

How Can Maverick Spending Hurt Your Company?



Deep in the heart of 19th-century Texas, a rancher named Samuel A. Maverick gained an unusual sort of notoriety by failing to brand his cattle. Whether by design or indifference, the independent-minded rancher went his own way, defying the standards of the time—and eventually, his name became synonymous with breaking convention. Today, being a maverick can earn a person accolades in the political or public arenas. But *maverick spend*, i.e. unmanaged, uncontrolled spending inside an organization, can quickly lead even the most successful business to ruin.

Maverick spending can be intentional, such as when individuals simply refuse to follow the proper procurement process. It can also be accidental, due to miscommunication in your supply chain, poorly structured workflow, or a lack of an effective procure-to-pay (p2p) program. Whatever the reason, maverick spend

can harm your business by creating unauthorized expenditures, creating logjams in your workflow, and draining resources.

Understanding maverick spend is the first step to identifying and eliminating it. With the right techniques and tools, you can rein in the strays and improve your company's efficiency and bottom line.

How Does Maverick Spend Occur?

You might know it as rogue spending, tail spend, or “Who on earth is buying all these office supplies?” But whatever you call it, maverick spending—which can account for up to 80% of spending in companies without a centralized purchase-to-pay procurement process—is a headache waiting to happen.

The root causes of this behavior include:

- **“It’s just a pencil/printer/laptop.”** Without effective communication of best practices and proper supplier management, your employees might dismiss modest or everyday purchases as too miniscule to have any serious effect on the bottom line. So instead of following procedure, they engage in maverick buying.
- **“Management only cares about the big buys.”** If management is constantly focusing all of their attention on purchases above a certain value threshold, employees might see anything under that line as free from the constraints of the approval process. This is especially true if corporate policy permits a percentage of spend to remain unmanaged, or even worse, management believes unmanaged spending is inevitable.
- **“Do I really have to fill out a form for my toner?”** It’s all too easy for employees to rely on their own devices if your company doesn’t have a formal p2p process in place for smaller transactions—or if the current process is overly complicated, time-consuming, or doesn’t integrate with

the system for large purchases.

- **“Our contracts are a mess.”** Without well-established policy and centralized procurement, your company might have overlapping or redundant contracts on any number of items.
- **“We’re bailing water in a bottomless canoe.”** If maverick buying already has a firm grip at your company, you might have so many vendors and supply chain challenges that management sees the cure (fixing the problem) as more costly than the disease. This has the unintended effect of letting the problem grow even worse as time marches on.

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Death by Inches: the Impact of Maverick Spend

Costing you time, money, and manpower, every maverick purchase pushes your company closer to the brink. Without total spend visibility, you can’t perform effective ongoing spend analysis. Company money is wasted, data management is compromised, and your risk of non-compliance issues balloons.

Consider these effects of maverick spending:

- **Excess Vendors.** Too many cooks spoil the broth, and too many vendors bring costly redundancies and contract issues to an already crowded table.
- **Inferior Goods at Higher Prices.** Maverick buyers are unlikely to use preferred suppliers, and as a result, the goods and services they receive simply won’t match the approved suppliers’ timeliness, quality, price,

efficiency, or customer support.

- **Contract Crises.** When suppliers are unmanaged, it's all too easy for contracts to conflict, exposing your organization to compliance risks.
- **Transaction Overload.** Unmonitored and invisible, rogue spending creates a high volume of unnecessary transactions and generates additional processing fees.
- **Wasted Work Hours.** When procurement professionals are putting out fires and chasing down transactions or suppliers, they're not planning or building value for the company.
- **Lost Value.** Beyond the monetary costs that come with contract conflicts, overtime, and processing fees, maverick spending also reduces efficiency, hampers financial planning, and creates conflict. Supplier relationships and interdepartmental cooperation can both be damaged in serious ways.

How to Combat and Eliminate Maverick Spend

It might feel inevitable, but you *can* defeat unmanaged spending with the proper policy, planning, and procurement process.

1. Perform a Spend Analysis

It may seem impossible. It will likely be painful and possibly costly. But without a clear picture of both direct and indirect spend at all price levels, you won't be able to identify the scope of the problem.

Once your procurement department performs a thorough spend analysis, you can take the next steps.

2. Get Everyone—Yes, Everyone—on Board

Even with solid data, your procurement department will be bailing that same

leaky canoe if you can't get full support from your internal stakeholders. Everyone needs to be on the same page, starting with executive leadership, or maverick spending will continue to eat away at the bottom line.

Take the time to identify the stakeholders at all levels. Engage them, and explain how both they and the company will benefit from more effective procurement. Communicate expectations clearly, address concerns, and provide frequent updates, and you'll be on your way to a smooth transition.

3. Deploy E-Procurement Software

Everything from p2p processes to sourcing initiatives to supplier management is easier when your organization has a centralized solution for managing all aspects of procurement. The best procurement software integrates with your enterprise resource planning (ERP) package to create a comprehensive solution and removes workflow roadblocks, redundancies, and errors.

You'll be able to manage spend and procurement planning while simultaneously supporting the larger goals of your business—and a one-stop, user-friendly solution whenever you need an audit trail.

4. Centralize Your Contract Management

Giving your procurement professionals full access to *all* your contracts is essential to spend management. When every contract is under their constant supervision, your team can easily find and eliminate overlapping, conflicting, or obsolete terms. And by managing your contracts through your e-procurement software, monitoring transactions for more effective forecasting is much easier for everyone.

5. Establish a Purchasing Threshold

Using the data from your spend analysis, set a purchasing threshold. Assign purchase cards (also known as a *p-cards*) and make a policy that any purchase

made for less than the threshold amount *must* be made with the card.

In addition to simplifying tracking, p-cards also eliminate the need for purchase orders on items below the threshold. You'll save on labor, and your procurement team can focus on larger priorities.

6. Create an E-Catalog for Preferred Suppliers

Corral your lower-value purchases into an e-catalog for your staff to use, limiting selections to preferred suppliers. As time passes, you'll be able to account for both routine and one-off buys and ensure they are managed, rather than maverick.

7. Assign Roles with Care

One of the most powerful and effective ways to reduce maverick spending is by limiting the number of people who can make purchases. Fewer employees authorized to make purchases means fewer headaches at every step of the p2p process.

Setting roles in your procurement software dovetails neatly with your approval system to prevent unauthorized use of both p-cards and purchase orders.

Eliminate Maverick Spending and Boost Your Bottom Line

Going your own way can be an adventure, but it's a perilous path for procurement. Invest the time and effort to chase down your maverick spending, and bring your stray spenders into the fold. You'll cut costs, improve accountability, and help keep your business riding high.

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