

Open Hand Collaborates with Leading Industry Consultant to Apply Sourcing Best Practices, Save Thousands

In 2008, Open Hand's Board of Directors spent a great deal of time mapping out a comprehensive strategy to ensure that the organization would not only survive, but thrive during the country's economic downturn.

Unlike many nonprofits, which focused primarily on cutting staff and services as a means to stay viable, Open Hand's strategy relied on sound business principles and collaborative relationships to create efficiencies and dramatically cut costs without compromising the organization's scope and quality of its services.



As the largest provider of home-delivered meals in the country, Open Hand was purchasing, warehousing and delivering millions of dollars in food product every year. From a business perspective, it was a most opportune time to enhance our product procurement and distribution processes.

"While Open Hand has a nonprofit mission, we don't view ourselves as a charity – but as a charitable business. Bringing the most efficient purchasing and distribution practices into the nonprofit world isn't just good sense, it's critical – especially in this economy," notes Executive Director Stephen Woods. The challenge, then, was to find a partner with the expertise required to conduct the necessary research, do the analytics and implement the project.

Known for its ability to successfully forge strong relationships with the for-profit sector, Open Hand once again engaged its Board to help find a suitable partner. Board member Chris Duncan then facilitated an introduction to Paladin Associates, a group of General Electric veterans who focus on reducing the cost of purchased goods and services, and who also wished to make a measureable difference in the community by applying their expertise to the nonprofit sector.

After several collaborative discussions, Paladin Associates generously agreed to donate their services in order to introduce industrial-grade sourcing practices to Open Hand's procurement process, with a goal of significantly reducing the cost of food products. According to Woods, "Nonprofit teams typically don't have the depth of experience required to drive this type of program, while it is standard practice in industry. We are just so fortunate to be able to partner with a quality, results-driven team such as Paladin."

Paladin CEO Bob Matthews and Senior Associate Howard Fuller credit much of the project's success to great collaboration with the Open Hand team – especially given that implementation required adopting a more analytical approach to the purchase of food product. The Open Hand team developed a database of actual items purchased, quantities, specifications, and other CTQ's (Critical to Quality). This database, which consisted of ten food categories encompassing 611 line items, served as the basis of the sourcing project.

"Economic pressures are stressing the nonprofit sector in delivering much needed services, but the pressures will also drive savvy funders, nonprofit boards and executives to pursue innovations, partnerships, and efficiencies."

– Alice Korngold, *Korngold Consulting*

Paladin Associates used this database and the Iasta Smart-Source e-Sourcing platform to create an electronic bidding process. An electronic supplier qualification survey was conducted with fourteen potential suppliers, and survey responses were scored by the Open Hand team to assure suppliers could meet their stringent requirements. Suppliers were then evaluated on these qualitative factors and price competitiveness.



In its first year alone, the project is expected to result in a 17% reduction in overall food cost, translating to roughly \$600,000 in annual savings.

"Partnerships among nonprofits, and between for-profits and nonprofits, will be among the best innovations that are driven by this tough economy," Korngold notes. "The benefits include cost efficiencies, revenue opportunities for nonprofits, more sustainable nonprofit organizations, and better services for communities in addressing vital issues in conservation, education, healthcare, the arts, and economic development."