

Convince a CEO to Improve Your Spend Management Process



As the digital marketplace evolves, procurement professionals around the world are looking to up their game on everything from supply chain management to strategic sourcing to contract management. Integrating a set of business processes known as *spend management* is key to achieving true digital transformation and shifting procurement away from simple cost savings to a source of value for the company.

Oftentimes, however, chief procurement officers (CPOs) may find themselves in the unenviable position of having to “sell” spend management solutions to the Chief Executive Officer (CEO) and other senior staff—some of whom may not be as well-versed in modern procurement practices.

Gaining C-level support for spend management is the first step in transforming your company’s procurement function while integrating greater transparency, improved cash flow, and significant cost savings throughout your organization.

Understanding the benefits spend management brings and presenting them clearly and concisely to the CEO and other stakeholders will put your company on the path to lower costs, greater value, and reduced total cost of ownership (TCO).

What Is Spend Management?

The art of extracting maximum value from every dollar a company spends while simultaneously maintaining absolute visibility and control over supplier management and procurement is at the core of spend management.

Supported by technology like automation and artificial intelligence via a comprehensive procurement solution and/or an enterprise resource planning (ERP) suite, spend management strategies touch on every business unit within a company and every aspect of the procure-to-pay (p2p) process.

It also typically involves a methodology known as *master data management* (MDM).

The goal of MDM is to improve data quality by centralizing all key information and sharing it with sufficient transparency to facilitate optimal performance across all departments within a company or organization.

In implementing spend management processes, the goal is to address the need every business has for maximum return on investment (ROI) while reducing costs, facilitating spend transparency and communication, preserving or improving competitive advantage, and streamlining internal workflows, policies, and procedures.

Even the savviest CPO knows there's always room for improvement when it comes to purchasing. With spend management, process improvement results from real-time visibility into internal performance in all stages of procurement.

Key Benefits of Spend Management

To encourage your CEO and other senior staff to support the implementation of spend management best practices, a good place to start is with the tangible benefits these practices provide.

Greatly Improved Spend Visibility

Spend that can't be seen can't be factored into data analysis, used for forecasting or reporting, and erodes your bottom line through both maverick spend and

missed opportunities to save via direct discounts and economies of scale.

Implementing a comprehensive spend management solution renders all company spending—direct and indirect—utterly transparent.

Centralized MDM connects transaction information across departments, feeding into not just purchasing processes such as spend analysis, contract management, building supplier relationships, and refining spend categories, but advanced data analytics, financial planning and marketing.

Indirect spend management is particularly improved, and with automation handling every step of the approval process from request to approval to purchase and payment, your total approval workflow is faster, more efficient, and more accurate.

Supply chain management is improved as well, since vendors are vetted and approved within the system, and approved buyers are presented with a catalog of pre-approved options for goods and services—a catalog that automatically factors in negotiated pricing, available discounts, preferred vendors, and current quantities of items on hand.

Economies of scale come into play as vendor lists are pared down and contracts are negotiated for the entire organization, rather than using a wide array of vendors scattered across all locations.

Continuous, Reactive Process Improvement

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Transparent and collaborative relationships with suppliers make it easier for Accounts Payable to take advantage of on-time or early payment discounts, freeing up cash flow.

Automated invoice processing streamlines internal workflow to reduce exceptions, guarantee shared compliance with contractual obligations, and provide instant, triple-checked verification for purchase orders, invoices, and

shipping documents.

Of particular interest are spend categories, which can be refined, analyzed, and then further refined as you develop an ongoing database of usage and total spend for each specific area.

This not only allows for more nuanced strategic spending, but allows for more granulated supplier management and greatly enhanced cost reductions.

Process improvement also reduces the need for extra staff and frees existing staff from lower-level, time-consuming tasks.

This means your team members will have more time to focus on strategy and high-level functions instead of chasing exceptions and other headaches.

Reduced Risk

One of the most powerful items in the spend management toolkit is automation. It inherently reduces risk by removing human error from the equation.

But spend management systems also allow you to improve risk management through detailed, data-driven analysis of contracts, vendor performance, and current market trends to identify areas of vulnerability—and opportunity. Bringing suppliers into the system not only simplifies the evaluation and negotiation processes, but provides real-time monitoring to ensure compliance.

This visibility gives you the continuously-updated information you need to recruit, replace, or rehabilitate vendors based on key performance indicators (KPIs) focused on compliance, customer service, and shared initiatives.

In addition, contract management is continuously improved through total information transparency, data analytics that allow for smarter negotiations and strategic sourcing partnerships, and optimal compliance through centralized, searchable storage.

The result? Negotiations that use hard data to identify opportunities for expansion, consolidation, and optimal pricing while sharply curtailing your risk exposure due to non-compliance.

Centralized spend management also reduces financial risk by providing accurate

data for financial forecasting and reporting, along with an easily traced audit trail.

Mobile-Friendly Platform Versatility

Whether they're in the local office or three time zones away, stakeholders need real-time and complete access to procurement and other data via not just computers, but mobile devices.

Spend management software leverages a centralized data repository to make not just raw data, but advanced, analytics-driven reporting, digital dashboards, and daily tasks like requests and approvals available 24/7 on tablets, phones, and other devices.

This flexibility results in faster decisions, nimble planning, and shorter procurement cycles across the board.

Mobile-friendliness also supports your company's broader IT priorities.

Intelligent processes and mobile access reduce strain on hardware and remove the need for multiple expensive setups for staff, and one centralized system makes training simpler and less expensive since users are trained on a single interface instead of a variety of applications.

Sell Your CEO on Spend Management and Save

They say money talks, and even the most conservative and old-fashioned CEO would find it hard to resist the silver tongue of spend management.

Once you understand the benefits of integrating a centralized spend management platform, settling for anything less seems like throwing good money after bad.

Take your company beyond cost reductions, optimize your internal processes, and leap into a value-driven future by introducing your CEO to the power and versatility of spend management.

What's your goal today?

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