

# Spend Management Best Practices For Enterprise



Businesses of all sizes, from the smallest mom-and-pop corner shop to global conglomerates, know that every dollar a company spends should have an optimal return on investment (ROI).

But if a business lacks a formalized approach for spend activities across the procurement function, they may be losing both money and value to process inefficiencies, errors, fees, and damage to their supplier relationships and reputation.

That's why spend management best practices are crucial to the success and growth of any business competing in the modern marketplace.

Priorities vary, from cost reduction to better supplier management to improved cash flow.

But understanding and implementing spend management best practices used by procurement professionals can help your business refine its procurement function for the greatest possible efficiency and ROI.

# How Spend Management Best Practices Improve Your Business

Establishing and leveraging best practices as part of your spend management strategy helps streamline your procurement workflows, ensure accurate ordering and timely payments, and improves supplier relationships through strategic sourcing.

Integrating such practices with your procurement workflows generates a ripple effect, pushing greater efficiency, productivity, and profitability outward from the procurement function to all business units for maximum value gains across the organization through:

- Total Spend Visibility (i.e., both Direct and Indirect Spend)
- Continuous Process Improvement
- Improved Risk Management
- Real-Time Data Analysis
- Better Collaboration and Communication
- Lower Costs Across Your Supply Chain

For the modern business, obtaining these results requires using tools such as spend analysis, centralized data management, and business intelligence, among others. In turn, these tools require automation and artificial intelligence, provided through the use of a fully-developed, cloud-based procurement solution.

*Team buy-in and the right tech tools are just the beginning. Putting them to best use requires a concrete plan for streamlining your spend, bolstered by data-driven management strategies and clear protocols.*

## Putting Spend Management Best Practices to Work for Your Business

Small business or international mega-corp, the best practices for a company are those that meet its specific needs.

That said, every business can create a basic plan for better spend management by

following a few simple, but crucial, steps:

### 1. **Get Buy-In from the C-Suite.**

In businesses where company culture is still mired in the analog age, procurement teams may find it difficult to build an effective spend management strategy, even if the CPO is already on board. That's why the first step in any successful spend management initiative is to educate the entire executive staff on the merits of spend management, and obtain their assistance in making better spend management a priority across the entire organization from the top down.

### 2. **Make Automation a Priority.**

Simply doing business in today's world requires a company to navigate vast amounts of big data from both internal and external sources. Manual workflows are time-consuming, error-riddled, and inefficient—and don't allow you to tap into the true potential of the priceless spend data hiding in your supply chain. Automation drives better spend management through:

- **Capture and storage of all of your data in the cloud for secure, role-based access.** Users can view, analyze, and modify data in real-time from mobile and desktop devices, at home, in the office, or on the go.
- **Total spend data transparency.** With all transaction data captured, maverick spend, invoice fraud, and other procurement challenges are reduced or eliminated. Complete data provides accurate, audit-friendly reporting, as well as useful insights for improved decision-making. Total data transparency ensures accurate cash flow calculations, so companies can still pay the bills while budgeting for necessary improvements, handling emergency expenditures, and investing in innovation.
- **Optimal supply chain management.** Strategic sourcing is enhanced by clear and accurate data on vendor contract compliance and other key performance indicators (KPIs). Vendor portals allow suppliers to connect directly with the buyer's eProcurement solution to offer electronic invoicing and share their own insights with regard to potential shared initiatives, as well as supply chain process improvements that might not be readily apparent to the buyer. Streamlined procure-to-pay (p2P)

processes generate savings by eliminating late payment fees and lost goodwill while adding value through stronger supplier relationships, incentives such as early payment discounts, and better insights for negotiating more favorable contract terms.

- **“No Touch” workflows with built-in contingencies and alerts.** Human error is taken out of the equation for data entry, approval workflows, and three-way matching, for greater efficiency and accuracy as well as cost reductions from reduced purchase order and invoice cycle times. Freed from low-level, time-consuming chores, staff can focus their time and skills on innovation and strategic initiatives.
- **Integration with existing enterprise resource management (ERP) systems, office suites, and accounting software.** When all business units can connect and collaborate in a single digital environment, it’s much easier to achieve company-wide process improvements.

### 3. **Formalize Your Spend Management Process**

Team buy-in and the right tech tools are just the beginning. Putting them to best use requires a concrete plan for streamlining your spend, bolstered by data-driven management strategies and clear protocols. An example spend management process might look similar to this:

1. **Identify all sources of spend.** Knowing where your money goes is job one. Automation makes capturing direct and indirect spend data easy.
2. **Centralize and secure data management.** Incomplete data can lead to inaccurate reporting, forecasts, and strategic decision-making, creating a disastrous spiral of growing interconnected costs. Unsecured data can put your company at risk of customer data breaches, industrial espionage, fraud, and theft. Collect all your data on a secured, centralized data repository with leveled access, and your team, management, and suppliers will all be able to access the information they need without creating needless risk exposure.
3. **Standardize, sanitize, categorize, and analyze data.** Standardization improves process efficiency by streamlining data fields and removing redundancies. Automated workflows remove human error in data entry and verification, and improve three-way

matching. Creating spend categories allows for swift and efficient collection and comparison of spend data. Deep data analysis, performed with help from artificial intelligence, can reveal recurring trends, costly anomalies, potential process improvements, and insights on vendor performance.

4. **Educate, Integrate, and Deploy.** Before rolling out the new protocols and spend management software, either as a standalone or as part of a larger procurement solution, engage your organization with education and training on both how to follow the new processes and procedures and how they support the company's goals and growth. Provide training, with frequent refreshers as necessary. Consider a staged rollout, starting with procurement and working outward, to ease culture shock and encourage total compliance with spend management initiatives.
5. **Review and Revize.** The data analysis capabilities that provide insights into spend management can also be used to evaluate the efficacy and efficiency of the spend management process itself. Data quality will improve over time, allowing procurement officers a chance to fine-tune continuous improvement initiatives while also identifying and improving internal compliance with spend management requirements. Solicit feedback from employees, executive staff, and suppliers for additional context and further spend management refinements.

## **Manage Spend Strategically for Greater Success**

Squeezing true value from your spend doesn't happen by accident. By building a framework of spend management best practices, you can optimize your workflows with continuous improvement, turn data into actionable insights for smarter decision-making, and ensure every dollar spent across your supply chain supports savings, innovation, and a stronger bottom line for your business.

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