



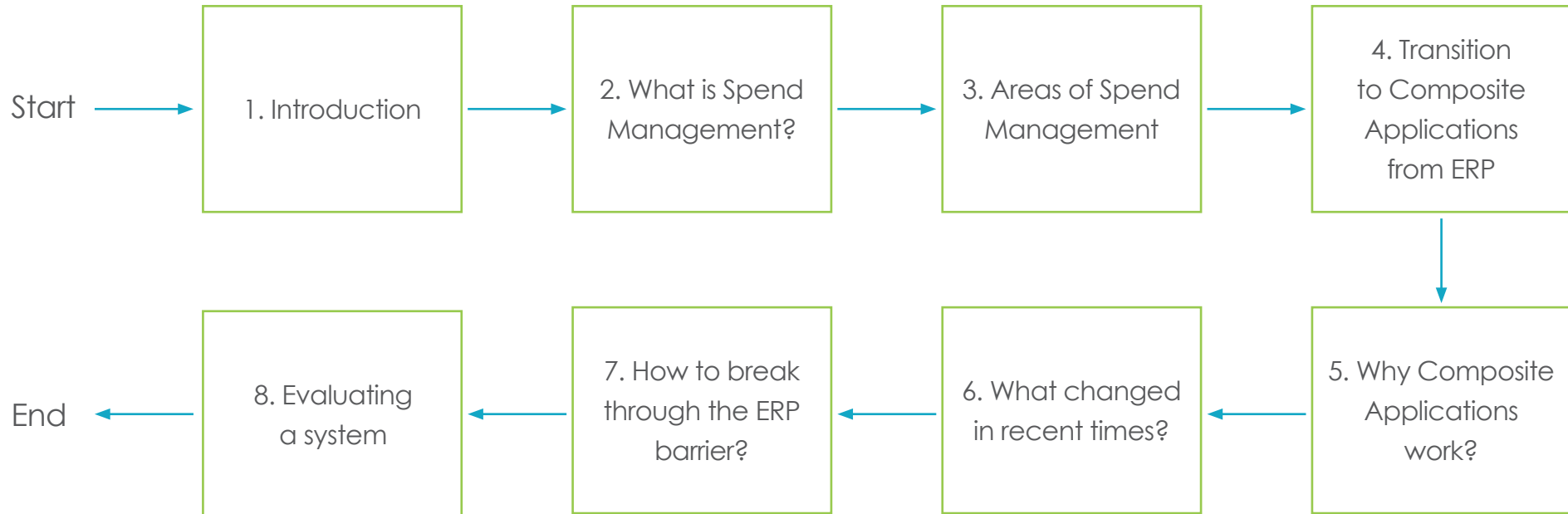
Expensing

Sourcing. Procurement. Accounts Payable.

DIGITAL TRANSFORMATION OF SPEND MANAGEMENT

Break through the ERP barrier

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1. INTRODUCTION

In the 90s, when organizations wanted to move away from cumbersome homegrown systems, ERPs showed the way. ERPs were ready-made, feature-rich, robust, and efficient. It was a dream come true.

What has changed in the past decade that has organizations looking beyond ERPs? Have we reached the trough of disillusionment for ERPs, or are we already on the slope of enlightenment?

Management expectations have changed towards more evolved, agile spend management applications. Instead of going for a 'one-in-all' system, the bias is shifting towards best-of-breed applications that talk to each other. How does that work?

In this ebook, we will look at what is spend management and why ERPs fall short on this front. What are the current trends in the space of spend management? We will also explore how to create a hybrid arrangement and augment ERPs with best-of-breed spend management applications.

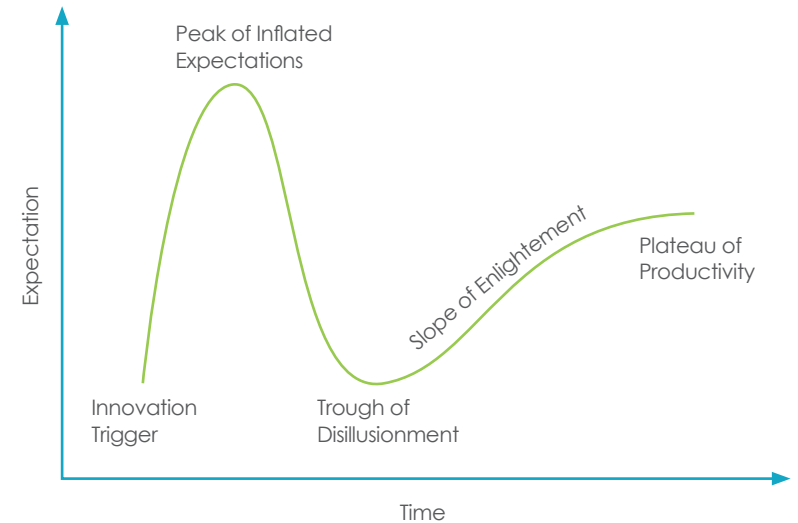


Image Source: Gartner Blog

2. WHAT IS SPEND MANAGEMENT?

To analyze, facilitate, control, and streamline the processes that result in spending, is called **spend management**. It gives the bigger picture, with the ability to zoom in to GL level details of each expense.

How does it help?

1. Manage cash outflow

2. Increase visibility and control costs

3. Identify leakages in controls

4. Plug wastages in spends

5. Maintain the audit trail

6. Analyze the internal operational processes

7. Empower employees to work smarter

8. Address issues upfront resulting in increased compliance

9. Generate and analyze data points for better decision-making

10. Seamlessly connects the entire value chain across organizations

Spend management helps in not only analyzing the spend itself but **also all the processes that lead to spends**.

It helps **digital transformation of middle and back offices** and increases operational efficiency.

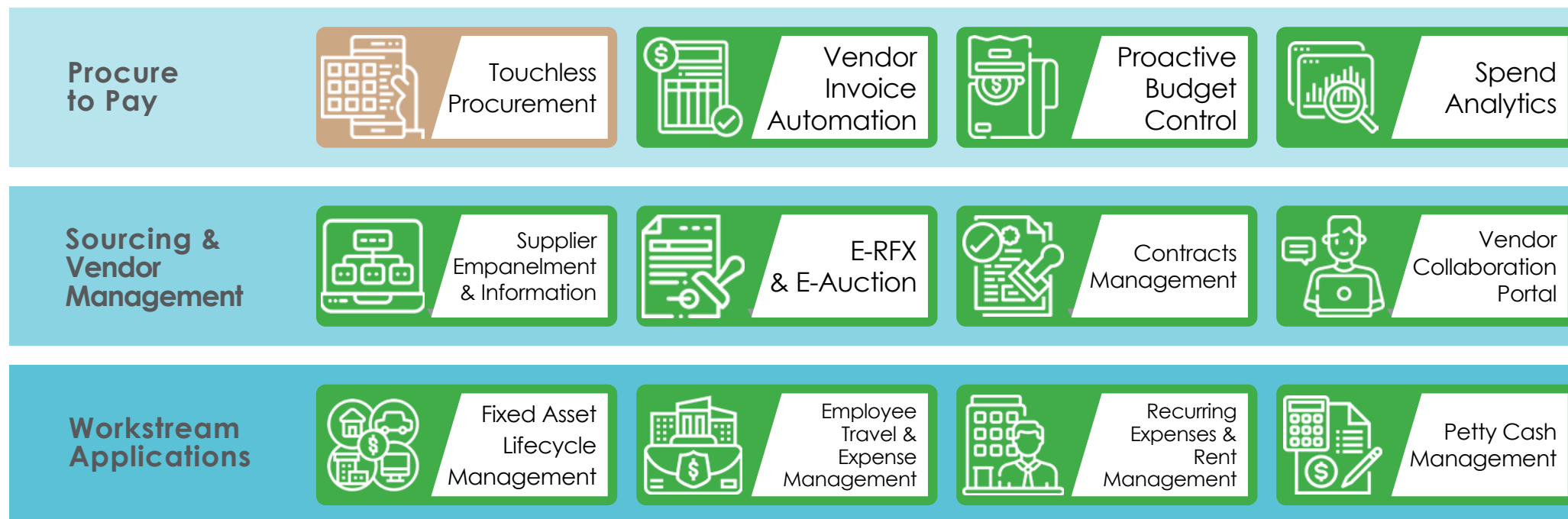
Employees' lives get easy. They are empowered to contribute better to the organization by making smarter, informed decisions about cost control and revenue enhancement.

3. AREAS OF SPEND MANAGEMENT

Spend management is primarily about cost control. But it is not all about the procurement department.

All the functions that contribute to spending should be part of the system. It includes business users, department approvers, branch managers, legal teams, and suppliers. Core users of the system will continue to be teams like budgeting, finance, procurement, and the system admins. Once all stakeholders are on the platform, it can become fully effective.

An effective software reduces data entry, increases compliance, brings vendors onboard, gives intelligent information about spends, and controls costs.



Food for thought: The **brown** box is the only area of spend management that ERPs address

4. TRANSITION TO COMPOSITE APPLICATIONS FROM ERP

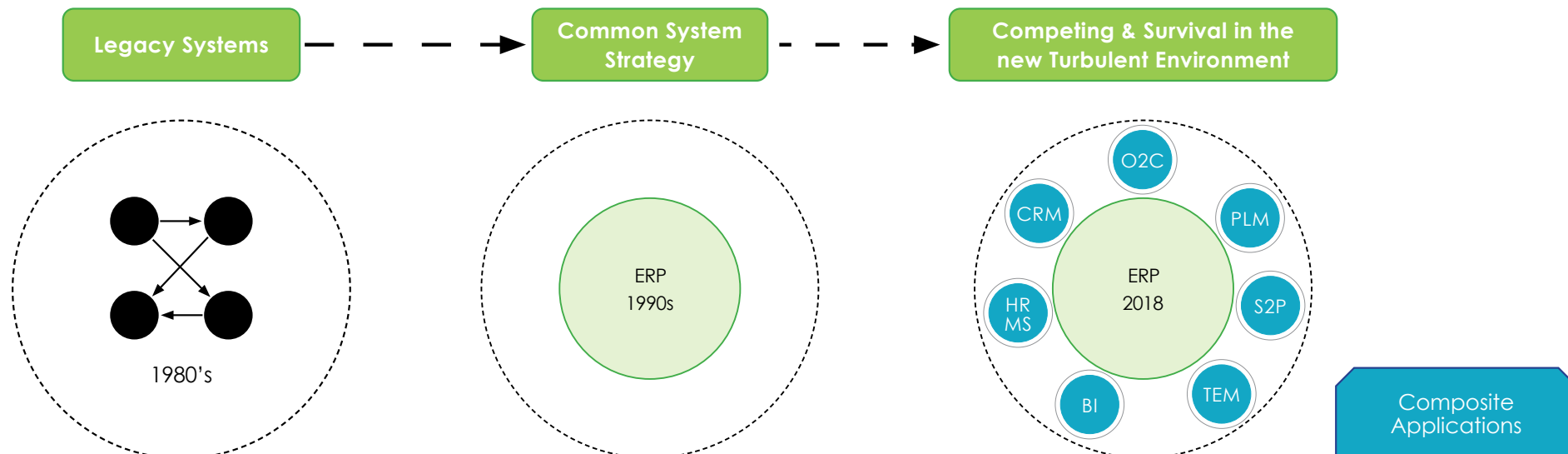
Large and complex legacy applications were initially made from scratch for each organization, either in-house or with the help of a service provider. Upkeep and Maintenance of such applications were costly and needed a large, dedicated team.

ERP was a respite from such heavy applications, especially since the costs of upkeep and new developments kept rising. In such a scenario, having a ready-made, 'do-it-all' product was a welcome change.

As the requirements became more complex and demanding, it made sense to have dedicated products. These applications would take care of more challenging business needs, that ERPs were falling short of meeting. As APIs became more mainstream, it was easier for applications to exchange information organically. Many composite applications working with ERPs are now a common practice.

98% of Fortune 500 Cos, have moved to Composite Applications

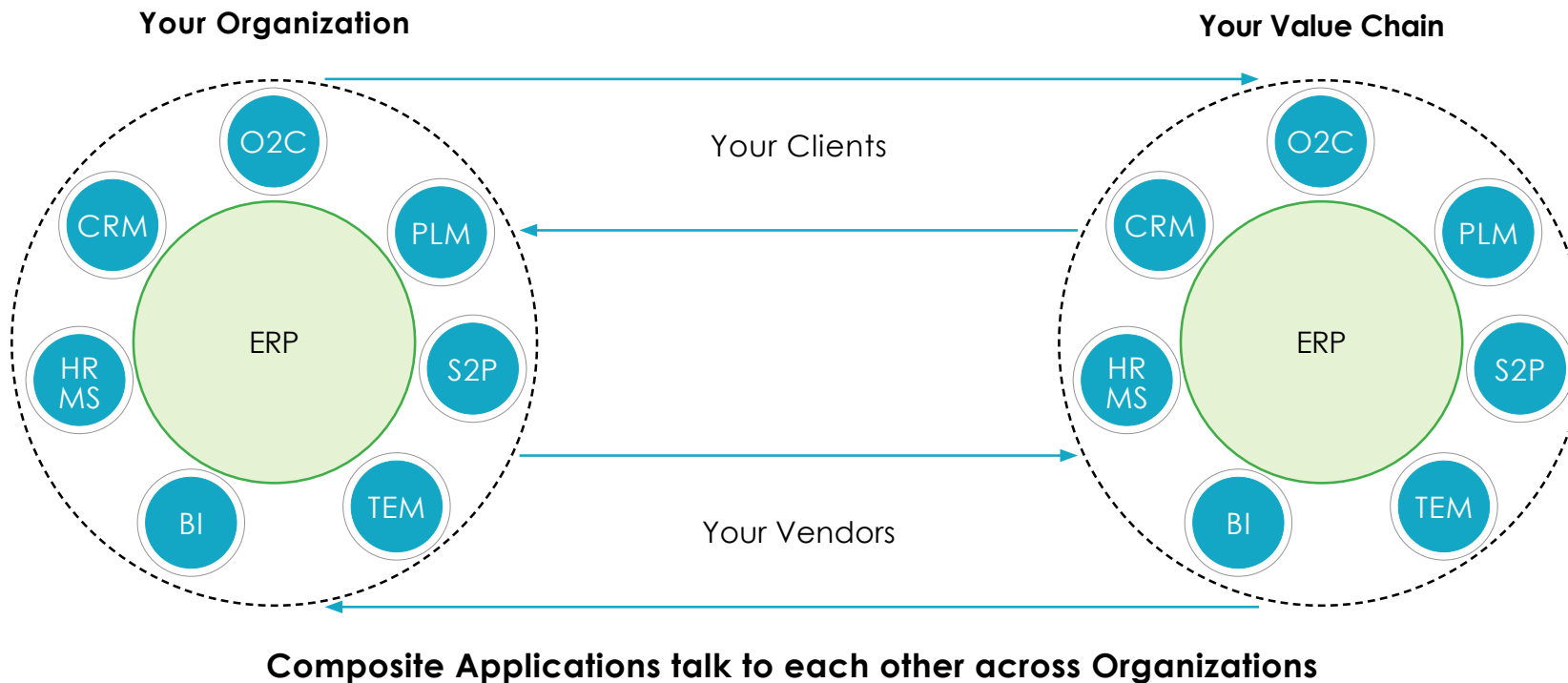
Last 2 years has seen SME's are implementing Composite Applications



5. WHY COMPOSITE APPLICATIONS WORK

The advent of APIs made it possible for applications to be integrated seamlessly and in real-time. It offers an end-user experience of a single application system. Unlike in an ERP, it is also possible to connect to applications beyond the organization- making it more agile to adapt to new changes and regulations. Furthermore, composite applications can talk across the value chain.

Rich domain knowledge in each application meets most business requirements in an 'out-of-the-box', configuration. All applications have their growth journeys. New and powerful upgrades make the system more in tune with time and technology and frees up business resources to focus on core function and growth.

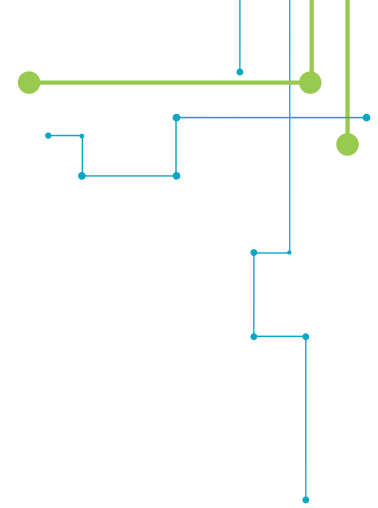


Case Study

A health insurance company, aiming to be completely paperless in internal operations, invested millions of dollars in an ERP for spend management. Because of costs, they could not extend the ERP to all users.

1. PR approval was being done by email- compromising DOA as well as the audit trail.
2. There was no way to know if rate contracts, highly negotiated by the central procurement team, were applied to every relevant purchase on the field.
3. Despite wanting to be paperless, they had to depend on physical invoice evidence for invoice approval and would end up making late payments, attracting heavy penalties.

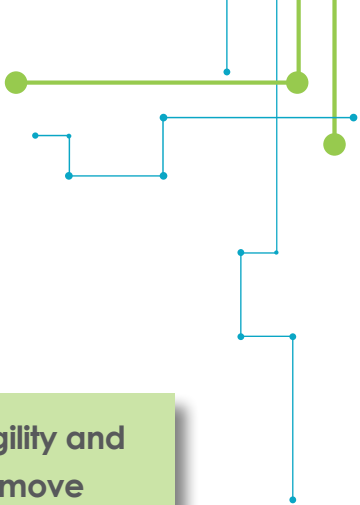
In the end, they decided to look for a composite application that would help them with the challenges mentioned above.



6. WHAT CHANGED IN THE RECENT TIMES

Traditionally, all digital projects have been focused on increasing efficiency. ERP and some other painfully perfected best practices such as just-in-time inventory, and outsourcing, are perfect examples of efficiency. However, as recent times have proven, tools to achieve such efficiency, became a roadblock as the pandemic hit. Businesses need to move beyond simply efficiency and move towards agility and resilience.

*According to research firm Gartner, the attrition rate rose from 10% in 2020 to 20% in 2021. 91% of HR leaders are concerned about employee turnover. It is not the time to have people-dependent practices and processes. The mandate is to have easy-to-understand and use systems that do not compromise on controls and require minimum hand-holding. ERPs, in comparison, are bulky, rigid, and need a considerable knowledge transfer when handing over the role.

A decorative graphic in the top right corner consisting of a network of green and blue lines with circular nodes at various points.

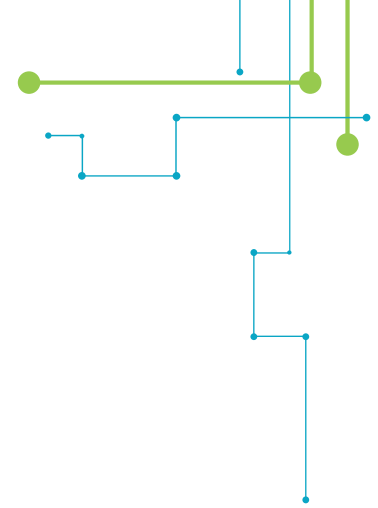
Even though **agility and resilience may move the organization away from painfully achieved efficiency**- it remains the need of the hour in uncertain times.

Case Study

Two organizations followed different digital transformation journeys and the impact of the pandemic.

Organization 1, a media giant, understood the need to have light, easy-to-manage systems with great controls and conducted a company-wide exercise to automate processes. That left their employees with enough free time to be better task managers and to make data-driven, smarter decisions to increase business revenue and reduce costs. When the pandemic hit, and all teams worked remotely, the transition was smooth and they were able to meet all deadlines like business as usual.

Organization 2, a medium-size NBFC, ran excel based processes to support the gaps in their ERP. All approvals were email-based, and a select few had access to the ERP. PR in the system would be created after the AP team received invoices for AMC or other services. When the pandemic hit, and people worked remotely and/left the organization, it was a business nightmare to get new people onboard effectively and get business operations running to meet business goals.



7. HOW TO BREAK THROUGH THE ERP BARRIER

Many organizations, as part of their digital initiative, buy ERP indiscriminately. Only after investing a huge amount of time and money, is when the painful reality emerges- ERP is not helping manage the spend. However, this predicament is common, and a lot can still be done without writing off the ERP.

ERP has some great functions like accounting, inventory management, etc.

Identify the gaps in processes, and plug those leakages using composite applications. Subsequently, the entire system can be replaced with an organically integrated application.

Identify areas where applications can complement the ERP- like AP automation, vendor invoice authorization system. Automate other areas of spend management like recurring expenses, rent, travel, employee reimbursement, and asset spends.

If you have already purchased an ERP there is no need to completely write off the investment made immediately.

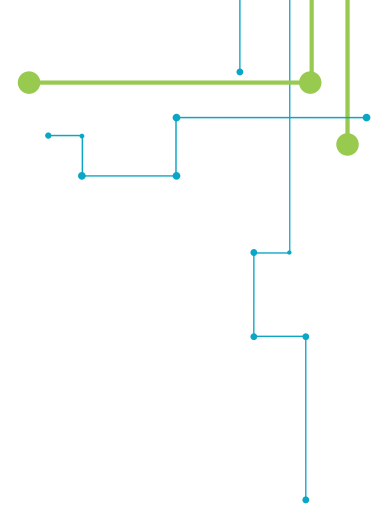
Make the best of what you already have and buy scalable, robust, integrated products for the gaps.

Case Study

A large national bank, with more than 1000 retail branches has mature, long-standing, and complex systems in place. A bank this size has a dedicated IT for managing the IT systems. However, over time, any new application development process became a complicated and time-consuming task. When the admin department realized a gap in their process, their hesitation to get an application developed expressly for their needs was well-founded.

Admin department wanted an application that will help manage their purchases when setting up a new office or managing an old one. The list of items was small value, yet huge in volume, amounting to large sums and an extremely taxing manual task.

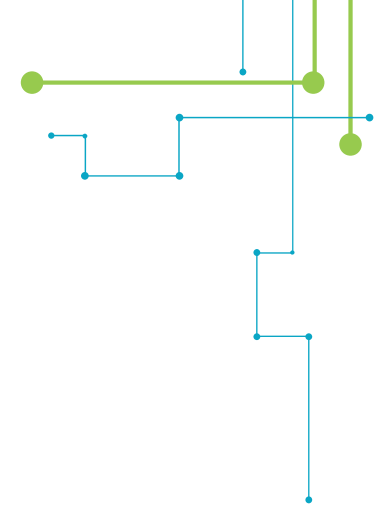
The Admin department reached out and purchased a P2P system, for these purchases- that helped streamline the process, reduce data entry/manual tasks, established controls, and freed the team to make other strategic decisions to help them save more costs. The system plugged their process leakage, worked with existing complex systems, and provided intelligent data and analytics.



8. WHEN EVALUATING A SYSTEM

To avoid tricky pitfalls here's a helpful checklist when evaluating any system for the organization:

1. What processes need to be automated, and is the system catering to that requirement?
2. Is the system easy to use and intuitive?
3. Do the makers of the system have the domain knowledge to identify upcoming trends and changes?
4. What process controls are embedded in the system? Is there an audit trail?
5. Is it possible to implement in a phased manner and use system functions/sub-applications to reduce the cost-to-benefit timeline?
6. Is it possible to integrate the system with others in your ecosystem?
7. What additional value is being added by using the system?
8. Is the system configurable and scalable? Are there gaps simply because the system is not being extended to all in the organization?
9. Are you getting usable, sensible data that can help your team make better decisions?
10. Will it help free your and your team's time?



IF YOU WOULD LIKE TO DIGITALLY TRANSFORM YOUR SPEND
MANAGEMENT TO THE NEXT LEVEL AND
BREAK THROUGH THE ERP BARRIER,

CONTACT US TO SCHEDULE AN ADVISORY SESSION WITH OUR EXPERTS.

[Expensing](https://www.expensing.com) is a global software company offering a complete range of spend management automation solutions. Expensing software is transformational and built on the company's deep domain knowledge of best practices in Strategic Sourcing, Procure to Pay, Accounts Payable, and Travel and Employee Expense management. The design philosophy at Expensing is to build software that combines tight financial controls with ease of use for the end-user. The company even has a dedicated Customer Success function to ensure the successful implementation of its software in client organizations. Expensing is a global SaaS company with offices in India, Indonesia, Singapore, and the USA.