What is Business Spend Management?



What is Business Spend Management?

Business Spend Management (BSM) refers to a set of business processes that are supported by software.

Procurement, invoice management, and expense management – or all the ways your staff spends money, along with the related processes are part of BSM.

This means it also includes supplier management, contract lifecycle management, budgeting, analytics, strategic sourcing, and inventory.

BSM works together with customer relationship management (CRM), enterprise resource planning (ERP), and human capital management (HCM) address all the operating processes within every company.

BSM combines all of this to become an all in one management system to handle business operations.

Spend management is comprehensively managing everything in the company related to purchasing and vendor relationships.

It involves using various technologies to automate spend-related activity from procurement to pay (P2P) so buying occurs as planned, and suppliers are paid in compliance with contract terms.

By using electronic procurement, also known as e-procurement software, spend data is collected in real-time to provide better spend visibility.

What's happening with BSM now is what we've seen happen over the years with its technological predecessors.

People have been building information systems to address their pain points, and when they do well in the market expand on them to tackle other processes and create an interoperable system greater than the sum of its parts.

Enterprise Resource Planning

ERP is the oldest of all the enterprise technology solutions, with its roots going back to the 1960s. Gartner coined the term in the 1990s, helping manufacturers integrate their inventory and production schedules.

Over time, these systems evolved to integrate additional data relevant to the manufacturing process, including financial and employee requirements.

Vendors including SAP and Oracle started building upon their software solutions to connect additional business processes including human resources, procurement, core financials, and customer relationship management, all connected through a centralized database.

> *Today's ERP environment allows you to add modules individually so you can create a fully customized mega-suite of software to connect any of the business processes your organization uses to operate.*

Customer Relationship Management

Where ERP solutions are a product of a focus on operational efficiency and productivity with the addition of other functionality later, there was another evolution taking place with customer-facing systems.

For years prior to the creation of the CRM industry, salespeople relied on card systems in Rolodexes to keep track of their customer information.

In the 1980s, as technology advanced, entered the database marketing approach, which involved customer and prospect list analysis for targeting customer communications.

This led to the creation and rapid adoption of contact management software – basically nothing more than a digital version of the Rolodex.

In the early 1990s, sales force automation (SFA) systems used information technology with various database marketing functions and combined them with contact management so it was connected to pre-sales activities including lead generation, telemarketing, and quote preparation.

During this time, customer service and support (CSS) software was being developed to address post-sales activities, but the information stored in those databases wasn't linked to any other system.

Eventually, combining all of this became early CRM systems, which were hosted on-premise. With today's cloud-technology it is available as a SaaS, so companies do not need to invest a lot of IT resources into building a CRM for their organization.

Human Capital Management

HCM is based on applying information technology to the human resources department. This idea has roots as far back as the 1970s but was limited in that all it could do was track hours or administer payroll.

HCM began to emerge in the late 80s as its own category with the development of PeopleSoft.

PeopleSoft began as a standalone solution, but over time, they added modules to allow it to function as its own ERP system, placing it in competition with SAP, JD Edwards, and Oracle. They merged with JD Edwards in 2003, and Oracle acquired the company in 2005.

Cloud technology took off in the late 1990s and early 2000s, allowing HR

technology to become more accessible for smaller companies that did not have ERP systems, and opening it to users outside of HR to allow managers and employees to conduct tasks themselves.

Benefits of BSM

BSM allows for a full-picture view of real-time spending, which allows management to address all areas of spend appropriately.

Ultimately, when implemented correctly, spend management drives value in your organization. The value comes from:

- ## Improved Productivity

  Automation allows your employees to have more time and resources to spend on more strategic activities, such as furthering supplier relationships and negotiating better terms. All of your management processes are digitized and consolidated to make things easier.

- ## Increased Effective Collaboration

  Since everything is handled in a single, centralized, system, it is easier to communicate with trading partners and cross-functional teams, allowing for better supply chain management.

- ## Higher Efficiency

  By automating manual and error-prone processes, you save time and money associated with tracking down and remedying the errors and dealing with paperwork.

- ## Reduced Costs and Risks

  Because the system allows you to know exactly what your organization is buying, who they are buying it from, and how much they are spending on it, you can find cost savings and develop relationships with suppliers who are lower risk for your business. Risk management is critical to keeping

business running smoothly.

With the right approach to BSM, you can turn your insights into action, making it possible for you to save money, improve bottom line, and grow your company.

You can:

- Empower procurement teams to perform stronger negotiations so they can get better pricing from suppliers. If better pricing isn't an option, they can seek other value-added services to ensure your company is getting the best possible deal.
- Guide your staff to purchase from preferred suppliers at the negotiated prices.
- Store contracts in a centralized location to ensure visibility and compliance for simpler contract management.
- Gain visibility into your suppliers to mitigate risk and potential threats to operations, company reputation, and revenue. You'll also be able to manage supplier lifecycle and performance with a full view of up-to-date information.
- Automate invoice capture, workflow, and approval to avoid issues with lost or duplicate invoices. This ensures compliance with contracts and purchase orders and makes things much easier on your accounts payable department.
- Collaborate with suppliers to manage payments and increase working capital, improve cash flow, and receive early-payment discounts.

Investing in BSM to run your business operations is a big undertaking, because you want to be sure it can address all your needs.

Start small with e-procurement and add on additional functions and features as you feel comfortable until you've built the custom software solution your company needs.

What's your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

We've helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.
- Visit our "Solutions" page to see the areas of your business we can help improve to see if we're a good fit for each other.
- Learn about us, and our long history of helping companies just like yours.

Book a Live Demo

2. Download our guide "Indirect Spend Guide"

Download a free copy of our guide to better manage and make savings on your indirect spend. You'll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

download a free copy of our guide

3. Learn best practices for purchasing, finance, and more

Browse hundreds of articles, containing an amazing number of useful tools, techniques, and best practices. Many readers tell us they would have paid consultants for the advice in these articles.

Related Posts