



5 Reasons

Why You Need a
Spend Optimization
Strategy



Once upon a time, finance leaders were primarily concerned with “the numbers.” Books, ledgers, balances—a treasurer or controller’s job was to tally it all up, ensure everything was above-board, and report to stakeholders.



Today, these responsibilities are in a CFO’s job description under “minimum requirements.”

With economic uncertainty at the top of every business leader’s mind, doing business in today’s economy demands a more proactive and strategic approach. Now more than ever, the future of an organization’s fiscal health depends on improved spend transparency, actionable analytics insights, and smart automation that give time back to finance team members.

How can you achieve this at your organization? By getting everyone on the same page regarding [spend management](#) and, just as importantly, [spend optimization](#).

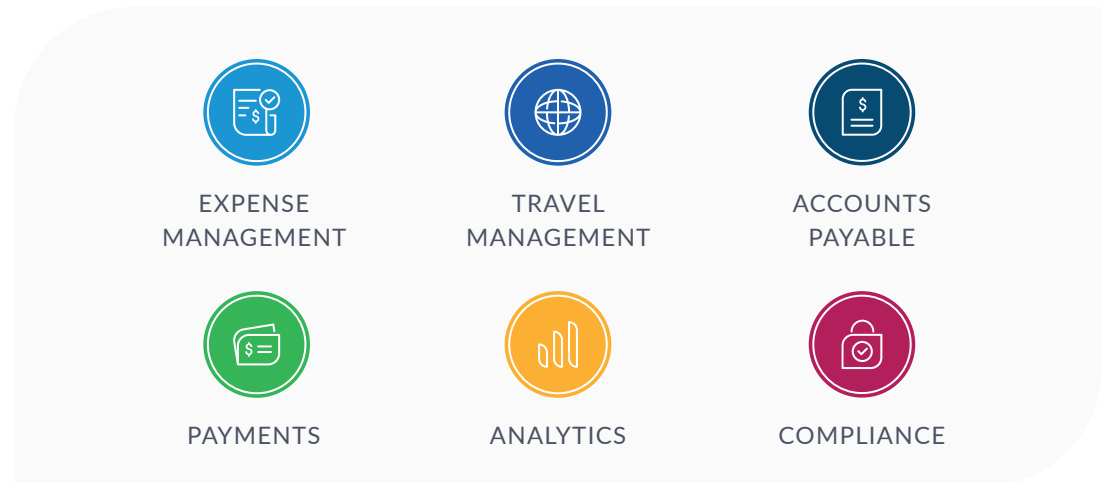


Spend optimization picks up where spend management ends

Long before the coronavirus pandemic, most companies had a spend management strategy to secure cost savings, improve operational efficiency, mitigate financial risk, and improve supplier relationships.

Fast forward, and today's finance teams are data-driven decision-makers with a significant impact on business outcomes. Finance has transformed into a strategic business partner, leveraging spend insights to improve every facet of the business.

Of course, with great power comes great responsibility. Moving forward, finance leaders will be expected to **optimize spend across six major categories:**



But how does a modern CFO go about doing this? Put another way, if your organization is only *managing* spend (as most are), how do you take charge and *optimize* spend instead?

It helps to define things first. Spend management focuses on process efficiencies and keeping spend under control, while spend optimization creates a strategic view of an organization's finances by leveraging smart technology.

With that in mind, here are five reasons why your organization probably needed a spend optimization strategy yesterday.



Reason #1:

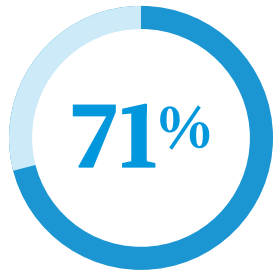
Your spend management is reactive, not proactive

Start with the bigger picture of spend at your organization. Think about how you're managing spend across each of the six categories mentioned previously.

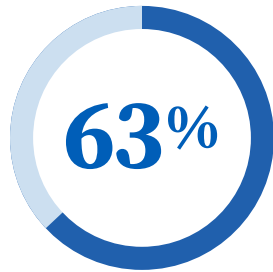
- How many of your processes are proactive? What about reactive?
- Do you have automated tools and workflows that help your organization plan for costs, budget accordingly, gather expense data effortlessly, and pay all your vendors on time?
- Is your team still burdened with spreadsheet and email-based accounting, reporting, and budgeting? Perhaps you've implemented some automation, but familiar habits and manual workarounds bog down your team.



[Forrester surveyed over 300 global finance leaders](#) and found that finance teams relying on outdated, legacy expense management systems experienced a wide range of operational inefficiencies that significantly impacted their bottom line:



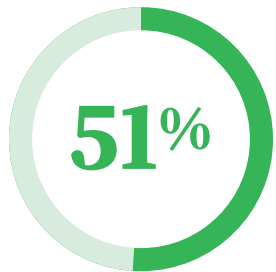
of surveyed finance teams reported decreased visibility and access to data



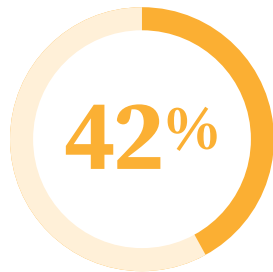
experienced decreased employee productivity, adoption, and satisfaction



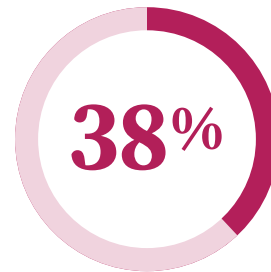
reported increased costs for finance that can bleed into other departments



are held back by decreased process efficiencies that lead to bottlenecks



suffer from excess and out-of-policy spending (e.g., waste and/or fraud)



wrestle with inaccurate analytics and unreliable reporting

These organizations' legacy expense management systems had one thing in common: **tedious, time-consuming manual processes.**

Case in point: the average AP clerk processes around [five invoices](#) per hour by hand. Even worse, large companies can take more than 11 days to process a [single invoice](#) (even reading that is unpleasant).

So how can companies be less reactive and more proactive with spending? How can your company start shifting from spend management to spend optimization?

Start with automation.

Source: Forrester Opportunity Snapshot: A Custom Study
Commissioned by Emburse, September 2021.



Reason #2:

Delayed spend data can't give you actionable insights

Without spend automation, nothing is accurate, reliable, or dependable. Spend data is often delayed, no one knows what's happening when it happens, and non-compliant spending is overlooked.

Not to mention no one wants to be the bad guy chasing receipts all the time. Employees don't want to stress over keeping track of paper receipts, but with automation, this is a match made in heaven. It helps even the world's largest organizations capture spend data accurately.



of finance professionals said data and intelligence are important or critical pieces of the AP process

Source: Ardent Partners, Accounts Payable Metrics That Matter 2020.

According to Ardent Partners, [88% of finance professionals](#) and [97% of "best-in-class" AP teams](#) believe accurate data and business intelligence are critical to business success. And according to McKinsey, 43% of CFOs believe [streamlining budgeting with data automation](#) is key to long-term organizational success.

Without reliable spend data and business intelligence, an organization is flying blind. Decision-makers are sometimes left to make million-dollar (sometimes billion-dollar) business decisions with financial reports that may not be reliable. Automation solves this problem.

But it's important to point out that spend automation is not the same as spend optimization. Automation is the first step to unlocking a world of optimization that the CFOs who trained us could only dream of.

What's the next step after automation? Figuring out how much more you can optimize. You can't improve your spend management unless you clearly understand where you are now and where you want to be.



Reason #3:

Spend automation doesn't equal spend optimization

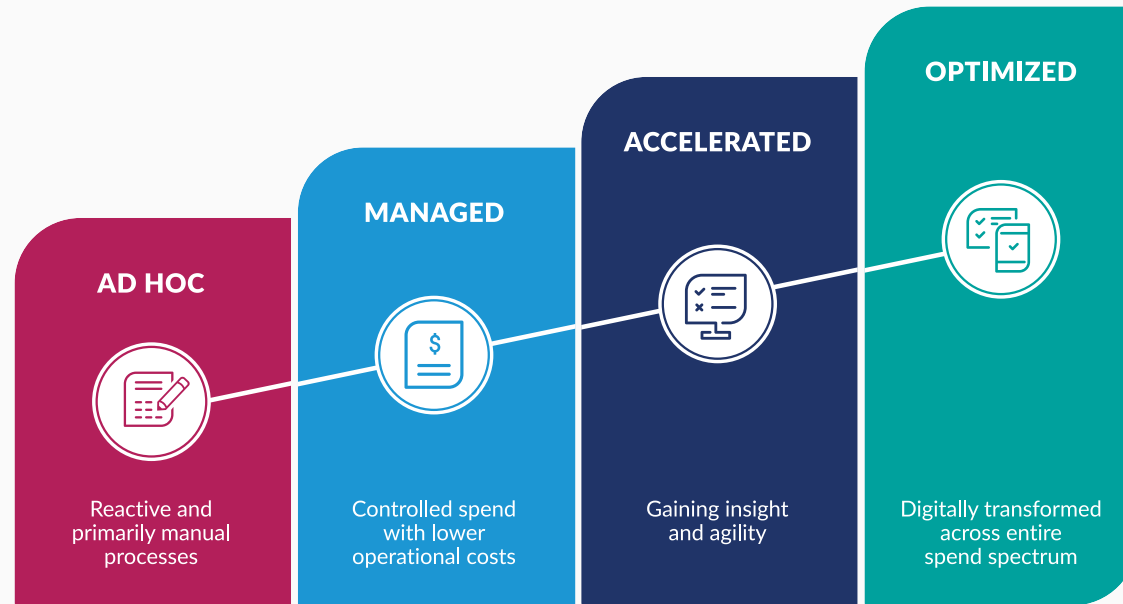
Evaluating where your company is currently with spend management is the only way to establish a baseline.

If you aren't relying on manual, paper-based processes to manage spend and have already implemented some spend automation, that's great. But it still may not mean your processes are fully optimized.

In our experience, most enterprise companies are at this stage of spend. They've achieved a degree of spend automation through a dedicated solution or an ERP module. Yet, they aren't leveraging the full potential of their spend solution. Or maybe they are, but their solution isn't as helpful as expected.

Ask yourself where your organization is in its spend optimization journey. What stage does your organization currently fall into?





AD HOC

Wrestling with manual busywork that reduces team morale and productivity.

- Spend data is not consistently collected, and there's no way to analyze spend data for business insights.
- The finance team faces constant invoice processing and reporting delays.
- This company is often reactive, not proactive, and there's usually a fire somewhere.

MANAGED

Embracing spend automation, which leads to immediate ROI.

- The most tedious, time-consuming manual tasks are eliminated.
- Controls go up, chaos goes down, and costs look better each day.
- This company's automated solution is likely an ERP module, and they'll soon feel constrained by its limitations. Or they have an effective tool that they aren't utilizing to its full potential.

ACCELERATED

Progressing towards 100% spend optimization.

- This company enjoys high spend visibility and nearly 24/7 oversight and control.
- They're primarily focused on extracting actionable analytics insights that help move the needle.
- They can make faster, data-driven decisions that lead to better business outcomes.

OPTIMIZED

Solved all spend problems with a digital mature technology stack.

- Digital transformation across the entire spend spectrum means costs can't go any lower and operational inefficiencies have been completely eliminated.
- Finance employees are properly onboarded to their tech stack and highly productive. They focus on strategic, high-impact work.
- Spend data is collected and monitored 24/7 for compliance. Analytics insights regularly help drive business decisions at scale.

Knowing where your organization is right now with spend management is the only way to figure out how to get to the next stage in your spend optimization journey.



Reason #4:

Your teams may be at different stages of optimization

Finance leaders may be unaware of how inefficient or unoptimized their spend processes are because their teams work hard to get things done on time, even if they're woefully behind the technology curve.

This misconception often manifests as a disconnect between leadership and the reality their teams are facing, often shielded from day-to-day obstacles. For example, the Controller may think that AP workflows are Accelerated while the Director of AP knows they are only at Managed or even Ad Hoc.

Below are a few examples of why this misunderstanding tends to occur so often:

Centralized Spend

- AP workflow is managed centrally
- Automation starts here and should flow "downstream"

Departmental Spend

- Largely unmanaged, siloed teams that create their own spend systems
- Different teams may be at completely different stages of spend optimization

Employee Spend

- The domain of T&E where spend data is consistently collected (or isn't)
- The "comfort zone" of finance and a reflection of the status quo

Typically, individual finance teams tend to be siloed and mature at different rates depending on organizational priorities.

Simply put, it's not enough to identify where your company is as a whole with spend management or optimization—you should also speak with each of your teams and get their honest feedback.

**Where are each of your finance teams when it comes to spend optimization?
Who is ahead? Who is falling behind?**



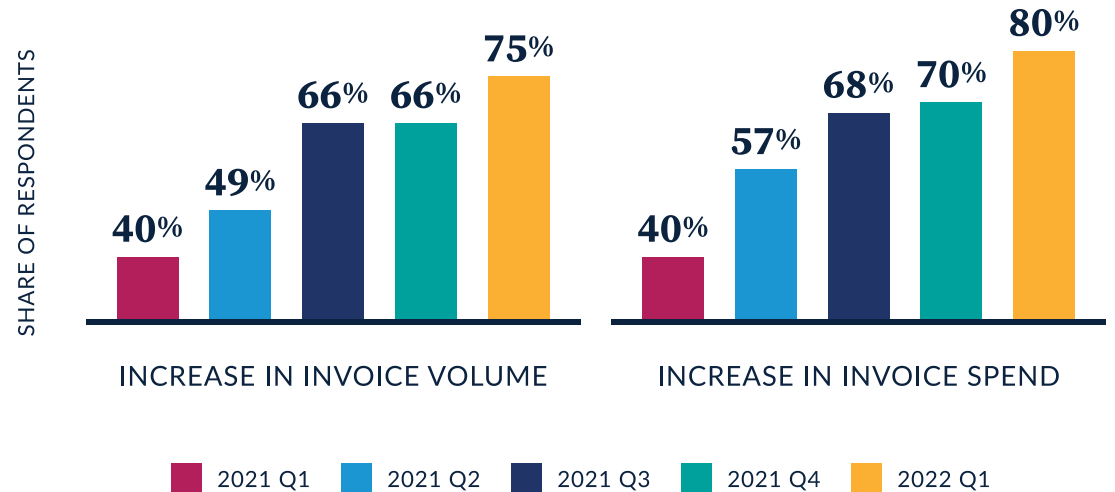
Reason #5:

The best way to prevent burnout is to humanize work

There's a compelling reason why every organization should focus on optimizing spend and not just managing it: burnout is a real thing for finance teams. Optimizing spend helps humanize work.

Source: Exclusive IOFM Surveys: Longer Hours Lead to AP Burnout, Potential Staff Turnover, January 2022.

Invoice Volume, Size Continues to Rise



According to an IOFM survey of its member base, [over 75% of AP teams processed more invoices last quarter](#), up from 66% in Q2 and Q3 2021. Why is this happening? As employers and employees worldwide embrace remote work and technology keeps improving, workloads pile on, leading to more burnout.



But you don't have to take it from us. Here's how burnout impacted anonymous finance professionals surveyed by IOFM.

ON INCREASED WORKLOADS:

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I am working long hours to try to keep the AP department going at the same pace as when it was fully staffed. I am required to do a lot more with less resources. There is no end in sight. I haven't had a vacation in two years.

ON WORK BURNOUT:

“

I would describe my state as: exhausted, tired, frustrated, beat up, defeated, stressed out, and sometimes paralyzed. With a to-do list as long as my arm, I am often not sure where to start.

ON WORK ANXIETY:

“

I have a never-ending to-do list, and I am not able to get caught up. I feel like I'm always scrambling. It doesn't matter how many hours I work. I just can't see the light at the end of the tunnel.

It's worth repeating that spend automation doesn't automatically mean spend optimization because there's also the human part of the equation to consider. Keeping finance team members happy, motivated, and productive goes a long way toward optimizing spend.

Employees have more tools than ever at their fingertips, but they still need to know how to use them. Better technology also isn't a free license to pile on endless workloads.

And in a growing job seeker's market, it pays to be an employer that cares about employee happiness. If the [Great Resignation](#) has taught us anything, successful companies invest in all aspects of the employee experience to attract and retain top talent.



Listen, we get it.

Spend optimization looks good on paper, but it's easier said than done. Where should you begin when switching from traditional spend management mindset to a modern spend optimization strategy?

Well, it doesn't happen overnight. Optimizing spend takes a lot of earnest, transparent conversations between T&E, AP, Payments, Analytics, and Compliance teams. Teams have to ask their employees the right questions.

Automating legacy spend processes can trigger many questions. Your organization may quickly realize it's unsure of its readiness, options, or the business value that might be gained.

The Emburse Spend Optimization Model simplifies this critical improvement process for your organization, regardless of its size, location, or industry. Where are you right now as an organization? How about on a team-by-team basis?

Emburse is the leader in spend optimization. Our expense, travel management, purchasing and AP, and payments solutions are trusted by over 12 million business professionals.

If you want to find out where your organization is currently in the Spend Optimization Model, the next step is to schedule a spend assessment.

[REQUEST A DEMO TODAY](#)

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I can tell that Emburse designs products with users in mind—they try to minimize the amount of keystrokes required to complete a task, and automate processes with features like OCR technology, to make work easier and more efficient for users.

Craig Lundskog

GREAT BASIN INDUSTRIAL