
Seizing Control of Corporate Spend

How Spend Control software is making
the company cost-base transparent for
today's CFO

White Paper

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Notes:

Introduction

Few Finance Directors can truly say they have expenditure under control. Few have visibility of costs and commitments and few can proactively manage budgets. Even in today's world of expensive ERP, business intelligence and corporate automation systems, few company executives can influence what their organisation buys, from who and on what terms?

When it comes to expenditure most company directors still occupy a reactive management role. They have no real means to tighten the corporate belt during tough times or even to avert financial disaster before it occurs.

Yet the pressures to improve corporate governance are greater than ever before. In the wake of a series of accounting scandals, the on-set of a Global "credit crunch" and

continued instability across the Middle East, means that businesses are under intense pressure to perform. And this means justifying all expenditure, demonstrating control and keeping a firm eye on the bottom line.

Perhaps it is because of these increasing pressures that a new wave of enterprise software is gaining popularity. More and more organisations are implementing Spend Control software to take control of expenditure, improve cost-base visibility and ensure that value for money is truly achieved.

This paper examines how Spend Control software is deployed across some of the world's leading organisations, and in multiple business sectors, tackling these problems head-on.

"It surprises me how much companies really don't know about what they're spending money on"

Christa Degnan
Aberdeen Group

Common Expenditure - Related Problems

Few would question the need for Spend Control software. A recent survey from the Chartered Institute of Purchasing and Supply in the UK suggested that as much as 60% of corporate spend is uncontrolled, meaning it does not have proper management approval and it cannot be properly accounted for. For most organisations the process is just too onerous. It is easier for staff to ignore the formal purchasing procedure and do their own thing, without any useful insight into budget availability.

Even more worrying than a lack of control, however, is the complete lack of visibility in most organisations. “It surprises me how much companies really don’t know about what they’re spending money on,” says Christa Degnan, supply-chain research director at Aberdeen Group Inc. in Boston. “They’ve never had granular detail on who they’re spending with, how much, and why they’re spending.”

Pierre Mitchell, vice-president of research at AMR Research in Boston, agrees. “If you don’t determine how much you’re spending by supplier, commodity, and business unit, you’re running blind,” he says. “You have no control over your spending.”

Today’s difficult economic climate sees a growing number of organisations are seeking to tackle these problems. Whereas recent years have seen CRM and revenue-enhancing technology at the top of the IT priority list, today’s focus is very much on solutions that tighten financial prudence. “Over the last 10 years companies invested heavily in systems that influence and monitor revenues,” says Rod Jones, CEO at Spend Control specialist the PROACTIS Group. “What we’re seeing today is the same degree of importance being placed on the cost-base – companies want visibility of costs and the cost pipeline and they want confidence that expenditure is under control.”

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Spend Control Solutions

Spend Control addresses functions such as spend analysis, procurement cycle automation, procurement sourcing, approval control, budget checking and commitment accounting, supplier invoice reconciliation and employee expenses.

PROACTIS Group Ltd, a leading Spend Control specialist, believes that in most organisations the failure to manage expenditure stems from a fragmented procurement cycle. “The purchase order processing software that comes with most ERP or accounting systems doesn’t go far enough to help most large organisations,” says CEO Rod Jones. “Spend Control software is about getting all expenditure-related data in one place, thus enabling good analysis and proper process control.”

The uptake of this technology has accelerated over the last 18 months as software has reached maturity. “If I was counselling a CFO, I would tell him the software is now mature to the point where it does the job well,” says John Christensen, a partner with Deloitte Consulting in the firm’s global procurement and sourcing practice.

Rod Jones from PROACTIS Group adds, “New Spend Control success stories are emerging every week now, ranging from small pilot installations through to major international roll outs. This is creating a snow-ball effect as other companies follow suit.”

Just a few of the expenditure-related problems experienced in most organisations today:

- Paper-based buying is inefficient & frustrating
- Frequent over-spending on budget
- Purchases are often unauthorised
- No visibility of the ‘cost pipeline’
- Accounts Payable staff have an impossible job
- Inability to analyse suppliers & performance
- Too many suppliers

“Our Spend Control solution is now considered to be one of only 3 business-critical solutions in the University. Not only is it helping us to live within our means, but it also offers new opportunities to reduce expenditure.”

Tim Fuery
University of Birmingham

One early adopter of Spend Control software was the University of Birmingham, with an implementation that is rolling out to around 2,500 members of staff. “Our Spend Control solution is now considered to be one of only 3 business-critical solutions in the University,” says Tim Fuery, Assistant Director of Finance at the University. “Not only is it helping us to live within our means, but it offers us opportunities to cut costs too.”

Hoyer Group is an international logistics company, distributing fuels, chemicals and foodstuffs for major companies like Esso, Tate & Lyle and ICI. “We piloted our Spend Control solution in our UK offices but now the software is proven to deliver the promised benefits, we are now beginning a European roll-out,” says Greg McLeen, Finance Director of Hoyer UK.

And the uptake of Spend Control is extending across a wide range of business sectors too. PROACTIS Group has witnessed serious growth across a range of services sectors, as well as retail, hospitality and distribution. The Public Sector has seen major growth too as Local Authorities and Education establishments seek to improve internal controls. “The Spend Control message is appealing to every large white collar organisation right now,” says Rod Jones. “Any business that has lots of people who get involved in the process of spending company money can benefit.”

So we have seen that the case for Spend Control is a compelling one and that many organisations are adopting this strategic approach to managing expenditure. But how do you know if your organisation needs Spend Control? The following are just some of the key performance indicators which you can use to judge your organisation:

- 1) Are more than 20% of your suppliers redundant or inactive?
- 2) Is actual / budget variance on indirect expenditure greater than 10%
- 3) Do more than 5% of suppliers' invoices require troubleshooting or clarification?
- 4) Are more than 5% of purchases made without proper management approval?
- 5) Do you struggle to analyse spend by supplier, cost centre, commodity, etc.?

A ‘Yes’ response to any of these questions might suggest the time is right for your organisation to explore the benefits of Spend Control.

5 Imperatives for a Spend Control Initiative

- Put strategy and processes before systems. Consider what is important to your business before being distracted by technology.
- Look for Spend Control software that integrates in real-time with your accounting system in areas such as general ledger coding, supplier master files, commitments, etc.
- Choose Spend Control software that is easy-to-use for all employees. If a solution is complex or confusing then staff simply won't use it and the benefits will be lost.
- Ensure your chosen Spend Control software maps to your current business processes but is also non-restrictive in terms of future process decisions.
- Select a Spend Control system that is robust – this software will be deployed across your whole organisation and any problems will knock staff confidence.

About PROACTIS

PROACTIS Group is a leading provider of spend control and eProcurement solutions with more than 350 corporate customers in over 70 countries around the world. With PROACTIS, organisations obtain full visibility, control and automation for the entire procurement process, including purchase-to-pay for routine items, as well as strategic and capital goods/services sourcing, contract management, and supplier communications.

PROACTIS solutions are distributed and implemented, either on premise or as a hosted or managed service, through

PROACTIS offices and a network of partners which includes some of the world's leading software re-sellers, consulting firms and systems integrators. PROACTIS software is designed for multi-currency, multi-language, multi-country, multi-company and multi-site operations, and seamlessly integrates with customers' existing operational systems in order to provide true spend control.

PROACTIS Group was founded in 1996 and floated on the London Stock Exchange in 2006 (AIM: phd). More information is available at www.proactis.co.uk

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