



# Overcome Procurement Challenges to Gain Significant Savings: A Checklist for Finance Teams

As hard as finance teams work to forecast budgets, implement purchasing controls, maintain frictionless expense management processes, etc., issues such as maverick spend can quickly derail these efforts.

For example, when employees make purchases from unapproved suppliers, they can create organizational risk, such as if a vendor's business practices do not align with compliance controls or if a vendor's lack of quality creates additional costs down the road.

To avoid these issues and cut costs without sacrificing performance, finance departments can turn to technology tools like [e-procurement](#) and spend management platforms that help automate [procurement processes](#) and facilitate stronger oversight.

In fact, [research from The Hackett Group](#) finds that typical procurement organizations can cut operational costs by 45% through digital transformation. As such, finance teams that add technology can more easily [reach budget goals](#) while improving processes.

The good news is that there has been progress on the technology front — 42% of CFOs say their finance departments regularly use automation and advanced technologies for corporate development and strategic planning, [according to a 2019 Grant Thornton study](#), up from 18% the prior year. However, that still leaves significant numbers of companies that have yet to leverage these technologies, and even organizations that have started to undergo digital transformation likely have room for improvement. To start assessing whether your finance department is using technology to tackle the right procurement challenges, consider whether you have strong capabilities within the following areas:





# 1.

## Spend Visibility

A common issue at all types of organizations can be a lack of spend visibility, such as where finance teams don't know about small purchases until long after they're made, which can make it more difficult to track budgets. In other cases, it may be unclear where expenses are coming from, which can create risks such as having too many purchases come from unapproved suppliers.

To remedy this issue, finance teams need to work with procurement departments to implement tools that can [track spend data](#) or at least have processes in place so that employees report the details of purchases as soon as possible after they are made.

That means being able to identify spend across:

- Tier 1 suppliers
- Tier 2 suppliers
- Tier 3 suppliers
- Individual departments
- Product and service categories

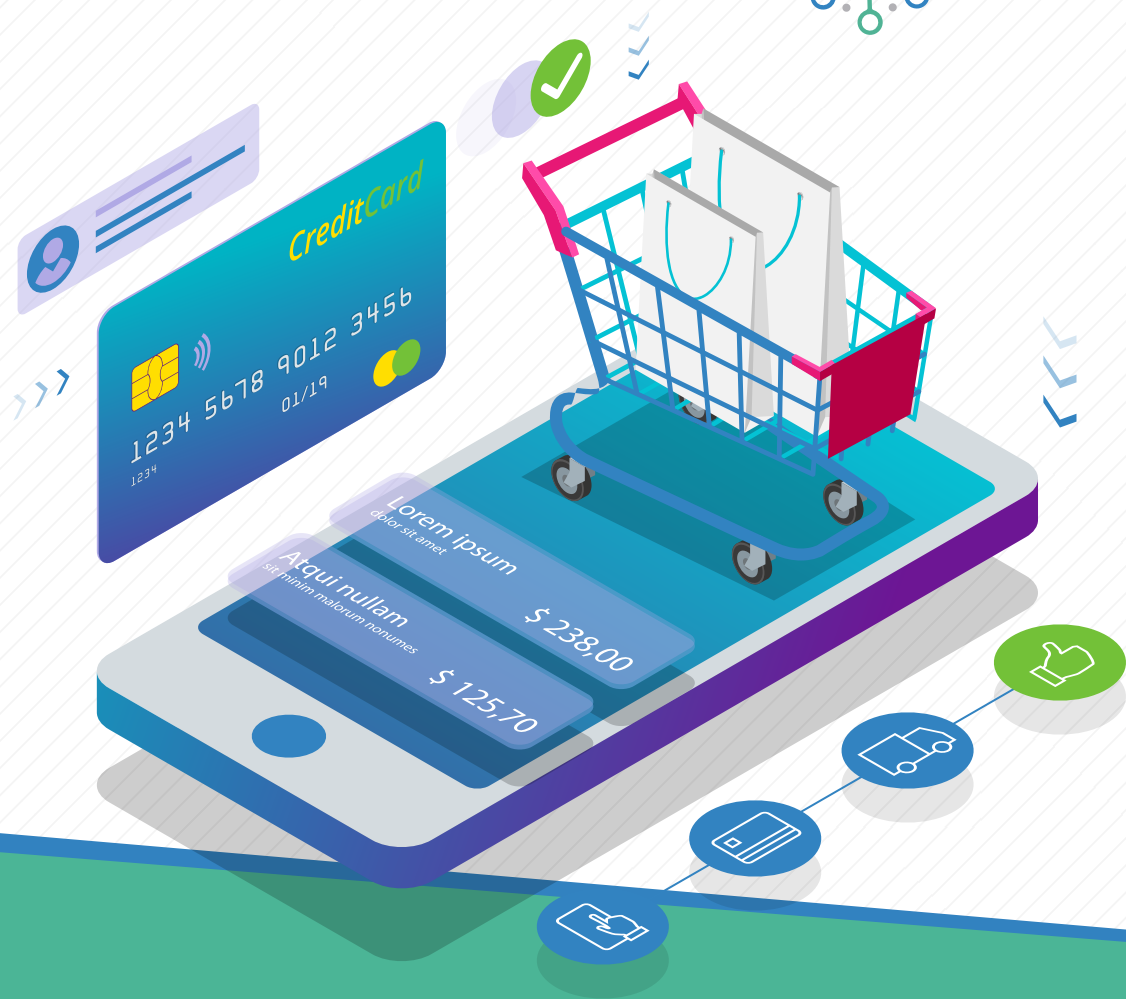


## 2. Budget and Risk Analysis

With **strong spend visibility**, finance teams can more easily see how they're tracking against budgets, but they also need to be able to gain insights from this data. Finance teams frequently face the challenge of trying to forecast accurate budgets and manage risk while sometimes accounting for factors that can seem outside of their control.

For example, if a vendor stops delivering on time, procurement teams might switch to a more expensive yet more reliable vendor. To overcome these challenges and keep costs and risks under control, finance teams should have:

- ❑ Real-time reporting to spot rogue spend that creates risk and adds cost
- ❑ Customizable metrics, e.g., comparing vendors' fulfillment history to identify unreliable vendors before it becomes a larger issue
- ❑ Interactive dashboards, e.g., charts and other forms of visualizing data to spot savings opportunities, such as by identifying frequent purchases that could be consolidated into larger orders to save money
- ❑ Predictive analytics, e.g. suggesting products from a lower-cost vendor to then either complete purchases or use as leverage in vendor negotiations



# 3.

## Purchasing/Processing Controls

Related to budget and risk analysis, finance teams can also benefit from implementing stronger purchasing controls. Yet finance departments need to put controls in place without sacrificing too much efficiency. A [Gartner study](#) finds that finance tends to be one of the slowest departments, with 73% of finance teams feeling pressure to improve their operating speed.

Fortunately, implementing stronger purchasing controls can go hand-in-hand with increasing operating speed by using automation to help streamline approval workflows, while having clear processes in place to handle areas that you do not want to automate. That means finance teams need technology and processes to:

- Automatically verify transactions that meet predefined parameters
- Set limits for purchases that require approvals beforehand rather than spending time reviewing purchases after they are made
- Automatically notify appropriate approvers
- Define a clear chain of command for purchases that fall outside of normal procurement methods
- Allow for mobile approvals to improve efficiency
- Automate RFPs/RFQs through a library of approved suppliers through an e-procurement or spend management platform
- Streamline vendor payments through a single procurement platform where possible



Finance teams that can complete the items on this checklist can better position their companies for growth, as they can reduce unnecessary cost and risk while streamlining processes.

Have questions about this guide or want to learn more about how your finance team can unlock significant savings? Request a [free consultation](#) with our product experts today.

