

How Finance Leaders Can Fuel Business Growth Through Spend Management

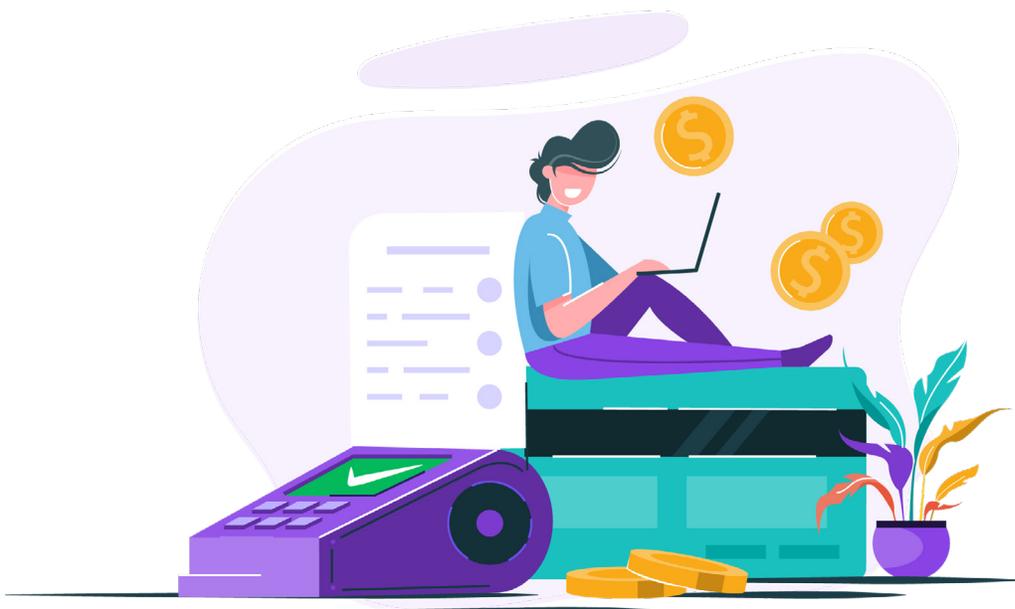
The pandemic brought about many changes to business such as mass transition to [remote work](#), economic uncertainty, and disruptions to both the revenue and expense sides of operations. In this guide, we'll learn why priorities like spend management reflect what finance and accounting leaders are focusing on right now and why.

At any given time, there are countless buzzwords floating around the tech industry. Reflective of the current environment, these trendy terms offer valuable insight into strategic areas of focus for businesses. In the face of the [economic uncertainty brought on by COVID-19](#), the buzzwords are shifting and bringing with them new areas of focus with businesses looking to accounting and finance for leadership. Words like risk management, automation, workflow processes, and cloud-first are just a few examples of shifting priorities. Touching all of these areas is another important trend: **spend management**.

But what is spend management? More importantly, why should it be a key area of focus for software companies during a recession?

What is Spend Management?

[Spend management](#) is a comprehensive framework for managing all company spend. This approach extends beyond just recording and reporting of expenses. It is also the process by which a company actively controls its variable spend, including employee expenses and discretionary costs. By looking at the whole picture, a business can make strategic decisions that position it not only to survive a downturn, but to thrive. **We cover five reasons finance leaders at software and SaaS companies need to make spend management a top priority.**



1. Spend Control Should Be Top of Mind

Leaders look to CFOs to not only ensure the books are closed properly, but for expertise in improving business operations to meet strategic goals and weather uncertainty. During an economic downturn, it's natural for all businesses, including software companies, to tighten their belts and look for ways to control spending.

This is where spend management comes in and why it's crucial to be well versed in this emerging framework. No business can truly predict the [impact of a recession](#) on its bottom line and profits. Even high margin industries such as software need to be cognizant of spend. Implementing a comprehensive spend management system, developing an appropriate spend policy, and assessing the organization's spend culture helps companies control costs and position them to thrive through uncertainty.

Hold on. What is the Difference Between Spend Management and Expense Management?

Expense management is not the same as spend management. It's important to note that implementing a successful spend management system requires a shift in focus from the more traditional approach of expense management. Expense management is strategic only as a component of the broader framework of spend management. That is, while expense management is designed to process, pay, and audit employee expenses such as travel and entertainment, spend management encompasses everything an organization spends from software subscriptions, advertising spend, and employee expenses to stay in business and keep that profit high.

Spend management is a philosophy, framework, and software category that helps companies manage direct expenditures and control discretionary costs to improve the bottom line and influence strategic business decisions for all stakeholders.

This includes overseeing all activities in the entire procure-to-pay process including requisitions, approving, purchasing, receiving, paying, and analysis of company spend. Spend management helps all leaders understand the value of their spend relative to the operations of a business.

2. Analyzing Spending Leads to Better Business Decisions

Perhaps the biggest challenge the pandemic has brought with it is uncertainty, which in turn has compromised everybody's ability to confidently make decisions.

Although software companies have predominantly focused on revenue building, customer churn, revenue churn and customer lifetime value (CLV), overall metrics and KPIs are about managing to the bottom line and spend management is a key component of this. It's time to start building a stronger foundation for making sound business decisions through spend metrics and insights.

Translating the raw data of what is being spent and where, into actionable intelligence drives better business decisions. Analyzing spend generates valuable insights that help software companies:

- Budget for best and worst case scenarios
- Streamline its procurement strategy for challenging times
- Identify spend that can be deferred

These are just a few of the ways spend analysis can benefit decision making, but with visibility into spend, data can be sliced and diced based on a wide range of KPIs, including:

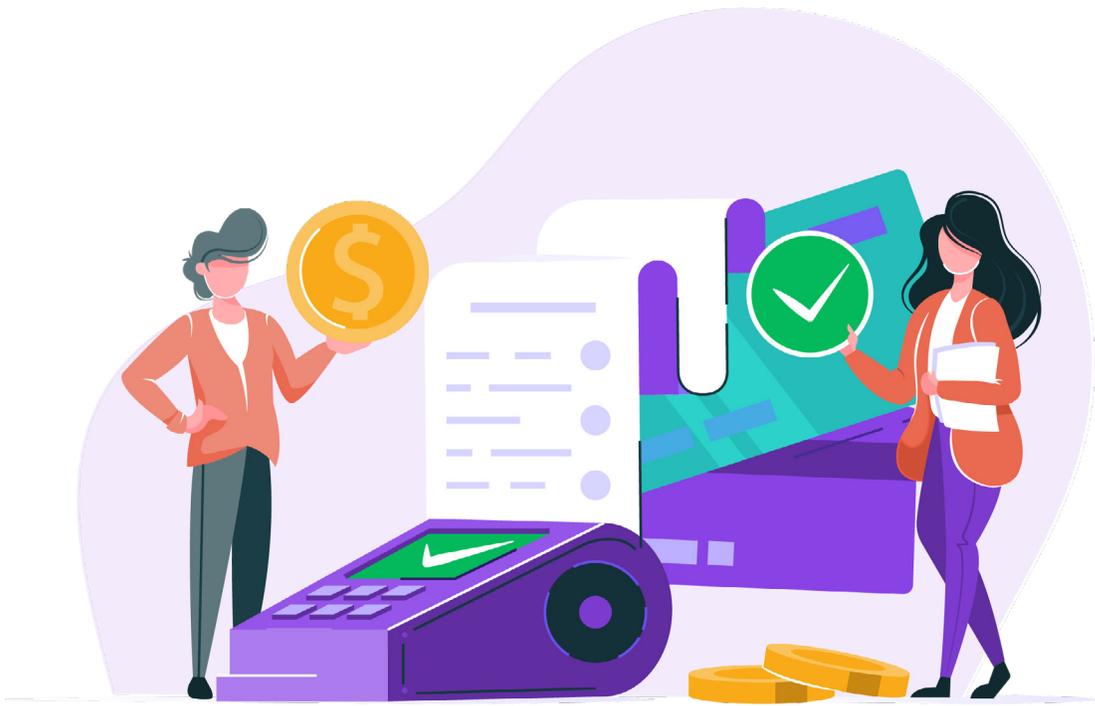
- **Customer Acquisition Cost (CAC):** Sales and Marketing spend impacts how much it costs to acquire new customers and when times are tough, CAC will likely go up. By improving tracking and management around sales and marketing spend, software companies can ensure this cost stays as low as possible.
- **CAC to LTV Ratio:** This ratio is important to most software companies as it measures the lifetime value of customers and the total amount of spend required to acquire them. By gaining better control of the total of marketing and sales spend, companies can ensure this ratio doesn't drop to dangerously low levels.

3. Discretionary Spending is Often Overlooked

When it comes to discretionary spending, it's easy for organizations to get caught up in reducing expenses related to travel or meals and entertainment and consider its job done. The reality at the moment is that these expenses are naturally being reduced during the lockdown.

For most businesses, there are other aspects of discretionary spend that are easy to miss simply because they don't know where to look. Items like recurring IT subscriptions that are no longer valuable or being used are just a couple of examples of items that can be overlooked. With a complete picture of spend, it's much easier to identify costs that aren't essential for the operation of the business. You can then analyze how much of this spend is making the company more efficient and actually bringing in new customers.

Ultimately, a company's individual [Spend Culture](#) will dictate how it values different areas of discretionary spend, so there isn't a one-size-fits-all solution to reducing this. However, a holistic spend management approach helps identify where savings can be realized, and these savings can be reinvested in initiatives to boost the customer base and grow revenue.



4. Spend Management is Crucial for Distributed Teams and Remote Work

At the best of times, different parts of an organization work in silos with each department that spends money to achieve its strategic goals.

With the majority of software companies now working remotely, this situation has only been exacerbated and finance and accounting teams are searching for the [best tools](#) to boost productivity while working from home. This is especially true for teams that relied on manual or verbal processes for approving purchasing and expenses. In a distributed work world, these informal processes create frustrating bottlenecks that compromise efficiency.

If new software subscriptions are required to help the sales and marketing teams boost its lead generation campaigns, how are these being tracked and monitored on a rolling basis? With everybody at home and working alone, keeping all requests and approvals in one source of truth can save hours of time and investigation.



5. Spend Management Improves Risk Management and Internal Controls

Are your internal controls working as expected?

Is every member of the organization complying with your spend policy?

Hm. Do you even have a spend policy?

These are important questions for finance and accounting leaders to ask, and the answers can be found by analyzing all aspects of company spend with a platform to round out the basic [financial tech stack](#).

This type of analysis not only allows for the improvement of internal controls and spend policy, but it also enables effective risk management by highlighting areas where trouble could arise. For example, identifying unapproved purchases or overspend in certain departments will help you stay on top of cash outflows and ensure you can [extend your runway](#).

How to Operationalize Spend Management

To start reaping the benefits of spend management, you'll need to "operationalize" it by making it part of your company's normal, everyday business operations.

Skip this step and your spend management risks becoming a philosophy that isn't used regularly or—gulp!—forgotten about altogether.

To kickstart ideas on how to introduce spend management into your business's day-to-day, here's how some companies have operationalized their spend management solution by making it part of their normal business operations.



Invest in a spend management platform that supports your current way of working

When unicorn tech company [Cabify was looking for purchasing software](#), they knew it had to be simple and easy to use in order to be adopted quickly by everyone in the company.

As a cloud-based company with up to 2,000 employees, they didn't want complex processes. The solution was to find a spend management platform that could support their current way of working and support their fast growth. So they invested in [Procurify](#) (that's us!)

With a cloud-based platform that was easy for anyone in the company to pick up and use, the Cabify team was able to achieve greater visibility into company purchases, reduce purchasing cycle times, and improve the flow of information into their financial system. As a plus, they were even able to integrate Procurify, directly with their accounting system, [NetSuite](#), to optimize the process even further.

Make sure employees can use it wherever they are

How do you operationalize purchasing software when your employees are remote or decentralized?

With a workforce of almost 300 operating across 49 states, this was Cennox, Inc's challenge. The company needed a better system to approve items before purchase and learn about the status of their budgets before month end.

[Choosing a purchasing platform that employees could use on mobile](#), no matter where they were in the world, was key.

With cloud-based purchasing software that worked on desktop and had a native mobile app, Cennox was able to operationalize their purchasing software and regain control over company spending amongst a workforce that remains scattered across the country to this day.

Integrate spend management software with your accounting/ERP system

Some companies choose to operationalize their purchasing software by [integrating it directly with their ERP system](#).

This setup can introduce automation into the requisition and invoicing process, and eliminate a long list of time-consuming administrative tasks (things like creating POs every time an invoice receipt is available, or manually checking every line item and every invoice).

That might not sound like a lot on paper, but for SkipTheDishes the time-savings have been significant. The company has achieved a median purchase cycle time (from request to receive) of 65 minutes—not bad for a company with over 2,300 employees and \$7.5 billion dollars in spend!

Start monitoring spend in real-time to improve the budgeting process

As a fast-growing software platform for non-profit organizations, [Charitable Impact](#) uses spend management to make business processes and budgets more manageable. Before using spend management, budgeting was impossible without knowing exactly why, how, and when the spend was happening. Most spending was expense-based, dooming the company to adjust the budgets reactively.

By integrating their spend management platform with their accounting system ([QuickBooks Online](#)) and their communications channel (Slack), the team at Charitable Impact now has full budget visibility and can control recurring marketing spend, manage multiple vendors, organize events, and submit expenses.

“Being able to track spend in real-time allows you to make better decisions.”

DANIEL NIELSEN, DIRECTOR OF MARKETING AT CHARITABLE IMPACT



Spend Management: The Bottom Line

As companies continue controlling costs in a crisis and work through the fallout from the global pandemic, it will become clear that spend management is more than just a fad but a valuable framework to help software companies analyze spend, manage risk, and make sound business decisions.

With the help of a robust spend management framework and solution, finance leaders can:

- Gain valuable insight into spending across the organization to improve visibility into the changing levers behind CAC and other important KPIs
- Make sound decisions based on spend data
- Improve purchasing workflows
- Identify cost savings and improve cash allocation so that resources can be reinvested into customer growth programs

With strong leadership from accounting and finance teams, these activities can prepare an organization to push through these unusual times and position it to succeed as the economy improves.

Intrigued? Want to learn more about spend management? Check out our whitepaper [Spend Management for Fast Growth Companies](#).



About Procurify

Procurify is a spend management software platform that helps organizations proactively manage spend to drive operational efficiencies and business growth. Companies can request, approve, and track the resources they need to move the business forward through real-time data, streamlined procurement workflows, and valuable spend insights. Procurify has managed over \$7 billion dollars of organizational spend around the world and integrates with major ERP accounting systems such as [NetSuite](#) and [QuickBooks Online](#).

Interested in trying a spend management platform? Book a free, customized [demo](#) and learn how Procurify can give you real-time spend analytics to help your company grow and gain strategic control of costs.

A version of this content originally appeared on AccountingWEB.

