Spend Visibility: What Is It and How To Achieve Transparency In Business Spend



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It’s happened countless times – and it’s the reason why many companies go under.

Companies don’t get a realistic look at their spending or don’t even care to do it.

And after this happens for a while, the company either has to restructure itself with new staff or close its doors completely.

The pattern usually goes like this:

- The CEO takes risks and funds large, ambitious projects.
- The company delivers a modest performance. Board members start to ask major questions.
- The CEO must answer to the board and defends their choices. The board asserts their control and fires the CEO. Instead, they hire a CFO to take over the CEO's job.
- The CFO, hired to bring costs down, stops working on passion projects and obsesses over the bottom line. To get the company back above water, the CFO initiates massive layoffs and keeps the CEO position as long as there is profit.

The issue is a bit more complicated, of course, but that's the gist of it.

Companies and investors have worked under the impression that their choices are limited when it comes to the kind of leader they can hire.

Most of them think they have only two options:

1. Hire a visionary leader to foster an innovative company that pushes the envelope.
2. Hire a CFO because they can get a tighter grip on the financial situation with better fiscal controls by cutting jobs and costs without giving it a second thought.

There doesn't seem to be any consideration to hiring someone who allows the company to remain innovative while keeping themselves fiscally disciplined.

That's why spend visibility matters so much to your business.

Fab, once the most funded startup in New York City, raised $336 million in capital, only to find that they had spent $200 million of it in less than two years.

It's not the amount of the spend that really matters here, but the fact that the company failed to realize they'd spent so much of their capital investment.

They realized it later when it was too late. A year later, the company ran out of money and went under.

Though it may seem like Fab went under because they weren't tracking their spend, that's not the case.

The issue is the lack of spend visibility, which is much more than tracking spending itself.

What Is Expenditure Visibility?

Spend visibility, or expenditure visibility, is the ability to see, track, and analyze all the spending within an organization.

This includes small purchases like office supplies and larger investments such as equipment or real estate.

It's about having a clear, comprehensive understanding of where your company's money is going.

Why Is Spend Visibility Important?

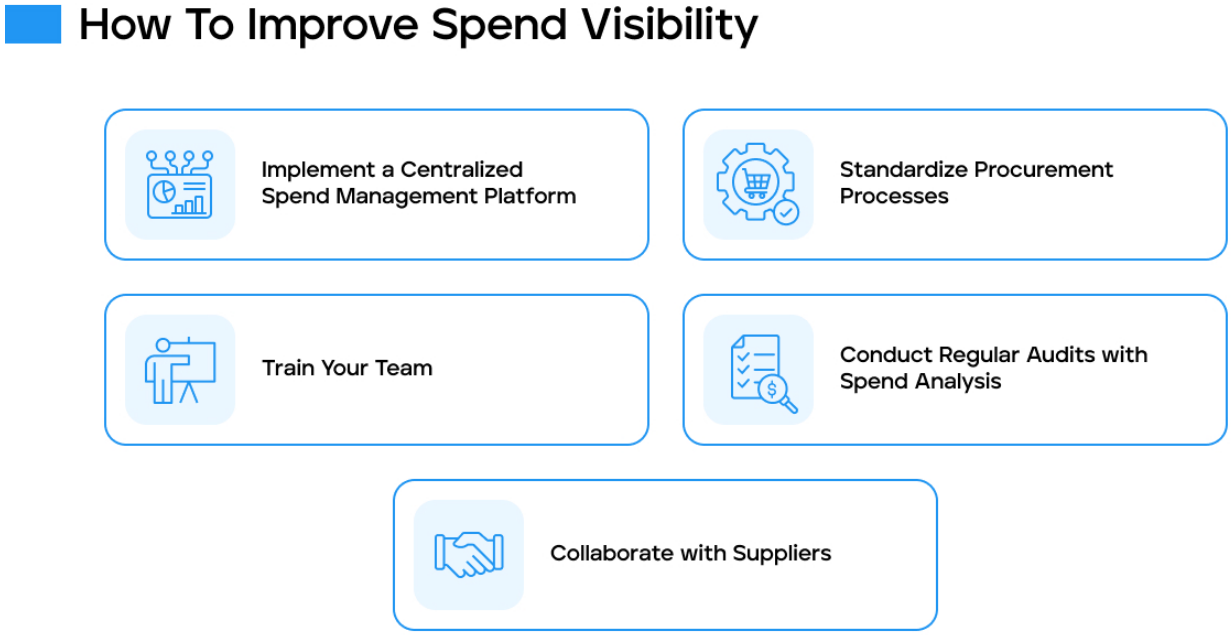
It allows for better financial control, risk management, and decision-making.

When you know exactly where your money is going, you can identify inefficiencies, uncover savings opportunities, and make informed strategic decisions.

Without spend visibility, it's like navigating a ship in the dark; you're likely to hit icebergs (financial risks) that could have been avoided with better visibility.

How Can I Improve My Spend Visibility?

Achieving spend visibility isn't always easy; it requires commitment, time, and the right tools.
Here are a few steps you can take:



Implement a Centralized Spend Management Platform

By consolidating all your spending data in one place, you create a single source of truth that is easy to track and analyze.

While spreadsheets may seem sufficient initially, they are full of error potential since different teams will need to come in and record data.

That’s where investing in a dedicated spend management solution can make all the difference in your bottom line.

For instance, a comprehensive SaaS platform like PLANERGY offers real-time tracking, automated reporting, and advanced analytics.

This not only simplifies the process but also provides you with valuable insights into your spending patterns.

Using automation and integrations with your ERP and other important parts of your workflow makes it easier for you to get an overview of current business processes.

You'll not only get real-time visibility, you'll also get actionable insights you can use to show stakeholders and make solid business decisions.

Standardize Procurement Processes

When different departments or teams within your organization use different processes for purchasing, it can lead to inconsistencies and inaccuracies in your spending data.

By establishing a standardized procurement process, you ensure that all purchases are recorded and tracked in the same way, leading to more reliable data.

This also helps to prevent maverick spending and reduces the risk of fraud.

Train Your Team

Improving spend visibility isn't just about implementing new tools or processes—it's also about people.

Everyone in your organization should understand the importance of spend visibility and know how to contribute to it.

This means training your team to use your spend management platform and follow your procurement processes.

It also means fostering a culture of financial transparency where everyone understands their role in managing the company's resources.

Conduct Regular Audits with Spend Analysis

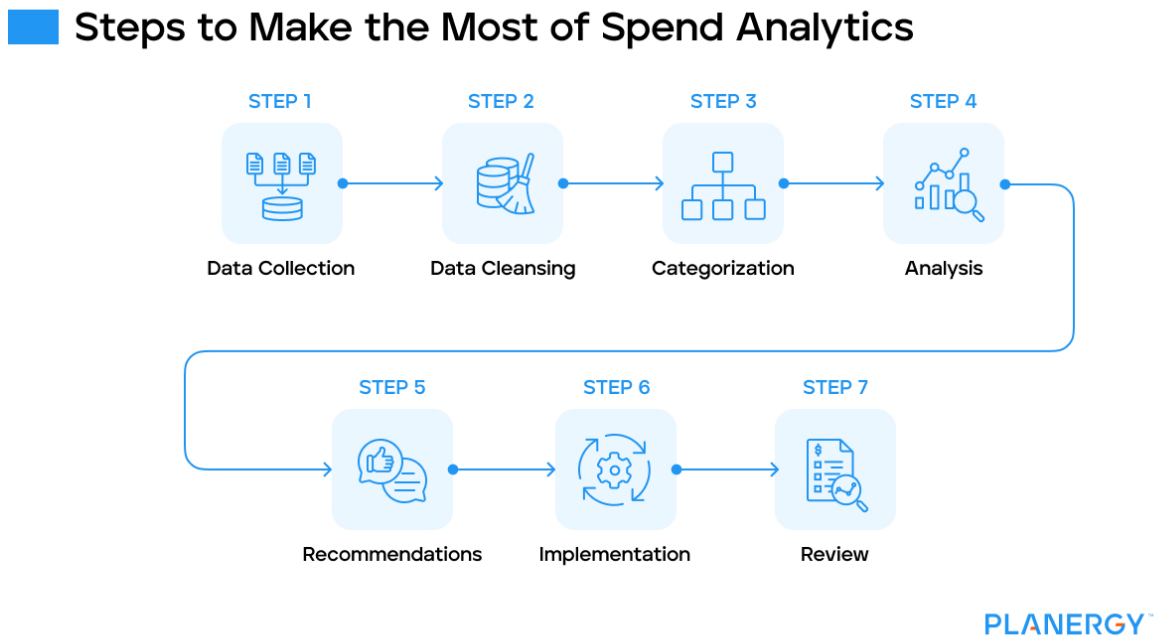
Regular audits of your spending data can also help improve spend visibility.

Auditing allows you to identify errors or discrepancies in your data, which can then be corrected. It also helps to ensure that your spending data is complete and up-to-date.

The frequency of these audits will depend on the size and complexity of your organization.

Still, as a general rule, the more frequently you audit, the more accurate your spend visibility will be.

To make the most of your spend analytics, follow these steps:



1. **Data Collection:** Gather all relevant data. This includes invoices, purchase orders, contracts, and other documents related to your company's spending. Collecting data from all sources and departments is important for a comprehensive view of your spending.
2. **Data Cleansing:** This involves removing duplicates, correcting errors, and filling in missing information. You want to ensure that your data is as accurate and complete as possible for the analysis.
3. **Categorization:** Categorize it into meaningful groups, known as spend categories. This could be by product or service type, supplier, department, or any other category that makes sense for your business. Categorization helps you identify trends and patterns in your spending.
4. **Analysis:** Look for patterns, trends, and anomalies. Identify areas where you're spending more than necessary, suppliers that are

charging more than others for the same goods or services, and contracts that are due for renegotiation.

5. **Recommendations:** Based on your analysis, recommend cost reduction and efficiency improvements. This could include renegotiating contracts, consolidating suppliers, implementing better procurement processes, or investing in new technologies.
6. **Implementation:** The final step is to implement your recommendations. This could involve negotiating with suppliers, changing procurement processes, or training staff. Remember to monitor the results of your changes to ensure they're having the desired effect.
7. **Review:** Spend analysis is not a one-time activity. It should be done regularly to keep track of your spending and make adjustments as necessary.

Spend analysis can be a complex and time-consuming process.

Consider using spend management software to streamline the process and make it more efficient.

Collaborate with Suppliers

Improving spend visibility often involves working closely with your suppliers.

By sharing information and collaborating on procurement processes, you can ensure that your spending data is accurate and complete.

This improves spend visibility and strengthens your relationships with suppliers across the supply chain, leading to better pricing and service.

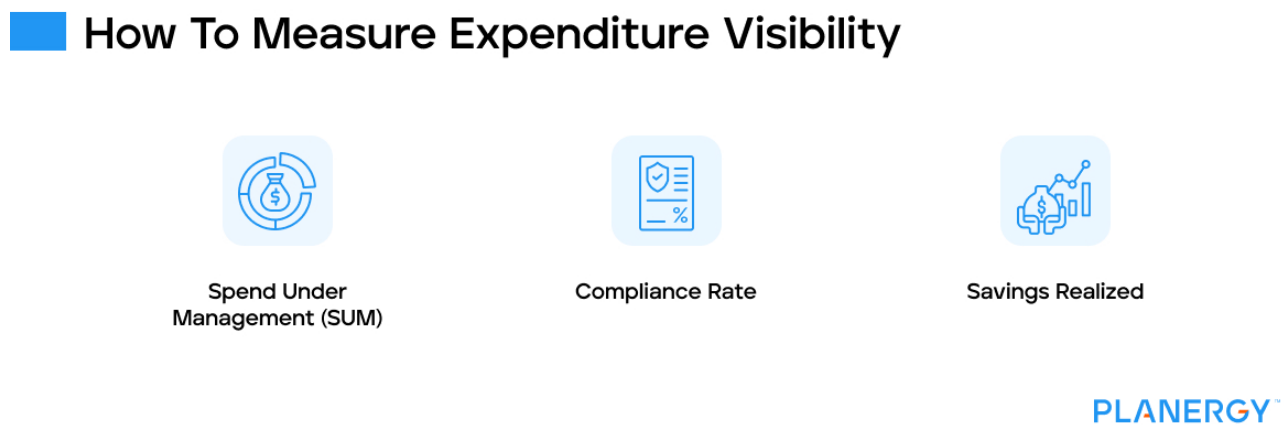
How Do I Measure Expenditure Visibility?

Measuring spend visibility involves analyzing your spending data to identify trends, patterns, and anomalies.

This can be done using a variety of metrics, such as spend under management, cost savings, compliance rates, and more.

The key is to choose the metrics that best align with your company's goals and objectives.

These could include:



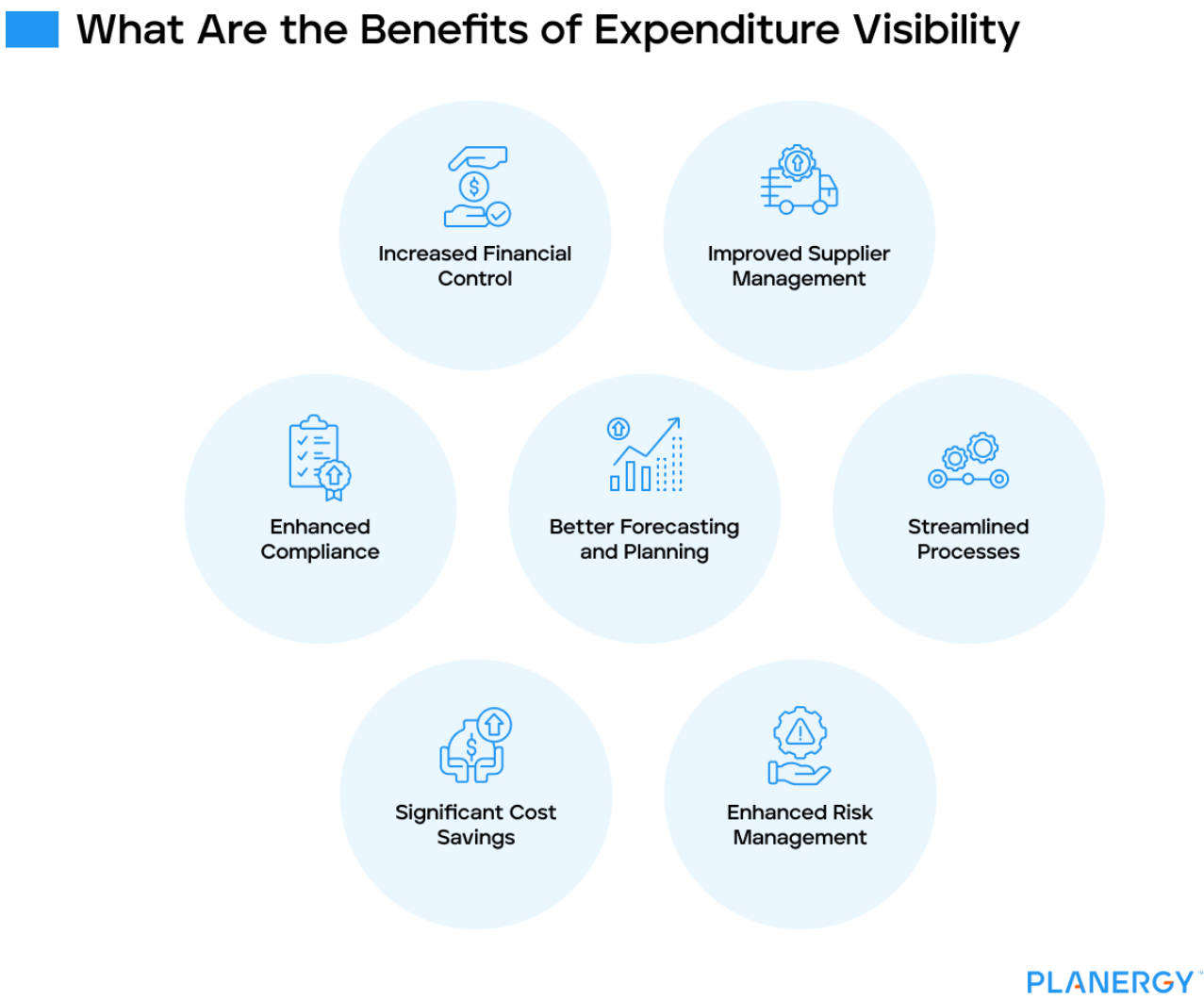
- **Spend Under Management (SUM):** SUM refers to the percentage of total company spend that is actively managed according to procurement strategies and policies. A high SUM percentage indicates a high level of spend visibility.
- **Compliance Rate:** This measures how employees follow procurement policies and procedures. High compliance rates indicate that your spending data is likely accurate and comprehensive, contributing to better spend visibility.
- **Savings Realized:** This is the difference between what you previously paid and what you're paying now after implementing cost-saving measures. If you can accurately track and measure savings, it's a good sign that you have strong spend visibility.

You may also wish to benchmark, which involves comparing your company's performance against similar companies or industry standards.

This can help you spot areas where you spend visibility is lacking and where you can make improvements.

What Are the Benefits of Expenditure Visibility?

The benefits of spend visibility are numerous. Here are just a few:



Increased Financial Control

One of the primary benefits of expenditure visibility is that it provides increased financial control.

When you clearly understand where your company's money is going, you can make more informed decisions about budget allocation, cost-cutting measures, and investment opportunities.

This leads to better financial management and, ultimately, improved profitability.

Improved Supplier Management

Expenditure visibility also allows for better supplier management.

By understanding how much you spend with each supplier, you can identify opportunities for consolidation or renegotiation for more strategic sourcing.

You can leverage your spending power to negotiate better terms, reduce costs, and improve service levels.

Additionally, this visibility helps evaluate supplier performance and identify potential risks.

Enhanced Compliance

With comprehensive expenditure visibility, you can ensure greater compliance with internal policies and external regulations.

Detecting any deviations from procurement policies or potential fraudulent activities becomes easier.

This not only mitigates risks but also enhances the reputation of your organization.

Better Forecasting and Planning

Expenditure visibility plays a crucial role in forecasting and planning.

You can predict future expenditures more accurately with detailed insight into past and present spending patterns.

This helps in creating more realistic budgets and financial plans, ensuring that your company remains financially sound in the long run.

Streamlined Processes

Finally, achieving expenditure visibility often involves streamlining and automating purchasing processes.

This reduces manual effort, eliminates errors, and speeds up the procurement cycle.

As a result, your organization becomes more efficient, saving both time and money.

Significant Cost Savings

Expenditure visibility can lead to significant cost savings. By clearly understanding where your money is going, you can identify areas of overspending and potential savings opportunities.

This might include renegotiating contracts with suppliers, consolidating purchases to take advantage of volume discounts, or eliminating unnecessary expenditures.

High visibility into your spending also allows you to track the effectiveness of your cost-saving measures, ensuring that they are delivering the expected results.

Enhanced Risk Management

Expenditure visibility plays a critical role in risk management. It enables you to identify potential financial risks early, such as over-reliance on a single supplier, non-compliance with procurement policies, or fraudulent activities.

With this information at hand, you can take proactive measures to mitigate these risks before they become significant problems.

Moreover, expenditure visibility can reveal trends and patterns that might signal future risks, allowing you to prepare and plan accordingly.

What Is Spend Visibility on Amazon?

Spend visibility on Amazon refers to seeing and analyzing all your company's spending on the Amazon platform.

This can be particularly useful for companies that do a significant amount of purchasing through Amazon.

What Is the Difference Between Spend Visibility and Expense Tracking?

While both are important for financial management, there is a key difference between spend visibility and expense tracking.

Expense tracking is about recording and monitoring individual expenses, often for reimbursement or tax purposes.

Spend visibility, on the other hand, is about understanding the big picture of your company's spending. It involves aggregating and analyzing all your spending data to gain strategic insights.

In essence, while tracking spending is about the trees, spend visibility is about the forest.

Don't Fly Blind – You'll Pay the Price!

Spend visibility is an essential component of financial transparency.

By implementing best practices and leveraging tools like PLANERGY, businesses can achieve greater spend visibility, leading to cost savings, better risk management, and more informed decision-making.

What's your goal today?

1. Use PLANERGY to manage purchasing and accounts

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