Report:
The State of Spend Management 2019

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Distributed purchasing has changed the way companies spend money.

Finance leaders in every industry have recognized that the way companies spend money has changed. In place of centralized purchasing departments, individual employees are getting – or taking – more decision power and making purchases themselves. "End users are finding products on their own," explains Blake Bartlett of Openview Partners. "And it's all happening at lightning speed."

"Bottoms-up" spending has its roots in startups, where speed and agility are often prioritized over process and compliance. As these startups have become enterprises, decentralized purchasing has become standard operating procedure for many larger businesses. This rapid evolution to a distributed spending model has increased the speed of business and the levels of employee satisfaction. Unfortunately, it's also created new challenges and exacerbated the age-old tug of war between maintaining control and visibility over company spending vs. empowering employees to make purchases quickly and easily.

To assess the state of spend management going into the coming year, Teampay asked thousands of finance leaders to identify the most critical pain points that resulted from the shift from centralized to bottoms-up spending. Companies ranging in size from small startups to Fortune 500 enterprises participated in the survey. Survey respondents were all finance leaders across industries, and over 50% were CFOs.

To add context to the problems and their rankings, we asked respondents which accounting system they used. The two biggest players, NetSuite and QuickBooks, each took 25%, challengers Xero and Intacct represented nearly 17% respectively, and almost 30% of respondents use systems other than the four listed above.

This report ranks the top five spending challenges faced by finance leaders today and provides insight into how they are solving these key problems.

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The Top 5 Challenges in Spend Management

Finance leaders ranked the following as the top five challenges they are facing in spend management today.

5. **Policy Misalignment** There is a disconnect between what employees think they should do and what the finance team actually needs them to do. A similar disconnect also exists between finance and people managers who approve purchase requests. Employees may reject the processes that "get in the way" of their work and seek workarounds that do not comply with policy. In many cases, they may not even know the policy in the first place.

> "Employees want autonomy, but the last thing I want is anyone empowered to do anything. I want security, control and compliance. I want a PO for everything and to keep the business on budget."
>
> CFO, consulting firm, 500+ employees

4. **Hodgepodge Spending** Because shared corporate cards often float from employee to employee, and some purchases are made on personal cards, employees spend willy-nilly, without oversight from finance. This results in unexpected and unapproved spending, murky audit trails and questionable data. While fraud may happen, it's more likely employees lack policy awareness and simply make well-intentioned purchases that in some way violate company guidelines.

> "Having a budget doesn't mean carte blanche spend. Where's the evidence of approval? How did you get the corporate card?"
>
> CFO, software company, 300 employees

3. **Best-Guess Accounting** Purchase data is often incomplete, inaccurate or stale by the end of the month. No one knows who bought what and why, and whether or not a purchase was approved. Rather than measuring and planning the responsible growth of the business, the finance team has to spend time at the end of the month hunting for receipts and other information. They frequently code transactions using their best guess, closing the books based on gut-feel instead of data.

> "By the end of the month, no one can remember what they spent on what card or even why. Then it's all on us."
>
> Controller, electrical component manufacturer, 2,000+ employees

2. **Lack of Transparency** Finance is expected to be in control of their organization's spend, yet they often don't become aware of transactions until the corporate credit card statements come in at the end of the month. Without real-time visibility, the finance team has difficulty pulling accurate reports and forecasting for the future, which limits their ability to impact the business. They need information on spending in real-time to understand the impact on op-ex budgets and plan further ahead.

> "There's always a catch-up game at the end of the month. We know there's an issue, but we wish we would have been able to see this upfront instead of report at the end of the month."
>
> Controller, online retailer, 150+ employees

1. **Manual Work** From request to reconciliation, everyone in the purchasing process spends too much time on disconnected manual tasks. Finance professionals spend hours, if not days, each month on man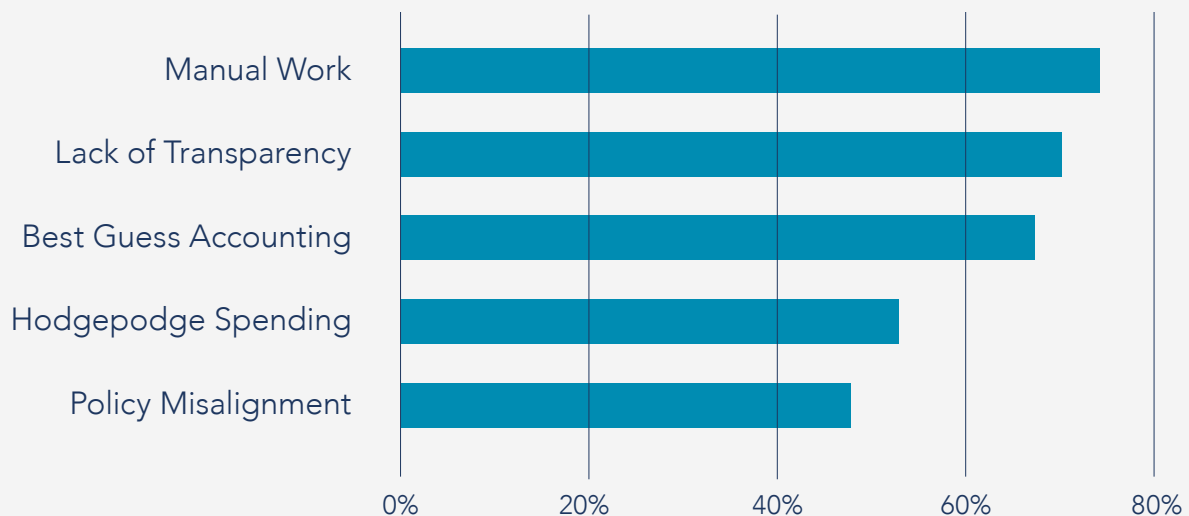ual work, including data entry, back-and-forth with employees, correcting codes and categories, and transferring data from one system to another. This steals time from strategic initiatives and decreases the agility, accuracy, and efficiency of the finance team.

> "Logging into the bank, downloading an excel spreadsheet of the statement and manually coding it is a huge time suck."
>
> Controller, eCommerce company, 140 employees

Top 5 Spend Management Challenges

Challenge	
Manual Work	~75%
Lack of Transparency	~70%
Best Guess Accounting	~67%
Hodgepodge Spending	~53%
Policy Misalignment	~47%

(0% – 20% – 40% – 60% – 80%)

Why These 5 Challenges Exist—and Why Legacy Systems Won't Solve Them

The way companies are spending money has changed. More and more, purchasing decisions inside organizations aren't being made by central procurement departments, senior executives, or IT professionals; they're being made by the individual employees themselves. Many companies still rely on legacy procure-to-pay (P2P) systems to manage this spend, even though these platforms were built for the era of centralized purchasing and have failed to evolve to support a bottoms-up approach.

With the rise of online spending and the proliferation of credit cards for company purchases, spending now happens in real time. But many of the newer software vendors in the P2P market are still designed to be reactive, meaning they process and categorize spending data after the point of purchase. These systems flag policy violations rather than proactively preventing them.

Embedded in the process is the user experience (UX) and workflow. Employees today expect the technology they use at work to match the user-friendly interfaces they encounter as consumers every day, but legacy P2P vendors have not prioritized an investment in UX. They also want to move quickly and efficiently to get their jobs done. Instead, traditional systems are clunky, slow, and bureaucratic.

And legacy P2P processes are costing companies. Nearly 20% of expense reports contain errors or missing information, requiring 18 minutes of additional time to complete. This adds up to an average of $500,000 and almost 3,000 hours a year, not to mention the original time and money spent submitting the expense report in the first place.
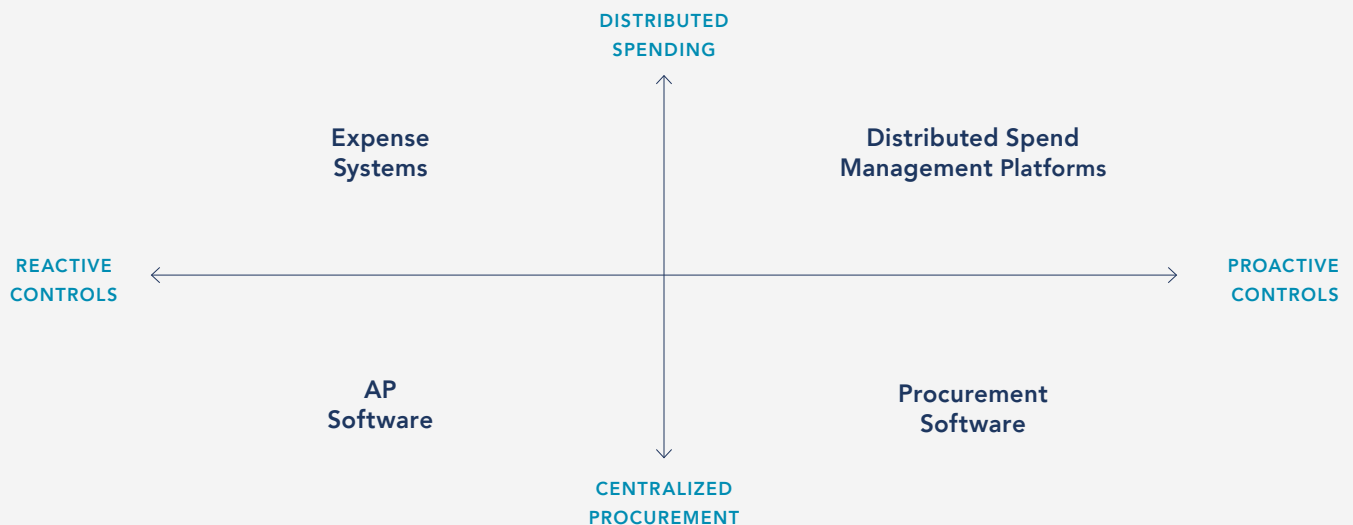
Identifying the Right Solution

A PwC report on the accounting practices of top-performing finance functions identified "improving technology" as the single most important change a business can make to its finance function. The report highlighted how technology makes finance teams more agile and responsive than their peers, citing evidence that "the cost of finance as a percentage of revenue is 40% lower" and budgets "are delivered 15 days faster" in top-quartile finance functions than in average ones.

Organizations with a centralized procurement model – often found in manufacturing or other CapEx-heavy industries – might not feel the pain of distributed spending as acutely. If all purchases are handled by a centralized team, legacy procurement systems may still serve a company's needs. But finance leaders who want to empower employees without sacrificing control and visibility are looking for new solutions.

Finance leaders are leveraging technology with new capabilities to address the challenges created by distributed spending. A new category, purpose-built for modern corporate spending, has emerged to meet this need: distributed spend management.

Distributed spend management software guides employees through the buying process, while proactively enforcing purchasing policies. The system gives finance teams total control and real-time visibility into spending, while empowering employees to move at the speed of business.

DISTRIBUTED
SPENDING

Expense
Systems

Distributed Spend
Management Platforms

REACTIVE
CONTROLS

PROACTIVE
CONTROLS

AP
Software

Procurement
Software

CENTRALIZED
PROCUREMENT

New Capabilities for Finance Leaders

There is a great deal of urgency around these spend management challenges. 57% of survey respondents consider solving their spend management problems a "core focus" or among their "top priorities" right now, and 25% of respondents plan to immediately address them in 2020. While finding workarounds and point solutions might numb the pain, attempting to cure business problems with old technology is proving ineffective. New spending practices create new challenges, which require new technology capabilities.

Intelligent Payments Solves hodgepodge spending to stop rogue spending and fraud

When a purchase request is approved, a payment method is provided. This could be a virtual card for one-time or recurring expenses, a physical card for in-person purchases, or a purchase order. The payment is limited to an approved amount and vendor, which keeps employees from going over budget and eliminates rogue spending.

Proactive Policy Controls Solves policy misalignment to deliver employee autonomy with total compliance

The corporate spending policy is coded into software, which enforces it using purchase data that is collected upfront. By automatically routing purchase requests to designated approvers, the software ensures that the appropriate approvals are obtained before any money is spent. This eliminates the need for employees and approvers to reference static, siloed policy information, streamlining the request and approval process. Finance teams also gain the power to dynamically update policies as business realities shift.

Upfront Coding Solves best-guess accounting to yield accurate data

Purchase data is naturally collected from the employee upfront during the initial purchase request. It is then verified and used throughout the workflow to ensure accurate data from request to reconciliation. The system automatically syncs the pre-coded data to the company's general ledger, so finance teams no longer have to guess who spent what and why.

Purchasing Workflow Automation Solves manual work for a significant reduction in effort

Everyone involved in the purchasing process is unified by a single system that spans from request to reporting, guiding and alerting users when an action is required. Relevant information is automatically passed through to each step of the workflow, eliminating the need for manual data entry and ensuring accuracy.

Automated Reconciliation Solves lack of transparency to provide real-time visibility

Purchases are automatically uploaded into the general ledger as they happen and are correctly coded each time, every time. This allows the finance team to know what was spent, by whom and why – without engaging a human. Finance has access to information on company spending at any point in time, which means better forecasts and decision-making.

Top 5 Predictions for Spend Management

Gartner predicts that by 2022, "all major procure-to-pay software vendors will embed virtual assistants and chatbots for guided buying and self-service requests." The 2019 Procure to Pay Magic Quadrant forecasts that "by 2025, over 50% of the global mid market and large enterprises will have deployed procure-to-pay suites via a cloud delivery model."

Leading organizations are ahead of this trend, transforming their procurement process to make an impact now. Digital-first finance and procurement leaders are already adopting these capabilities through distributed spend management platforms. By enabling the business to move even faster, these modern solutions are a competitive advantage.

Based on the speed of adoption of distributed spend management software,

FIVE

75% of companies with under 1,000 employees and 50% of the Fortune 5000 will have cloud-based spend management capabilities by 2023.

FOUR

All major credit card companies will integrate seamlessly with distributed spend management platforms by 2022.
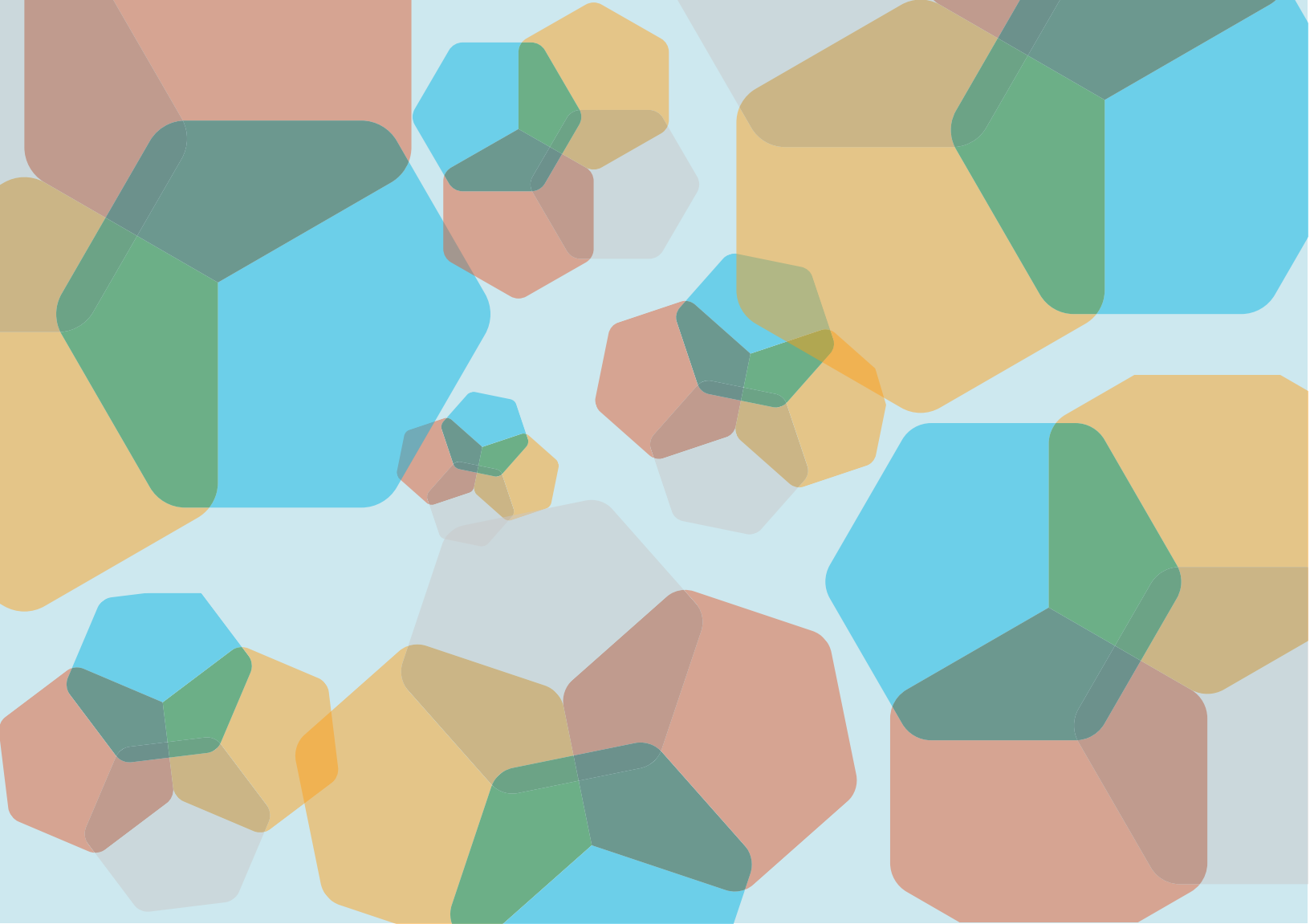
THREE

The procure-to-pay software market as it has existed for the past decade will consolidate into a few key vendors who comprise the rapidly expanding spend management category.

TWO

The top 10 banking institutions will integrate with the leading spend management software vendors

ONE

By 2024, no finance professional in any company of any size in any industry will ever again perform a manual reconciliation because today's automated reconciliation capabilities will have scaled ubiquitously.

The State of Spend Management

Businesses increasingly emphasize agility and productivity. But when it comes to purchasing, employees are often strangled by well-intentioned processes and controls that create friction. And finance teams suffer from real pain in five key areas:

+ Lack of Transparency
+ Manual Work
+ Best-Guess Accounting
+ Policy Misalignment
+ Hodgepodge Spending

Legacy software solutions don't support the way employees actually spend money today so digital-first finance leaders look to new technologies to solve these problems.

Distributed spend management software provides the capabilities to gain control and real-time visibility into spending, without impeding agility.

Teampay

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

The company's SaaS product delivers a user-friendly workflow that aligns spenders and finance, collects critical data, integrates it into legacy systems, and provides safe, intelligent payments. As such, the platform solves the common problems of policy misalignment, lack of transparency, and unpredictable spending. Teampay was founded in 2016 and is headquartered in New York City.

Visit us online at **teampay.co** to learn more.

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