

innovation

CUT TRANSACTION COSTS, BOOST MANAGEMENT CONTROL

Jayant Dwivedy offers tips on expense management solutions and looks at what drives companies to look for such options

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hat is expense management? It refers to a system deployed by a business to process, pay and audit employee-initiated expenses. It includes policies and procedures which govern spending as well as the technologies and services utilised to process and analyse the data associated with it.

The software to manage expense claims, authorisation, audit and repayment processes can be obtained from organisations that provide licensed software, implementation and support service. Expense management automation has two equally important aspects—the process an employee follows in order to complete an expense claim and the activity accounts the finance staff undertakes to process the claim within the finance system.

Expense-management automation is the means by which an organisation can significantly reduce transaction costs and improve management control while logging, calculating and processing corporate expenses. Independent research evaluating the use of automated expense management systems (EMS) has confirmed that the cost of processing an expense claim significantly reduces as the level of automation increases.

THE PRE-REQUISITES OF SUCH AN EMS SYSTEM ARE:

- ◆ The software provider should empathise with the business requirements of the client organisation and at the



same time bring in innovation and best practices that drive the desired spend behaviour.

- ◆ The sponsors of an EMS implementation within an organisation usually display a visionary approach so as to capture the strategic needs of top management which they represent and the business at large going up to the front-end users (some of them in remote locations). Again it is a case of internal customer centricity!

Here are a few responses from a few users:

Neeraj Basur, director, finance, MAX Bupa Health Insurance, had the following to add about the company's early implementation of an enterprise solution which he adopted

and sponsored: "It was vital for Max Bupa as a start-up health insurance venture to create awareness and consciousness across the organisation on the need and importance of managing our cost judiciously and in the most prudent manner. We also wanted our people to get their productivity focus in place by eliminating time and effort spent on non-core, non-value-adding administrative activities such as expense management paperwork. We want to inculcate the culture of prudent cost management to obviate the necessity of "cost cutting" at any stage. We believe BAZ provides us the required platform for our cost management requirements..."

Hundreds of categories of common spend items across most organisations make a robust and standard EMS an important ingredient in the success story of spend control. The pharmaceutical industry, too, has the perennial problem of driving expense management at its sales-representative level. One such innovative implementation that has allowed

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transaction-level budget control has been at the Bangalore-headquartered Allergan India.

On his part, KT Rajan, director, operations, IS & Projects at Allergan India, says, "Expense management is a prime area of concern for most organisations. More so in the pharmaceutical industry where in a large portion of the actual spenders are on the 'field'. The entire process from budgeting through to payables is complex. This gets further compounded by the fact that people are always on the move and most activi-

ties are dynamic, have short life-cycles and need to be executed swiftly. The workflow has to accommodate quick turn-around while maintaining the process rigour, with adequate checks and balances. BAZ solution enables us to manage the entire process from budgeting through to payables, online, real-time ... A host of aggregation is possible from the transaction level which facilitates extensive analysis and intelligent decisions. Overall, it enables us to spend smarter realising optimal benefits."



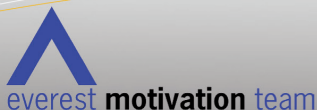
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Compliance and productivity improvement has been the key driver for the EMS rollout at Bharti AXA Life Insurance. And the company's CFO V. Srinivasan said: "BAZ has helped us bridge one of the fundamental internal control requirements of procure-to-pay system. For an industry which inherently deals with a large number of employees that too spread across the nation in as many branches, a system like BAZ is vital. We have now rolled out every module of BAZ and have activated most of the control features. When rolling out the solution, managing the change was our key challenge hence we have kept on communicating and holding road shows to overcome this challenge. We have observed that our turnaround time has improved and the size of the accounts payable team has continually come down leading to significant benefits."

"BAZ application addresses the service industry needs of multi-location controls, paper less processing and tracking/ adherence to turnaround times [from requisitioning to ordering to receiving to invoicing to pay-

INNOVATION AND BUSINESS LEADERSHIP- SYSTEM DRIVEN EXPENSE MANAGEMENT

BY ULLEKH N.P. (EDITOR CFO MAGAZINE)

EFFECTIVE BLENDING OF SYSTEM and review mechanisms: A narration by Manish Bazar, Director, Empronc Solutions (for a Customer in the Travel Industry who actively use BAZ® to reduce costs and enhance compliance)

The global down turn in the third quarter of 2009 forced organizations to take a deeper look at their cost base and to deploy effective and sustainable cost control measures. Confronted with such a scenario, the Customer embarked on its journey of reducing its operating costs through a rigorous process of analysis, reviews and change management.

The CFO put BAZ to use in their all India Operations. The effective use of BAZ, an integrated Expense Management Solution, along with its automated Budget Control enabled the company to have cost control on a real time basis. The solution deployed across all company locations took cost control to the transaction level. The software is used by at least 500 direct users of the company for a variety of business transactions around Spend Management.

The cost focus supported by an open culture, team work and early use of an automated solution enabled a mid teens reduction in operating costs. Mandating that the system is used for all types of expenses such as direct purchase, services, employee reimbursements and travel enabled the desired level of control to affect savings and to deliver the cost reduction targets. Integrity of the budgets was ensured in a changing environment. The visibility achieved through the system and the e-alerts reduced the dependency on people for compliance.

The organization is now focused on sustaining the benefits and at the same time keeping expense growth lower than the growth in the business. The ease of use of the software (on account of the user friendliness of the screens, workflows and system driven controls) provides a platform for scale-up on size and the use of other value adding modules to enhance capital efficiencies.

As is the case with every growing organization, compliance and transaction productivity become paramount. This again was well achieved through the BAZ system that provided for the system implementation of the company policies, on line document control and the process work flows to support Corporate Governance philosophy of the company. The sheer comfort of being audit ready at any time is by itself a big step...and through system approach and solution, the Customer is getting there.

An automated solution definitely enables an organisation to have greater management control, bring transparency to expense spend and improve adherence to corporate policy.

ment] seamlessly and cost-efficiently." prophesizes Raman Garg, Deputy CFO, MAX New York Life.

Sangramjit Sarangi, head, finance, SBI Life Insurance Company Ltd., adds that "BAZ expense management system has helped in tracking our expenses at granular levels (cost centre, location, employee, item), providing better and qualitative data for deci-

sion making and controls. It also acts as a repository for the financial policies of the company ensuring compliance for all types of expenses with strong financial process workflows. We have been able to effectively execute controlled decentralisation of expense payment processing."

Well, finally, success comes through appropriate selection of a robust

enterprise-wide EMS tool, a focused and well-sponsored top-down implementation and cross-functional team work within organisations. We will be a leader in the enterprise spend process management space by focusing on customers, our people and our core values. We are ready to compete with the best in the world, in the space of expense management and control. BAZ delivers "compliance by design" and helps organisations manage spend by integrating what is not achieved in most cases—the bottom of the pyramid. **CFO**



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