Why Collaboration with Finance Benefits Procurement and the Whole Company

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Your business works more efficiently when all the parts work together. At times, you may need to focus on one area, but as a whole, a business, like the human body, functions better when treated holistically.

Managing your finance department separately from other parts of your business serves no legitimate purpose and only serves to increase miscommunication.

That’s why financial collaboration is the best path forward for improving decision-

making and your bottom line.

What Is Financial Collaboration?

Financial collaboration is the act of working seamlessly across multiple departments to provide support and input for the various needs of the different departments.

For example, a financial collaboration with HR can help manage new hire requirements, ensure that the company isn't overspending on new personnel, and allow managers to understand salary and benefit caps better.

When your finance team works with administrative and management personnel, they can better assist managers when budgets are being prepared or strategic plans devised.

If you think about it, everything the finance department does directly involves other departments.

The finance department processes purchase orders for work materials from procurement, pays invoices for the computers purchased for the marketing department, and posts payments received from customers for items sold.

Traditionally, financial services have functioned independently of other business departments.

But in recent years, the move to bring finance and procurement departments together cohesively has proven to be beneficial for both departments, as well as the company as a whole.

But why stop there? Financial collaboration isn't just about procurement. In reality, your company would benefit from an initiative that ensures a more collaborative relationship between the finance department and other departments.

Why Is Collaboration Important in

Finance?

Many businesses consider their products or services the centerpiece of the business when in reality finance is at the center of business operations.

Without finance, who will make sure that vendors and suppliers are paid on time? Who will post payments from customers and follow up with late-paying customers? How will management create a strategic plan for the next five years without the input of finance?

The finance function is too important to all stakeholders to continue operating it in a silo. Cross-functional collaboration is a must for modern businesses to ensure they have an agile finance function.

It’s true that in some instances organizational silos are helpful, but instituting a truly collaborative process across multiple departments creates better outcomes company-wide.

How Do Collaborations Work in Finance?

Collaboration in finance involves regularly sharing vital information across departments, providing them with the data they need to better manage their department.

As an example, here’s how actively using collaboration in finance can impact each of the following departments:

- ## Procurement

  Of all of the departments in your business, the most natural collaboration is between finance and procurement, since both departments directly impact the entire business structure from top to bottom.

  Alignment between procurement and finance is key to ensuring budgets are adhered to and that invoices can be processed in a timely fashion.

  In simpler terms, the finance department is charged with establishing spending limits, while procurement is tasked with sourcing products and

services that fit within those limits.

But even with natural collaborative efforts, many businesses continue to operate finance and procurement in individual silos, missing out on the benefits available when both are working together.

And with the availability of procure-to-pay applications, like PLANERGY, which offers complete spend management capabilities, everything from initial purchase requisition to supplier invoice processing and approval takes place seamlessly.

This eliminates time-consuming manual processes and ensures procurement and finance are aligned.

Sales

Sales is another area that can benefit from a robust collaboration with finance, using financial data to set realistic expectations for the sales department that will support company growth.

Financial data is also needed for managers to set salary and commission levels and can assist with promotional activity costs and their potential return on investment.

Finance and sales collaboration is also essential when creating long-term strategic plans, with finance able to guide sales on possible quotas necessary for long-term planning and business success.

Human Resources

Collaboration between human resources and finance is a necessity, particularly for companies experiencing a growth period.

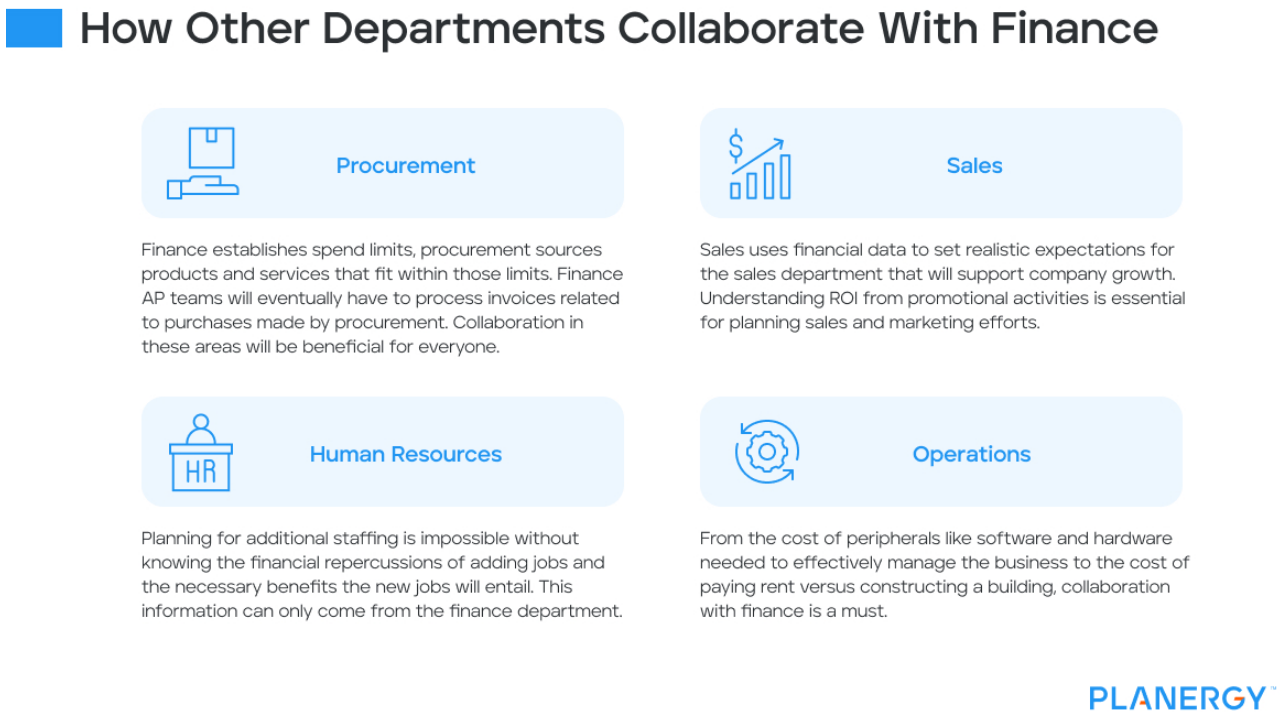
It’s impossible to plan for additional staffing without knowing the financial repercussions of adding jobs and the necessary benefits the new jobs will entail. This information can only come from the finance department.

- **Operations**

  It's difficult to imagine a business being successful and sustainable without direct collaboration between operations and finance.

  From the cost of peripherals like software and hardware needed to effectively manage the business to the cost of paying rent versus constructing a building, collaboration is a must.

  Collaboration with finance is also necessary when setting a price structure for goods and services sold along with how much money should be spent on marketing and advertising.



What Are the Benefits of Collaboration in Finance?

Businesses can experience several benefits from collaborating with finance as we've seen in the previous section.

The issue remains that CFOs and management alike tend to overlook these benefits, which is unfortunate since the availability of artificial intelligence (AI)

and machine learning has made collaboration easier than ever.

According to Finance Alliance, an organization launched in 2022 to connect Chief Financial Officers and other finance leaders globally, the benefits of AI and robotic process automation or RPA can be a game changer for companies of all sizes.

Replacing repetitive tasks such as data entry, invoice processing, and account reconciliation with an automated process designed to streamline the entire department.

A few of these benefits include:

- ## Reduce Errors

  Whatever your thoughts are on AI and RPA, it’s difficult to overlook a tool that can reduce or even eliminate costly errors.

  One single transposed number can lead to unplanned costs and errors in AP may even negatively impact vendor and supplier relationships.

  And if you’ve ever had to deal with trying to get funds from a duplicate payment returned to your business, you know just how valuable error reduction can be.

- ## Increase Efficiency

  Increased efficiency means that your AP team will be spending less time on manual tasks and more time on more important work.

  No more relying on staff to email important data to other departments, or for department heads to open those emails, all the necessary data can be shared automatically.

  This can greatly improve invoice processing time and reduce invoice processing costs.

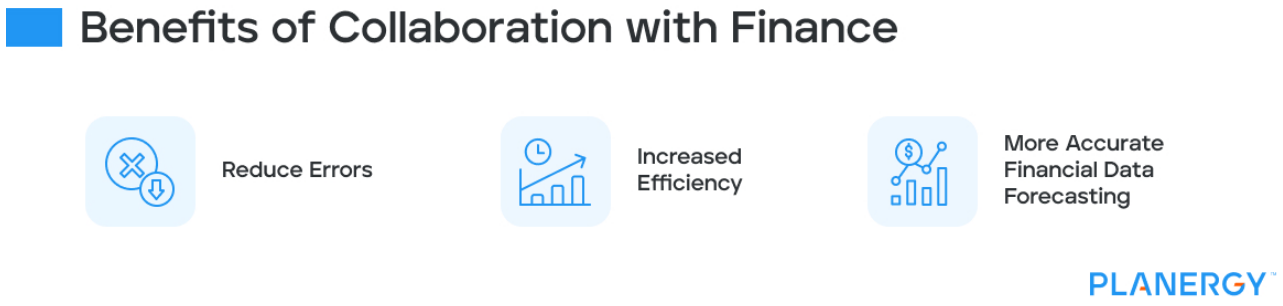
  But similarly, if accurate spend versus budget information is available to purchasing approvers they can make more informed and faster decisions

when approving purchase orders.

- ## More Accurate Financial Data Forecasting

  Creating a budget can be time-consuming for any business, particularly one with multiple departments.

  Using real-time, accurate financial data allows managers to create a more accurate budget for their department, while those creating a strategic plan can easily access that same data to set realistic goals for years to come.



What Are the Challenges of Collaborating With Finance?

Communication between departments can be challenging, particularly for larger companies with multiple management levels. It also requires leadership to be prepared to lead cross-functional teams.

But even with data suggesting that collaboration makes companies stronger, many CFOs and other finance professionals remain on the fence when it comes to financial collaboration.
And for finance professionals that are ready to commit to greater connection and collaboration, they continue to face numerous obstacles.

Resistance to Change

How many times have you heard the phrase “but we’ve always done it this way” uttered in your company? Probably more times than you can count.

Resistance to doing things differently is common, particularly if that fear is grounded in a lack of knowledge. Employee pushback needs to be expected and planned for.

For example, an AP staff member fearing automation may relate to the fear that they’ll be unable to properly utilize new tools, to a basic distrust of changing a process that works, albeit slowly, to a more streamlined process.

They may also fear they will be replaced by the technology that is being introduced.

Addressing these fears upfront can help reduce the anxiety that often accompanies change and provide your staff with the reassurance that any new changes will not impact the availability of their job, nor their ability to do it.

Communication and a good change management plan are key to working past resistance.

- ## Reluctance to Rely on Others

Working in silos provides team members with a level of comfort. They understand the chain of command, they’re comfortable asking their co-workers questions, and they are confident in their ability to complete their assigned tasks.

But when collaboration with those outside their silo is introduced, employees may make assumptions that can effectively create logjams for effective collaboration.

Those fears can include:

- - **The need to rely on others outside your department to complete a task.**

Collaboration is great in theory, but unless department employees are on board, the process can be more detrimental than useful.

- **Worries about job loss or reduction of hours.**
  Some employees may fear that collaboration and a move to better technology can mean a reduction in the workforce, putting their job at risk.In some situations, this can be a valid concern. The only way to address this issue is to be upfront with staff from the beginning.

It's highly likely that your employees have established a comfort zone and are reluctant to step outside of it.

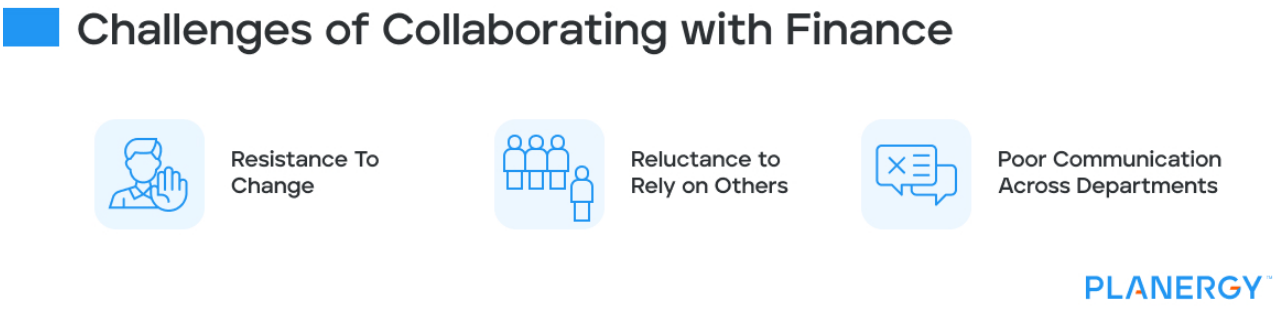
Showing them the benefits they can experience (less repetitious tasks, more professional opportunities, automated approval workflows, reduced stress levels) and providing them with the level of comfort needed to make the transition.

Poor Communication Across Departments

Communication between departments is a necessity for any business, large or small, and one of the areas that continues to suffer.

Zealously guarding information from 'outsiders' does nothing for the department guarding the information, while also keeping other departments in the dark.

While sharing information may be uncomfortable for some who prefer to continue to work in their particular silos, true collaboration is a necessity.



What Are the Best Practices for Collaboration With Finance?

According to the State of Finance Transformation Report 2022, finance professionals said that transforming finance is the key to collaboration.

96.3% of finance professionals stating that digital transformation has given them more time and opportunities to work closely with other functions of the business.

Implementing best practices for finance collaboration is a must. Other best practices for implementing a digital transformation business strategy to consider include the following:

1. ## Assess the Tools You Have in Place

   If you're still using manual processes it will be difficult if not impossible to improve collaboration between departments.

   Making the move to an automated system that can easily connect multiple departments can help reduce fears that can often accompany change.

   A cloud-based spend management software, like PLANERGY, can give you total visibility into spending, digitally transform procurement and make the accounts payable function digital.

   This can help democtratize information and streamline collaboration by providing real-time reporting options for your entire company with flexible access controls. So a head of a department can see their committed spend against budget but nothing else, for example.

2. ## Determine Areas of Priority

   Before collaboration can begin, it's best to take a long look at trouble spots that can help you determine where communication has failed in the past.

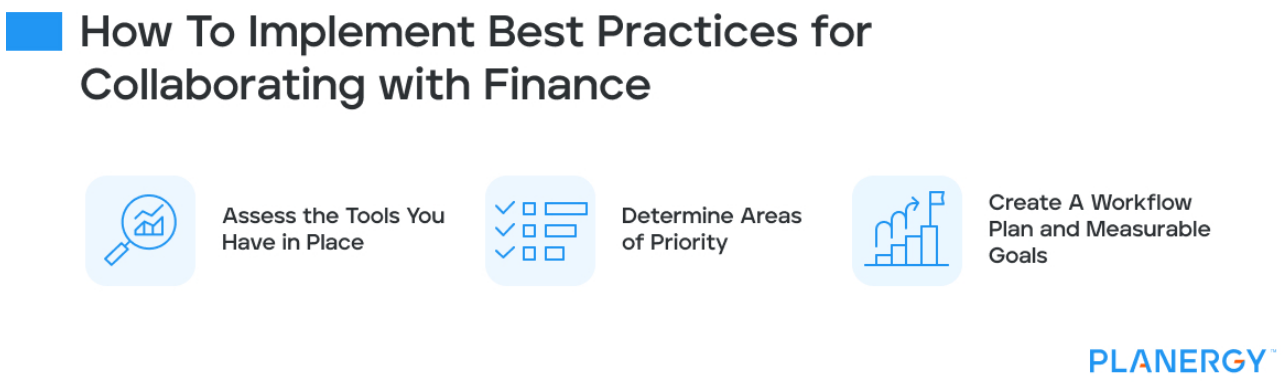
   Then start the collaboration process in these problem areas before moving on to other departments that have consistently maintained a

decent level of collaboration.

3. ## Create a Workflow Plan

   Decide what information you want to share and create an inclusive plan that will get it done.

   Setting clear, measurable goals and a way to easily share needed financial information with others can eliminate miscommunication and the need to constantly request the information needed. Establishing a workflow will benefit everyone involved.



Collaboration Starts With Communication

Finance is the company repository where everything from products ordered to invoices paid eventually ends up.

Streamlining both communication and collaboration between departments by using good management software creates a culture where team collaboration is the norm.

Providing you with data-driven metrics and useful KPIs for finance and beyond that will benefit your entire business.

What’s your goal today?

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