Intelligent Spend Management

Tackling the complexities of modern spend management
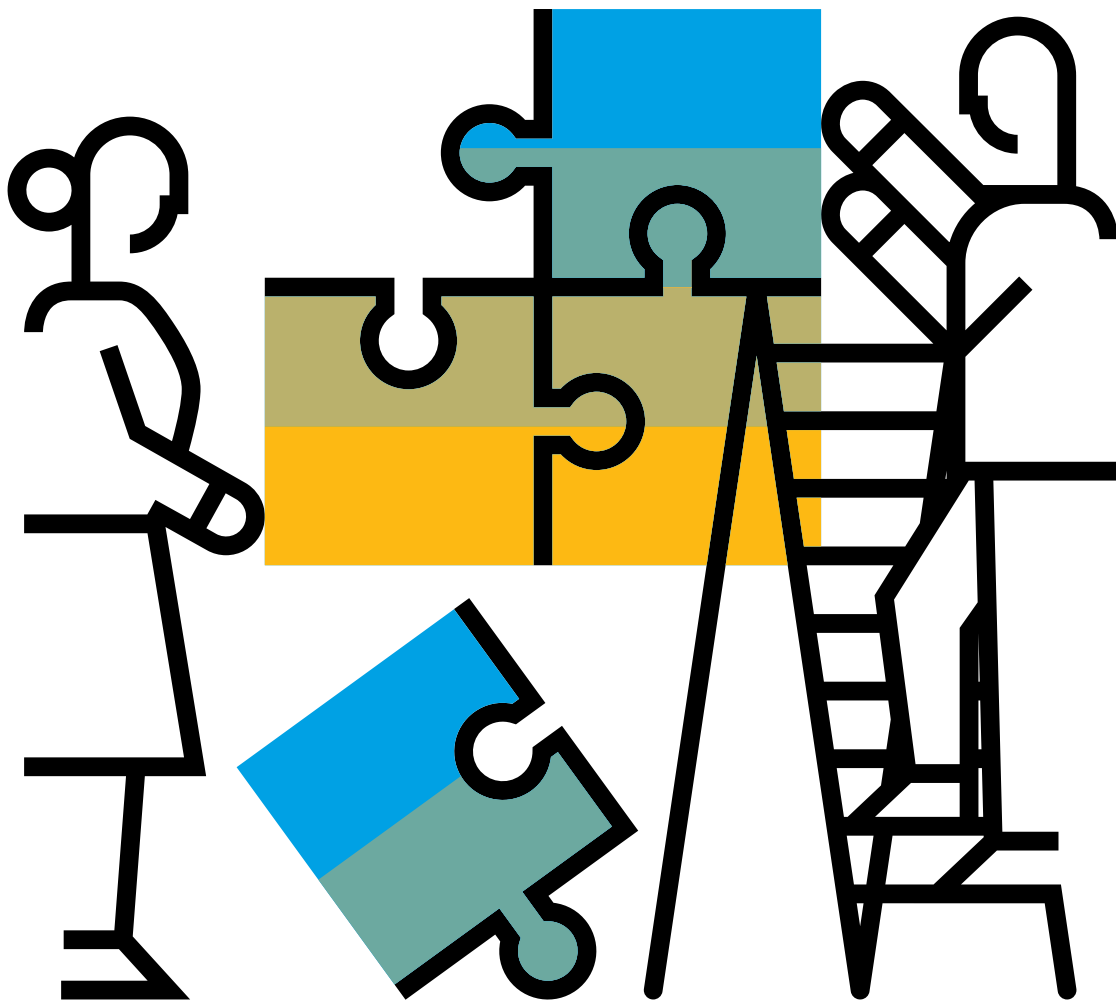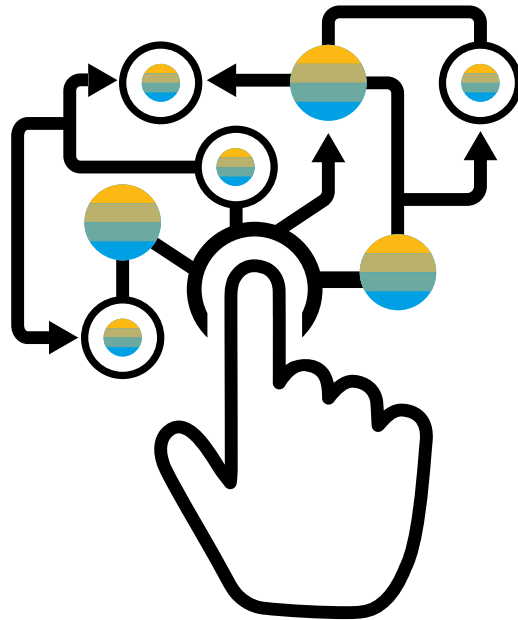

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Business leaders are under a lot of pressure in today's increasingly complex world. Leaders have to weigh spending on growth against controlling spend as they respond to the demands of a fast-moving digital and global economy.

The balancing act of managing and optimizing spend, while staying agile, is hard. Growth forecasts have to be measured by risk tolerance – but the risk is hard to define. In today's unpredictable world, implementing a real-time, Intelligent Spend Management strategy is the best way to minimize uncertainty.

The Spend Management Mandate is Expanding

"We see customers go through the exercise of automating systems around **travel management, employee-driven expenses, external workforce spend, and direct and indirect procurement,** but when they come out the other end they need those systems to talk to each other to get business-wide benefits."

Mike Eberhard, President SAP Concur

Finance, procurement, supply chain, and IT leaders are being asked to work together more closely than ever to tackle broader business challenges. While each group has a unique function, spending decisions are being made more quickly. Investment decisions that were once made across the span of years, are now made in months.

For example, an energy company CFO used to have 10 years to make an investment decision in a power plant, now the incremental investment is one windmill.[1] They need to be able to react in real-time. CFOs now need data at their fingertips that used to take several months to compile. They need the capability to bring their spending data together in a way that is accurate and unified.

Leaders are asked to collaborate closely in order to tackle a much broader set of requirements and complexities. Adapting and responding to changes in the marketplace—ultimately creating new business models and tapping into a new and changing workforce—is critical. To develop a strategic approach to spend management, decision makers rely on data.

Incomplete data tells an incomplete story, and over half (56%) of CFOs say the metrics they have don't accurately measure business performance. How can financial teams make sound decisions when over half (52%) say they are working with outdated planning tools and processes?[2]

The view of data is further complicated as companies are automating systems to address individual needs like travel, expenses, and procurement, without ensuring these systems talk to each other. Information silos create a lack of visibility that inevitably impacts the bottom line with 50% of CFOs citing margin erosion due to inefficient decision making.[3]

For a strategic edge, leaders in finance, procurement, supply chain, and IT have to work together to find previously hidden costs and opportunities. To make that happen, their data also needs to work together.

[1] A view from the top: Holistic Spend Management for Financial Control – The Economist Intelligence Unit, 2019
[2] Gartner Finance Priorities for 2019
[3] Gartner Finance Priorities for 2019

Come Together Now - Eliminating Silos

Taking on these challenges requires total control of each category of spending as well as a broader, comprehensive way to orchestrate spending and policy across categories. But traditional solutions can't do both. Certainly, each category of spend—from travel and expenses to direct and indirect to consultants, contractors and an extended workforce—have unique nuances that require specific workflow, functionality and processes.

But tackling broader business issues requires being able to work across categories. Only with transparency into spend—every time money is spent—can companies gain better control.

This is especially important as growing a business in a global economy pressure tests every system across the organization. Which means capturing and using the right data can be more challenging than ever. All systems have to communicate so that data comes together quickly and gives leaders the visibility to make decisions and respond to the rapid pace of change.

"For our customers, it's about bringing partner networks and ecosystems together to capture **every source of spend, across each category, for one unified view;** freeing businesses to focus on more important challenges."

Barry Padgett, President, SAP Ariba & SAP Fieldglass
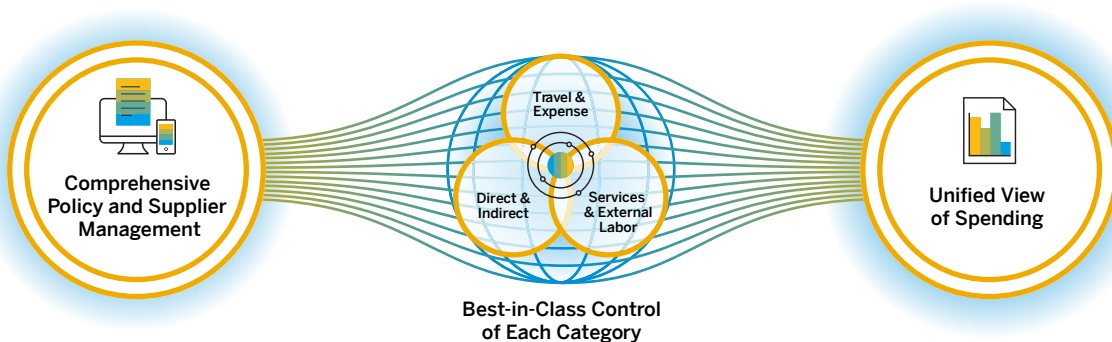
Managing an Increasingly External Workforce
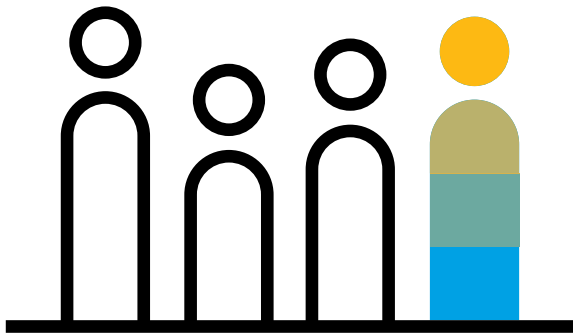
Intelligent Spend Management requires a comprehensive view of spend across the organization. Accurately accounting for and managing an external workforce can be difficult as this workforce includes a broad array of independent contractors and temporary staff as well as services providers like agencies, consulting firms and facilities management companies.

And the external workforce is much larger and more strategically important than many companies realize. It accounts for 44% of workforce spend. Organizations recognize the pivotal role this workforce plays, with 65% of the research participants saying external workforce is important or extremely important to operating at full capacity and meeting market demands, and 68% stating it is important or very important to developing or improving products and services.[4]

The external workforce is changing the way work gets done in organizations of all sizes and across all industries, but it is frequently under-managed. Purchasing people-based services is much more complex than buying materials and comes with its own risks. For example, non-payroll workers and services providers typically have access to client systems and facilities, and they may require certifications or background checks to perform their roles. Despite these risks, many companies struggle to gain visibility of the external workforce and cannot manage it effectively.

SAP knows the stakes are high, and offers a best-in-class solution to help organizations source, engage and manage their external workforce easily and effectively. As a result, companies gain visibility into who is working where, what they are doing, progress against milestones, and quality of work. This rich insight enables companies to spend better— engaging the best non-payroll workers and services providers to deliver maximum business value.

[4] External Workforce Insights 2018: The Forces Reshaping How Work Gets Done, a research study conducted by SAP Fieldglass in collaboration with Oxford Economics

Procurement in a Global Marketplace

In today's global marketplace, procurement has to push beyond replicating manual processes. To transform their supply chain and spend management processes, procurement has to find new ways to collaborate from source to pay so they can compete in a global economy.

A global network with an integrated source-to-settle suite uncovers a company's competitive edge by connecting buyers with suppliers and other business partners via a digital marketplace. Organizations can access, exchange, and manage transactions with their business rules built-in. They can control costs, more effectively manage spending, and minimize supply chain risk—all from the same platform.

There's huge value in real-time transaction processing, on a global scale, with millions of trading partners. SAP's business network empowers buyers and suppliers to extend collaboration to product design, innovation, and product delivery. This means organizations can capture up-to-the-minute progress reports on teamwork within and across organizations.

By enabling new collaboration potential, digital networks bridge the information gap in source-to-pay operations and reduce the complexity of compliance, both of which are even more difficult to execute on a global scale. Before a transaction takes place, suppliers are vetted and business policies monitored. And as supply chains grow more complex, the ability to collaborate becomes even more valuable.

And as procurement's reach extends into a treasury function, SAP's network allows buyers and suppliers to collaborate on payment timing, managing cash, and working capital to their mutual benefit. Meanwhile, suppliers of all sizes can pursue new sales opportunities. SAP provides a valuable e-commerce channel that levels the playing field, enabling small businesses to compete with large enterprises for new business taking advantage of today's global economy.

3.8 M+
connected companies transact $2.6 trillion in commerce on the SAP Ariba network

60%
SAP helps lower costs with a 60% average reduction in operating costs[5]

50-75%
faster transaction cycles means greater efficiency[6]

[5] SAP Ariba Fact Sheet
[6] SAP Ariba Fact Sheet

By Air, Sea, or Land

So much can be accomplished via a video conference, but travel remains necessary – especially when expanding into new markets. Travel and expenses are one of the largest areas of spend for a company outside of capital expenses, and they are completely in the hands of individual employees. In today's global market, businesses must account for all the ways people travel, from approved suppliers to direct bookings and consumer applications, cash expenses and international taxes and currency fluctuations.

Moreover, traveling to a new location presents new logistical issues for businesses. Companies have to plan for how many days a foreigner can work in the country before paying local income taxes. They must make sure all spend is in-policy, especially when policy and local customs are at odds, or when the receipt is in another language.

SAP helps manage all of these sources of spend, making sure employees are spending in-policy, helping businesses manage cash, and understand the ROI of travel costs. Now finance has the tools to manage the entire travel request to reimbursement process with user-friendly tools that provide transparency. And these tools allow finance to easily find spending and policy errors as they happen and correct them in real time. Administrators can see where spend is happening, to easily find insights and ensure compliance. Especially crucial in times of increased travel, companies can use traveler location data to find employees and contractors to assist when they need help, fulfilling the organization's duty of care and keeping their employees safe.

This happens thanks to an integrated data platform, machine learning, digital assistants, and industry-leading analytics, keeping an eye on the business during uncertain times.

Finance employees save **500 hours a year** from an integrated expense, travel, and invoice solution[7]

[7] AMI-Partners Study: Elevate Business Performance and Better Manage Spend with Automation—The Small and Medium-sized Business Expense, Travel and Invoice Management Landscape, 2018

A Single View

Achievable Results

Expanding a business is more than signing a lease and hiring new people. There are so many variables that assessing the total cost and risk is harder than ever. An Intelligent Spend Management system gives financial teams insight into spend and exposure across every category via a "single pane of glass" view so that finance can reduce risks, uncover opportunities, and increase agility in an ever-changing world.

A single view helps make sure spend lines up with corporate priorities, so business leaders can fund innovation and growth as well as their core business. They get up-to-date visibility into all KPIs, helping them dive in to take action. Front-line managers can spend wisely using powerful ad-hoc analysis and predictive algorithms.

All of these tools and insights feed continuous improvement. Cross-category spending can be automatically fed into supplier management systems to inform the next round of negotiation and contracts. The result is a closed loop that helps leaders more effectively manage and control all spending.
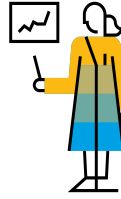
Business leaders are challenging the perception of being the person that says "No" to every cost; Intelligent Spend Management helps to ensure that spending moves the entire business forward—transforming them into the facilitator of the business. Deeper, real-time information is transformative, enabling total control of each category of spending as well as broader orchestration of spending and policy across categories. Intelligent Spend Management allows leaders to strike the delicate balance of optimizing spend while increasing business agility.

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