

Taking Control of Corporate Spend

Using Technology to Gain Value in Spend Management

A photograph of a desk with various business-related items. In the foreground, there are several blue and orange bar charts and a pie chart. A silver pen and a pair of glasses are also visible. The background shows a blurred office setting.

WHITE PAPER





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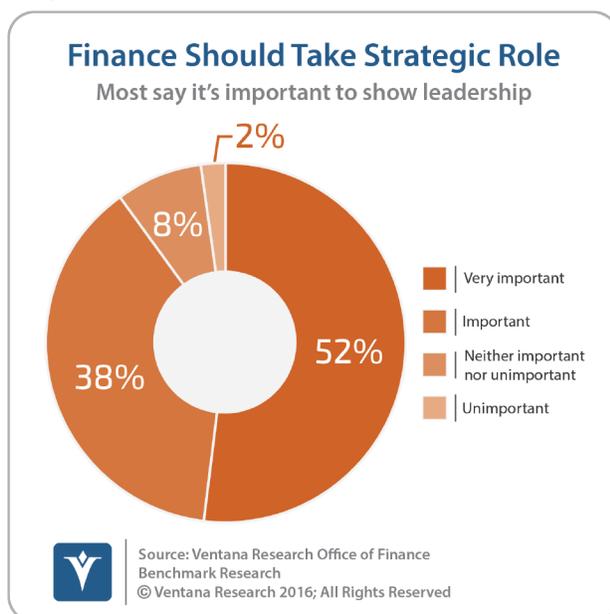
The Challenge of Managing Spend

There has long been a desire on the part of CFOs to have their departments play a more strategic and active role in the management of their organization. Many envision moving Finance from a backward-looking stance of “bean counting” to an action-oriented business unit. This also likely involves changing the tone of its relationship with the rest of the organization, making it a facilitator as much as a control mechanism. However, achieving this goal can often be elusive. Many in Finance are so consumed by dealing with tactical, day-to-day issues that they are unable to focus on achieving strategic objectives.

In particular, finance and accounting departments devote a considerable amount of time to managing and controlling organization expenses, especially business travel and employee spend. Dealing with heavy transaction volumes presents the department with three significant challenges:

- They must have timely insight into the details of every expense transaction to enable managers to make the best decisions.
- They must make it as easy as possible for employees to comply with the organization’s travel and indirect spend policies.
- And they must be able to handle spend-related processes as efficiently as possible.

Information technology offers the means to address these challenges. Savvy organizations are achieving substantial business value by using technology to manage expenses and indirect procurement. Yet we find that senior finance executives often underestimate the value of using software because the processes used to manage spending seem trivial. That’s a mistake; in many organizations these spend categories account for a significant share of operating expense.



Software not only increases efficiency by automating repetitive tasks but also provides executives and managers with access to timely information on what the organization is spending. As a result, it can realize greater fiscal control and ensure employee compliance with organization policies. In our Office of Finance benchmark research, 90 percent of participants said that it’s important or very important for finance departments to take a more strategic role in running their organization. Managing spend effectively is one important way in which Finance can do that.

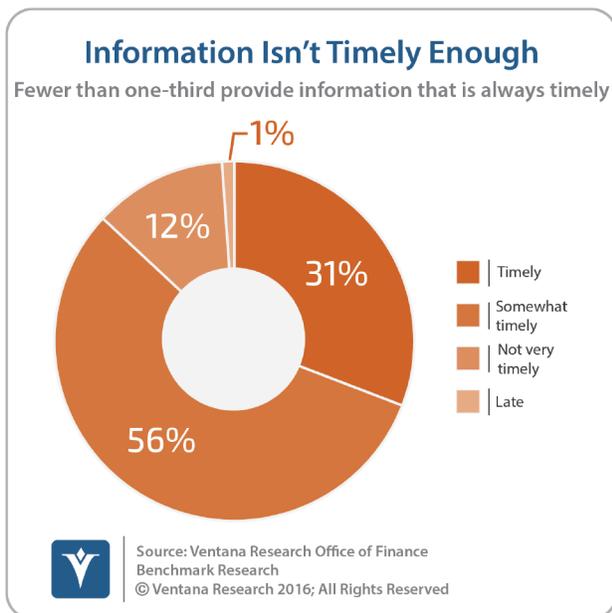


Managing employee expenses can be an aspect of this more strategic role, a growing priority within the CFO's agenda and an essential driver of profitable, sustainable growth. However, one major stumbling block is that most organizations do not have an end-to-end view of their spending. Instead they rely on fragmented systems and processes, and struggle with efficient report production and a lack of timely visibility into spending. As a result, operational costs continue to increase, with out-of-policy spend a contributing factor in this upward spiral.

Streamlining Expense Management

Expense management software shouldn't be viewed as simply a tool to record employee expense reports, manage approvals and process requests for reimbursement. A dedicated application can give managers immediate visibility into actual spending and trends. It also helps provide better service to employees through a modern, consumer-friendly interface that makes it much easier for them to prepare and document expense reports.

Furthermore, having a dedicated-system for expense management and financials can improve the finance department's strategic potential by streamlining the accounting and reimbursement processes. Such software cuts the time and effort the accounts payable department spends in processes that rely on paper and desktop spreadsheets. It also benefits the finance department by increasing the accuracy, visibility and control of these expenses. Executives and managers will be able to track outlays, especially if the organization's system provides comprehensive, up-to-the-minute information about the expenses.



A dedicated system also simplifies management and use of expense data that may be scattered and inconsistent. It automates data capture and eliminates manual processing while ensuring that the information is correct and allocated appropriately. All the data is collected in a single system and is immediately available for all authorized users, which means information is available in a timely manner, which is frequently an issue for organizations. In our research, a majority of participants said that their finance

department's reports are accurate, but only 31 percent said that they are timely.

Overall, organizations can manage expense costs more effectively when they use a centralized system. Executives and managers have access to more immediate



information about expenses, which enables stronger fiscal control. In contrast, fragmented expense management systems make it difficult to reconcile data and provide full transparency and control over spending.

Current expense management software utilizes technology to reduce the time it takes employees to gather and present receipts as well as the time they spend preparing itemized accounting. These systems can integrate with the online accounts of organization or personal credit cards to enable employees to drag and drop specific expenses from those accounts into an expense report.

This software also offers mobile capabilities that enable employees to process reports on the go. Cameras in smartphones simplify the collection of receipts by “attaching” them to the electronic expense reports, and optical



By streamlining the process, such software makes it possible for employees to be reimbursed sooner for their expenses.

character recognition of these images can further automate data entry. Many systems allow organizations to tailor their systems to local requirements, expense allowances and per-diem rates to simplify compliance. In addition, the use of cloud computing makes expense management easier to access and use by those who work remotely or travel, thus increasing productivity.

In sum, by streamlining the process, such software makes it possible for employees to be reimbursed sooner for their out-of-pocket expenses.

Rationalizing Purchasing and Procurement

Outlays for the purchasing of indirect goods and services such as computers, office supplies, furniture and services may also appear inconsequential to executives, but this too can account for a significant share of an organization’s controllable expenses. Software that facilitates oversight of indirect purchasing makes it easier for employees to comply with policies and can reduce duplicate or wasteful spending. The emergence of cloud-resident systems makes this process more efficient, as users in any location can access them through Web browsers, and cost-effective, since in-house IT need not purchase equipment and manage the systems.

Purchasing and procurement applications facilitate compliance to organization policies by providing all necessary supplier information, including preferred suppliers, supplier catalogs and contract history. Such software can substantially reduce maverick spending by concentrating purchases with preferred vendors and can help achieve cost savings, especially if the organization has negotiated volume discounts. Centralizing indirect procurement in one application that records all purchases makes it easier to hold suppliers to volume discount agreements.



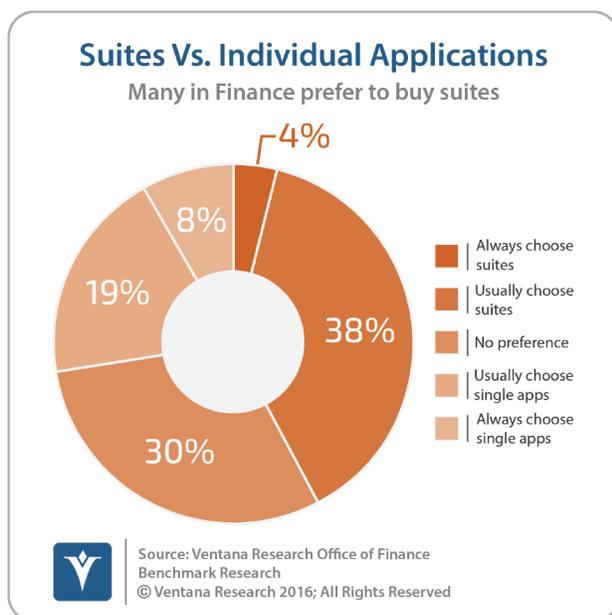
Automating the procurement process helps stakeholders in the accounting function and employees in general. For the latter, dedicated software can cut the time they must spend in specifying and requisitioning. Streamlining the process can reduce the hassles associated with paper-based systems and therefore promote employee compliance with purchasing rules. Systems with mobile device interfaces can simplify the buying process and facilitate administration of it by allowing people to review and approve requests even when they aren't at their desks.

As is the case with expense management, the finance department benefits from automating procurement by having more accurate data as well as better visibility and control of these outlays. For government, education and nonprofit organizations that must segregate funds for specific purposes, it's possible to check automatically that there are funds available before approving purchases.

The Power of One

Although expense management and purchasing applications need not be unified with an organization's ERP software, having a single system can be advantageous as it ensures consistency in accounting, enhances control and streamlines data flows to promote accuracy and visibility.

It also improves support for decision-making and compliance.



Our research shows that organizations lean toward buying software suites: A plurality (38%) said they choose suites unless there is a compelling reason to buy individual applications; only half as many (19%) said they prefer individual applications unless there is a compelling reason to buy a suite.

For expense management, having a system in common with HR means that all aspects of an employee's record are "known" by the system and are kept up-to-date, which means that role-dependent travel and expense policies are always applied properly.

When used together with financials, the data captured by the expense system is immediately reflected in the accounting system, providing clearer and timelier visibility into these expenses.

Having a single system can also speed up employee reimbursement. Where travel and entertainment expenses are reimbursed by a client, it speeds up the billing



process and therefore collections. In addition, it can substantially reduce client billing errors and provide more detailed itemization of these expenses.

For purchasing, a single system offers similar benefits. Accurate, detailed and timely supplier information is immediately available. Immediate access to HR data enables enforcement of role-based spending authority limits. Visibility is enhanced when expenditures are captured at the moment a purchase is approved. In short, a single system simplifies payments and settlements across the organization.

Redefining Administrative Processes

Organizations can derive substantial business value by using efficient, easily accessible software to streamline expense management and indirect purchasing.



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Software that facilitates oversight of these functions can provide managers with better service, reduce administrative burden and improve expense visibility while enhancing control of outlays.

In contrast, when organizations have fragmented rather than centralized systems for managing these and other administrative processes, especially those that are built around desktop spreadsheets, it is typically difficult and time-consuming to provide accurate data promptly to executives and managers. Older applications may not adequately promote employee compliance because they lack features and ease-of-use capabilities that facilitate adherence to policies.

Finance organizations that want to avoid the up-front costs and ongoing administrative burdens of buying software will find the cloud-based software-as-a-service (SaaS) approach an attractive option. Cloud computing provides a reliable platform and frees user organizations from IT expenses for software updates and maintenance of the system. Utilizing a cloud platform for process management and activities, data storage and reporting and analytics can simplify these processes, provide more immediate visibility and reduce the time required of employees, freeing them to undertake value-adding activities.

Software by itself will not create a strategic finance and accounting organization. However, a single system for expense management and indirect purchasing that is well designed and easily accessible can eliminate time-consuming barriers. It can provide better insight into spending and mitigate risks by enforcing effective spend policies that enable Finance to become a more engaged partner of the business.



About Ventana Research

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