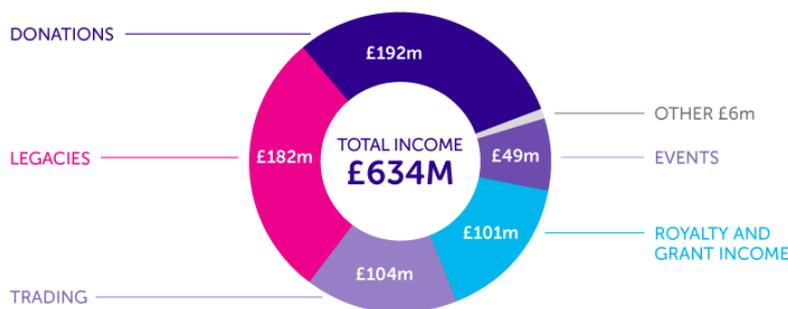


Charities also have supply chain challenges

Charities are big business but, unlike corporations, they face inconsistent funding flows and budget constraints. They also deal with erratic supply chains, outdated systems and constantly changing economic and political conditions. Oxfam is one of the highest-profile high street charities in the UK with an income exceeding £400 million per annum. Cancer Research UK is even bigger; it has a total income of £634m per annum. Its main sources of income are typical of charities: donations, legacies and retail trading.



Charities are part of the “third sector”, that part of an economy that includes non-profit-making organizations which also include voluntary and community groups and cooperatives. Not all are as flush as the well-known global charities, about 85% of UK-based charities are classified as 'small' or 'micro', with an annual income of less than £500,000 a year. Whatever their size, they try to maximise the % of their income used for distribution of aid in in development projects.

The World Food Program (WFP)

The WFP raises more than US\$5 billion annually and has more than 14,000 staff worldwide. 90% of their staff is based within the 80 countries where the agency provides services. WFP purchases more than 2 million metric tons of food every year. By buying food as close as possible to where it is needed, they can save time and money on transport costs and helps sustain local economies.

Just like any successful business, large and efficient charities like the World Food Program use best-practice supply chain management policies and processes for the distribution of all goods and services. They want to maintain planning, sourcing and delivery strategies that are efficient and make the best use of donor resources, whilst trying to be as fair and transparent as possible.

On any given day, WFP operates ...

- 5,000 trucks, 20 ships and 70 aircraft
- a network of 650 warehouses worldwide
- approximately 800 WFP-owned trucks and 35 fleet workshops
- thousands of retailers

WFP does not manage this without help. One of its outsource partners is helping them in West Africa determine where and when to buy products for the food baskets; how to receive and disburse in-kind donations and how to reduce logistics costs.

Outsourcing supply chain services

A commercial business has one goal – to make a profit. Non-profit organizations have two goals: to fulfil their stated objectives and remain financially afloat. However, both sectors have the same need for efficient supply chain processes that provide the best service possible at the lowest cost.

Charities, especially mid-size or younger ones, often lack the resources or expertise to carry out the key supply chain management functions. Areas that require experience and a high level of skill are sourcing and logistics. To address these, many non-profit organizations outsource all or part of their supply chain to experts. Contracts with outsource suppliers are usually long-term and have the goal of improving service quality and strengthening management effectiveness, and lowering risk.

Procurement and sourcing

UK charities spend upwards of £20 billion a year with suppliers. Some best practices can be learned from the corporate sector. One of these is providing suppliers of goods and service providers with a Code of Conduct that suppliers must adhere to if they want to become a trusted partner. Many of the leading and successful charities have established procurement functions but most don't.

Melinda Gates of the Bill and Melinda Gates Foundation asks "what can non-profits learn from mega-corporations like Coca-Cola, whose global network of marketers and distributors ensures that every remote village wants -- and can get -- an ice-cold Coke? Maybe this model could work for distributing health care, vaccinations, sanitation, even condoms". She notes that there are three things that non-profits can take away from Coca-Cola. They take real-time data and immediately feed it back into the product. They tap into local entrepreneurial talent, and they do incredible marketing.

Supply risk

Just like businesses, charities need governance and compliance structures. The countries and communities they serve with their projects are demanding a high standard of conduct – just as they do from multinationals. All organizations have a duty to prevent inappropriate behaviour in global operations, combat corruption and eliminate forced labour and slavery.

Charities are subject to similar risks to businesses. Some of these are:

- Operational: not getting the most value out of an acquisition or a supplier failure
- Physical: those related to fire, security, accident prevention and health and safety
- Contractual: contractors not delivering services or products to the agreed cost and specification
- Technological: problems relating to a reliance on software, systems or equipment
- Environmental: issues relating to pollution, waste, noise or the energy efficiency of ongoing operations
- Reputational damage from media exposure of unethical conduct or fraud.

Risk mitigation strategies should be in place to avoid problems like these and should include processes to implement for disaster recovery.

Using technology

The supply chain for pharmaceuticals is long, complex, and very prone to abuse.

Pharmaceutical companies are working with charities to provide innovative solutions that provide a means to securely and reliably track the products throughout their entire lifecycle. Counterfeiting is a significant problem. Experiments with blockchain technology are helping to reduce fraud and better manage quality in the manufacturing and distribution of pharmaceutical products.

Not enough charities are using new technologies in program delivery and execution or prioritizing data management. Non-profits have an opportunity to collate, organize, and analyse information on programs and beneficiaries through the use of new technologies such as cloud-based storage, artificial intelligence and mobile in their supply chains.

References

<http://www.salesforce.org/nonprofit/nonprofit-trends-report-download/>

https://www.wto.org/english/tratop_e/agric_e/wfp_supply_chain_2017_factsheet.pdf