Why Collaboration with Finance Benefits Procurement and the Whole Company

Like the members of an elite military squad or the interlocking components of a precision timepiece, all the parts of your business are most productive, valuable, and efficient when they work together. A successful business is much more than the sum of its parts, and that’s due in large part to gains in efficiency, better decision making, and cost savings that come with finance collaboration.

Connecting your finance functions with procurement, human resources, customer service, and other business units has substantial benefits that can greatly improve both your bottom line and your competitive position. But to achieve and maintain success with collaborative finance workflows, you need to understand the potential roadblocks you’ll face, as well as the best practices for a smooth and
effective implementation.

How Finance Collaboration Drives Success

Financial professionals at companies of all sizes have long worked hand in glove with procurement departments. While this is hardly surprising, given the role of finance in procurement, what is surprising is how frequently team collaboration between these two departments is hindered by an insistence on maintaining the procurement and finance functions in separate silos, operating in tandem but not sharing resources in an optimally effective way.

Procurement is singled out in these discussions because, like the finance function, it touches all areas of business. From optimizing the supply chain to eliminating waste and human error in internal processes, streamlining procurement creates value and reduces costs for the entire organization. Achieving such optimization, however, requires a close and collaborative relationship with finance—one that relies on shared resources, crystal clear communication, and a mutual commitment to maximum return on investment (ROI) on every dollar spent.

The kicker, of course, is that it’s possible for finance teams to have these relationships with ALL business units, provided the culture, technology, and leadership support their development.

So while the procurement and finance departments are absolutely a natural fit for collaboration, both chief financial officers (CFOs) and their finance teams often overlook the potential benefits that accompany finance collaboration with all the business units in their organizations.

In the past, such collaboration might have been onerous and time-consuming, particularly using manual processes. But as digital transformation continues to redefine the landscape of modern commerce, savvy CFOs are coming to appreciate, and endorse, the benefits of finance collaboration not just for cost

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savings, but to improve the decision-making process through improved collaboration, greater data transparency, and streamlined workflows driven by continuous improvement.

Consider this: the common thread uniting the disparate components of your business, from HR to marketing to production, is direct connection to financial processes, usually through spend.

Financial organizations have traditionally been treated as discrete entities within their larger parent companies, but the efficiency and efficacy of all their activities have a very real impact on the ability of each of those entities, and the business as a whole, to succeed.

This shared connection is why finding ways to implement digital transformation in finance is seen as strategically important by so many companies. Research firm McKinsey & Co. reported in 2019 that 40% of all financial processes can be fully automated, and that digital transformation offers significant opportunities to boost productivity and efficiency through:

- Process improvement via automation and artificial intelligence. This is especially true for procurement, where financial workflows that drive the procure-to-pay (P2P) process can be fully automated for radical gains in efficiency, accuracy, and value.
- Improved decision making and actionable insights via real-time data analysis and data visualization.
- Improved financial forecasting and reporting through advanced spend analytics.
- Improved demand forecasting, production improvements, and innovation/growth supported by those same analytics.

In its case studies, McKinsey found that disparate organizations—including utilities, banks, and consumer-goods companies—used digital transformation
technologies such as robotic process automation (RPA) and data visualization to connect their financial services with the rest of their organizations.

The results are hard to ignore: one company slashed its reporting costs nearly in half, while another boosted its overall productivity within the finance function by more than 20%.

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Challenges to Effective Finance Collaboration

Despite the demonstrable value to doing so, CFOs face a few significant obstacles when working to convince their finance teams (and organizations as a whole) to embrace the value of greater connection and collaboration via a centralized data management and process improvement solution.

Cultural Resistance

Between a fundamentally human fear of change and, in traditionalist companies, a commitment to “the way things have always been done,” selling finance collaboration can be an uphill battle. Staff with the skills necessary to understand and use more advanced software tools may be lacking, particularly if a company is still relying upon manual, paper-based processes. This can create resistance driven by fear of both change itself and of being replaced by others who do possess the skills necessary.

In addition, if the finance department has a long history of operating, or at least
appearing to operate, as a discrete financial organization within the company, both finance and other departments may question the wisdom of breaking down silo walls they see as essential to the normal operation of the company.

**Poor Communication and Mismatched Goals**

If every department has its own ideas about how to communicate with the others, and guards its information as jealously as a dragon sitting on its hoard, then efficiency and productivity will naturally suffer. When there’s no standardization of processes, little or no shared data, and communication driven by necessity rather than shared understanding and goals, “regular communication” is anything but.

Beyond simple communication difficulties, departments that pursue their own individual goals at the expense of the overall strategic goals of the business can quickly create a drain on productivity and value creation. A shared vision, understood and supported by everyone at every level of the organization, is essential to success, but will be difficult or even impossible to achieve if finance, procurement, marketing, etc. are all pulling in different directions.

**Misperceptions and Interpersonal Relationships**

The human factor may be the most significant obstacle to building effective collaboration and communication between finance and the rest of your organization. Breaking down the walls between departments requires overcoming such irrational, but very real, concerns, including:

- Questions (or worse, assumptions) about the skills and reliability of other departments.
- Worries over collaboration leading to elimination of jobs and even departments due to improved efficiency. (e.g., “Will the company even **need** a finance department if procurement can access and analyze our
data?” or “What will happen to my job if we streamline our workflows?”
- Lack of trust in both collaborative finance and digital transformation as necessary improvements.

Best Practices for Achieving Effective Finance Collaboration

Overcoming the obstacles that litter the path to a collaborative finance environment is possible, with education, buy-in from leadership, and the right technological tools.

1. Start with needs and spend analysis.

Before you can fix what’s not working, you need to understand your current capabilities and needs. Ask questions such as:

- Which departments are creating the biggest kinks in your workflows?
- Where has the lack of communication led to errors, budget overruns, or blind spots in spending?
- How responsive and streamlined is your supply chain? Does it have adequate redundancies to ensure uninterrupted production? Does it suffer from bloat and a lack of supplier management, creating lost value and additional costs through inefficiencies, lost discounts, and excessive risk exposure?
- What outdated methodologies are holding you back from achieving optimal ROI? Are you still using paper-based, manual workflows?
- How could shared access to financial data allow your HR, production, or customer service teams to identify opportunities for improved workforce management, product innovation, or new markets to pursue?

Performing a spend analysis will give you concrete answers to these questions
and help you develop a plan to address your needs.

2. **Develop a centralized collaborative finance plan.**

You know what needs to be done—now how will you make it happen?

Set clear, measurable, and attainable goals that leverage collaboration and communication.

Standardize processes and workflows; decide how you want to collect, monitor, access, and share data.

Establish, track, and measure key performance indicators (KPIs) for each department with regard to its specific support for overall company goals.

Identify the software tools that have not just the features you need, but the educational and support tools necessary to help your team use those features effectively.

Incorporate ongoing process review and continuous improvement into all your business processes, including review and approval workflows.

3. **Connect with the C-Suite and gain their support.**

Demonstrating the need for a centralized data management and process improvement initiative is essential to bringing the CFO and other executives on board. In turn, their support is essential to engaging senior management and the rest of the organization.
4. Select and implement a comprehensive software solution.

 Choosing a cloud-based, modular, and purpose-built solution like PLANERGY is a good start. Having total visibility and control over your procurement and financial data is essential, as is the ability for team members working in other departments to access and analyze it as appropriate for their roles. A solution with a mobile-friendly and intuitive interface will smooth the transition for your team and improve their ability to communicate and collaborate regardless of location or device.

 Don’t overlook the importance of education and training support before, during, and after implementation. Ensuring everyone is comfortable with the software, and understands how using it supports company goals, is key to a successful transition.

 Connect, Communicate, Collaborate, and Conquer

 Like peanut butter and jam, procurement and finance are two great tastes that taste better when they work together. But also like jam, your finance team can “sweeten up” the productivity and efficiency of all your business units when they collaborate and communicate effectively in pursuit of shared goals. Develop a strategy, secure support from leadership to engage your teams, and implement the right tools, and you’ll be on your way to creating a connected and collaborative corporate culture designed to squeeze maximum value and return from every dollar you invest.

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