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Spend Management 101:
The Ultimate Buyer's Handbook

A comprehensive guide to finding
your ideal solution

Managing company purchasing used to be easy.

Once upon a time, finance teams controlled company purse strings and hired procurement professionals to negotiate deals on a finite list of company needs —from pens and notebooks to office space and advertising. Purchasing power was limited to a few individuals, making it easy to track purchases and keep spend in check.

But in today's fast-moving companies, your employees are your purchasing department. Finance is outnumbered by a broad array of specialized employees who all need to buy very specific tools for their jobs. From software subscriptions to outsourced services to home office equipment, **employees are spending more than ever before**, and it's impossible to run every purchase by finance.

Finance pros report that 42% of their employees make purchases in a given year.

Source: Teampay proprietary research via Kelton Global, A Material Company, 2021.

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Many finance professionals feel stuck.

Under mounting pressure from company leadership not to get in the way of growth and innovation. They often end up in the wild, wild west of spend, where employees have unfettered access to company cash and the spend policy is just a suggestion. In the wild, wild west, it's nearly impossible for the finance team to focus on the more strategic parts of their jobs. Instead they end up buried in admin work, trying to track down receipts and information for transactions that happened months ago, filling in the blanks with best-guess accounting and spending hours building reports with data they don't feel good about.

Finance teams in the wild, wild west spend so much time in the weeds that they never get to do the work that really matters, like improving spend compliance or doing important analysis on spend at the vendor or category level.

Sound familiar? The good news is, it doesn't have to be that way. You can have distributed spending power for employees that fuels growth without giving up control. You just need the right tools in place.

That's where spend management comes in.

A great spend management solution will revolutionize the way your business handles spend. No more expense reports, no more asking "who bought this?!" and no more spending days chasing down receipts at month-end close.

It sounds easy enough, but finding the right solution for your business can be overwhelming. There are dozens of companies advertising spend management solutions, and sometimes the differences can be hard to spot. We've developed this buyer's guide to help you gain a better understanding of spend management and the details to consider when weighing your options.

What is Spend Management?

Spend management is a modern strategy that allows employees to easily buy what they need to do their jobs, while giving finance teams the control and visibility they need to do *their* jobs.

Spend management software takes a proactive approach but moves much more quickly than traditional procure-to-pay software, securing upfront approvals instantly and enforcing policy on the fly. The software guides employees to make the right decisions in the moment, eliminating off-policy purchases, ultimately saving money and valuable time spent reconciling transactions at the end of the month. With spend management, finance can build better relationships with employees and free up time to work on more strategic projects.

Finance professionals (78% of them, to be exact*) often lament that their employees are seemingly unaware of spend policies, and are frustrated to see so much off-policy spend at the end of each month. The reality is that employees outside the finance team are never going to memorize the expense policy, and when it comes time to make a purchase they don't have time to consult a lengthy policy document. They need support from finance throughout the purchasing process to help them make the right decision fast, before any money has been spent, instead of being scolded after the fact.

*Source: **Teampay proprietary research via Kelton Global, A Material Company, 2021.**

When to choose spend management software

Leading finance teams at all kinds of organizations are recognizing that legacy systems just don't work.

Maybe a simple corporate card program worked well when the organization was just ten employees, but now there are 50+ and everyone is spending willy nilly. Maybe they've got a couple hundred employees and they're now drowning in expense reports, with employees going around the policy no matter how many times they are reminded. Or maybe it's a more established organization that's still using an old school procurement system, which is too slow and cumbersome for modern business, so employees are skirting the process entirely in order to get their work done.

Whatever the situation, more finance teams are embracing spend management to achieve their goals:

Proactive controls and policy enforcement

Reduced manual work for finance

Real-time visibility into spend

A better employee experience

The beauty of a spend management solution is that finance no longer has to make trade-offs. They can give employees a fast, easy purchasing experience without sacrificing control and visibility. To see how that's possible, it's important to understand how this software may be different from anything you've ever used before.

How Spend Management software is different

As you prepare to shift to a spend management approach, you'll need to rethink your expectations. You may go into your search thinking about how your existing responsibilities will be impacted only to find that some of them won't be relevant anymore.

For example, because transactions are coded and reconciled right when they happen, you won't be bombarded with droves of expense reports each month. Actually — **you won't have to look at another expense report ever again.** (I know, right?! More on that later.)

It's also important to recognize that there are many other software vendors that advertise spend management solutions, but they don't actually fit the true definition of spend management. Expense management platforms, corporate card programs and AP systems may help with one piece of purchasing, but they don't deliver a holistic solution.

Expense management
Software that provides an interface for employees to submit expense reports and a backend for finance to process and reconcile them. Approvals are reactive, and usually happen long after money has been spent.

Corporate cards
Corporate card offerings are usually just that, and may have a little bit of software layered on top. Approvals are reactive, and usually happen long after money has been spent.

Accounts payable (AP)
Software that facilitates the PO>invoice>bill pay workflow. Approvals are reactive and usually happen after an invoice has already been received.

Spend management
Proactive software that automates your purchasing process and uses upfront approvals to prevent off-policy spending before it happens.

Now that you know what to expect, let's talk about what to look for when choosing the right solution.

Basic components of Spend Management software

A holistic spend management tool should help you manage all types of purchases, made by anyone, from end to end.

Purchasing workflow automation

Finance professionals spend hours, if not days, each month on manual work, including data entry, back-and-forth with employees, correcting codes and categories, and transferring data from one system to another. Spend management software eliminates that, connecting all of the people involved in the purchasing process and unifying their disparate efforts into one single workflow that spans from request to reporting. The result is an efficient, scalable and transparent purchasing process that allows finance to free up more time for strategic projects.

> The ideal vendor should leverage automation wherever possible, and the system should be simple enough to implement and maintain without IT support.

Proactive policy controls

Spend management software is anchored on proactive approvals, so finance and approvers know about every purchase before any money has been spent. Securing approvals manually can be a nightmare for both finance and employees, but spend management software makes it easy. Spend policy is coded right into the software, which enforces it by automating the collection of purchase data and sending it to a designated approver. The software should be designed to guide employees through the process and facilitate timely approvals without slowing them down.

> The ideal solution will allow employees to submit requests and receive notifications directly in the communication tools they already use (Slack, Teams, etc.)

Secure, intelligent payments

Once a purchase request has been approved, your spend management solution should issue a secure payment method immediately. The ability to issue instant payment methods will drastically reduce the need for employees to use personal cards, but in the rare event that you do need to process a reimbursement, you can do that right in your spend management system as well.

> To prevent rogue spending and fraud, you'll want intelligent controls on the payment method to ensure the purchase is made with the same vendor, amount, category, etc. for which it was approved--regardless of whether employees are paying online with virtual cards, offline with physical cards, or by invoice.

Automated reconciliation

Many finance teams feel like they're in the dark until they receive corporate card statements at the end of each month. They then spend hours or even days trying to reconcile a slew of purchases and manually update the books before month-end close.

> Your ideal spend management software will bring your team into the light, automatically recording purchases in the general ledger the moment they happen, saving valuable time and enabling you to provide accurate information quickly to every stakeholder in the purchasing process.

Real-time, accurate data

Many finance teams operate with a data deficit--they do their best to hunt down receipts and other missing information, but often end up using their best guess to fill in the blanks. With spend management software, purchase data is collected at the initial request and sent to the designated approver and general ledger automatically, ensuring accurate data from request to reconciliation. Coding transactions upfront results in accurate, finance-compliant coding with less manual guesswork and no back-and-forth with employees.

> The ideal solution should prompt employees to submit receipts and code transactions the moment they happen, essentially populating their "expense reports" in real time.

Finding a quality partner

A spend management solution shouldn't just be a checklist of features. You should also be able to determine whether the software provider will be a long-term partner as your organization's needs change.

User experience and adoption

Spend management software is useless if you can't get all of your employees to use it. It's easy to get carried away looking at the backend capabilities that finance will use, but pay attention to the employee-facing portion of the platform. Will it be easy for any type of employee to access, including contract workers or freelancers? Will there be extensive training required, or is the interface simple enough for employees to figure out on the fly? Even better, is it integrated with tools they already use for their day-to-day jobs (Slack, Teams, etc.)? If it feels anything less than turnkey, it might not be the best fit for your employees.

Configurable, granular controls

A great spend management solution should allow you to be as prescriptive as you need to be when setting up controls on spend. Many software providers fall short in this department, so it's important to consider the specific scenarios you might encounter and ask how they will support you. You should be able to set specific rules for every vendor, category, department, team, even down to each specific employee. You should also be able to set certain purchase types to auto-approve (i.e. meal purchases under $50) and set others to trigger a more complex approval chain (i.e. marketing expenses over $10K need to be approved by the CFO) or even trigger external processes (i.e. purchases over $50K require a contract). The goal is for all of your policies and rules to be coded into the system so that you never have to worry about enforcing them.

Reporting and visibility

When all of your employees are your procurement team, it's important to have democratized access to financial data to help them make the most informed spending decisions. A good spend management solution should make it easy to see how much has been spent against individual and team budgets and provide insight into funds that have been committed for future purchases. Visibility for the finance team is also crucial--the backend reporting should give finance up-to-the-minute data on exactly how much has been spent at any given moment and how much to expect in the future. The right system will consolidate all of that data in one place, giving finance a full picture of spend without having to cobble together data from multiple sources.

Scalability

Where do you see your organization in five years? Now think about how your needs might change based on that outlook. Are you planning to expand internationally and do business in foreign currencies? Are you planning to increase headcount significantly, or maybe even go public? Many of your organization's big milestones will impact what you need from a spend management perspective, so you'll need a partner that can scale with you every step of the way.

Support

No matter how easy the platform is to use, you will inevitably need to contact customer support at some point. Look for vendors that can point to rapid response times and offer multiple ways to access support — email, chat, phone — with team members who are located in your time zone. Your best bet is a partner that also assigns you a dedicated customer success manager, so you always have a go-to point of contact.
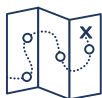
Implementation and onboarding

It's also important to get a look at what the implementation and onboarding process looks like. Modern spend management solutions should be able to go live in just a couple of weeks (or even a few days). The platform should be simple enough that employees can learn to use it on their own without any formal training, but the vendor should still provide a dedicated person to support you through implementation as you get your team up and running.

Integrations

A big part of your spend management platform's job is to automate and streamline many of your finance processes. To do that effectively, it needs to talk to all the systems you use on a regular basis so that you have the most up-to-date data across the board.

HRIS

Similarly, your HRIS is your source of truth for employee data. Having it connected to your spend management system will make implementation a breeze, automatically creating accounts for all of your employees and pre-populating organizational structures and departments for each employee so that finance doesn't have to manually configure them. It'll also keep your funds secure, by ensuring that only current employees are able to access company funds. You should be prepared to ask about the technical details of this integration and confirm that there is a real-time, bi-directional sync and not just a CSV file upload.

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ERP

Your ERP is your source of truth for company financials, so your spend management system should automatically feed the most up-to-date information to your ERP. But not all ERP integrations are as seamless as you might hope — ask for a demo of the ERP integration so you can be sure you won't be updating data manually in multiple places.

AP

Most spend management systems have AP capabilities built into the platform. If your AP needs are fairly straightforward, you can eliminate your AP system altogether and manage invoiced and card spend all in one place. But if you've got a lot of complex AP needs, you may need to keep your existing AP solution. You'll need a spend management platform that can pull in the most up-to-date information from your AP system so that you can still see all your spend in one report.

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Communication tools

Learning a new program is hard, especially when it's not essential for an employee's day-to-day job. Your spend management software should integrate seamlessly with the communication tools your employees use regularly so that they can use the software in a familiar environment and access company funds without having to log into a separate system. Notifications are also crucial to the success of your spend management solution--if the software enables you to notify employees directly via the tools they use every day, they're much more likely to complete tasks in a timely manner.

Everything in between

Your spend process is unique, and might involve a number of other vendors or processes. A good spend management solution makes it easy to incorporate other workflows and systems involved in purchasing, like legal, travel booking, or vendor catalogs. And for anything else, make sure there is an API that makes it easy to connect and pull in data from those other systems

Key questions to ask

As you begin taking meetings with potential vendors, it's easy to get wrapped up in the technical nuances of each.

At the end of the day, the viability of a solution boils down to a few key points. Below are some questions to ask to help you dig into each.

How do they make money? Is their business model designed to help you spend less?

Many companies offer free software because they rely entirely on transaction fees. That means the more your organization spends, the more money they earn. If you ask us, that defeats the purpose of buying a spend management system in the first place.

Is their solution proactively controlling spend? How?

Effective spend management starts before any money has been spent.

- ☐ Is each individual purchase approved before the transaction happens?

- ☐ Are transactions coded and reconciled the moment they happen?

- ☐ Do employees have visibility into budgets before they submit a request?

- ☐ Will you be able to set up specific spend rules for different employees, purchase categories, and vendors?

Does the solution reduce manual work for your team?

Spend management software should do a lot of the heavy lifting for you.

- ☐ Will you have to manually issue cards every time a request is approved?

- ☐ Will you have to manually reconcile transactions in your accounting system?

Will employees actually use it?

Spend management software is useless if it's not adopted by every employee.

- ☐ Will your employees have to learn a new system to code transactions and upload receipts? Or can they use existing communication tools (Slack, Teams, etc.)?

- ☐ Does the interface quickly guide employees through the purchasing process?

- ☐ Is the interface intuitive, or does it require training?

Will this solution work for ALL of your spend?

Many vendors handle only card spend, so you can't see it all in one system. What happens when you need to issue a reimbursement or pay via purchase order?

Does the solution scale?

Early stage companies can get by with a few corporate cards and manual accounting processes. But that system quickly breaks down as companies begin to scale.

- ☐ Will you be able to trigger complex multi-step approval chains when necessary?

- ☐ Will you be able to manage spend across multiple subsidiaries and different currencies?

- ☐ Will this solution easily integrate with your other systems that touch the business process for spend, like HR, IT, travel, contract management, and vendor catalogs?

In conclusion

Evaluating a new spend management solution can be a big undertaking, but the results are well worth it.

Here at Teampay, we've watched our customers eliminate hodgepodge spending, build happier relationships with their employees, and take days off their month-end close. We hope that this guide helps finance teams everywhere embrace the power of spend management and take control of their company finances.

Teampay's distributed spend management platform gives high-growth companies total control and real-time visibility into purchasing, while empowering employees with smart, policy-driven access to company funds.

Our patented technology delivers a user-friendly workflow that facilitates requests and approvals, automatically enforcing policy and collecting critical data in the process, then provides safe and intelligent payment methods and maintains detailed records of all spend.

For more information about distributed spend management and how Teampay can help your business, email hello@teampay.co.

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