



Business Spend Management



The CFO's Guide to Business Spend Management

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



Introduction: New technology gives CFOs 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. CFOs are demanding FP&A 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, CFOs 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 CFOS 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 and procurement



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, security, and ESG regulations



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 supply chain disruption and business continuity



Maximize efficiency of existing working capital



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 harmonizes a range of back-office processes to deliver more value and efficiency together than they could alone. It starts with using technology to gain a unified, granular view of all company spend empowering finance teams to make and act on decisions quickly, reduce risk, and create smarter supply chains.

TONY TISCORNIA
CHIEF FINANCIAL OFFICER, COUPA

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What happens when CFOs 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 CFOS DON'T HAVE VISIBILITY INTO SPEND?

TOP 10 CHALLENGES FOR CFOS:



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

VF Corporation took control of spend and improved cash flow by \$50 million with Coupa



For VF Corporation, one of the world's largest apparel, footwear, and accessories companies (with brands like Vans®, The North Face®, Timberland® in its portfolio), implementing Coupa's procure-to-pay solution went far beyond the \$20 million it achieved in upfront savings. "How do we underpin better decisions with business performance data? "Can we accelerate decisions along the value chain?" These questions are hard to answer when cumbersome accounting processes prevent finance teams from quickly understanding how, when, and where money is spent across the organization. Supply chain constraints and rapidly changing consumer preferences make the challenge even more complex. Here's how VF Corporation responded.

THE CHALLENGE:



No system behind purchase orders and requisitions prevented teams from gaining visibility into and control over indirect spend



Lack of digitization kept teams tied up with slow, error-prone processes



Limited spend visibility reduced opportunities to optimize cash flow management and working capital

THE RESULTS:



Visibility and control: One common data platform captures nearly \$2 billion in transactions, 75% of which is indirect spend



Speed: More than 80% of invoices in North American entities are straight-through processed



Cash flow: Visibility into third-party payment terms helped finance teams unlock an additional \$50 million in cash flow

“Coupa didn’t just give our teams a lot more time back for strategic projects,” commented Matt Puckett, Executive Vice President and Chief Financial Officer. “We can work a lot more efficiently using common processes with all our legal entities around the world. And the visibility allows us to be much smarter in our spend choices and leverage those insights in our vendor relationships.”



With Coupa, we’ve improved our ability to make smarter decisions from a business standpoint. And equally important, we’ve created and evolved a process with Coupa that makes it easier for us to create value.

MATT PUCKETT

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER, VF CORPORATION



Puckett compared VF Corporation’s previous approach to business spend management to post-game scorekeeping. Nearly 4,000 employees had no system in place to make requisitions or raise purchase orders. Finance teams dug through ledgers and worked with call center owners to manage spend. “It was extremely difficult to understand our spend, look at that information in multiple ways, and turn it into insights,” commented Puckett.

VF Corporation uses spend visibility to control spend consistently. “Just through the PO process alone, we know when we’re going to overspend and even underspend,” he continued. “Ultimately, we can course correct whenever we need to and make better decisions throughout the year.”

Puckett and his teams also feel more confident about strategic financial choices. “We changed payment terms with indirect suppliers at the beginning of the pandemic,” he explained. “We calculated exactly how each change would impact cash flow management and working capital. We also knew how individual vendors would be affected and which conversation we needed to have with each one.”

Mirati Therapeutics scaled efficiently for growth and reduced processing with Coupa



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.”



Are you leaving value on the table?

The CFO 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.

Key takeaways for CFOs

- 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 supply chain, support ESG compliance and enable CFOs 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.

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