

SPEND MANAGEMENT SOLUTION UNRAVELED

Read on if cost saving, financial productivity and employee satisfaction is at the top of your agenda

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Does your organisation have an active spend management strategy? This question by default obtains the answer ‘Yes’ from most organisations, big or small. Entrepreneurs and business leaders do understand the importance of increasing revenue faster than expenses or decreasing expenses while maintaining revenue.

What is important to note early in this article is that spend management solution and spend analysis solution are different. Spend analysis software tells the organisation where it spends its money but does not give an integrated solution that leads to cost reduction, policy management and compliance, employee satisfaction and productivity improvement.

A spend management solution integrates spend from a compliance perspective, fits it into an accounting framework, improves financial productivity, provides analysis, controls spend and delivers savings.

THE NEXT SET OF QUESTIONS:

- Does the organisation have an ERP or financial system? The answer in most cases is “yes”.
- Does the organisation have an online system that gets spend into your accounting framework right from initiation? The answer in majority of the cases is “no”.
- Has the organisation electronically connected the “bottom of the pyramid” for spend management? Again the answer in most cases is “no”. Millions of manual transactions happen

before documents are ready for accounting entries.

In the world of corporate governance, policy management in large organisations is a nightmare if desired integration and reporting has not been achieved. The design of accounting framework is often not automated and in most cases not integrated to spend initiation (both fundamentally and electronically). This leads to subjectivity and a high dependence on people.

SL. NO.	1	2
CHECK POINTS	Online Spend Management - Overall	Online Budget Analysis
TYPICAL SITUATIONS- ILLUSTRATIVE	<ul style="list-style-type: none"> ■ Not in use AND/ OR ■ The electronic aspects of available systems have not been evaluated and SPEND MANAGEMENT SOFTWARE not available ■ Readiness for future OUTSOURCING not examined comprehensively . 	<ul style="list-style-type: none"> ■ Not in use OR ■ Used only by Finance OR ■ Used off-line and not contributing to day to day management (budget custodian checks manually for key expenses) followed by monthly reports..



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3	4	5	6	7
<p>Online Business Intelligence</p> <ul style="list-style-type: none"> ■ Not in use because no one initiated OR ■ Perceived to be difficult and expensive and therefore not in use OR ■ The manual methods work and people do the MIS every month end 	<p>Online Project Management</p> <ul style="list-style-type: none"> ■ Module not available OR ■ Available but difficult/ complex and therefore not used- details maintained in a spread sheet offline 	<p>Online Travel Management</p> <ul style="list-style-type: none"> ■ Manual or dependant on Admin or Travel desk OR ■ In-house package/ standalone package with workflows for approval and not integrated to financial system AND No online reports. 	<p>Online packages for Utilities etc.</p> <ul style="list-style-type: none"> ■ Limited to payments in Accounts payable and no online control or analysis 	<p>Online Employee Expense and CTC</p> <ul style="list-style-type: none"> ■ Manual and dependant on formats filled by employees and sent across for approvals and processing OR ■ In-house package/ standalone package with workflows for approval BUT not integrated to financial system AND ■ No online reports

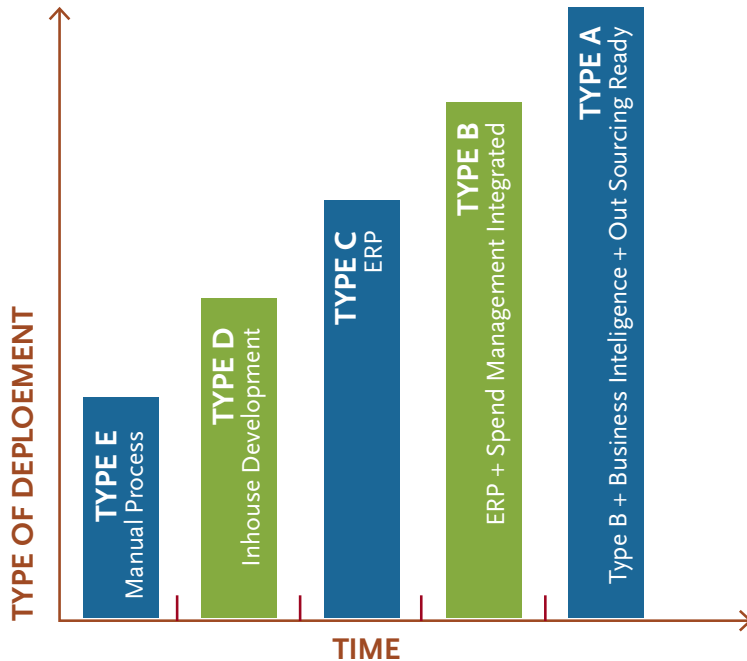
IN PRACTICE

The responsibility of managing the complexity of the changing environment, with company growth while ensuring quality and integrity of financial data is a big burden to carry. The sunk cost in the existing systems is an impediment to the newer integrated solutions that link the “bottom of the pyramid”. These options are cost effective and pay for themselves.

Due to the historical nature and set-up of existing systems and the reports, organisations most likely see and manage spend once a month at the

functional head and CXO level. Let us therefore examine online possibilities that enable granular spend information and control. They have been provided as check points in TABLE- I:

Having established facts that necessitate online control of spend in an integrated fashion, it is prudent to determine the status of the current deployments in organisations through a simple classification on current deployment “Type”. This is shown in the illustration and explained in TABLE-II.



THE KEY MESSAGES:

- A** Your organisation most likely needs a spend management solution to compliment your existing financial system.
- B** The spend management solution automates the accounting framework while linking spend to the initiation stage.
- C** The spend management solution makes your spend granular and delivers cost savings, compliance, financial productivity and employees satisfaction (TABLE: I); outsourcing readiness gets established.
- D** On line spend management solution is different from a spend analysis software.
- E** Use TABLE-II to determine your “TYPE” of current deployment.
- F** Every CXO has a role to play in spend management solution. **CFO**

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Type	Type E	Type D	Type C	Type B	Type A
Spend Management	Manual system	In-house packages (but disintegrated)	Branded ERP or Financial system	ERP + integrated Spend Management Software	Type B + Business Intelligence+ Out-sourcing Ready
Description	Spread sheets and paper formats rule; people and hidden costs are very high	High degree of support staff to maintain the systems; best practices not necessarily in use; integration not achieved	Surprisingly majority of the transactions are still manual; compliance is still an issue; system does not drive cost savings	Bottom of the pyramid gets integrated; Compliance by Design gets practiced; Spend visibility enables breakthrough cost reduction; a fair amount of decision support.	This is an evolved state; the organisation focuses on Continuous Improvement; right information is available at all points of time for strategic reviews.