

# Saving Lives: Saving Money

Supply Chain Management at The American Red Cross



**American  
Red Cross**

# Who we are...

- The largest Humanitarian non profit in the United States
- Our Mission:
  - A humanitarian organization, led by volunteers, and guided by its Congressional Charter and the Fundamental Principles of the International Red Cross Movement, will provide relief to victims of disaster and help people prevent, prepare for and respond to emergencies.



- 1881 American Red Cross founded by Clara Barton May 21<sup>st</sup>
  - 1<sup>st</sup> Chapter established in Dansville, NY
  - 1<sup>st</sup> disaster relief effort for Michigan fires
- 1898 1<sup>st</sup> service to military as Spanish-American war began
- 1900 American Red Cross is Congressionally Chartered
- 1910 First Aid Program begins
- 1941 National Blood Donor Service established

• YOU are the American Red Cross

# Who we are...

- The American National Red Cross is the only organization chartered by Congress to respond to the needs of Americans in times of war or disaster. While we are considered an “instrumentality” of the U.S. we are not funded by the Federal government.
- We are a **VOLUNTEER LED** and **DONOR FUNDED** organization.
- Our organization is comprised of four verticals:
  - BIOMEDICAL SERVICES**: Blood donations & processing. We are responsible for over 40% of the U.S. blood supply.
  - **HUMANITARIAN SERVICES**: These are our chapters in every city and town around the U.S., our Services to the Armed Forces on almost every U.S. base around the world and our International Services which represents the American Red Cross around the world and with the International Federation of the Red Cross & Red Crescent.
  - **DISASTER SERVICES**: In addition to our chapters around the country there is another team of people that responds in times of national disaster, tornados in Alabama, Missouri, Floods in the Dakotas and Hurricanes impacting the U.S. mainland – they are there and we are supporting them.
  - **HEADQUARTERS OPERATIONS**: These are the same functions that every organization has, from Marketing to HR, Legal to Audit, Finance to IT – all to support a network of over 25,000 employees, 650+ chapters, 36 Blood Regions and over 500,000 volunteers around the country.
- THEY are the AMERICAN RED CROSS

# What we do...



- We shelter, feed and counsel victims of disasters – from single family house fires to catastrophic natural disasters
- Working with our partners, we put systems and plans into place to deal with disasters before they happen
- We empower people with life-saving health, safety and preparedness skills
- We give support and comfort to military members and their families
- We serve over 27 million people annually
- More than 500,000 trained volunteers carry out our mission on the ground. They comprise 96% of the Red Cross workforce

# Our Impact...

**200** times a day volunteers help a family who lost everything in a house fire or other disaster

**475** times a day the American Red Cross connects deployed service members with their families

**19,000** times a day, someone outside the US receives urgent care from the American Red Cross and our partners following a disaster

**43,000** times a day another person receives life-saving American Red Cross health, safety and preparedness training

**290,000** times a day a child receives a measles vaccination from American Red Cross and our partners





In less time than it took to read the previous slides 150 lives were saved or served by the American Red Cross

# The Supply Chain Challenge

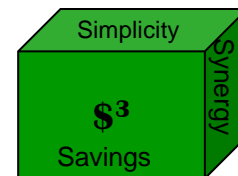
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- In 2007 the Red Cross was deep in debt and had a budget deficit over \$200 Million.
- Gail McGovern was hired as the new CEO to turn around the organization and give it an “infusion” of new blood.
- We were over-staffed, over-stocked, over-leveraged and overwhelmed.
- Procurement savings was identified as a key enabler for the future of the Red Cross

# The Plan

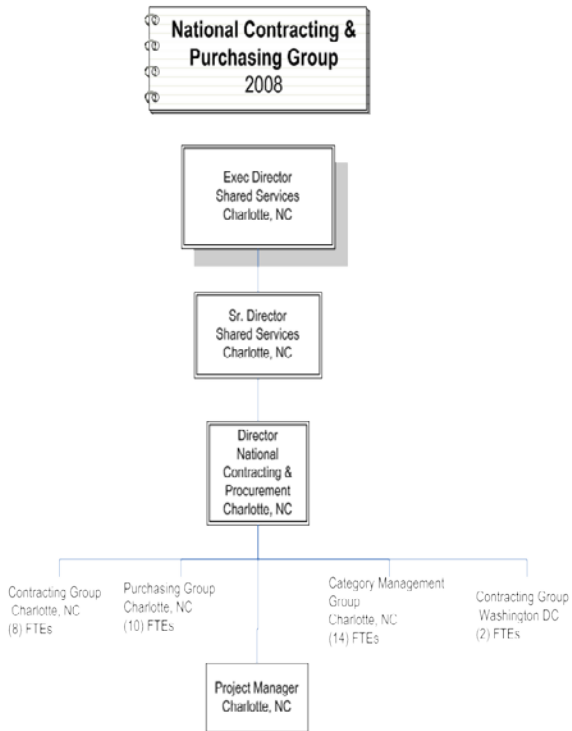
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- New CPO hired in 2009
- Strategy Defined
  - S3: Simplicity – Synergy - Savings
- Restructured team to focus on **service**
- **Synergize** process
- **Simplify** approach
- **Save** Money



# The Path - Structure

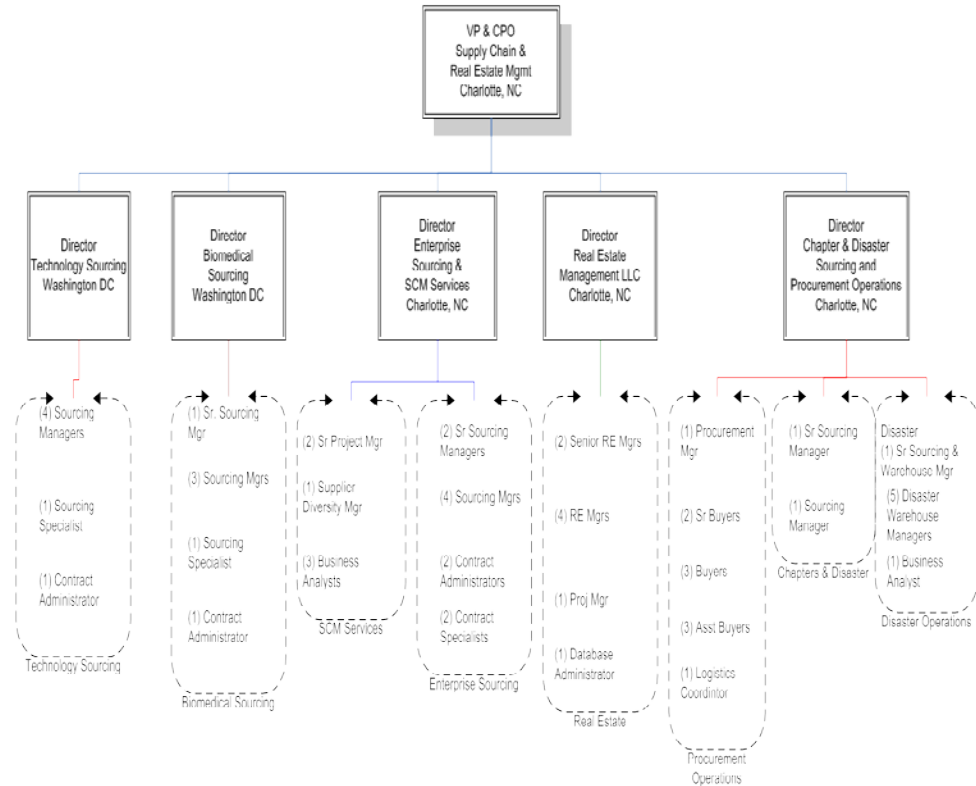
## Org Before



## Functions outside of NCPO Group In 2008



## Org After



# The Path - Simplify

PLAN

SOURCE

ORDER

RECEIVE

PAY

MANAGE

- **Plan**: Critical initial process designed to ensure a proactive plan for all expenditures.
- **Source**: Process to identify & appropriately interact with internal or external resources that will meet requirements as defined by the business.
- **Order**: Variety of processes to enable procurement transactions between ARC and other entities (supplier, partner, Govt)
- **Receive**: Process defined to appropriately receive and record receipt of goods or services.
- **Pay**: Series of processes required to expend funds from ARC for goods and/or services in accordance with policy.
- **Manage**: Series of processes required to manage the supplier activity that takes place within and on behalf of the ARC.

# The Path - Synergy

## Accountability

## Voice of the Customer

### The Business Challenge



### World-Class Supply Chain for Not-For-Profit

Current Performance	Barriers	Break-Through Ideas	Future Performance
<ul style="list-style-type: none"> <li>Total Spend: \$1.5 – 1.8B</li> <li>Sourceable: approx. \$1.2B</li> <li>New VP/CPO</li> <li>New leadership team announced</li> <li>Combination of "old" and "new" blood on team</li> <li>Manual processes with some ERP automation</li> <li>Known for "contracting"</li> <li>Bureaucratic culture</li> <li>Real Estate Mgt team has made tremendous progress</li> <li>Early on Change Curve</li> <li>No Risk culture</li> </ul>	<ul style="list-style-type: none"> <li>Culture                             <ul style="list-style-type: none"> <li>Old mind-sets</li> <li>Fear factor</li> <li>Lack of accountability</li> <li>Lack of consequence</li> <li>Lack of boldness</li> <li>Lack of buy-in</li> </ul> </li> <li>Middle managers buy-in</li> <li>Policies: Procurement &amp; Contracting</li> <li>Lack of Tools &amp; Automation</li> <li>People skills gaps</li> <li>Priorities and work-loads</li> <li>Capacity – SC&amp;REM and OGC</li> <li>Capital for improvements</li> <li>Leadership stability</li> <li>Lack of Transparency</li> <li>Fatigue / Motivation</li> <li>Competing priorities</li> <li>Lack of data / information</li> <li>"HR Element"</li> <li>Lack of investments</li> </ul>	<ul style="list-style-type: none"> <li><b>Radical Accountability</b> <ul style="list-style-type: none"> <li>CPO reports directly to CEO</li> <li>Pairing of SCM with SVP leadership and LOB</li> <li>Hold staff accountable</li> <li>Set an example: Fire a VP who doesn't follow the rules</li> <li>OGC/Risk share in accountability</li> <li>Create ways to reward &amp; recognize staff/ Tie compensation to savings</li> <li>Organize "task forces" within organization</li> <li>SCM owns all inventory and warehousing</li> <li>Authority to override bus. units with respect to REM decisions</li> <li>SCM responsible for licensing brand use revenue to fund</li> <li>Centralization of budget for like products/services across ARC</li> </ul> </li> <li><b>Implement EZE SCM Toolset</b> <ul style="list-style-type: none"> <li>Provide resources for needed tools</li> <li>Self-funded systems implementation / S for tools</li> </ul> </li> <li><b>Radical Partnerships / Business Models</b> <ul style="list-style-type: none"> <li>Create an SCM "service" to sell to other NGO's for profit/leverage with other non-profits</li> </ul> </li> <li><b>Radical Footprint Changes</b> <ul style="list-style-type: none"> <li>Virtual workforce where possible to eliminate facilities</li> <li>Investigate/ mandate tele-commuting to reduce real estate footprint (major markets)</li> <li>Enterprise-wide space-planning benchmarks for financial approval process</li> <li>REM- one financial approval process for all business units</li> <li>Authority to mandate REM engagement</li> <li>Build a huge NTL in Memphis</li> <li>In Source data center ops</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Strategy focused</li> <li>Proactive – not reactive</li> <li>Great partnerships                             <ul style="list-style-type: none"> <li>Business customers</li> <li>Suppliers</li> </ul> </li> <li>Leadership:                             <ul style="list-style-type: none"> <li>Clear goals &amp; objectives</li> <li>Alignment</li> <li>Clear authority and management support</li> <li>Renewed respect &amp; confidence</li> <li>Developing leaders</li> <li>Take risks</li> </ul> </li> <li>Exceed savings goals by \$75MM</li> <li>Supply base consolidated</li> <li>Automated processes &amp; tools</li> </ul>

### Key Business Objectives

1) Save \$50 million in FY2011

2) End-2-End SCM Toolset

3) A place at every Decision Making table

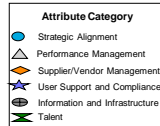
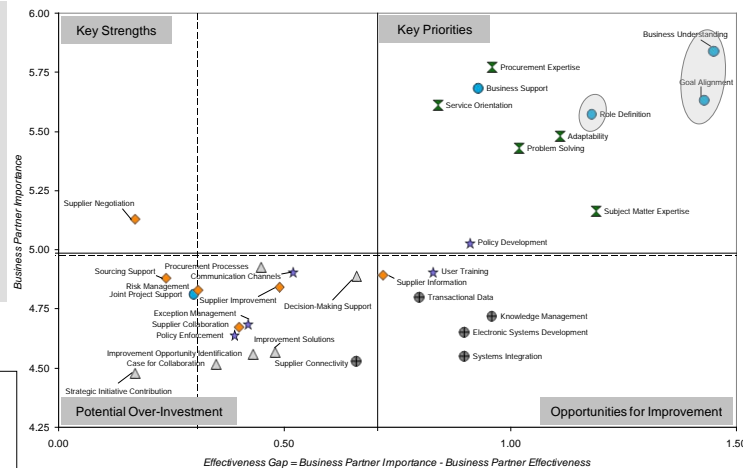


### Business Partner Importance vs. Effectiveness Gap

Importance vs. Effectiveness Gap (Importance – Effectiveness)

The attributes representing the Procurement function's Key Priorities for improvement are in the upper right-hand quadrant. These are attributes which Business Partners rated as being above-average in importance, and above-average in Effectiveness Gap. The top Key Priorities are found in the shaded region:

- Business Understanding
- Goal Alignment
- Role Definition



Created for Red Cross  
Procurement Strategy Council  
[www.psc.americanredcross.com](http://www.psc.americanredcross.com)

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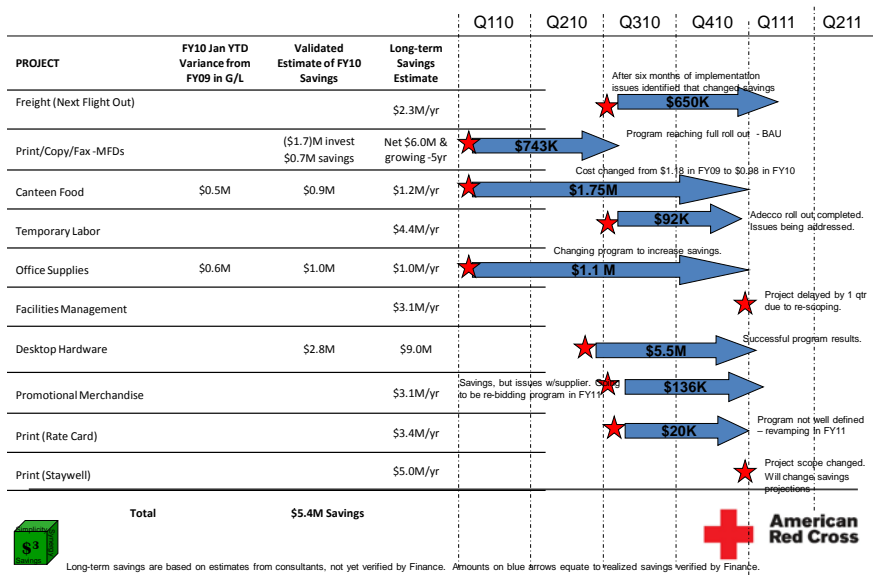
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# The Path - Savings

## Strategic Sourcing

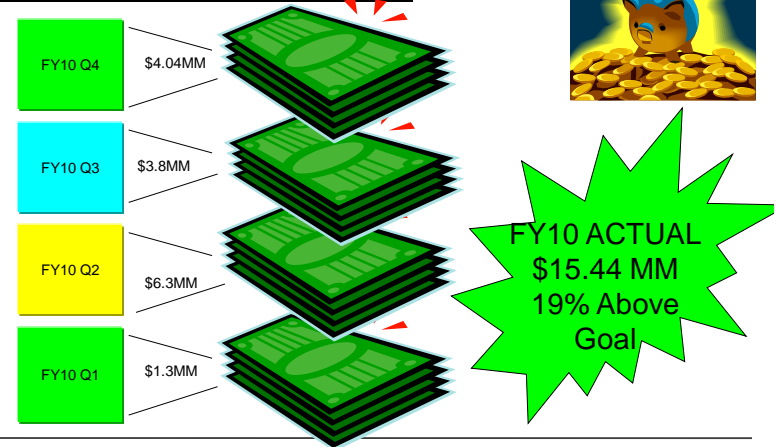
## Savings Validation

### Wave 1 Strategic Sourcing Projects

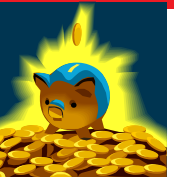


### Savings "In the Bank"

FY10 Goal was \$12.5MM



Note: (1) Total includes Cost savings and Cost Avoidances.  
 (2) Total includes large sourcing initiative projects and ad hoc project activity in FY10  
 (3) Total does not include Biomed negotiated contracts w/Fenwall & Pall which produced \$5MM in reductions

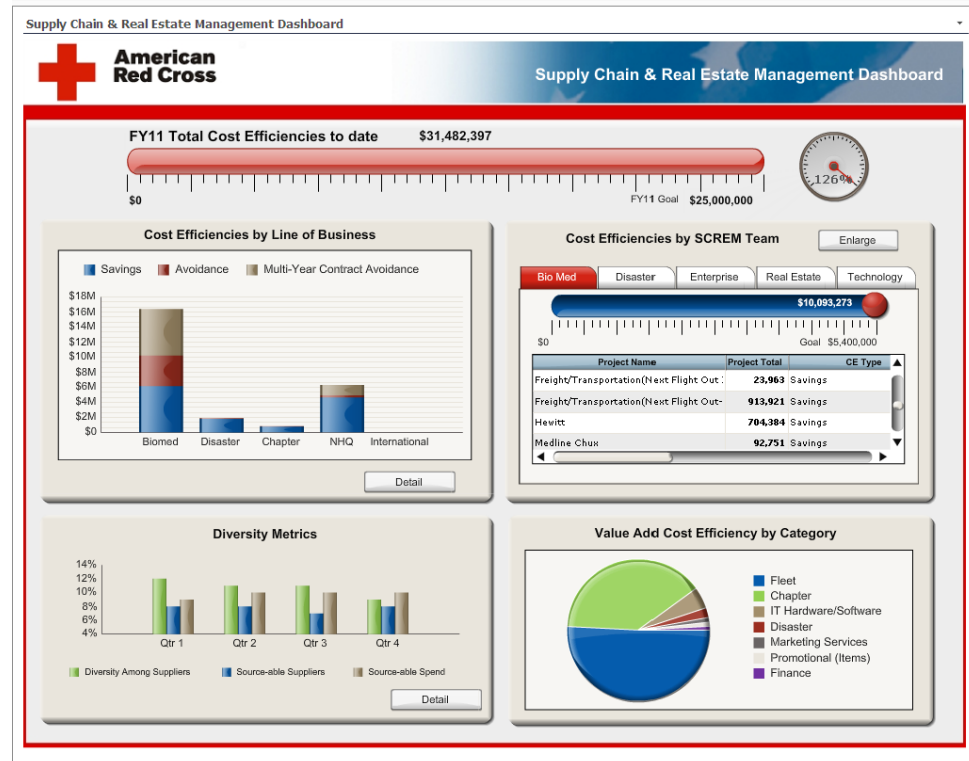


# The Path - Savings

## Finance Partnership

SUPPLY CHAIN MANAGEMENT COST EFFICIENCIES CALCULATION METHODOLOGY																																								
Project Name:	_____	Sourcing Manager:	_____	Primary Stakeholder:	_____																																			
Category:	_____	Primary Finance Contact:	_____	Finance Validation Needed?	(Yes or No)																																			
National or Local:	_____	Finance Baseline Approval Date:	_____																																					
Business Unit Owner:	_____	Today's Date:	_____																																					
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<b>Sourcing Alternatives:</b>	_____																																							
<b>Baseline Measurement:</b>	Baseline Period: _____ Baseline Period Spend \$: _____ Baseline Cost Per Unit: _____ Data Source(s) used: _____																																							
<b>Required Investment:</b>	Methodology: _____ Data Sources: _____																																							
<b>Proposed Calculation Formula/Methodology:</b>	_____																																							
<b>Estimated Savings:</b>	Project Savings: _____ Data Sources to be used: _____																																							
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<b>Action Items:</b>	<table border="1"> <thead> <tr> <th>What</th> <th>When</th> <th>Who</th> <th>Status</th> <th>Notes / Comments</th> </tr> </thead> <tbody> <tr><td>1</td><td></td><td></td><td></td><td></td></tr> <tr><td>2</td><td></td><td></td><td></td><td></td></tr> <tr><td>3</td><td></td><td></td><td></td><td></td></tr> <tr><td>4</td><td></td><td></td><td></td><td></td></tr> <tr><td>5</td><td></td><td></td><td></td><td></td></tr> <tr><td>6</td><td></td><td></td><td></td><td></td></tr> </tbody> </table>					What	When	Who	Status	Notes / Comments	1					2					3					4					5					6				
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Stakeholder:	_____	Date:	_____	(Finance)	_____	Date:	_____	(Supply Chain Management)	_____	Date:	_____	(SCM Senior Project Manager)	_____	Date:	_____																									

## Savings Dashboard



# The Results

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- Obtained C-Suite support and backing
- Completed Department Reorganization in first year
- Surveyed lines of business
- Synergy with business through process
- First year (FY10)savings = \$15.44MM
- Second year (FY11) savings = \$31.4MM
- Budget gap closed; small surplus in FY11

# Supply Chain Success Stories

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- American Red Cross Blankets
- Shelf Stable Meals
- Serving food to thousands
- Taking on the Inventory disaster!
- Saving BIG on blood!
- Revamping Travel

# What's Next?

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- Implementing Ariba's Procure 2 Pay eCommerce solution in the "Cloud"
- FY12 Savings Goal is \$50MM
- Consolidating 25 warehouses down to 5
- Creating more JIT and VMI inventories
- Integrating 650+ chapters into the national supply chain
- Integrating 36 blood regions, 5 NTLs and 29 manufacturing sites into the national supply chain

# What about you?

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- How ready is your business for a disaster?
- What is your business continuity plan?
- What about your suppliers? Are they really ready?
- No one really thinks a disaster will strike them, but...



• **15-40% of businesses** fail following a natural or man-made disaster

• **94% of small business** owners believe a disaster could seriously disrupt their business within the next two years

- Close to **60% of Americans** are wholly unprepared for a disaster of any kind
- **One-third of businesses** surveyed have no business continuity plan

# How can the Red Cross help?

- Join Ready Rating at [readyrating.org](https://readyrating.org)
- It's free, self-paced, web-based
- Provides the Ready Rating 123 Assessment, a proprietary tool
- Makes readiness measurable, with customized, confidential feedback
- Requires annual improvement



# How It Works

1.

## Commit to preparing

- Join the Red Cross Ready Rating Program
- Complete an online assessment to determine readiness level

2.

## Conduct a hazard vulnerability assessment

- Understand possible threats to your facility / business and assess possible impact



# How It Works

3.

## Develop or enhance an emergency response plan

- Create an action plan for before, during and after emergencies

4.

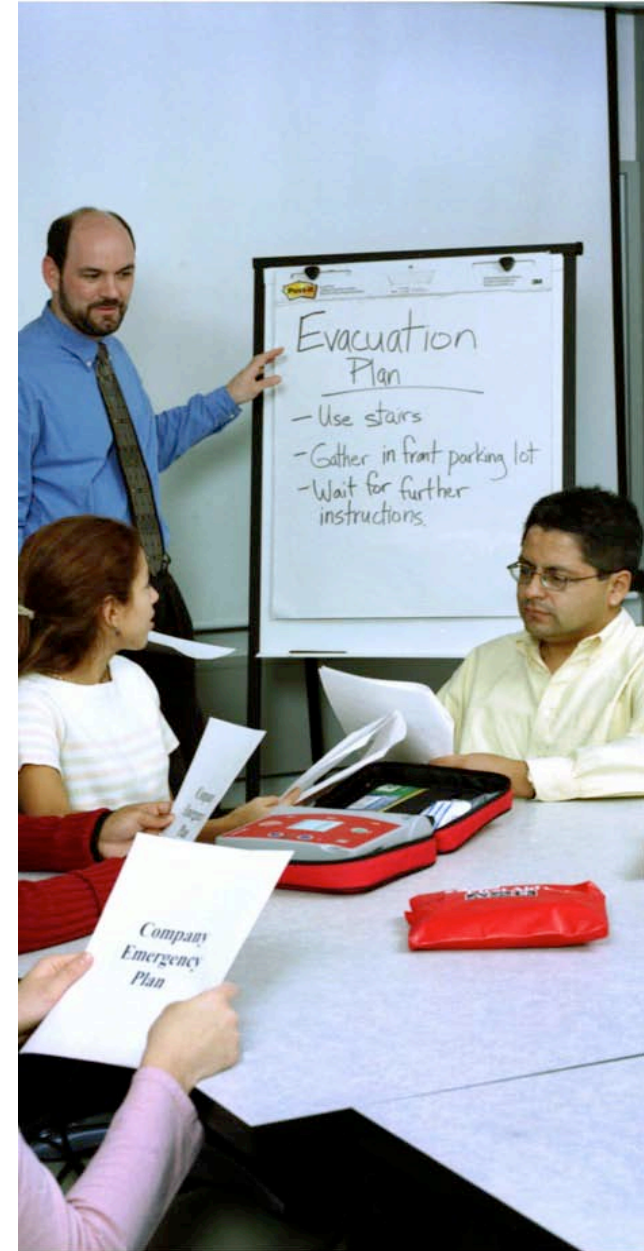
## Implement your emergency response plan

- Integrate preparedness in your organizational culture

5.

## Help others

- Make a commitment to support overall community preparedness





**American  
Red Cross**

**Join us.**

**The time to prepare is now.**

**The time to give is now.**

**The time to act is now.**

**The time is now.**



[www.RedCross.org](http://www.RedCross.org)