The Controller's Guide to Spend Management

When the Going Gets Tough: What Finance Leaders Need to Know about Harnessing the Power of Spend

Introduction: New technology gives controllers unprecedented visibility and control over company spend

Spend management as a discipline has traditionally been the domain of the procurement department, with finance being at the end of the chain to process invoices, and mired with lack of visibility to support cost containment. Controllers are demanding to review spending trends for cost containment opportunities, however lack the granular visibility needed to make "surgical" instead of broad cuts. Thanks to advances in technology, controllers have the opportunity and visibility to understand spending practices across their organizations and apply precision tools — not blunt instruments — to contain costs. With the added insight these technologies offer, Business Spend Management

(BSM) has emerged, and is empowering finance leadership to better understand — and influence — how resources are being used across their company. With increased visibility across all spend types, from COGS to operating expenses, finance professionals are better able to make the informed decisions necessary to ensure their company remains competitive.

This guide outlines how BSM technology can solve the challenges of legacy spend management processes and systems, unlock cash flow, improve liquidity, reduce risk, and enable sustainable growth. Gain insight into:

The risks of siloed spend management systems and practices

The importance of BSM to strategic financial management

The organizational control BSM technology yields

How and why finance executives are implementing Coupa BSM software and the outcomes they achieve

Challenging traditional notions of spend with BSM

Gartner defines spend management as a set of practices that ensures organizations make procurement and sourcing decisions in the interests of both the bottom line and company efficiency. Spend management is about maximizing the value of every dollar the company spends, while decreasing costs, mitigating financial risks, supporting compliance programs, and increasing process efficiency across a broad range of back office cycles.[1]

Classically, however, spend management is typically thought of as only the core transactional elements of buying goods and services. The critical differentiation is that classical spend management typically fails to view the strategic implications of managing spend in a holistic way.

BSM takes a much broader view than this, and with integrated BSM technology, it can provide finance with a powerful financial operations management tool to optimize resource allocation across the entire enterprise. BSM goes beyond traditional core transactions and captures everything that comes before, during, and after the direct action of spending money, from sourcing events, to negotiating the terms of the contract, creating purchase orders, processing invoices, and a host of other spend, cash, or supplier-related activities.

[1] https://www.gartner.com/en/finance/glossary/spend-management

TOP 10 REASONS WHY CONTROLLERS INVEST IN BSM

Increase visibility and control over spend to make "surgical" rather than blunt cuts

Effectively manage margin needs of the business

Increase productivity by eliminating manual processes to empower teams, e.g. AP

Manage cash flow in a way that reduces liquidity risk

Improve forecasting and budgeting accuracy through increased visibility in the spend cycle and avoid "surprise" cash needs

Ensure compliance of and reduce time spent on compliance processes, such as SOX, privacy, and security

Reduce supplier and third party risks by proactively identifying and mitigating InfoSec, compliance, fraud, ethical sourcing, and other risks

Allocate capital more efficiently

Mitigate risks around business continuity

Maximize efficiency of existing working capital

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As a new way of understanding and managing spend, BSM is increasingly seen alongside customer relationship management and human capital management as a core competency of successful organizations.

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> BSM is more than just procuring, sourcing, invoicing, making payments, and managing suppliers. It's about harmonizing back-office processes together to maximize overall business value. To do this, you need one platform that provides a unified view of all company spend. This helps finance teams be more agile and productive, make decisions quickly, and identify and reduce risk. "
>
> **MAURIZIO BARATTA**
> CHIEF ACCOUNTING OFFICER, COUPA

What happens when controllers don't have visibility into spend?

In 2022, most companies have been able to push input price increases onto their customers. However, for many, this strategy will take a dramatic turn by the end of the year. According to a May 2022 Gartner survey of 182 CFOs, 63% of CFOs believe their company will run out of room to pass on rising input prices and will refocus their strategies on cutting costs and seeking efficiency gains through automation.[2] Unfortunately, those still using traditional spend management systems and processes, and managing spend within silos, will be at a distinct disadvantage.

For example, a recent Coupa study of business spend transactions found that companies that applied BSM

practices saved 6.3% on addressable spend compared to saving only 2% to 3% when using traditional spend management approaches.[3] The difference in these figures is typically driven by a few key challenges, including low employee adoption resulting in low spend capture, high labor costs associated with processing transactions in multiple or redundant systems, and an increased error rate related to poor supplier adoption. Most importantly, as with any business process, siloed data sets residing within point solutions will yield multiple versions of the "truth," causing reconciliation headaches, and an inability to accurately measure KPIs.

[2] https://www.gartner.com/en/newsroom/press-releases/2022-05-19-gartner-survey-shows-significant-rise-in-number-of-cfos-planning-cost-cuts-due-to-inflation

[3] https://www.coupa.com/benchmark/2022

At the same time, procurement and accounts payable (AP) employees are laden with time consuming, manual work. For the finance team and others who rely on spend data to forecast cash flow, decisions are often made with outdated information, creating unknown risks and often leading to suboptimal working capital management. Meanwhile, procurement systems that aren't properly integrated with a core platform can result in costly duplication of workflows, with no single source of truth.

WHAT HAPPENS WHEN CONTROLLERS DON'T HAVE VISIBILITY INTO SPEND? TOP 10 CHALLENGES FOR CONTROLLERS:

- Inability to effectively manage margin needs of the business
- Lack of real-time information about business spend
- Lack of control to quickly reign in spend resulting in rogue spend
- Unknown risk exposures (e.g. liquidity, supplier, compliance risks)
- Inefficient resource allocation and lower employee productivity
- Lack of agility due to decisions based on unreliable and inaccessible data
- Financial non-compliance
- Ineffective cash flow management
- Missed forecasts and lack of financial predictability
- Lack of tracking and visibility into budgets

BSM — Case by Case

Mirati Therapeutics scaled efficiently for growth and reduced processing with Coupa

MIRATI
THERAPEUTICS

Data silos can threaten the health of a life sciences company. They prevent scientists from quickly getting the materials they need to save lives. These silos can make it difficult to prepare for the next stage of growth, such as clinical trials or an acquisition. Below is how Mirati Therapeutics responded.

THE CHALLENGE:

- Finance and procurement processes couldn't keep up with rapid growth

- Lack of visibility into spend led to financial statement risk

- Manual AP and procurement processes were prone to error and created excessive follow-up

THE RESULTS:

- **Scale:** Procurement was scaled without additional headcount despite 2.5X employee growth

- **Visibility:** Invoice traceability created greater visibility into spend

- **Efficiency:** A two-person AP team now manages 1,000 invoices a month with few exceptions thanks to nearly touchless procurement and payments processes

For fast-growing life sciences company Mirati Therapeutics, manual processing in procurement and payments was becoming increasingly risky. As Vice President of Finance Betsy Gelfand explained, Mirati's growth trajectory was making it difficult to keep on top of procurement and payments.

> " With a click of a button, I can see how many invoices are processed every week, how many are past due and what's out for end-user review. This allows me to evaluate the bandwidth of my AP team at any given moment. "
>
> **BETSY GELFAND**
> VICE PRESIDENT OF FINANCE, MIRATI THERAPEUTICS

Watch the story here

The procurement process and systems had to be automated.

With the level of inconsistency around purchasing, Gelfand started seeing some financial statement risk. "I couldn't see what items were coming through the door for our scientists, which led to accrual errors," she noted. "And we couldn't easily trace the purchases. When material would arrive, it would be difficult to determine who the order was for, and this necessitated a lot of follow-up with various department heads for approval and wasted time," she added. Meanwhile, their scientists had no visibility around the availability of their supplies, nor did they have pricing information at their fingertips.

The AP process was in a similar state of inefficiency, overloaded with manual entries, which, as Gelfand explained, wasn't sustainable for a fast-growing company. "Originally our accounts payable team was touching every single invoice."

The company turned to Coupa to address these issues — to scale efficiently for growth, reduce processing costs and improve accuracy, while making procurement and payments almost touchless.

Since adopting Coupa, Mirati has grown from 200 employees to 500, yet it maintains only two employees in procurement. "Thank goodness we made the decision to implement Coupa when we did," Gelfand commented. "Because we'll likely be adding another 200 head count by the end of 2022."

With respect to payments, Mirati is processing roughly 1,000 invoices per month with two AP staff and a manager. "That wouldn't have been feasible working with a system that requires a manual touch point on every single invoice," she said.

Another benefit of implementing Coupa was the robust reporting functionality, she added. "With a click of a button, I can see how many invoices are processed every week, how many are past due and what's out for end-user review. This allows me to evaluate the bandwidth of my AP team at any given moment."

Outreach scaled for IPO readiness, took control of spend, and shortened close by 67% with Coupa

Outreach

Implementing new technology mid-transformation can be painful. Cumbersome accounting processes struggle to manage spend and cause headaches at every close. And when there's the future to consider - a rapidly growing business, an IPO on the horizon, and talent retention - those challenges seem insurmountable. Here's how Outreach responded.

THE CHALLENGE:

- Lack of formal procurement policy led to unapproved spend

- Manual, time-consuming AP processes could not keep up with growing business needs and led to duplicative purchases

- Unapproved invoices caused last-minute, manual work that extended the close

THE RESULTS:

- **Compliance:** Strong IPO readiness with an effective SOX implementation to put the right controls in place

- **Scale:** With manual processing eliminated, the accounting team required no additional headcount despite 5X company employee growth

- **Efficiency:** A two-person AP team now manages 1,000 invoices a month with few exceptions

For Outreach, a growing provider of sales technology solutions, implementing Coupa's procure-to-pay solution was a preemptive strike. As Vice President and Corporate Controller Joe Sum commented,

"It was more about our perpetual journey, about being proactive and thinking about scaling for IPO readiness, rather than dealing with a complete failure."

Watch the story here

> Now, AP is able to do more data analysis vs. data entry, And as a result, they're more engaged. The executives are seeing the value and we got an additional head-count approved to add our first procurement person.

JOE SUM
CONTROLLER, OUTREACH

However, admittedly, the AP process was less than optimal. Before implementing Coupa, the AP team was managing invoices in an inbox, explained Maria Silver, director of accounting at Outreach. "Invoices were coming from all different vendors, and we were scrambling to find business-owner codes. There were also a lot of changes to coding after the fact, so it was a very messy process."

For Outreach, the efficiency gains of implementing Coupa software were undeniable. Initially, when the company implemented Coupa, it had 250 employees and one AP person, Silver said. "Today, we have 1,300 employees, with three AP staff managing the entire process."

At the same time, the change in AP's value-add has been dramatic. "What I've really noticed on the AP side is that the team is able to spend more time analyzing data, looking at trends, versus manual data entry." This, in turn, has had an added benefit when it comes to retaining talent, she noted. "We've been able to keep the team engaged a lot longer than what we would have if they had to just find needles in a haystack."

Coupa

Are you leaving value on the table?
The controller checklist:

YES	NO	
○	○	1. Do you have full visibility into spend across your company?
○	○	2. Is your P2P process streamlined and automated for maximum efficiency?
○	○	3. Are you able to quickly access the data and generate the reports you need to make decisions in real-time?
○	○	4. Can you confidently make informed and accurate forecasts?
○	○	5. Have you considered how BSM can help achieve your goals?

If you answered "no" to any of the questions above, talk to Coupa about how BSM technology can help you meet your strategic and financial management objectives.

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Key takeaways for Controllers

- Business Spend Management (BSM) is empowering finance teams with greater insight into spend, liquidity, and risk.

- When it comes to managing costs, companies that continue to use legacy spend management systems and processes that are disjointed and manual and can't provide a holistic view of spend across the company will be at a disadvantage.

- BSM technology can provide deeper insights into your suppliers, support ESG compliance and enable controllers to make strategic business decisions with greater confidence.

- We encourage you to explore how other finance leaders are using BSM to meet their strategic and financial management objectives.

Coupa is the cloud-based Business Spend Management (BSM) platform that unifies processes across supply chain, procurement, and finance functions. Coupa empowers organizations around the world to maximize value and operationalize purpose through their business spend.

Coupa's community of 2,500+ customers use the platform to maximize the value of nearly $4T of direct and indirect spend to date.

To learn more about Coupa, visit www.coupa.com and follow us on LinkedIn or Twitter.

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