

Collaboration leads to savings

An innovative corporate-charities alliance is combining a relationship focus with world-class procurement management tools, techniques, and technologies, to grow collective purchasing power; enabling the charitable dollar to stretch further.

It was January 2020, just before the impact of Covid-19 was really upon us. The Tōtara Hospice Board and CEO were exploring how they could continue to build on recent successes taking an 'outside the box approach' to revenue growth and cost savings.

"Our Board and Senior Leadership team come from diverse working backgrounds spanning Corporates to major Hospitals. All of us had experienced the positive impact that good procurement can have on triple bottom line performance when implemented correctly. We knew that's where we wanted to go next" says Tina McCafferty, CEO Tōtara Hospice.

As luck would have it, Alan Day, CEO of State of Flux had recently returned to New Zealand. State of Flux is a global software and services organisation focused on helping organisations manage and get more value from their procurement and supplier relationships. Since inception over 17 years ago, State of Flux works with many of the world's largest and well known private and public organisations from their offices in the UK, Europe, USA, Australia and NZ.

One of Tōtara's board members had been involved in working with State of Flux establishing a joint buying group in Australia, so had experienced first-hand the complexities of set-up and the huge benefits that this had delivered. Tina and her team reached out to Alan and his team to explore collaborating and creating a similar group for charities. From this exploration the Charities Buying Group was formed. It was initially for Hospices but has grown across a range of charities.

Tina McCafferty says, "This was an exciting collaboration from the word go. Tōtara Hospice had the energy, sector knowledge and relationships, and State of Flux had the expertise and scale to lead the group to get from concept to operations in the way we were looking for; a three-way lens of quality, ethical supply chain and cost savings".

To help implementation and programme management, State of Flux recruited Ashok Sudhakaran, former head of indirect procurement from The Warehouse Group.

Ashok explains the process, "first we need to have a common language for what the charities spend their money on, so we undertake a 'spend analytic' which consolidates the charities spend into common categories, for example IT equipment, stationary, maintenance and so on".

While it sounds like hard work, this is where State of Flux and the Charity Buying Group have an advantage, with access to software that will complete the analysis, so all the charity needs to do is provide a data download from their finance system.

Next, Ashok says, is to take the consolidated spend and understand "the size of the prize". From our market knowledge we can determine how much savings are likely to be achieved and the complexity to implement those savings. "Then it's simple - we put deals in place for the biggest areas of savings that are easy for the charities to implement".

Key to supporting the charities and to remove any risk of joining the Charity Buying Group, there are no joining nor subscription fees. Since the Charity Buying Group has been operating, State of Flux has **successfully achieved >10% savings in all spend categories on which they have worked.**

One of the challenges for the Charity Buying Group is that the New Zealand charity market is highly fragmented. There are twice as many charities per capita than Australia and one of the highest rates of Charities per capita in the world. New Zealand charities are highly competitive as they all look for their share of philanthropy, fundraising and sponsorship dollars. This unfortunately can lead to a behaviour where they are focused on competition with each other rather than collaboration.

However, as Andrew Procter, CFO of IHC says "It makes sense for us to collaborate as a charity sector so we can deliver more to New Zealanders in need". And there is sense in this collaboration - very simply: the more charities involved, the more spend that can be consolidated and the better the buying power. As Alan Day says, "it really is a case of 'the more the merrier'. In fact, we looked at the nature of the charities spend and most of it is focused around buying items for buildings, people, or vehicles, so we also looked at other like organisations to see if they could join". This has led to health organisations and PHO's also joining their spend in with the charities.

But it doesn't stop there. State of Flux knows that grouping spend and leveraging the larger buying power is only one way the group can achieve savings for the charities.

As Alan Day says, "Over time, it is crucial that we manage these suppliers correctly to ensure that the charities continue to get value from their supplier relationships". This is where State of Flux's expertise as the global leader in Supplier Management really helps as they are able to not only help the charities achieve savings but also help getting broader outcomes from the supplier relationships: sustainability, supporting local businesses, sponsorship, improving human rights and support for the environment.

As Wayne Howett, CEO of Ronald McDonald House says "we are a crowded sector, and it is vital that we work together for the good of New Zealand. Procurement is a great place to start as we can all enjoy the benefits while learning how to be good at collaborating together".

You can find out more about State of Flux and contact Ashok to discuss the Charity Buying Group via their [website](#).

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