

## In Business, Everyone Is All About Efficient Spend, Right?

IT spend is a profit-improvement gold mine. It takes diligence, true commitment, and perseverance. It starts literally at the very top of the organization.

by Tom Webster

**W**hen I was 17 years old, I remember being frustrated with the reality that I did not own a car nor was I going to in the near future. After brainstorming with a friend, we came up with pooling our money (earned through miles of grass cutting and snow shoveling) and buying a “fixer-upper.” It was affordable, and how much harder could a car engine be to fix than a lawnmower engine?

As time has gone on, I have been afforded additional “learning opportunities” (aka mistakes) — especially in business. I continue to be amazed at how many of those same kinds of “learning opportunities” are regularly repeated. Let’s take for example, how business sources, procures, or “spends.”

Let’s face it; in any business, everyone is all about efficient spend. Everyone, right? Except in their own silo. “Yeah, there are a lot of places this company could save. But not in our group. We’ve cut as much as we can,” is often heard in executive management meetings.

The concept of spend management is, more than anything, a huge cultural hurdle for most businesses. It’s so challenging to motivate leadership to address efficiency opportunities intelligently in their own space. Why? Because every leader believes A) they’ve cut more than they should and B) their critical partner relationships have very little room for negotiation.

So what do we do today? Well, usually one of two things. We only seriously focus on commodity spend — you know, how much better can we do on those light bulbs? Or, the exec team asks for across-the-board cuts. Both are short-term, band-aid solutions.

How much is this current, ad hoc spend approach really costing your organization? How badly does it hurt profits?

I’ve heard it called many things in the industry: “spend management,” “spend visibility,” or “spend analysis.” For the most part, these ideas all involve some installed software or online tool. But we’re talking about more than just technology; you simply can’t throw software at it — isn’t that how we ended up in this whole ERP (enterprise resource planning) mess?

### There Is A Better Way

No company can achieve spend nirvana without addressing the cultural issues that are the obstacles to enterprisewide, daily spend efficiencies. So,

address the culture, then implement the best tools and processes.

Culture change is tough stuff! It’s a process that requires diligence, true commitment, and perseverance. It starts literally at the very top of the organization. Without senior executive buy-in, active leadership, and openly expressed endorsement, the required change cannot materialize.

It is attainable. Many companies have already made the transformation — but not overnight, and not easily. They have used what others have learned, tried, and implemented to form a best-practices shortcut to successfully make the change. The other benefits, and profits, soon followed.

A great example is technology spend/sourcing. To many of those in IT, it’s untouchable. Brand loyalty is the norm. A specific brand is what they know. It’s what they’re comfortable with. It’s what they trust.

IT spend is a profit-improvement gold mine. The learned best practices suggest you can often maintain your preferred brand and still drive out costs — in many cases 20%, 30%, or more than 40%.

The logistics and execution of technology sourcing are fairly straightforward, and the price concessions come from creating “active and expedited competition” between suppliers. The most challenging aspect will be getting your IT people to modify “the way it’s always been done” — i.e. changing the culture.

So, to net it out: Executive action drives the culture change, which drives efficient spend, which drives increased profits. Oversimplified? Yes. Easy to implement? No. A must-have? Absolutely!

After all, in this economy, how long will you survive with only random acts of efficiency? ■



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