

Georgia Center for Nonprofits brings big-business procurement innovation to the nonprofit sector.

Overview

■ Challenge

The Georgia Center for Nonprofits (GCN) sought to help nonprofits channel their resources to their missions more effectively.

■ Why Become an

On Demand Business?

Nonprofits need a way to optimize their indirect procurement. But as smaller organizations, they typically lack the capability and resources.

■ Solution

GCN engaged IBM to build a common indirect procurement platform based on a shared-services model.

■ Key Benefits

- Up to 30 percent reduction in explicit indirect procurement costs expected
- Up to 50 percent reduction in administrative costs associated with indirect procurement expected

» On Demand Business defined

An enterprise whose business processes—integrated end-to-end across the company and with key partners, suppliers and customers—can respond with speed to any customer demand, market opportunity or external threat.



With headquarters in Atlanta, the Georgia Center for Nonprofits (GCN) is Georgia's association for nonprofit, charitable organizations. Its mission is to serve, strengthen and support Georgia's nonprofit community. GCN seeks to improve nonprofits' work environment and helps nonprofits manage better by offering information, training, consulting and other services.

There's a lot that distinguishes large enterprises from mid-market organizations—scale issues, budgets and organizational complexity are just a few. But when it comes to business processes, indirect procurement is in many ways “the great equalizer.” Whether a Fortune 500 company or a 50-person start-up, organizations share a common need for the everyday goods and services that enable their businesses to run, from office supplies and cell phones to printing and janitorial services. Still, as a business priority, the processes through which organizations procure these goods and services have generally lagged as compared to the more

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— Karen Beavor, CEO and President, Georgia Center for Nonprofits

On Demand Business Benefits

- Up to 30 percent reduction in explicit indirect procurement costs expected
- Up to 50 percent reduction in administrative costs associated with indirect procurement expected
- Improved overall cost-efficiency, enabling more resources to flow to each organization's mission
- Granular reporting and tracking capabilities, facilitating the creation and enforcement of procurement guidelines
- Ability to leverage greater process control and higher efficiency in soliciting grants, donations and other funding

“Nonprofits can now assure their donors that they’re squeezing all they can from the dollar – which helps keep the relationship strong and confidence high.”

– Karen Beavor

strategic parts of their value chains. Organizations rightly placed their initial emphasis on customers, channels and strategic suppliers to meet the competitive demands of their markets. Now, with competition intensifying across the board and the need for efficiency increasing, a growing number of organizations are looking to indirect procurement as the next stage of their ongoing transformation efforts.

A new front in the war on costs

To a large extent, suboptimal procurement practices stem from a lack of common processes or an insufficient means of ensuring compliance with them. Other factors such as fragmented systems and uncoordinated activities prevent organizations of all sizes from leveraging and benefiting from volume-based price discounts.

For many mid-market organizations, suboptimal procurement has long been a fact of life, their relative lack of buying clout being the central factor. The fact that relatively few mid-market organizations could afford to deploy specialized procurement processes or personnel was another. Ironically, though, developments in the large enterprise market provided a window on how the mid-market's barriers could ultimately be overcome. Large enterprises knew that the consolidation and streamlining of their indirect procurement systems and processes were the way around their procurement issues.

However, for many the complexity, cost and effort involved in integrating all of their entrenched systems and processes made it prohibitive. One key breakthrough was the introduction of a shared-services model of indirect procurement, which changed the paradigm for enterprises long accustomed to running their own procurement systems. This procurement model shift enables an organization to seamlessly leverage a service provider's common base of suppliers, pre-negotiated pricing schedules and associated infrastructure, the key foundation for procurement transformation.

This same procurement model also presented an important innovation opportunity for mid-market organizations. The leaders of the Georgia Center for Nonprofits (GCN), an Atlanta-based consortium of nonprofit groups, saw IBM's shared services model as a way for nonprofits to leverage this procurement innovation. Consistent with its mission of supporting Georgia's nonprofit community, GCN (www.gcn.org) saw the opportunity to deliver big-business procurement capabilities to a diverse collection of mainly small organizations whose ranks include colleges, food banks, churches, healthcare facilities, as well as performing and visual arts organizations. GCN was driven to act by a powerful value proposition.

While its average nonprofit's total spend is relatively small, the cumulative procurement spending for nonprofits in aggregate is significant—with a major share spent on indirect supplies. For nonprofits, the “bottom line” is measured by their effectiveness at channeling their funding inflows toward their respective missions. GCN saw that by helping nonprofits transform their indirect procurement practices, they could achieve a whole new level of operating efficiency and deliver more resources to where they're needed most. It engaged IBM Global Business Services to help it realize this vision.

Meeting diversity with flexibility

GCN knew that the core challenge was to put in place a common procurement solution that would provide the necessary foundation for the nonprofits' process transformation activities. Such a solution needed to deliver industrial-grade functionality while at the same time being flexible enough to meet the needs of the diverse nonprofit community. As is typical with mid-market organizations, this diversity was most evident in the sophistication of their processes (most were low), the specialization of their staff (most were not) and their use of technology (most were limited). Meeting this challenge required a robust, flexible solution and an innovative way of delivering it.

IBM's path-breaking approach was to take the shared-services model of procurement that it has applied in the large enterprise market and adapt it for GCN's loosely knit community. Under this arrangement, IBM manages a spend management solution for mid-market organizations—developed with IBM Business Partner Perfect Commerce (www.perfect.com)—that handles all phases of the procurement process, from requisition to payment. Running on IBM @server pSeries and IBM BladeCenter servers, the solution enables nonprofits to purchase a wide range of supplies and services at pre-negotiated prices from a network of 11,000 suppliers maintained by Perfect Commerce. Moreover, by simplifying and standardizing all phases of the procurement process, the solution is expected to reduce the administrative costs associated with procurement by up to 50 percent. This underscores what may be the central benefit of the shared-services model for mid-market organizations—the ability to make the most of its precious staff resources. And it's not only procurement processes that are affected. The fact that the solution is easy to use and requires no software support on the client side resonates with the typical mid-market organization profile, further strengthening its value proposition.

From the start of the project, GCN was eager to define the potential savings and improvements of the spend management solution. To this end, project leaders from IBM Global Business Services and Perfect Commerce deployed a pilot implementation within a broad cross section of Georgia nonprofits.

Key Components

Hardware

- IBM @server® pSeries®
- IBM BladeCenter®

Services

- IBM Global Business Services

Business Partner

- Perfect Commerce

Time frame

- Pilot implementation: 3 months
- Extended rollout: ongoing

Why it matters

The effectiveness of nonprofits has traditionally been measured by their impact on a targeted goal, cause or population. Now, however, donors and other funding sources are placing a growing emphasis on how efficiently nonprofits use their resources. The Georgia Center for Nonprofits rose to this challenge by putting in place a shared purchasing solution that puts big-business efficiency in the hands of smaller nonprofits. By leveraging a common, shared-services delivery model, GCN brought economic bargaining power to a sector long hampered by fragmentation.

Using the pilot as a reference point, the team cataloged pain points within their practices and performed a detailed spend analysis designed to establish potential savings across spending categories. From there, IBM staff worked with GCN staff to develop a new procurement process framework that would serve as the template for the solution's expanded deployment. Drawn from IBM's internal procurement expertise as well as its extensive exposure to procurement best practices, the framework would also be used to guide GCN's efforts to train their customers.

Staying on-mission

For the spending categories covered by the solution, GCN expects organizations adopting the solution to cut their outright indirect procurement costs by ten percent, based on their access to discounted pricing schedules and broad array of suppliers. The solution's streamlining and simplification of procurement tasks boost cost savings even more by helping to keep staff "on-mission," thus enabling more of every dollar to go where it yields the greatest value. What's more, advanced and granular reporting capabilities make it easy for nonprofits to establish and enforce governance policies, thus minimizing the impact of maverick purchasing. CEO and President Karen F. Beavor believes that these capabilities send the message to donors and other funding sources that nonprofits take the issue of expense control very seriously. "Choosing to work with IBM signifies our commitment to helping nonprofits achieve operational excellence," says Beavor. "It gives each of them—no matter how small—an opportunity to tap IBM's world-class experience."

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5-06
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