

# Four Steps to **Controlling** Company Spend

An excerpt from the full whitepaper: “Creating Certainty in Uncertain Times”



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## Four Steps to Controlling Company Spend

1. Consolidate All Employee Spend in One Place
2. Manage Faithfully to a Budget
3. Review and Refine Your Invoice Process
4. Mine Your Spend Data for Hidden Insights



# Four Steps to Controlling Company Spend

## Step 1: CONSOLIDATE ALL EMPLOYEE SPEND IN ONE PLACE

Think about the myriad of ways your employees spend – through travel suppliers and travel management companies (TMCs), personal and company credit cards, vendors, even their favorite ride-hailing apps. Furthermore, employees can spend anywhere – at home, in the office, or while traveling. You want to be sure to capture every bit of that data when and where it happens.

Collecting employee spend information is a great start, but it's only part of the formula. Once captured, that data should live in a single repository, accessible by everyone who can use the information to inform decision making. For maximum efficiency, the system should easily accept data from different sources and properly collate and display the details.

### HOW THIS CREATES STABILITY:

As another old adage goes, you have to see it to control it. Having all of your spend data in one place fosters better decision making throughout your organization. When you democratize information, you arm everyone in your business with the tools to protect and properly manage company resources. And don't forget the value all that historical data can lend to future planning and forecasting.



Collecting information close to the source also helps ensure that data is accurate and timely. Delayed or incorrect data is as bad, if not worse, than no data at all. Minimizing the steps and touches between spend and reporting reduces errors and latency in information.

## Step 2: MANAGE FAITHFULLY TO A BUDGET

Every year companies and their individual departments go through the painstaking exercise of creating budgets to help guide spending for the next 12 months. So why is it that we so often spend more – or less – than we've been allocated? One reason might be that while companies see the value in budget planning, they don't always follow up with similar effort in managing those budgets.

A budget number is really just that, a number. It's the spend against that number that makes a budget valuable. To get the most out of your budget all associated costs should be assigned as soon as dollars are requested or spent. Timeliness is key. If there's a lag in posting that information you won't have an accurate picture of how much budget is available at any given time, which renders the budget useless. Capturing expenses in their entirety will further improve accuracy.

### HOW THIS CREATES STABILITY:

Some of the reasons for keeping to a budget are apparent. The most obvious is that it discourages overspending. But there are less intuitive benefits as well, such as reducing underspend. Think back to that arduous budget planning process. There were likely strategies for the money that was requested and allocated. Not spending it could mean some opportunities were not pursued, which in turn could leave business objectives unmet.



And what about next year's budget? Have you ever just added 10% to the current budget and hoped that would be adequate? If so, how did you justify that amount? Think of how much easier and more precise requesting money for next year would be if you knew exactly what was spent this year and on what.

Lastly, staying within budget provides agility to manage uncertainty – good or bad. Knowing how much money is in the so-called pot can help you mitigate negative circumstances or allow you to take advantage of unforeseen opportunity. In both instances, you are ensuring resources are available when and if you need them.

### Step 3: REVIEW AND REFINE YOUR INVOICE PROCESS

Paying vendors is a regular—and costly—activity for any business, both in terms of the hard dollars spent on goods and services, and the soft dollars (which may be costing you more than you think) to manage the multi-step requisition and payment process. Giving this critical workflow a thorough once-over can help expose areas of weakness and cost saving opportunities.

To do this effectively, you'll want to scrutinize your entire system end to end, from the first step of purchase order creation through to vendor payment. In particular, pay attention to common – and error-prone pieces – such as invoice matching, PO's, and goods received. When it comes to reconciliation, you want to make sure you got what you paid for before sending payment.

Along with reviewing the process, this is a great time to double-check rules for things like routing and exceptions. Do approvers have what they need to make accurate and timely decisions? If there are discrepancies is there a clear path for resolving them? Lastly, give your AP / finance manager the proper tools and information to help them provide oversight and ensure accountability across the entire process.

#### HOW THIS CREATES STABILITY:

Vendor payments likely account for a large portion of your business expenses, and chances are your vendor eco-system has grown over the years. With a lot of moving parts, multiple touchpoints, and time between order and delivery, leaks in the system are not uncommon. Plugging those leaks with good process and practice can improve an integral part of your operations.



For instance, consider the difference it would make if you were paying all your vendors at the best time to optimize cash flow. Imagine the stability that could provide. Fine-tuning this process can even help you take advantage of perks such as early discounts to save your business money or reduce volume of payments altogether.



## Step 4: MINE YOUR SPEND DATA FOR HIDDEN INSIGHTS

A final key to controlling your spend is to really understand it and then put that information to work for you. Analysis should be conducted regularly throughout the business, from financial leadership on down. Track spending by category, vendor, cost center, team, employee – whatever makes the most sense for your business or individual departments. Different teams are likely to look at different things, so having flexibility in how people can view and manipulate spend data is key.

### HOW THIS CREATES STABILITY:

Having comprehensive, timely, and available spend information provides almost boundless opportunity to answer questions about your business, from the simple to the complex. If yours is like most organizations, you want to know how you can run better. Devote some time to looking at trends, inconsistencies, and opportunities for when and how you spend money, and it will yield dividends.



Now that you've got some ideas for controlling spend let's talk about the second part of the equation – compliance.

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