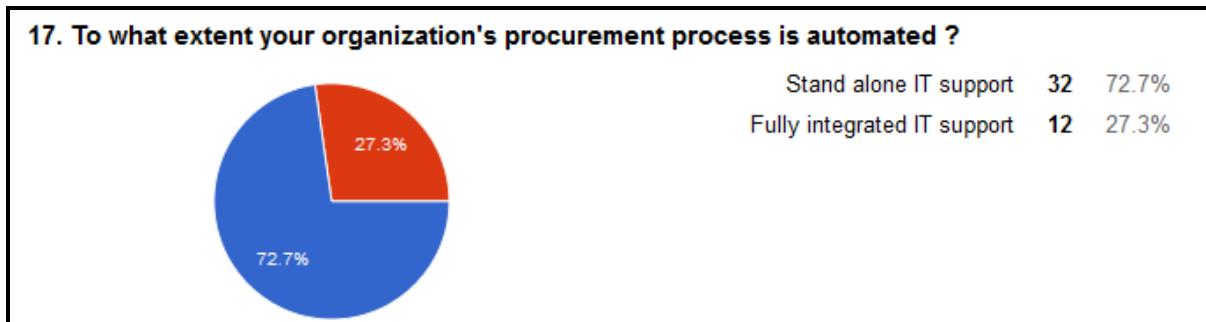


Figure 32: Automation of procurement process.

‘An essential component of this expanding charter is the need to increasingly focus on influencing, controlling and managing front-line buying and spending decisions. To be effective, however, the mission requires linking procurement and process more tightly across a range of systems’(Jason Busch, Managing Director, Research, Spend Matters). “Successful automation of procurement processes can deliver a host of benefits. For one, automation can eliminate the costly, time consuming manual tasks while giving supply management professionals the tools and enhanced visibility needed to make better procurement decisions.” (Supply Chain Management Review). It is seen in the above figure that only 27.3% of the respondents are able to work with a fully integrated IT support where as rest of the 72.7% working with stand alone IT support. This huge gap between IT integration identifies the opportunities of automation and thus going one step ahead towards the organizational goal. Not only that this would provide the much needed requirement of accountability and transparency and effectiveness which are vital for any TSO’s.

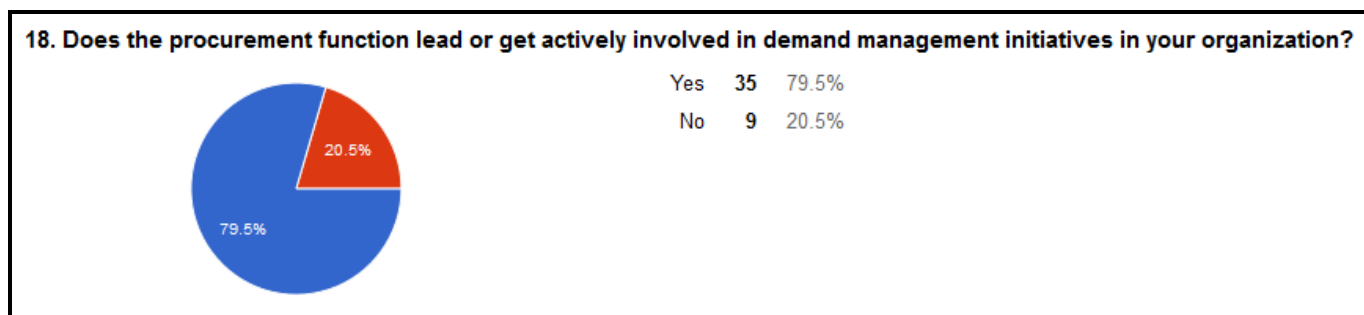


Figure 33: Involvement in demand management

In this survey 79.5% of the procurement professionals have said they lead or get actively involved in demand management initiatives in their organization. But one KPMG survey of 2012 finds that “17% of Procurement functions lead demand management activities and 29% do not participate in this activity at all”. “25% of Public Sector respondents take leading roles in demand management activities, representing the highest of all sectors.” (KPMG Survey, 2012 kpmg.com). Although the KPMG finding is at variance with the finding of the present survey, but the survey would

depict the views of respondents from large public, private and Third sector organizations in Bangladesh where the maturity could be expected to be at higher level. Management of demand is increasingly recognised as a key issue in improving the efficiency of supply chain operations (Croxtton et al., 2001). It balances customer requirements with the capabilities of the supply chain (Lambert, 2008). Demand management requires the coordination of many activities, including demand forecasting, reducing variability, increasing flexibility and synchronising supply, demand, production, procurement and distribution (Lambert, 2008). To manage such activities of demand management, it requires the involvement of the expertise knowledge and professionalism and in reality the procurement professionals in Bangladesh have got to lead or actively be involved in such activities. And the finding that more than 75% are involved in some way in demand management is encouraging.

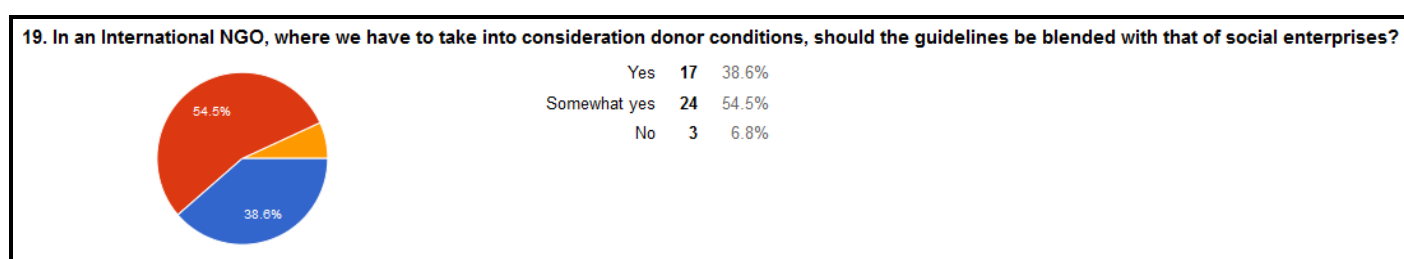


Figure 34: NGOs vs. Social enterprise.

In case of TSO's, the emphasis is on surplus instead of profit as applicable for private organization. Effective service delivery is another focus to the beneficiaries who are the members of the society. And in case of Social enterprise, it is supposed to:

- Have a clear social and/or environmental mission set out in their governing documents
- Generate the majority of their income through trade
- Reinvest the majority of their profits
- Be autonomous of state
- Be majority controlled in the interests of the social mission
- Be accountable and transparent

54.5% of the procurement professionals interviewed have suggested blended guidelines for procurement which is justified enough due to extensive similarities between these two types of organizations in operation i.e. private enterprises and social enterprises which is the pursuit of economic bottom-line. This figure is supporting the cause of social business being pursued by TSO's. In a lower Middle Income country (MIC), which Bangladesh is now, the donor contribution in NGO funding in MIC's diminishes in the days to come and one day with further economic growth and transition to fully fledged MIC, the donor contribution dries up. Therefore the only way to generate fund for helping the poor or the needy by the TSO's comes from the society within the country at large and not from abroad. Another avenue would be the Social businesses that these TSO's run them to finance their social development programmes.

Therefore, the figures are poignant and justify the understanding that in future the Bangladeshi NGO's would have to finance from income generated within the country and the best way would be to generate surplus through these social businesses and recycle that for social development.

Centralized Purchasing

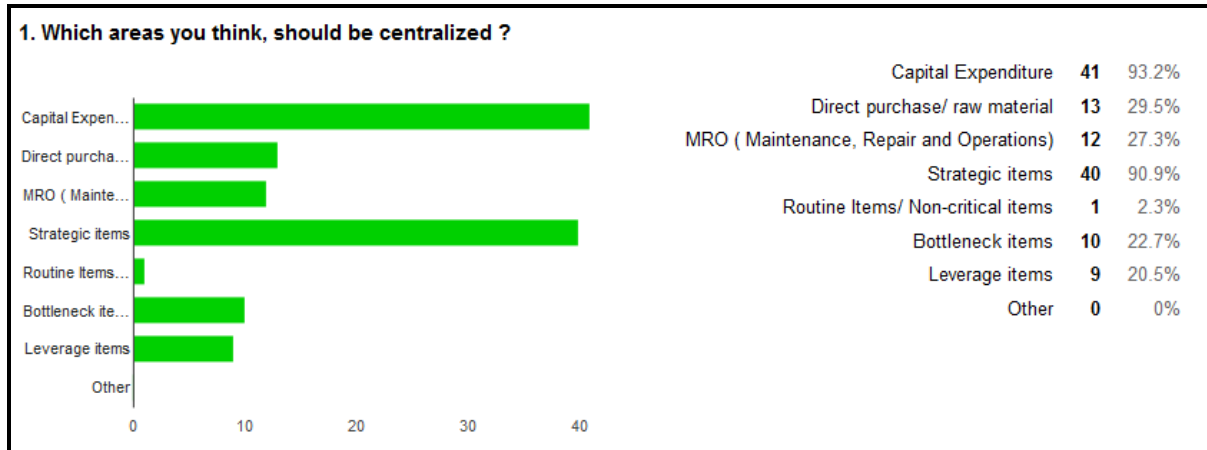


Figure 35: Areas of centralization

As we have seen in the Literature review and if we summarise the earlier findings we observe that Centralized purchasing refers to entirely centralized and center-led organizational structures. In both varieties, the purchasing department creates purchasing policies and standard operating procedures for the entire business. Centralization offers distinct procedural advantages unavailable in a decentralized structure and also provides for greater internal control. Capital expenditure or CapEx and Strategic items are the elements which involve maximum portion of the budget allocated for annual procurement which, in practice, needs internal control and involvement of the top management. To make sure an efficient, flawless procurement and best use of the budget allocated- procurement of CapEx and strategic items should be done centrally. 93.2% and 90.9% of the respondents have supported these two types of areas – CapEx and Strategic items respectively to be centralized.

In all probabilities, in accordance with Pareto Principle, these two categories of items also amount to 60 to 80 % of the purchase value of the organizational procurement spectrum. Therefore savings in these two categories give more bottom-line to the organization. The figures that have been derived here through the survey has highlighted the fact that centralisation gives more volume benefit through aggregation of purchases. This is more so in a distributed divisional organization structure where centralisation of these two categories of items could accrue more benefit any to the TSO. This is also applicable for large TSO's like BRAC having international operations across Asia & Africa.

2. What are the opportunities for NGOs to procure goods, works and services centrally? (5 for the most significant opportunity and decreasing the score to 0 for the least significant opportunity)

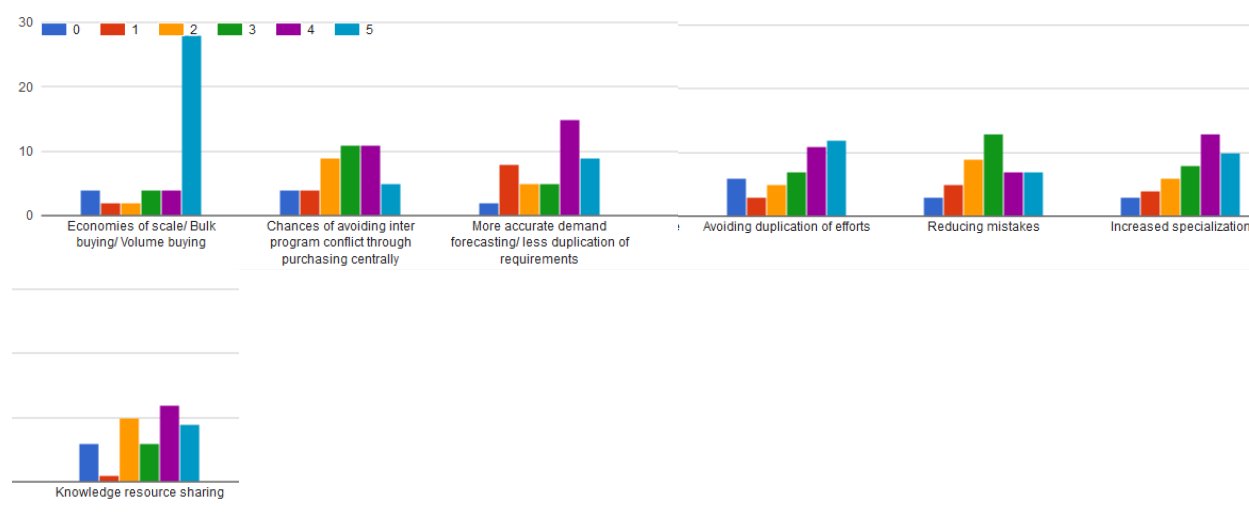


Figure 36: Opportunities of centralised procurement in NGO

These diagrams give us insight into what could happen in a number of variable situations e.g. economies of scale, chances of avoiding inter programme conflict through purchasing centrally, more accurate demand forecasting & less duplication of requirements, easier relationship management, proper utilisation of expertise/knowledge, production and economies of scale, avoiding duplication of efforts, reducing mistakes, increased specialisation and Knowledge and resource sharing in that order. Now let us make an attempt to explain and deduce from the above figures:

- a. **Economies of Scale/Bulk Buying/Volume Buying.** In a large TSO like BRAC, which is dispersed across many countries, the value of above is beyond doubt. This can generate huge savings that can be recycled for social development. If we look at the histograms we can see that almost 65% have supported this criterion as the reason for centralisation. This is one of the prime reason that centralisation of strategic or CAPEX items can deliver to the large TSO's.
- b. **Chances of avoiding inter programme/SBU conflict through purchasing centrally.** For some strategic items it may not be wise to decentralise purchases as the prices vary in different continent/countries/region which may result in SBU level rivalry creating discomfort and unhealthy competition that may lead to compromise in procurement standard. This may eventually have an impact in the market resulting in losing ground to other competitors. Centralised purchasing can act as a safeguard to such unhealthy conflict. In this area we see the second diagram gives a figure of 45% quite substantial

significance in achieving success through centralised purchasing. Therefore it can be deduced that for the two categories of purchasing i.e. CAPEX and Strategic sourcing can be better managed through managing across by the procurement function.

- c. **More Accurate Demand Forecasting/less duplication of requirements.** Needless to mention that centralised purchasing helps in demand forecasting and procurement planning through ICT support. These reduce duplication efforts in SBU level. If we look at the third diagram we can see that about 55% respondents have give a rating of 4 or 5 which signify that centralised purchasing can be achieved through more accurate demand forecasting and less duplication of efforts.
- d. **Easier Relationship Management.** The present day policy is to rationalise supplier numbers so that it become easier to manage them. The suppliers are divided into approved list and accredited list and brought down to minimum without having a dent in the supply chain integrity. The reason behind this is to rely on a good number of suppliers managing relationship in a better fashion. This is possible only in a centralised system; otherwise, in every likelihood, the supplier numbers proliferate resulting in allocating more resources to manage them. This involves more cost and would have an impact on the bottom line. If we look at the 4th diagram it can be seen that about 66% have graded having average or higher opportunity in managing centralised procurement if we can manage the relationship spectrum with stakeholders properly.
- e. **Proper Utilisatuion of Expertise and knowledge.** In a centralised procurement it is possible to tap the advantage of expertise of highly skilled staff. The core procurement staff having the capacity to buy strategically at central level can ensure maximum value for money through their expert knowledge of procurement whereas in field level or SBU level that expertise may not be available or may be made available at a cost which would be disproportionate to cost. If we see the 5th diagram we can see that about 80% respondents have supported that proper utilisatuion of expertise and knowledge can achieve the goal of accruing maximum benefit in achieving the goals of centralised purchasing of two categories of strategic and CAPEX items purchasing.
- f. **Production & Economies of Scale.** These two are also related in the sense that large production schedule or continuous production schedule can be supported better by Centralised procurement which can derive Economies of Scale through aggregation. The Procurement department should be equipped to deal with and should be capable enough to support the production accordingly. In this criterion also we find that 66% of the respondents have given support that average or more than average contribution can be provided by the twin factors of high volume of production supported by economies of scale.

g. **Other aspects.** Similarly other issues such as avoiding duplication of efforts, reducing mistakes, increased specialisation and resource sharing can also support the centralisation in a positive way. In other areas also we find support in favour of centralised procurement, particularly for the two categories of production e.g. strategic items and CAPEX items.

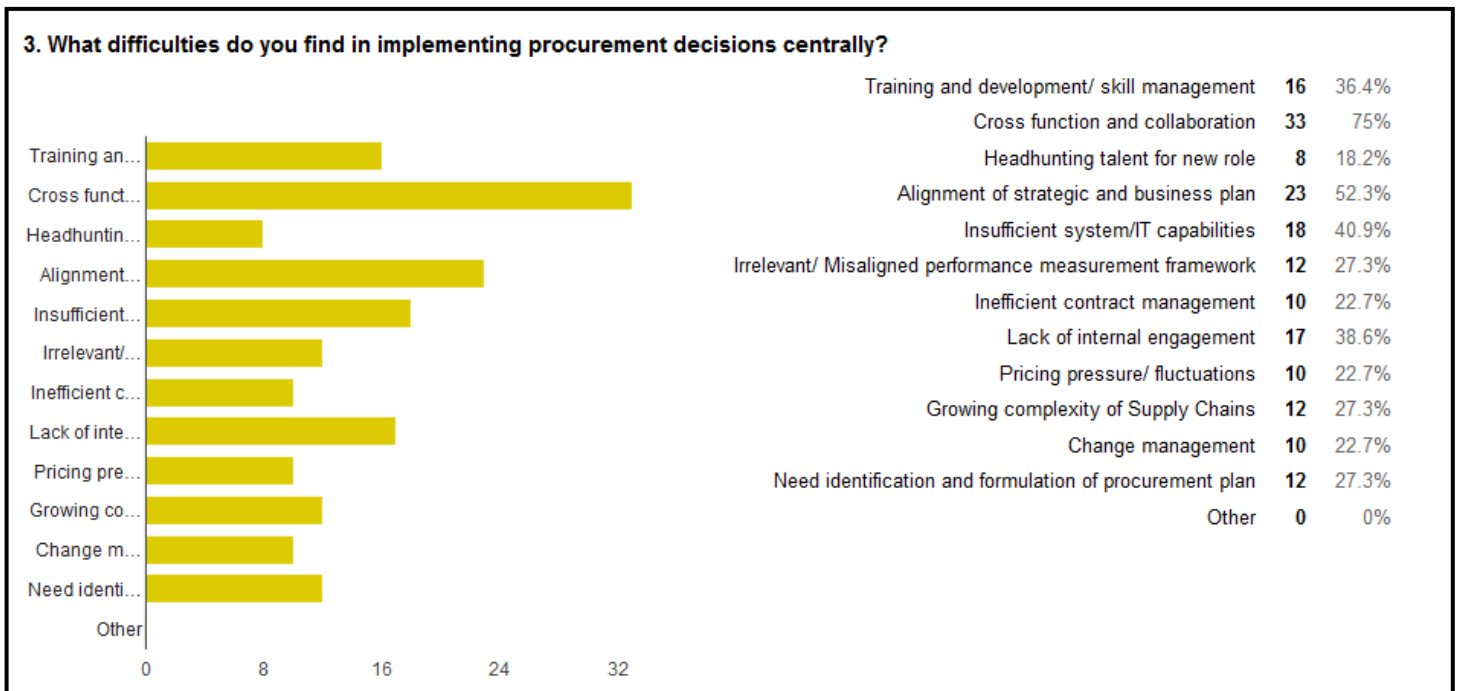


Figure 37: Difficulties Observed in implementing procurement decisions centrally

Figure: 22 show the area and the level of difficulty in procurement functions faced by the professionals where 75% of them have the difficulty of managing cross function and collaboration, whereas 52.3% of them face the difficulty of alignment of strategic and business plan. Another significant area of the difficulty (40.9%) is insufficiency of IT capabilities or IT integration. These figures are very noteworthy and if one would like to improve the procurement function capacities and would like to lift it to the Strategic level, then one should concentrate more in these areas of effective management of cross functional activities, alignment of strategic and business plan and integrating all functions with procurement through ICT.

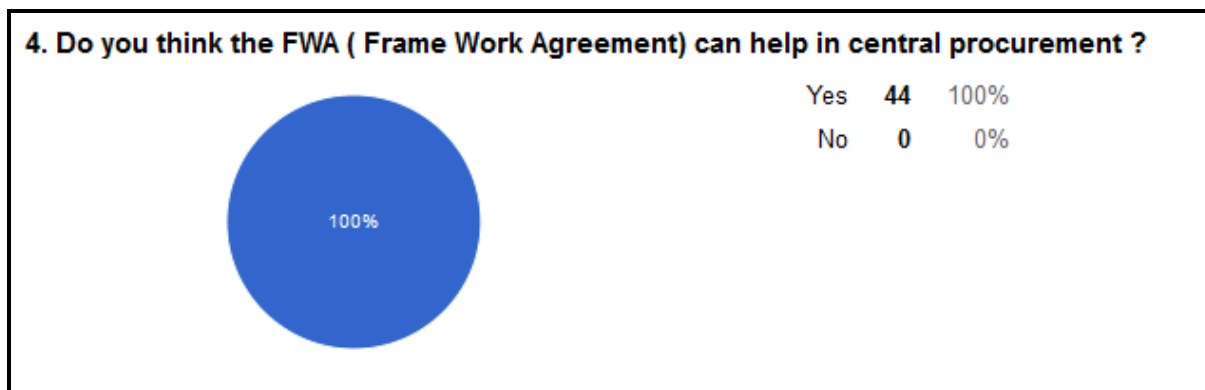


Figure 38: Framework Agreement

Framework agreement has significantly been supported by the respondents where 100% of them have said it can be a helpful way to procure goods, works and services centrally. Here we have absolute agreement amongst the respondents. This is poignant and need no further elaboration, but adherence of this procedure by all large TSO's would be helpful for streamlining procurement function and structure.

Decentralized Procurement Structure

1.What are the opportunities for NGOs to procure goods, works and services in a decentralized manner at local or regional level or SBU (Strategic Business Unit) level? (5 for the most significant opportunity and decreasing the score to 0 for the least significant opportunity)

If we have a look at the diagrams below it is found that materials that can be purchased locally and time efficient quick response have got maximum vote in the survey. The criterion“Purchase order can be issued quickly” has also received highest accord from the respondents. These are in fact the advantages of decentralised procurement. This would be applicable for large TSO's too as the survey was for the Third Sector.

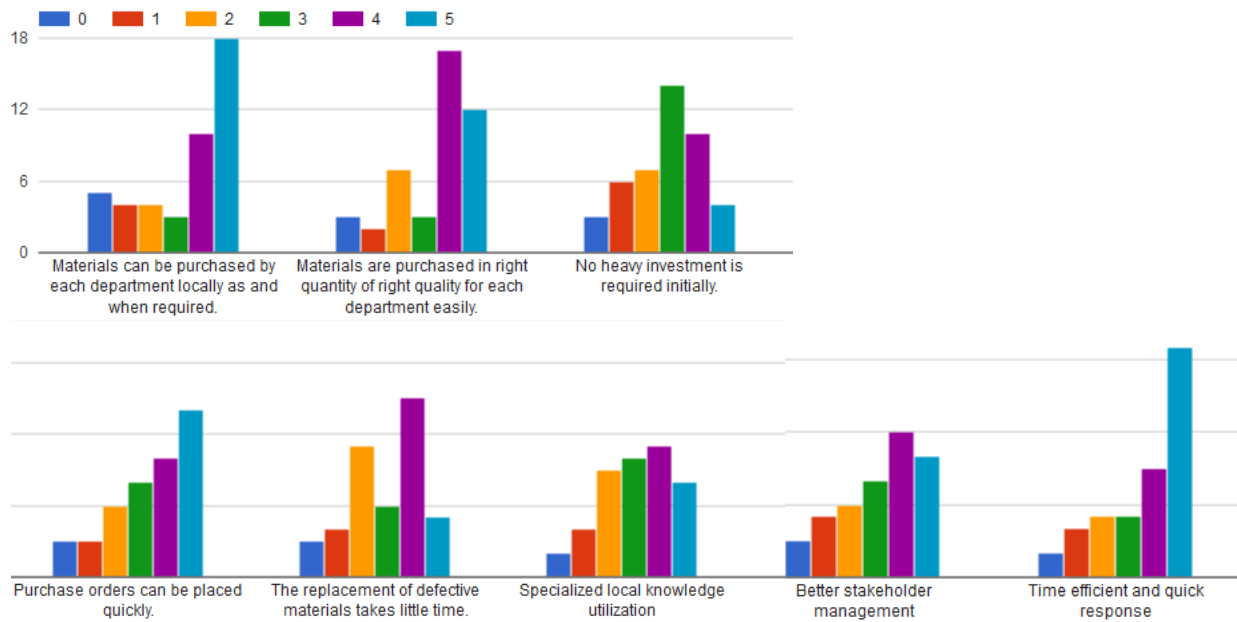


Figure 39: Opportunities of decentralised procurement in NGOs/TSO's

2. What difficulties do you find in implementing the field level/ SBU level procurement strategy? (5 for the most significant difficulty and decreasing the score to 0 for the least significant difficulty)

The highest vote getter in this area is that the bulk buying would be defeated; as such the economy of scale would be missing. This would have an impact on the profitability of the organization. In the case of ‘specialised knowledge may be lacking, it has scored more than 75% responses. This is, as we saw in case of centralised purchasing, is true. In fact whatever is an advantage for centralised purchasing tends to be a disadvantage for Decentralised purchasing. This adage has been found to be true in this case also. In case of ‘chance of over and under purchasing of materials’ criterion, the most significant response is not much (9%). However, more than 90% have responded that there is such a possibility. This raises an alarm because there is duplication of efforts by various SBU’s resulting in unnecessary holding of stock and capital being tied up. In the case of ‘fewer chance of effective control of materials’, more than 75% opined that this may happen significantly. About 68% responses are in favour of the observation that ‘lack of proper coordination and cooperation among various departments’ can happen. All these are symptomatic of SBU or field level purchasing per se which is also applicable for TSO’s as per these findings.

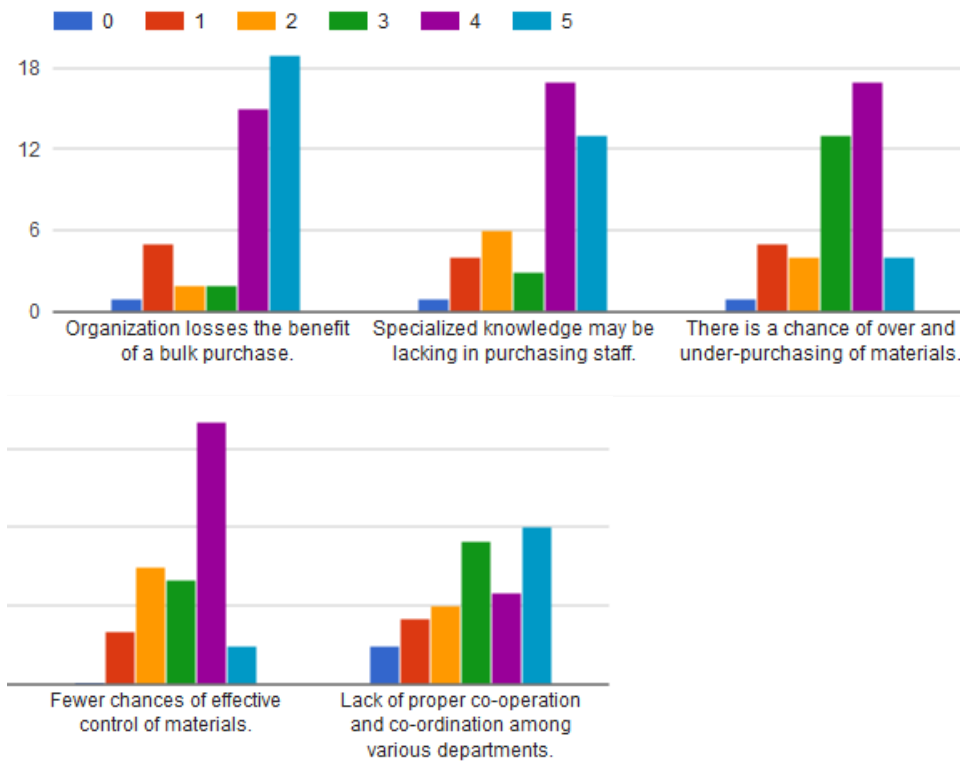


Figure 40: Difficulties in implementing the field level/ SBU level procurement strategy

Hybrid Structure of Procurement

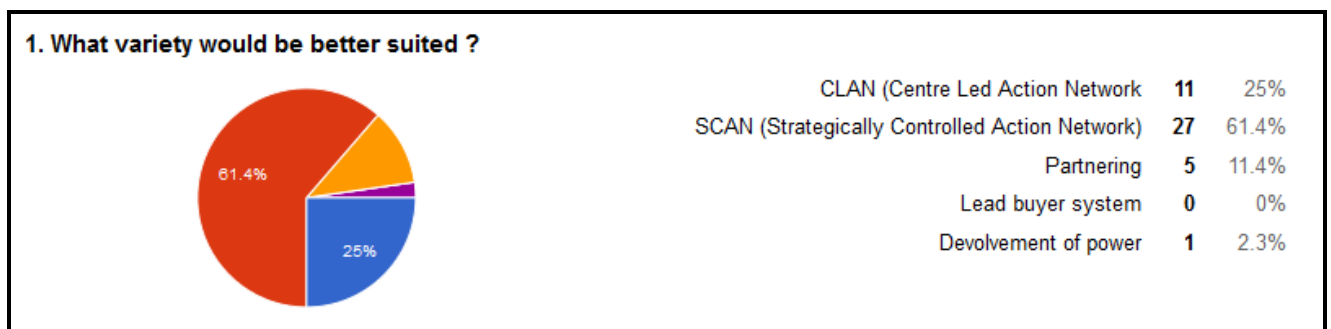


Figure 41: Hybrid Structure of Procurement

The figures are really very interesting. 61.4% have supported SCAN or Strategically Controlled Action Network which means that the Procurement Function in a Matrix management reports directly to the Central procurement Department, while 25% responded that CLAN or Centre Led Action Network which adheres to the principle that in a matrix management system the Procurement Function reports to the SBU or Local Field level head for operation, but seeks policy guidance and support from Head Office. This is really poignant for large TSO's like

BRAC to think about implementing. However, whether they go for SCAN or CLAN system, depends particularly on the situations on ground. The vote for partnering is very minimal (5%) and for Lead Buyer System is nil. This is really interesting as the delegation of purchasing to other functional departments has been recommended to be nil. This bears to the fact that division of labour has been supported which says that all functions should perform the activities that they are best at.

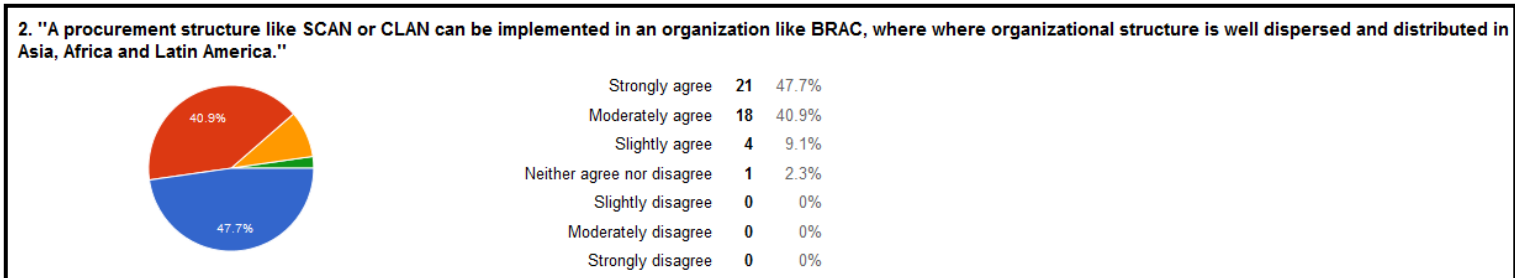


Figure 42: SCAN or CLAN system for a widely dispersed TSO.

The agreement is clear cut. 47.7% have strongly agreed that SCAN or CLAN structure can be implemented and 40.9% have moderately agreed to the proposal. What does it indicate? It indicates that 88.6% have agreed for introduction of Hybrid structure such as SCAN or CLAN system of procurement structure. In the previous Figure of 26, we have seen that 61.4% have voted for SCAN system and 25% for CLAN. Therefore, from the available data analysis we can come to the conclusion that SCAN hybrid structure, and to a lesser degree CLAN system, can be introduced in large TSO's like BRAC depending on the distributed and dispersed organizational structure that they have.

Summary

In this chapter the results of an online survey have been presented after collection and collation of data in figures, diagrams and pie charts for validation of the findings of the Literature Review section. The data so presented have been analysed and evaluated for further validation of the hypothesis. The general information sections embody quest about various issues across board applicable for both centralized and decentralized procurement. Thereafter probing of various aspects of centralized, decentralized and hybrid procurement have been presented, analysed and evaluated. At the end the conclusion is that 61.4% have given their opinion for introduction of hybrid SCAN type of structure for large TSO's and 25% for CLAN system. This further validates our Thesis statement that appropriate hybrid structure may be introduced for a large TSO..

CHAPTER V

RESULTS AND DISCUSSION WITH REFERENCE TO BRAC

5.1 A Case Study on BRAC

Now how the findings can be employed in the case of a large TSO like BRAC. BRAC, an international development organization based in Bangladesh, is the largest nongovernmental development organization in the world, in terms of number of employees as of June 2015. Established by Sir Fazle Hasan Abed in 1972 after the independence of Bangladesh, BRAC is present in all 64 districts of Bangladesh as well as other countries in Asia, Africa, and the Americas.

BRAC employs over 100,000 people, roughly 70 percent of who are women, reaching more than 126 million people. The organization is 70-80% self-funded through a number of commercial Social enterprises that include a dairy and food project and a chain of retail handicraft stores called Aarong. BRAC maintains offices in 14 countries throughout the world, including BRAC USA and BRAC UK.

BRAC considers itself to have a unique philosophy towards eradicating poverty. As one author has said, "BRAC's idea was simple yet radical: bring together the poorest people in the poorest countries and teach them to read, think for themselves, pool their resources, and start their own businesses". Sir Fazle Hasan Abed strongly believed that poverty alleviation could be achieved only through an improvement to multiple issues plaguing a country, which explains the vast range of programmes that BRAC is involved in. Furthermore, his conviction that poverty amelioration could only be sustained through greater equality in gender roles led BRAC to heavily advocate women's rights and the improvement of women's welfare.

Known formerly as the Bangladesh Rehabilitation Assistance Committee and then as the Bangladesh Rural Advancement Committee (currently, BRAC does not represent an acronym), BRAC was initiated in 1972 by Sir Fazle Hasan Abed at Shallah Upazillah in the district of Sunamganj as a small-scale relief and rehabilitation project to help returning war refugees after the Bangladesh Liberation War of 1971. In nine months, 14 thousand homes were rebuilt as part of the relief effort and several hundred boats were built for the fishermen. Medical centres were opened and other essential services were ensured. When the first phase of relief work was over at the end of 1972, BRAC turned towards long-term development needs and re-organised itself to focus on the empowerment of the poor and landless, particularly women and children.

By 1974, BRAC had started providing micro credit and had started analysing the usefulness of credit inputs in the lives of the poor. Until the mid-1970s, BRAC concentrated on community development through village development programmes that included agriculture, fisheries,

cooperatives, rural crafts, adult literacy, health and family planning, vocational training for women and construction of community centres. A Research and Evaluation Division (RED) was set up by BRAC in 1975 to analyse and evaluate its activities and provide direction for the organization to evolve. In 1977, BRAC shifted from community development towards a more targeted approach by organising village groups called Village Organizations (VO). This approach targeted the poorest of the poor – the landless, small farmers, artisans, and vulnerable women. Those who own less than half an acre of land and survive by selling manual labour were regarded as BRAC's target group. That same year BRAC set up a commercial printing press to help finance its activities. The handicraft retail chain called Aarong, was established the following year.

In 1979, BRAC entered the health field by establishing a nationwide Oral Therapy Extension Programme (OTEP), a campaign to combat diarrhoea, the leading cause of the high child mortality rate in Bangladesh. Over a ten-year period 1,200 BRAC workers went door-to-door to teach 12 million mothers the preparation of home-made oral saline. Bangladesh today has one of the highest rates of usage of oral rehydration, and BRAC's campaign cut down child and infant mortality from 285 per thousand to 75 per thousand. This initial success in scaling up propelled rapid expansion of other BRAC programmes such as Non Formal Primary Education which BRAC started in 1985 – a model that has been replicated in about a dozen countries.

In 1986 BRAC started its Rural Development Programme that incorporated four major activities – institution building including functional education and training, credit operation, income and employment generation and support service programmes. In 1991 the Women's Health Development program commenced. The following year BRAC established a Centre for Development Management (CDM) in Rajendrapur. Its Social Development, Human Rights and Legal Services programme was launched in 1996 with the aim to empower women with legal rights and assist them in becoming involved with community and ward level organizations. In 1998, BRAC's Dairy and Food project was commissioned. BRAC launched an Information Technology Institute the following year. In 2001, BRAC established a university called BRAC University with the aim to create future leaders and the BRAC Bank was started to cater primarily to small and medium enterprises.

In 2002 BRAC launched a programme called Challenging the Frontiers of Poverty Reduction – Targeting the Ultra Poor (CFPR-TUP) designed specifically for those that BRAC defines as the ultra poor - the extreme poor who cannot access conventional microfinance. The same year BRAC also went into Afghanistan with relief and rehabilitation programmes. It was the first organization in Bangladesh to establish, in 2004, the office of an Ombudsperson.

5.2 Economic Development

Objectives

“BRAC has done what few others have – they have achieved success on a massive scale, bringing life-saving health programs to millions of the world's poorest people. They remind us that even the most intractable health problems are solvable, and inspire us to match their success throughout the developing world.” (*Bill Gates, Co-chair, Bill & Melinda Gates Foundation Global Health Award, 2004*).

BRAC's Economic Development programme includes microcredit. It provides collateral-free credit using a solidarity lending methodology, as well as obligatory savings schemes through its Village Organizations. Reaching nearly 4 million borrowers, Village Organizations provide loans to poverty groups. BRAC has reached out to those who, due to extreme poverty, cannot access microfinance. BRAC defines such people suffering from extreme poverty as the 'ultra poor', and has designed a programme customised for this group that combines subsidy with enterprise development training, healthcare, social development and asset transfer, eventually pulling the ultra poor into its mainstream microfinance programme.

Microfinance, introduced in 1974, is BRAC's oldest programme. It spans all districts of Bangladesh, and is the largest microlending operation in the country, the renowned Grameen Bank being a close second. It provides collateral-free loans to mostly poor, landless, rural women, enabling them to generate income and improve their standards of living. A typical BRAC loan is to buy chickens to raise for eggs and meat. In addition to the loan, BRAC teaches the borrower how to care for and raise the chickens, and provides access to low-cost, high-quality inputs. The emphasis is on self-empowerment. BRAC's microcredit program has funded over \$1.9 billion in loans in its first 40 years. 95% of BRAC's microloan customers are women. According to BRAC, the repayment rate is over 98%.

In addition to microfinance, BRAC provides enterprise training and support to its member borrowers in poultry and livestock, fisheries, social forestry, agriculture and sericulture. It provides inputs essential for some enterprises through its 'Programme Support Enterprises' that include Poultry farm and disease diagnostic laboratory, Bull Station, Feed Mill, Broiler Production and Marketing, Seed Production, Processing, Marketing and Soil Testing, BRAC Nursery, and Fish and Prawn Hatchery. BRAC's Vegetable Export programme started in 1998 is a venture that is aimed at bridging the gap between local producers and international markets. BRAC also focuses on the problem of youth employment, providing assistance for young men and especially women to join the workforce, for example, with programs like the Adolescent Development Program. BRAC also has a number of commercial programmes that contribute to

the sustainability of BRAC's development programmes since returns from the commercial programmes are channelled back into BRAC's development activities. These programmes include Aarong, a retail handicraft chain, BRAC Dairy and Food Project, and BRAC Salt. BRAC founded its retail outlet, Aarong (Bengali for "village fair") in 1978 to market and distribute products made by indigenous peoples. Aarong services about 65,000 artisans, and sells gold and silver jewellery, handloom, leather crafts, etc.

Education

BRAC is one of the largest NGOs involved in primary education in Bangladesh. As of the end of 2012, it had more than 22,700 non-formal primary schools with a combined enrolment of 670,000 children. Its schools constitute three-quarters of all NGO non-formal primary schools in the country. BRAC's education programme provides non-formal primary education to those left out of the formal education system, especially poor, rural, or disadvantaged children, and drop-outs. Its schools are typically one room with one teacher and no more than 33 students. Core subjects include mathematics, social studies and English. The schools also offer extracurricular activities. They incentivise schooling by providing food, allowing flexible learning hours, and conferring scholarships contingent on academic performance.

Bangladesh has reduced the gap between male and female attendance in schools. The improvement in female enrolment, which has largely been at the primary level, is in part attributable to BRAC. Roughly 60% of the students in their schools are girls. BRAC has set up centres for adolescents called *Kishori Kendra* that provide reading material and serve as a gathering place for adolescents where they are educated about issues sensitive to the Bangladeshi society like reproductive health, early marriage, women's legal rights etc. BRAC has also set up community libraries, 185 out of 964 of which are equipped with computers.

Public Healthcare

BRAC started providing public healthcare in 1972 with an initial focus on curative care through paramedics and a self-financing health insurance scheme. The programme went on to offer integrated health care services, its key achievements including the reduction of child mortality rates through campaign for oral rehydration in the 80s and taking immunisation from 2% to 70% in Bangladesh. BRAC, in 1980, trained 10,000 women to teach Bangladeshi families how to make their own oral rehydration solution; to date 75% of families in Bangladesh use oral rehydration therapy to treat diarrhoea, 13 million homes have been reached by BRAC trainers, and estimates of lives saved by oral rehydration therapy reach 10s of millions. As of December 2012, 105,000 community health workers had been trained and mobilised by BRAC to deliver door-to-door health care services to the rural poor in Bangladesh. BRAC has established 30 static health centres and two Limb and Brace Centres that provide low cost devices and services for the physically disabled. BRAC has been working closely with the government as part of National

Tuberculosis Programme (NTP) to combat tuberculosis, covering 93 million people in 42 districts. BRAC has also been working in National Malaria Control Programme (NMCP) and Tuberculosis Control Programme funded by the Global Fund for AIDS, Tuberculosis and Malaria (GFATM) in partnership with government and 20 other NGOs in 13 endemic districts of Bangladesh covering almost 15 million people.

In 2007, BRAC launched two projects focused on bettering maternal, neonatal, and child mortality, namely, Manoshi in certain urban regions and Improving Maternal, Neonatal and Child Survival (IMNCS) in certain rural regions. The programmes cover Dhaka, 7 other city corporations, and 14 of Bangladesh's 64 districts. From 2007–10, Manoshi's operations led to a decline in home deliveries from 86% to 25%, and a maternal mortality ratio of 141 (per 100,000 births) compared to the national average of 194. Similarly, in IMNCS areas, hospital delivery doubled to 30% from 15%, and maternal mortality declined to 157 (per 100,000 births). In 2014 BRAC's community healthcare workers reached 1.6 million women with between one and four prenatal care check-ups. They also attended deliveries, and provided birthing huts as an alternative to childbirth at home.

Promoting Gender Equality and Empowering Women

BRAC organises and mobilises poor rural women in Bangladesh to speak up and take collective action against discrimination and exploitation. It provides training to local administrators on issues important to the poor, particularly women, and seeks to increase the accessibility, transparency, and accountability of local government. It disseminates information about citizens' legal rights and laws concerning marriage, family and inheritance through popular theatre, community radio, and legal aid clinics. It addresses forms of gender inequality and violence against women such as child marriage, dowry, polygamy, oral divorce, acid throwing, domestic violence, and rape.

BRAC's 2007 impact assessment of its North West Microfinance Expansion Project testified to increased awareness of legal issues, including those of marriage and divorce, among women participants in BRAC programs. Furthermore, women participants' self-confidence was boosted and incidence of domestic violence was found to have declined. One of the most prominent forms of violence against women, acid throwing, has been decreasing by 15-20% annually since the enactment in 2002 of legislation specifically targeting acid violence.

Disaster Relief

BRAC conducted one of the largest NGO responses to Cyclone Sidr which hit vast areas of the south-western coast in Bangladesh in mid-November 2007. BRAC distributed emergency relief materials, including food and clothing, to over 900,000 survivors, provided medical care to over 60,000 victims and secured safe supplies of drinking water. BRAC is now focusing on long-term

rehabilitation, which includes agriculture support, infrastructure reconstruction and livelihood regeneration.

Operations outside Bangladesh

Afghanistan

BRAC registered in Afghanistan in 2002 and covers 23 out of 34 provinces. Its major programmes in Afghanistan include Microfinance (funding from MISFA), Health, Education, National Solidarity and Capacity Development. Its Microfinance Program has 429 branch offices that have disbursed more than US\$96 million to over 179,000 member households (895,000 people). BRAC runs nearly 2,371 schools which have seen 118,416 students graduate, almost all of whom are girls. BRAC Afghanistan has 3,617 community health workers and 1,390 poultry and livestock extension workers. It has established two Training and Resource Centres in Kabul and Mazar-e-Sharif. BRAC's staff in Afghanistan includes 3,463 locals and 180 expatriates.

Srilanka

BRAC registered in Sri Lanka in 2005 following the devastating Tsunami and initiated relief and rehabilitation activities. Its rehabilitation and livelihood programmes in Sri Lanka cover three districts and 43 divisions. BRAC's work in Sri Lanka includes the fisheries, agriculture, poultry and livestock, small business, income-generation activities, education and health sectors. In January 2014, BRAC sold its shares of BRAC Lanka Finance PLC to Commercial Leasing and Finance PLC (CLC), a company within the LOLC Group. The Srilanka programmes have since then been suspended.

Pakistan

BRAC expanded into Pakistan in 2007 and now covers six districts. BRAC Pakistan employees 1000 staff members that work in 68 offices that are set up throughout the country. The Microfinance Program supports 837 village organizations that have over 14,544 members, which is one of the leading MFI in Pakistan and a trend setter of vulnerable groups. From 2 August 2012 BRAC is field partner of Kiva Microfunds, BRAC Pakistan's education programme has opened 200 primary schools in the Sindh province, and 100 pre-primary schools in Khyber Pakhtunkhwa. In 2013, 94,361 people benefited from BRAC Pakistan's health services.

Tanzania

BRAC Tanzania, established in 2006, has created over 7,619 microfinance village organizations with over 116,000 members and already disbursed more than \$160 million. Over 480 community health promoters, 65225 agriculture program farmers and 15681 poultry and livestock farmers have been trained up to December 2012 it was a field partner of Kiva Microfunds. As of 23 July 2010, Kiva reported BRAC Tanzania's status as closed with a 0% Delinquency Rate.

Uganda

BRAC Uganda's Microfinance Program has formed over 2,145 village organizations with 59,844 members. To date, the program has disbursed \$14.8 million with a repayment rate of 100%. BRAC Uganda has trained 200 community health promoters and opened 122 learning centres in Internally Displaced People (IDP) camps that have enrolled nearly 20,704 learners. It is a field partner of Kiva Microfunds. The Youth Programme in Uganda has gained ground and is a success story. The BRAC Uganda Social Business Enterprises have been established. Its Seed marketing programme and its Seed Processing Plant at Nakasake outside Kampala has been a success and helping the farmers community to a great extent with providing good quality seeds for better harvest.

South Sudan

In 2007, BRAC started operations in South Sudan. The microfinance program, which consists primarily of returning war refugees, has formed 220 village organizations with over 8,400 members. The cumulative disbursement in 2008 was \$1,313,150. BRAC South Sudan has initiated a community-based health program under which community health organisers and health promoters receive training. It is a field partner of Kiva Microfunds. The USAID is also financing Non Formal Primary Education in South Sudan.

Liberia

The country operations in Liberia were established in 2008. BRAC launched programs in microfinance, health, agriculture, livestock and poultry; reaching more than 582,000 of the poorest in Liberia. BRAC employs 161 Liberians (71% women) and has mobilised nearly 300 community-based volunteers. The social enterprises, like the Feed Mills and Hatcher, have also commenced operations in Liberia.

Sierra Leone

BRAC opened its offices in Sierra Leone in 2008 and started programmes in 2009. BRAC runs services in microfinance, health, agriculture, livestock and poultry, and by the end of 2009 reached over a quarter of a million Sierra Leoneans with their activities. BRAC provides jobs for 169 Sierra Leoneans (83% female) and supports 323 local volunteers.

Haiti

BRAC has provided technical assistance to Fonkoze, Haiti's largest microfinance organization, to replicate BRAC's ultra poor program. In 2010, they opened a Limb and Brace Center to support those who were injured in the 2010 Haiti earthquake.

Philippines

BRAC launched operations in the Philippines in 2012 in partnership with Australian aid agency AusAID, with plans to operate at least 1,600 pre-primary and primary schools in Autonomous Region in Muslim Mindanao. As of 2013, there are 1,010 learning centres that are benefitting 31,522 disadvantaged children. There are also 600 new learning centres in Sulu and Basilan, adding to the existing operations in the provinces of Maguindanao, Lanao del Sur and Tawi-Taw.(All the above information in this section have been compiled from Wikipedia).

Myanmar

In 2014, BRAC Myanmar received its license to operate in Myanmar. The company has been registered with the Ministry of Finance as a Not-for-profit organization. BRAC Myanmar is now working in the field of micro finance only. In addition to the country office in Yangon, BRAC has a regional office in Bago and 15 branch offices. The aim of BRAC Myanmar is to operate in 60 townships by the end of 2016. (www.brac.net)

BRAC Social Enterprises

The unique model under which BRAC enterprises operate has evolved as completely home-grown and in isolation from the international dialogue regarding social enterprises. The 'BRAC model' comprises of a collaborative network of enterprises, development programmes and investments – all of which together serve the comprehensive vision and objective of BRAC, i.e. to empower the poor, alleviate social/environmental imbalance and enhance financial sustainability. The BRAC development programmes are dedicated toward fulfilling BRAC's social and philanthropic missions and are run as fully-funded, non-surplus ventures. While the BRAC enterprises are mostly incepted as a support mechanism that allows the development programmes to be sustainable, the surplus-generating model of the BRAC enterprises allow for 50 per cent of the surplus from the enterprises to support BRAC's expenditures, including its development programmes that are often run at very high costs, and the remaining 50 per cent to be re-invested in the enterprises themselves, and as a result reduce the need for external funding. The BRAC Investments unit comprises of financially profitable investments and financial service businesses that are geared toward generating financial returns while adhering to underlying social causes such as low-income housing, microfinance, small enterprise loans, information technology, clean development mechanism (CDM) etc. Dividends from BRAC investments support the financial sustenance of both BRAC enterprises and development programmes by acting as a hedge or safety net against future liquidity crisis. The synergetic effect of this integrated model has contributed significantly in reducing BRAC's dependency on donors and external funding. Currently, 27 per cent of BRAC's overall financial needs are fulfilled by various donation/external sources while the remaining 73 per cent is financed internally by BRAC from the surplus of its enterprises and the dividend from its investments. By

continuing on this model, BRAC's goal is to become 100 per cent self-financed in future (www.brac.net).

There are as many as 15 BRAC Enterprises that carry out the income generation activities like that of private sector in the form of social businesses where income is recycled for societal good or wellbeing. The enterprises are Aarong, Seed & Agro Enterprises, Tea Estate, Sericulture, Napkins & Delivery kit, Salt, Recycled handmade paper, Print Pack, Poultry, Fisheries, Feed Mills, Dairy & Food Project, Cold Storage, Chicken, Artificial Insemination etc. It is really heartening to note all these enterprises have been set up in the niche areas where others usually do not want to venture as the risk is more. The purpose of these enterprises is to provide support to the poor people through providing service. Take the case of Sanitary napkin or delivery kit. The purpose is to provide such kit to the poor women of the villages at an affordable price, profit is secondary. Take another case of recycled paper. This has been set up in a tribal dominated area where the tribal women get their employment. In addition, the old paper collected from BRAC Head Office and other places can also be recycled, a good example of reverse logistics. Let us have another example of salt industry. The purpose is to provide iodized salt at an affordable cost to the northern district populace where goiter is prevalent in order to eliminate the disease and its resultant effect on human health. The making of profit is secondary. If there is any bottom line that is welcome, but not the same should not be earned at the cost of sacrificing succor to the affected. If required they would find some other source to fund and support the programme.

5.3 BRAC Structure and Procurement Function

From our earlier discussion in Chapters and this section, we can deduce that BRAC falls in the Category of large TSO. In fact it is one of the largest, some say the largest, third Sector Organization in the world. Beyond Bangladesh it has operations in 5 countries in Asia, 5 countries in Africa and one country in the Americas. In addition, it has its BRAC International registered in the Netherlands having subsidiary offices in the USA and UK. BRAC Bangladesh has as many as 15 social enterprises operating for providing fund for the social development. BRAC has multifarious programmes in the fields of health, education, poverty alleviation, social development, gender equality and diversity, youth development programme etc in addition to the flag bearer Micro finance programme. All these are working for the achievement of the BRAC vision of establishing an exploitation free society. Therefore this can be considered as a gem of a large TSO.

BRAC organizational structure, because of wide dispersal and distribution of its country operations in 12 different countries, has to be a matrix one as derived from our study and recorded earlier in the discussion having SBU level divisional organization. Each country head offices have their procurement function. But these procurement functions do not have the specialist capacity to deal with such CAPEX or strategic item procurement. They are capable only to carry out operational purchases. For example, the procurement of Seed Processing Plant for Uganda and Feed Mill for Liberia was processed by BRAC Central Procurement Department

in BRAC Head Office located in Bangladesh. This validates our earlier finding through the literature study that large TSO's having operations across continent should be equipped with structure that can support such operation. That it should have divisional structure like that of a conglomerate or a multinational having operations in SBU levels. Now the question is, should these country procurement offices be controlled by the BRAC Central Procurement Department. The above example of the procurement of seed processing plant for Uganda suggests that there should be some kind of centre led/controlled procurement function for BRAC or for that matter any large TSO having worldwide operations. But the question is what kind of control the central procurement department should exert on the country procurement offices. What kind of matrix structure should this be? That can be further verified from the primary data analysis that has been done in Chapter IV.

5.4 Result Implications for BRAC

In Chapter IV, we carried out data analysis obtained through online survey. There we have interesting that Strategically Controlled Action Network (SCAN) system, which says that SBU level procurement function reports to the Central Procurement Department, was supported by % of the respondents and % said that Centre led Action Network (CLAN) system, where the procurement function at the field level report to the central procurement Department through a dotted line, may be introduced. This needs consideration for a TSO like BRAC. That is to say that SCAN system may be introduced for a large TSO like BRAC having operations across continents in dispersal mode. This validates our thesis which says that Hybrid procurement should be considered for introduction in large TSO's instead of a purely centralized or decentralised structure.

5.5 Summary

In above chapter, we carried out a case study on BRAC, one of the largest, if not the largest Third Sector Organization in the world to see whether the findings that were derived through the primary and secondary data analysis, support the thesis statement that was adopted. In all facets from the above brief BRAC fits into the arguments that it is a large Third Sector Organization as described in the foregoing section. It has its operation spread over the world, particularly in Asia and Africa. So, it is also a well dispersed large TSO located in 12 countries. The country operations have procurement offices in all the operating countries and each of them has procurement functions. These procurement offices are only capable to look after operational procurement but not capable to deal with strategic and CAPEX items because of lack of expertise on the part of the buyers. Therefore, they need support from Central Procurement Department at BRAC Head Office to conduct such procurement. Therefore the two hybrid systems that have received maximum votes in the online survey i.e. Strategically Controlled Action Network (SCAN) (64.4%) and Centre Led Action Network (CLANI system (25%) may be considered for introduction for effective management of procurement activities of BRAC.

CHAPTER VI

CONCLUSION

The thesis top “Procurement Structure of Third Sector: An Analysis” had a thesis statement as “A mixed or hybrid procurement system tailored to the need of the large TSO’s, depending on the size and the breadth of operation, could best support the corporate objectives of the TSO’s.” In order to carry out a detailed inquiry and study on the thesis statement, the researcher developed two Research questions e.g. whether there are structural inadequacies in the present Procurement System of large TSO’s including BRAC, to meet the global requirement considering the fact that quite a large numbers belong to this category of international NGO’s having programmes/operations across the world, mainly in Asia and Africa and whether the present procurement structural practices can be reinforced through a rationalized mixed or hybrid procurement structure that can support the corporate objectives of these TSO’s.

The researchers then carried out a Literature Review of existing and emerging systems and structure of all the three sectors, public, private and Third, before embarking on his exploration of the procurement structure. He first established that a purely centralised or purely decentralized structure may not deliver the standard of service required for supporting the corporate objectives of the large TSO’s. After detailed study he established that emerging and most acceptable way to manage the procurement functions of a large TSO like BRAC dispersed over continents would be to adopt a hybrid structure. The reason for such recommendation is the available information in the various literatures he cited in Chapter II of the Thesis.

Thereafter the researcher discussed about the methodology that he would adopt to carry out the primary data collection, collation and analysis in Chapter III. He mentioned that a sample of 44 respondents of highly qualified procurement professionals from a population of highly qualified 50 professionals from the three sectors was selected for their views and opinion. Out of 44 respondents 25 were from the public, 11 from the private and 12 were from the Third sector. Therefore the spread is quite adequate to support the finding. Many of the respondents were full members of the Chartered Institute of Procurement and Supply. Some of them are CSCM qualified procurement professionals.

In the following chapter IV the researcher carried out detailed analysis of the responses from the survey. The results are appended below:

- (1) It came to light that accountability and transparency scored 31.8% support, efficiency 29.5%, value for money 27.3% and effectiveness and sustainability 25% each. The order of preference is really worth noting and the value of each criterion to these organizations.

- (2) The large TSO's should maintain standard in procurement function by industry bench marking (47.7%) and internal benchmarking (24.5%). The pertinent point is that for maintaining standard there is maximum support for industry bench marking.
- (3) 50% use their own procurement guidelines and the rest use either PPA/PPR or other guidelines e.g. World Bank or other donor guidelines etc. for carrying out purchases. Therefore it can be suggested that there is wide support for having own procurement guidelines to suit own requirement of the TSO.
- (4) 27.3% respondents informed that more than 80% budget is dedicated to procurement, 34.1% informed 50-80% commitment of budget to procurement and rest 38.6% informed that less than 50% budget was dedicated. It is therefore seen that 61.4% said that more than 50% budget is dedicated for procurement. This implies the contribution of procurement in the achievement of corporate objectives and how much importance should be given to procurement.
- (5) 47.7% respondents were in favour of centralized procurement, 34.1% in favour of Hybrid and 15.4% in favour of decentralized. It may be noted that exactly 47.7% respondents are from the Public Sector. It is highly likely either all of them or if not all, then most of them have sided with the centralized procurement structure. Although number of respondents from this sector is 25% the support for hybrid structure is 34.1%. This figure is significant. It means other respondents from the other two sectors in addition to the Third sector have sided with the hybrid structure.
- (6) Only 15% have spoken that the present procurement structure is highly or extremely highly suitable. It means there is a huge scope for improving the procurement structure.
- (7) Only 4.5% have said that their procurement structure is extremely effective. It means there is scope of improvement.
- (8) 54.5% have preferred outcome oriented procurement while 45.5% have sided with cost orientations. These figures are justified as outcome is more important for the beneficiaries. At the same time cost is also important for any third sector organization because best combination of cost and outcome would be ideal for them.
- (9) It is notable that more than 75% have expressed that they should either be engaged moderately or strongly with the stakeholders of the procurement department.
- (10) 79.5% say that their internal stakeholders are connected with procurement. That means they prefer cross functional team work in procurement decision making.
- (11) 91% have considered that procurement strategy should be aligned with corporate strategy for achievement of corporate objectives.

- (12) More than 50% have informed that their job is related to procurement function.
- (13) Only 31.8% have said that their procurement function was strategically oriented. It means there is scope of improvement where restructuring the function can improve the performance.
- (14) IT integration is required for performance improvement in a Centre led hybrid action network.
- (15) 61.4% have opined that there should be single overarching guidelines instead of a multifarious one.
- (16) 65.9% of the interviewed procurement professionals have suggested to use both of the approaches of expert analysis and change management by ownership from the higher management for a better and improved organization structure. This can also be applied for large TSO's.
- (17) Only 27.3% have fully automated IT system. Therefore, a lot of work needs to be done in the IT sector.
- (18) 79.5% of the procurement professionals have said they lead or get actively involved in demand management initiatives in their organization. This is good for the organization.
- (19) More than 80% have said that the Procurement Guidelines should be blended or modified or should have provisions to meet donor requirement while executing projects under donor funding.
- (20) 93.2% and 90.9% of the respondents have supported these two types of areas – CAPEX and Strategic items respectively to be centralized or should have centre led arrangement for procurement function.
- (21) There is scope of centre led buying in every category of purchasing for deriving economies of scale, avoiding conflict with SBU's, ensuring more accurate demand forecasting and less duplication of efforts, easier relationship management, proper utilization of expertise and knowledge, etc.
- (22) 75% opined that they have found difficulty in carrying out cross functional activities and collaboration with other internal stakeholders in centralized purchasing.
- (23) 100% were in favour of concluding Framework Agreement in a centralized form of purchasing.
- (24) Maximum respondents have supported that operational purchases or items that are available locally may be procured through decentralized purchasing.

(25) Most of the respondents have said that in case of decentralized buying, the biggest casualty would be economies of scale.

(26) When asked what kind of hybrid structure would be better suited, 61.4% have opined that Strategically Controlled Action Network (SCAN) would be best suited for a hybrid system for a large TSO. 25% were in favour of Centre Led Action Network (CLAN) system.

(27) More than 88% supported that SCAN or CLAN system may be introduced in a large TSO like BRAC that is spread over continents.

Finally a case study on BRAC further validated that BRAC is a Large TSO having operations across Asia, Africa and the Americas. BRAC has more than 10 country operations across continents as such it is a widely dispersed and distributed organization. Therefore it was further deduced that hybrid SCAN/CLAN procurement structure may be introduced for BRAC. As per the suggestion of Jimmy Anklesaria mentioned in Chapter II-Literature Review, BRAC may have Regional Procurement Hubs e.g. for East Africa comprising Tanzania, Uganda and South Sudan and another for West Africa for Liberia and Sierra Leone. In addition to Bangladesh, there can be another Procurement Hub at Islamabad for Pakistan & Afghanistan. The Central Procurement Function at BRAC Head Office may provide support for Sri Lanka, and Myanmar. The Philippine operations are only providing Non Formal Primary Education as such that country operation may be presently provided support by BRAC Head Office Procurement Function. The Haiti is currently running Brace & Limb Centre which may be supported by BRAC Head Office Procurement Function. The BRAC Head Office Procurement Function can be linked to these Regional Procurement Hubs in a Centre Led Action Network (CLAN) system and the Regional Hubs may be linked to country procurement offices in Strategically Controlled Action Network (SCAN) system.

QUESTIONNAIRE

General Information

- (1) What are the primary and secondary objectives of procurement in your organization? Please rank. (Rank 1st, 2nd, 3rd, 4th and 5th among the given options.)
- (2) How does your organization's Procurement Department maintain standard within the procurement function?
- (3) What are the Procedural Guidelines that your organization follows?
- (4) What percentage of total budget is involved in procurement of your organization?
- (5) How is the procurement function organized?
- (6) Is the structure suitable for delivering the goal for which it has put in place?
- (7) Has it been found to be effective?
- (8) Is the procurement function organized to deliver optimal value to the organization by focusing on outcome rather than on cost?
- (9) Are key organizational stakeholders fully engaged in the development of procurement strategy and does this reflect wider organizational goal?
- (10) Do your internal stakeholders have a significant role to play in the procurement decision?
- (11) Is the procurement strategy aligned to corporate strategy and state the mechanism by which such alignment is made?
- (12) What percentage of your job is based on procurement function?
- (13) In your organization purchasing is treated as clerical, commercial or strategic function?
- (14) What is your suggestion to improve the guidelines or procurement procedures, either in central purchase or local or field level purchase? (5 for the most significant suggestion and decreasing the score to 0 for the least significant suggestion).
- (15) Do you think in a distributed organization having single overarching guidelines can solve the procurement management problem? Or there should be separate Guidelines for each SBU or distributed organization?
- (16) If you have come to the conclusion that organizational structure needs to be improved, how should it be addressed?
- (17) To what extent you procurement process is automated?
- (18) Does the procurement function lead or get actively involved in demand management initiative in your organization?

- (19) In an international NGO, where we have to take into consideration donor conditions, should the Guidelines be blended with other social enterprises requirement?

Centralised Purchasing

- (1) Which areas you think should be centralized?
- (2) What are the opportunities for NGOs to procure goods, works and services centrally? (5 for the most significant opportunity decreasing the score to 0 for the least significant opportunity).
- (3) What difficulties do you find in implementing procurement decisions centrally?
- (4) Do you think the Framework Agreement can help central procurement?

Decentralised Procurement

- (1) What are the opportunities for NGOs to procure goods, works and services in a decentralized manner at local or regional level or SBU (Strategic Business Unit) level? (5 for the most significant opportunity and decreasing the score to 0 for the least significant opportunity).
- (2) What difficulties do you find in implementing the field level/ SBU level procurement strategy? (5 for the most significant difficulty and decreasing the score to 0 for the least significant difficulty).

Hybrid structure

- (1) What variety should be better suited- SCAN, CLAN, Lead Buyer and/or Partnering?
- (2) A procurement structure like SCAN or CLAN can be implemented in an organization like BRAC, where operations are dispersed across continents?

Annex II -List of the respondents

Name of the respondents	Designation & name of the organization	Sector
1. Abdullahil Baki Md. Ruhunnabi, MCIPS,	Bangladesh Water Development Board, Assistant Programmer	Public
2. Chose not to identify, but he is an MCIPS	MoAG	Public
3. Md. Hasibul Mahmud, MCIPS	Bangladesh Railway	Public
4. Md. Taslimul Islam, MCIPS	Ministry of Public Administration, Joint Secretary	Public
5. Md. Rakibul Hasan, MCIPS	BWDB & SDE	Public
6. Md. Abdul Aziz, MCIPS	Local Government Engineering Department (Senior Assistant Engineer)	Public
7. Md. Zikrul Islam, MCIPS	Roads & Highways Dept.	Public
8. Md. Masudur Rahman, MCIPS	Bangladesh Computer Council, Procurement Specialist, LIC Project.	Public
9. Mohammad Anwar Hossain, MPSM	Agriculture Information Service, Ministry of Agriculture, Govt. of Bangladesh.	Public
10. Md Golam Yazdani, MCIPS	LGED, Deputy Project Director, RTIP-II	Public
11. Farhan Hussain, MCIPS	BPDB, SDE	Public
12. Golam kibria, MCIPS	RHD,Sub-Divisional Engineer	Public
13. Md Kamruzzaman, MCIPS	Organization: Higher Education Quality Enhancement Project (Procurement Specialist))	Public
14. Salek Mahmud, MCIPS	Executive Engineer,DPDC	Public
15. Md. Saifur Rahman, MCIPS	Procurement Consultant, IAPP, Minisitry of Agriculture	Public
16. Wasim Jabber, MCIPS	Director General, BPI	Public
17. S.M.Wazed Ali, MCIPS	Procurement Specialist, Skills and Training Enhancement Project, Directorate of Technical Education	Public
18. Md. Sakil Ibne Sayeed, MCIPS	Bangladesh Rural Electrification Board	Public
19. Md. Nannu Miah MCIPS	Jatiyo Protibondhi Unnayn Foundation(JPUF), Procurement Specilaist	Public
20. Syed Abdulla Tanzim Al Bayezid, MPSM	Embassy of the United States of America, Dhaka, Assistant Manager, Procurement & Contracting Unit	Public
21. Md. Maidul Islam	Infrastructure Development Company Limited (IDCOL)	Public
22. Muhammad Mohiuddin Ahmed	DGM Transport , BRAC	Third sector

23.	Abu Mohammad Mohiuddin	Manger Procurement, BRAC	Third sector
24.	Mohammad Samir Ahmed	BRAC	Third sector
25.	Syeda Shahana Yesmin	BRAC, Senior Manager Procurement	Third sector
26.	Tapon Kumar Mozumder	Senior GM Transport, BRAC	Third sector
27.	Shohel Rana	BRAC Dairy & Food Project	Third sector
28.	Mohammod Abdur Rouf	BRAC, DGM	Third sector
29.	Trisha Chowdhury, MCIPS	British Council, Invigilator	Third sector
30.	Malik Iqbal Kabir	DGM Procurement, BRAC	Third sector
31.	M Sirajam Muni, MPSMr	USAID/Bangladesh	Third sector
32.	Amrita Kumar Das, MCIPS	Independent Consultant, Asian Development Bank, Bangladesh Resident Mission, Dhaka	Third sector
33.	Rashed Morshed, MCIPS	The World Bank; Procurement Consultant	Third sector
34.	Arafat Istiaque, MCIPS	Chevron Bangladesh, Category Manager	Private
35.	Mamun Ferdoushi,	Head Transformation & Governance, Airtel Bangladesh ltd	Private
36.	Zahir Uddin Ahmed, CSCM	PFI Properties Ltd. AM-Procurement	Private
37.	Md. Atikur Rahman, CSCM	Rangs Properties Ltd. (Sr. Executive Procurement)	Private
38.	Md. Kumruddin Al Azad CSCM	Urban Design & Development Ltd. AGM-Purchase	Private
39.	Md. Enamul Huque Sarker, CSCM	Friendship, Procurement Officer	Private
40.	Engr Reajul Alam, CSCM	Kaltimex Energy Bangladesh (Pvt) Ltd & Asst General Manager	Private
41.	Ziaul Karim Chowdhury, Dip. Int. SCM	Robi Axiata	Private
42.	Asif Abdullah Chowdhury, MCIPS	Sourcing Specialist, Grameenphone Ltd.	Private
43.	Asif Mohammed Touhid, MCIPS	CPO, Grameenphone	Private
44.	Jeremy Johnson, FCIPS	JWJ Consultancy Ltd	Private

ANNEX III- Glossary

Benchmarking refers to performance benchmarking, also involves comparisons of key metrics against other entities, but typically addresses dimensions of organizational performance rather than price paid. - CIPS UK

Buyer- The individual or personnel designated by an authorized official to undertake all activities necessary for the procurement of goods, works, or services in accordance with the applicable regulations, rules, policies, and procedures. The term buyer is also used to denote the UN entity that is a party to the contract.- **UN Procurement Practitioner's Handbook**

Capacity- **In law, capacity refers to the ability of an individual to understand the facts of a situation, evaluate the alternative options and the implications of each course of action, make an informed choice and communicate their decision.** - CIPS UK

Centralized procurement- Centralised procurement is a process where one government organization, representing the collective needs of other departments, carries out procurement functions. – **CIPS Australia**

Change Management - Change management is a structured approach to transitioning and aligning individuals, teams and organizations from a current position to a desired future state. - CIPS UK

CLAN- Centre-Led Action Network [CLAN] is a model for organising procurement. The CLAN concept assumes a decentralised model, with procurement staff operating within the various business units of an organization. The main reporting line for each of these staff members is to the team leader of the local business, with a dotted reporting line to a small procurement 'centre', usually located in the corporate Head Office. The central team sets standards, policy and direction, and coordinates activities in order to minimise duplication of effort, and maximise synergy between the business units. - CIPS UK

Contract management- The ongoing monitoring and management of the supplier's performance regarding the promised goods or services, as well as assuring compliance with all other terms and conditions of a contract, such as price and discounts. It includes managing the relationship between the supplier, the procuring unit, the requisitioner and/or the end user, feedback to the supplier regarding its performance, as well as dispute resolution, if necessary. -**UN Procurement Practitioner's Handbook**

Cross Functional Team - A team of stakeholders from different functions who are brought together to achieve a common goal. In procurement projects, cross-functional teams engage stakeholders and allow consultation and decision-making. Facilitating cross-functional teams is a key procurement capability. -CIPS UK

Decentralized procurement- The rationale of a decentralised approach is that by placing the procurement function closer to the needs of the final user, it is more likely to be an economically efficient

business, produce more effective business outcomes and better promote the development of the private sector through use of local suppliers. - **CIPS Australia**

Delivery time- The time taken to deliver goods from the date of contract to the time when the supplier makes the goods available to the buyer at the agreed place as per the delivery terms. -**UN Procurement Practitioner's Handbook**

Efficiency - Efficiency is the degree to which something is done well or without wasted energy or effort. By definition it is therefore typically a measurable concept, quantitatively determined by the ratio of output to input. - **CIPS UK**

Economies of Scale - **The benefits that come from having large or very large operations. In economics, the term means the reduction in a producer's average cost per unit that results from having large output compared with that of competitors.** - CIPS UK

Ethics - **Ethics involves distinguishing between what is right and wrong behaviour by an individual or organization.-** - CIPS UK

Evaluation- **Evaluation is the systematic consideration of the value, quality, importance or worth of something or someone.-** - CIPS UK

Goods - Objects of every kind and description including raw materials, products and equipment and objects in solid, liquid or gaseous form, and electricity, as well as services incidental to the supply of the goods if the value of those incidental services does not exceed that of the goods themselves.- **UN Procurement Practitioner's Handbook**

Inventory- Any material, component or product that is held for use at a later time.- **UN Procurement Practitioner's Handbook**

Maintenance, Routine, Operating Categories- **Maintenance, routine and operating [MRO] categories are low value categories which are not an input to the production process, but which are used in support of operations. The term is a subset of indirect materials and represents a level of classification of categories.** - CIPS UK

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