

## Carpe Diem!

By Barbara Ardell, **Paladin Associates Inc**  
[www.PaladinAssociatesInc.com](http://www.PaladinAssociatesInc.com)

*March 24th, 2009*

In today's economic climate, most companies are under tremendous pressure to reduce costs and improve profitability. Targeting cost reduction from purchased goods and services is a wise choice since every dollar saved goes directly to bottom line profit. Now is the time to move aggressively with these efforts as many markets have switched from Sellers' markets to Buyers' markets presenting tremendous opportunities for sourcing initiatives to reduce costs. Carpe diem! Seize the day!

Unfortunately, in-house sourcing organizations are already stretched to the limit leaving numerous untapped opportunities. Many purchasing organizations have cut staff, and further reductions may be underway. There are no budget dollars to hire additional sourcing staff nor to bring in external consultants to reap the benefits these market conditions present.

What is the business justification to address this dilemma? According to Aberdeen\*, the average company has only between 51% and 90% of spend under management, and every new dollar brought under management nets a 5-20% cost reduction. Let's assume your company is better than average with 80% of spend under management. That means 20% of spend is unmanaged. For every \$10 million spent on purchased goods and services that leaves \$2 million unmanaged. Since every new dollar brought under management nets a 5-20% savings, the \$2 million of newly managed spend would deliver \$100,000 and \$400,000 in savings and bottom line profit! Assuming your company's profit margin is 20%, you would need to increase revenue by \$500,000 to \$2 million to realize the same profit improvement. In other words, the opportunity is enormous!

Sourcing-as-a-Service using gain sharing can fill you resource gap with no upfront cost or risk thereby allowing you to seize these cost reduction/profit improvement opportunities. Paladin Associates Inc. and others offer this option. Since you need to

move quickly, you'll want to select a firm with seasoned professionals who can "hit the ground running", and who employ the best processes and the latest technology. You'll also want an organization with experience across a broad array of categories (both direct and indirect goods and services).

Not getting the support you need? Partner with your CFO. He or she can help you cut through the organization politics and sell the profit potential Sourcing-as-a-Service offers. Carpe diem! Seize the day!

Barbara Ardell - **Paladin Associates Inc.**  
Vice President

[www.PaladinAssociatesInc.com](http://www.PaladinAssociatesInc.com)

---

**Paladin Associates Inc.** is an Atlanta-based management-consulting firm led by a team of former GE executives with over 500 years of financial and operating experience in a variety of industries, specializing in productivity and profitability improvement. Paladin offers Strategic Sourcing, Telecommunications Sourcing, Marketing & Sales Productivity, Financial Management, Six Sigma Quality Management, Mergers & Acquisitions Support, HR Productivity, and Interim C-level Management.

For more complete information, visit: <http://www.PaladinAssociatesInc.com>