

Collaborative Purchasing and Outsourcing – The benefits, drawbacks and values

Collaborative Purchasing

What is Collaborative Purchasing?

Collaborative purchasing refers to buying selected products or services together with other, like minded organisations, to negotiate with suppliers in partnership for mutual benefit. Contracts and control stay with your organisation as this is not outsourcing and the participating organisations agree amongst themselves which areas to work on. Confidentiality can be maintained by the use of a third party coordinator, so competitors do not see your contracts unless you agree to share them - but this may be less relevant for the third sector and our aim is to encourage collaboration!

Why should you consider working collaboratively with other organisations? – What are the benefits?

Many third sector organisations, especially smaller ones, working in isolation, rely on hard negotiations with product wholesalers or service providers to get the best deal. By combining with other organisations your purchasing power becomes stronger. The potential benefits include effective use of resources, improving consistency of services, developing new revenue streams, greater bargaining power, a stronger voice and building trust and confidence within the sector.

What if organisations combined together to buy as a group?

Purchasing in volumes counts with suppliers of services and products, and in dealing with product and service providers takes out significant costs from the supply chain. Your organisation may already contract a service provider or product supplier directly, but only based on your own organisation's needs and requirements. When contracting or purchasing in partnership, terms of reference would be needed with exclusions agreed - we are not talking about all your purchasing moving to one collective point.

Things to consider before entering into a collaborative purchasing agreement

Organisations can get together to agree terms and all benefit from collaborative purchasing arrangements, but below is a list of some of the things your organisation might want to consider:

1. Does your organisation already have a competitive advantage or strong relationships with suppliers in terms of purchasing products and services or could you increase your purchasing power and benefit from collaborative arrangements?
2. Ensure you have or develop relationships of trust and robust agreements with partner organisations to protect your organisation - unless you have faith that they will behave correctly and professionally, do not take discussions further.
3. Always be clear that any contractual arrangements are visible, understood by all parties and that final agreements have been made direct with each individual organisation.

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4. If your current service or product contract dates differ from potential partners', you may need to bring them into line with each other.

How could your organisation take this further?

Seeking like minded organisations within your sector (children and young people's voluntary and community sector organisations), who feel that it is worth discussing the opportunities further. Networking is always an effective method of contacting other purchasers. In summary, by several organisations working together, we can deliver significant purchasing benefits to all.

There are a variety of approaches to working together involving different levels of formality, commitment and costs. From informal networks, to partnerships, through to mergers, organisations can collaborate on a wide range of aspects including, purchasing, procurement and back office services.

When contemplating collaboration important things to consider are whether the organisations share similar values, culture, objectives and interests. Expectations on both sides must be managed, so that neither organisation feels they have lost control of their organisation.

Outsourcing

What is outsourcing?

Outsourcing refers to an organisation that contracts an external organisation or company to provide services that might otherwise be performed in house by employees. Many small and third sector organisations outsource jobs such as payroll and IT support. These jobs are handled by separate organisations/companies that specialise in each service.

Why outsource – What are the benefits?

There are many reasons why organisations outsource various things, but the most prominent advantage seems to be the fact that it often saves money. Many of the organisations/companies that provide outsourcing services are able to do the work for considerably less money, as they do not have to support multiple areas of work and have fewer overhead expenses to worry about. Outsourcing also allows organisations to focus on other business issues while having certain functions taken care of by outside experts. This means that a large amount of resources and attention, which might fall on the shoulders of management professionals, can be used for more important, broader issues within the organisation.

What are the drawbacks?

There may be a danger of not being able to control an aspect of your organisation, as outsourcing may lead to delayed communications. Sensitive information may become more vulnerable, and

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your company may become dependent on its outsource providers, which could lead to problems should the outsource provider have difficulties of any kind or break contract.

While outsourcing may prove highly beneficial for many organisations, it is important that each individual organisation accurately assesses its needs and the possible drawbacks, to determine if outsourcing is a viable option.

A final thought:

"If you always do what you always did, you always get what you always got" [Anthony Robbins].

Is your organisation interested in collaborative purchasing opportunities?

If the answer to the above questions is yes, you may be asking yourself the following question:

Q What is out there in the West Midlands for my organisation to get involved in, regarding collaborative purchasing?

A Through G:up's Big Lottery-funded G:XL project, a Collaboration and Back Office Services Learning Cluster was set up and meets regularly to look at this very issue. This interactive forum is open to all and invites service and product suppliers to meetings, to explore if we can get a good deal for the West Midlands CYP VCS.

How can my organisation get involved and benefit from the G:XL Collaboration and Back Office Service work?

If you want to save your organisation money then please do follow up on this article. For more information contact William Clemmey or Cath Errington at G:XL contract holders Midlands Youth on 01926 450 156, william.clemmey@wayc.org.uk or cath.errington@wayc.org.uk.

All are welcome at meetings and we look forward to your input. Check the G:up website for more details and dates, along with all the latest G:XL resources and opportunities:

www.gup.org.uk/category/gxl/increase-collaboration.

What is G:XL?

G:up's three-year, Big Lottery-funded, G:XL project, is designed to develop infrastructure, capacity and collaboration in the West Midlands children and young people's voluntary and community sector (CYP VCS). The Collaboration and Back Office Services work stream aims to save organisations money by developing cost-efficient and collaborative solutions. For resources, opportunities and to shape work visit the G:up website: www.gup.org.uk/gxl.

Sources

In writing this document, G:up considered information from the following, accessed on 07/07/11: Cymunedau sy'n Cydweithio - Collaborative Communities, Reducing Costs ... An Introduction to Collaboration, www.collaborativecommunities.org.uk/english/news-events/rc.html; BJD Purchasing, Collaborative Purchasing, www.bjdgroup.com/purchasing/doc-bin/Collaborative%20Purchasing.pdf; wiseGEEK, What Is Outsourcing?, www.wisegeek.com/what-is-outsourcing.htm.

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