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# Better Fleet Management Could Save NGOs Millions



By [Luk Van Wassenhove](#) , INSEAD and [Nathan Kunz](#) , University of North Florida

## **The benefits of centralised procurement systems are especially pronounced in the humanitarian sector.**

The skills and commitment of humanitarian aid workers would be useless if they were unable to deliver services directly to the neediest places. That's why vehicle management is so important to the humanitarian sector. Indeed, it's estimated that the global humanitarian fleet exceeds 100,000 vehicles, representing an annual spend of approximately \$1 billion, the sector's second-largest expense (after personnel).

Investments of this magnitude would appear to demand dedicated, systematic and informed oversight. However, over nearly a decade of working closely with international humanitarian organisations under the aegis of the [INSEAD Humanitarian Research Group](#) (HRG), we saw that unlike for-profit companies, these organisations have slim to no precedent for viewing fleet management as a standalone concern. Most devote few specific resources to it, over and above the hundreds of other logistics-related issues commonly delegated to staffers in the field.

HRG's long-standing contention has been that humanitarian organisations should seriously consider managing cars and trucks centrally (rather than through field offices) and increasing internal awareness of fleet management as an organisational priority. We recently had the opportunity to put our hypotheses to a real-world test by engaging in a multi-year collaboration with [UNHCR](#), the United Nations' refugee agency. Our findings from the first year alone show that agencies could potentially save millions annually, while reducing their environmental impact and road-safety risks, by adapting supply chain management methodologies from the business world.

## **Decentralised fleet management**

The Office of the United Nations High Commissioner for Refugees (UNHCR) serves the world's growing refugee population, via field offices in approximately 125 countries. Until 2014, each field office independently owned and managed its own fleet, from purchasing to disposal. The system was so decentralised that the UNHCR supply management headquarters in Budapest initially could not give us a precise vehicle count for the organisation as a whole.

Lack of coordination from HQ meant that vehicle procurement was largely dictated by budgetary ebb and flow, with more than half of 2009 and 2010's purchasing orders placed in the "use it or lose it" month of December. In lean times, field offices tended to continue using vehicles well beyond the five-year lifespan prescribed by organisational guidelines. In many cases, vehicles were inadequately looked after because it was easier simply to keep buying new ones. In short, the fleet had become oversized, over-aged, and problematically maintained — with potentially serious cost, environmental, and safety implications for the agency.

## **A centralised strategy**

We worked with UNHCR to help introduce a centralised procurement model whose popularity is rising among corporations. Under the new system, vehicles are bought in bulk by the Budapest Global Fleet Management unit and rented to field offices, rather than the field offices owning them outright. The rental scheme was designed to control procurement costs in two ways:

- Terminating the end-of-year budget blowouts that contributed to fleet bloat.

- Bulk purchasing directly from the manufacturer gives UNHCR more leverage in negotiating price and leapfrogs the middle men (importers and retailers) at the local level.

UNHCR was also able to cut costs by mandating that all vehicles older than five years be put on the professional auction block. Past the five-year mark, the maintenance burden and potential safety risks of retaining a vehicle begin to outweigh replacement costs. Before 2014, vehicles were mostly disposed of via donations to partner organisations, which obviously generated no revenue for UNHCR.

## **Results**

After only one year under the centralised model, UNHCR's fleet size decreased by 11 percent, and the age of the average vehicle fell 21 percent, dipping beneath five years. Procurement costs also decreased by 21 percent, which is expected to produce yearly savings of US \$5 million.

Another major benefit of centralisation is increased uniformity of the fleet, an important first step towards implementation of an organisation-wide set of best practices. In the first year, the number of models represented in the fleet decreased by 34 percent, and the number of suppliers fell by 43 percent.

## **The refugee crisis**

UNHCR will have its work cut out for it in the coming years. As of mid-2015, the global population of concern to the organisation had swelled to 58 million and may well keep growing, as political instability and environmental disasters continue to besiege developing nations.

So it's imperative to ask whether centralised fleet management is the best option from a purely humanitarian perspective. Would it not be better to allow operatives on the ground to manage their own transport, so that they can deliver services as they see fit within their often-volatile local environments?

The reality is that in the unfortunate eventuality of a sudden crisis, field offices would be much better off renting vehicles from HQ than scrambling to reinforce their fleet amidst the chaos. With a centralised system, staffers can rent, say, a dozen 4x4s and have them delivered within weeks or even days; left to their own devices, they may be hampered by local scarcity and/or a

depleted yearly budget.

## Next steps

UNHCR's success with centralised fleet management is largely due to the organisation's commitment to selling the programme internally. We can assume that many field office directors were not overeager to surrender control over such a major line item as transportation, especially since the centralised rental model is relatively new to the non-profit world. A robust communications campaign involving videos, factsheets, and reports was instrumental in securing buy-in.

Communication will also be an important aspect of the next phase of our collaboration with UNHCR, focusing on the roll-out of a fleet management software system and appropriate training for field offices. Next steps also include revamping of vehicle maintenance and repair systems and the introduction of scorecards with KPIs to track vehicle use and fuel consumption. Later, we plan to extend centralised procurement to power-generating equipment such as generators — similar to cars and trucks in their potential environmental and financial impact.

We hope our efforts will contribute to the ongoing professionalization of the humanitarian sector. Applying appropriately adapted fleet management principles from the business world sector-wide would likely free up millions of dollars every year for humanitarian use, while enabling organisations to serve their communities better.

## Find article at

<https://knowledge.insead.edu/operations/better-fleet-management-could-save-ngos-millions>

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## About the author(s)

**Luk Van Wassenhove** is an Emeritus Professor of Technology and Operations Management and the Henry Ford Chaired Professor of Manufacturing, Emeritus at INSEAD. He leads the **INSEAD Humanitarian Research Group** as the academic director.

**Nathan Kunz** is an Associate Professor at University of North Florida and a former Postdoctoral Research Fellow with the INSEAD Humanitarian Research Group.