

LEARNING MADE EASY

Soldo Special Edition

# Managing Business Spend

for  
**dummies**<sup>®</sup>  
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Reduce  
reconciliation headaches

—  
Control and streamline  
company spend

—  
Benefit from  
spend analytics

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of  
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Steve Kaelble

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Soldo helps thousands of organisations across Europe take a proactive approach to managing their finances.

Its technology seamlessly integrates into any financial ecosystem and provides organisations with real-time visibility and control over spend – removing the inefficiency and uncertainty brought about by decentralised, month-end reconciliation processes.

Soldo liberates finances so organisations can accomplish more. Pre-programmed company cards offer frictionless spending for employees, while expense automation and reporting provide the insights needed for businesses to grow.

[soldo.com](https://soldo.com)



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# Managing Business Spend For Dummies®, Soldo Special Edition

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**Development Editor:**

Rachael Chilvers

**Project Editor:**

Tamilmani Varadharaj

**Acquisitions Editor:** Traci Martin

**Editorial Manager:** Rev Mengle

**Business Development**

**Representative:** Molly Daugherty

# Introduction

**K**eeping tabs on personal spending is important, but many people find it such a pain that they'd rather not bother. It can be even more of a hassle at work, and yet proper spend management can mean the difference between business success and failure.

What makes it a hassle at work? Manual processes: budgeting, approval regimes, working out how to facilitate spending, keeping track of spending, reconciling and reporting, and getting reimbursed. Beyond being manual, these processes tend to be reactive and retrospective, and managing spending is tough if you're always playing catch-up. Modern spend management addresses all of these hassles.

A modern spend management solution should include a single platform offering visibility into and control over all spending in real time. Physical and virtual company cards should replace petty cash and out-of-pocket spending. A mobile app should help employees facilitate receipt capture, track budgets, and make requests. Integrations should help all the data flow right into accounting systems. And it all should be done proactively and progressively so that you're ahead of the game.

## About the Book

*Managing Business Spend For Dummies*, Soldo Special Edition, is your introduction into the world of modern spend management. Based on expertise from the creator of a revolutionary spend management solution, this book will open the door to a better, more efficient, more effective approach.

Read on and you'll discover why spend management is so important, and also why it has been so challenging up until now. You'll become more familiar with the realities of managing strategic spend, non-strategic spend, and the ever-troublesome tail spend. You'll gain insights into three primary phases of spend management, learn how to know if it's time to explore a spend management solution, and find out what to look for when you're shopping for one. The book wraps up by spotlighting use cases for modern spend management.

# Foolish Assumptions

In writing this book, I've made a few assumptions about you, the reader:

- » You may work on the finance team in a leadership role.
- » You might own or lead a small business and hold primary financial responsibility.
- » You've had it with the old, reactive ways of managing business spending and are looking for some good news.

## Icons Used in This Book

This book is all about making your business life easier. It also includes icons to simplify the reading journey.



REMEMBER

Even if you're too bogged down approving spending requests, don't skip over a paragraph marked Remember.



TIP

This book is all about actionable advice, and the Tip icon points to a helpful hint.



WARNING

A lot can go wrong with business spending, and the Warning icon signifies a cautionary point.

## Beyond the Book

Once you read this book, if you're hungry for more information, here are some ideas:

- » [Soldo.com](#): Details about a modern, proactive spend management solution that can be a game-changer.
- » Economic impact of spend management: A commissioned study conducted by Forrester Consulting on behalf of Soldo.

## IN THIS CHAPTER

- » Understanding the terminology
- » Seeing the importance of spend management
- » Appreciating why it's so challenging
- » Getting some spend management help for your business

# Chapter 1

# Understanding Spend Management

The term is simple enough, but *spend management* is a lot more than just getting your budgets under control. This chapter explores what business spend management is all about, why it's important for all organisations, and why it is incredibly challenging. Read on to find out how effective spend management can improve the company's financial health, cut costs, improve planning, and save everyone a lot of time and hassle.

## Defining Spend Management

Spend management – that's making the frugal choices, right? Opting for a webinar rather than having distant employees travel for a meeting? Deciding against original artwork when updating the office? Sending clients smaller boxes of seasonal treats this year?



REMEMBER

Yesterday, perhaps. Today, the term *spend management* refers to an incredibly powerful business practice that delivers a number of useful benefits. When it's done right, it not only saves money – it also boosts productivity for everyone on the team, including those

who oversee finances and those on the frontline who need to buy things to get their jobs done.

Spend management is a way for businesses to track and control spending and expenses. When done well, it automates and optimises operational processes related to spending, streamlining how business spending is managed and providing powerful analysis. It seems almost too good to be true, but the right approach delivers far greater control while also making employees feel more empowered and less hassled.



TIP

There's a new class of software-as-a-service vendors tackling the tasks of spend management. The most effective solutions employ an online management platform, tap into company cards and a mobile application, and use integrations to link to accounting systems.

## Recognising Why Spend Management is Important

On the one hand, it seems fairly obvious why spend management is important. No matter how big or small they are, businesses clearly need to manage their finances effectively or they won't stay in business for the long term. Poor spend management can result in inaccurate financial reporting and unhealthy cash flow – and a lot of lenders and investors will tell you that cash flow is even more important than profit when you're judging a company's financial health.

One YouGov survey of finance professionals found that nearly two-fifths feel like they have little to no visibility into how their businesses are spending money. And Soldo, which has lots of expertise in spend management, has done research indicating that poor spending controls cost European businesses as much as £301 billion each year.

It would all be so simple if you could just not spend money, but of course, your business needs to spend to succeed. Some of the spending is on big-ticket items, but a whole lot of it is an accumulation of smaller things, such as monthly software subscriptions, travel costs, and client lunches.





REMEMBER

Those smaller items add up significantly in both cost and the time it takes to manage them. Processes are required to get a handle on them, but they've often been processes that are manual, retrospective, and reactive, accounting only for spending that's already happened. You end up with some natural tension between the finance team's need to have control over spending and everyone else's need to fulfil their business goals, which inevitably relies on some amount of spending.



WARNING

What ends up happening is that the finance team sets up processes to manage spending, and other employees find those processes complex and cumbersome. While too little spend management can cause financial perils, ineffective spend management processes stand in the way of productivity.

The reality is that spend management is everyone's responsibility. What's needed are tools that make meticulous and proactive spend management a reality while also empowering employees to achieve their objectives and be productive. Though it seems like those are competing priorities, making it all work out is really not too much to ask.

## Outlining Spend Management Challenges

Compared to automated options, lots of things in life are a whole lot more challenging when done manually. Washing dishes or clothes by hand. Performing long division. Sewing a business suit. Climbing to the twentieth storey of a tall building. Paying for lunch with only coins.

The same can be said for the time-honoured but loathed ways of handling expenses. Your people gather paper receipts and bank statements and fill out reimbursement forms. They have to input data manually. They plug numbers into spreadsheets.



WARNING

That impractical approach certainly isn't ideal for productivity, and all of that manual work brings with it the risk of human error. That's bad enough, but even worse is the fact that it's really hard to get an accurate, big-picture snapshot of your company's spending.

Without that big picture informed by solid data, how can you really know that you're budgeting accurately? How can you spot waste so that you can cut it? How can you be sure you're making accurate reports to financial and tax regulators?

To be sure, it's not for lack of effort, but are you really getting your money's worth from all that effort? Or are you just getting a headache?



REMEMBER

Here are some of the key challenges that can make spend management less effective than it could be and more of a hassle than an opportunity:

- » **Lack of visibility and control:** If you use retrospective spend management processes that rely on gathering weeks-old information from banks, you often end up with unpredictable end-of-month situations, painful surprises, and unnecessary risk. Rather than being in control, finance teams are forced to be reactive.
- » **Cumbersome processes:** How many employees like spending lots of time collecting and scanning physical receipts and submitting them manually? And how many finance managers relish the hours they have to spend manually reviewing those expense claims, checking them for policy compliance, and tracking down additional details and missing receipts? Yeah, that's not anyone's favourite way to spend time.
- » **Lack of agility:** Procuring goods and services might entail navigating multiple layers of approval and management. That gets in the way of employees who need to move quickly and access funds to meet their goals. It's a recipe for frustration and inefficiency.
- » **Error-prone manual processes:** If there are only manual processes, finance managers spend countless hours going through bank statements as they create retrospective monthly spreadsheet reports. They have to review them and approve them, then compare them with budgets to see what is or isn't in line. You can bet that the burden leads to some noncompliance and perhaps some inaccuracies in financial reporting.

- » **Out-of-pocket hassles:** Requiring employees to spend their own money and then seek reimbursement can cause undue financial strain and emotional expense, on top of the hassle. Research shows that more than two-thirds of employees who experience regular expense reimbursement delays would consider finding a different job. Any way you can improve their job satisfaction pays off in improved retention.

## Helping You Manage Spend

The previous section spells out what's wrong with yesterday's approaches to spend management and how they get in the way of getting things done right. It's worth turning those frowns around now and exploring how effective spend management can lead to more smiles and greater success.

Forrester Consulting studied how one spend management solution, Soldo, economically impacted its business users. Here are some of the highlights in *The Total Economic Impact of Soldo*, a commissioned study conducted by Forrester Consulting on behalf of Soldo in 2023:

- » Finance managers using the solution saved 62% of the time they had been spending on expense claims.
- » Time spent reviewing and approving finance reports fell by 80%.
- » Time spent reviewing how company spend aligned with budgets was cut in half.
- » Employees also cut in half the time they spent putting in expense claims.



REMEMBER

Any business can improve its financial performance, operational efficiency, and overall competitiveness if it can get a better handle on its spending. It's not always easy to predict the future in uncertain, competitive markets, so it's essential to properly manage what you can. Spend management is one of those things. Here are more details on the benefits:

- » **Increasing efficiency and productivity:** Spend management can enhance the company's agility and delivery speed

by providing real-time access to money where and when it's needed and automating compliance and approval workflows.

- » **Reducing costs:** More effective monitoring and control of expenses helps businesses find wasteful spending and also negotiate better details with suppliers. It's how you get the most out of your budgets.
- » **Optimising resources:** Your financial resources aren't limitless. You need to ensure that funds go towards the most critical projects, the activities that create the most value. Spend management helps allocate those resources more efficiently.
- » **Getting a handle on risks:** Overspending is a risk that can threaten your business's sustainability. Financial mismanagement and liquidity issues can lead to failure. Effective spend management can mitigate these risks.
- » **Easing compliance:** Effective spend management increases financial transparency and helps achieve compliance with internal spend policies. More complete and accurate records help your business meet its legal and financial compliance requirements.
- » **Improving decision making:** Is your spending well aligned with the company's strategic direction? It may be hard to tell if you don't have accurate and accessible spend data. Effective spend management can lead to better, more data-driven spending decisions.
- » **Empowering employees:** As mentioned earlier, spend management is really everyone's responsibility. Effective spend management can increase employee satisfaction through accountability and empowerment.
- » **Sustaining growth:** Getting better control over spending helps your business enhance its financial stability. That means you're better able to handle downturns and unpredictable situations (and we all know from recent years how times can change all of a sudden). Effective spend management can open the door towards pursuing more long-term growth.

- » Tallying strategic spend
- » Getting a handle on non-strategic spend
- » Defining tail spend

# Chapter 2

## Defining Types of Spend

Different kinds of business spending have their own value and their own levels of complexity. Interestingly, your financial teams often spend more of their time managing the smaller parts of the overall spend. This chapter explores what counts as strategic spend, non-strategic spend, and the whimsically named nightmare known as tail spend.

### Defining Strategic Spend



REMEMBER

Regardless of whether your business makes stuff or creates a service, it incurs certain kinds of core costs that are directly related to developing and releasing that product or service. These core costs are often known as *direct costs*, or the *cost of goods sold (COGS)*.

Direct costs are particularly obvious when you're thinking in terms of a product. They include manufacturing supplies, raw materials used in the product, equipment needed to make the product, and other kinds of production costs. Direct costs also include labour costs and whatever might have been spent on research and development for that product.

With regard to the labour, direct costs refer to the wages for those employees directly involved in production of the product or delivery of the service. That would include, for example, workers on an assembly line. Some companies exclude labour costs from their COGS.

This kind of direct spend is often the biggest percentage of a company's total spend each year. Even so, it may not necessarily be the most complicated spend to manage, because direct spend often involves a relatively small number of suppliers with big bills, and the relationships are often well structured and managed by procurement departments.



REMEMBER

These costs are directly tied to a company's core objectives and are so central to what the company is all about that they're often referred to as *strategic spend*.

In many organisations, strategic spend pays for critical resources, services, or products that aren't easy to source, and as mentioned, these things often have a big financial impact. That's why this spending gets close attention from the procurement department, why relationships are very structured, and why the number of suppliers may not be huge.

That said, there isn't always as strong a procurement culture in service industries such as law firms, professional services companies, and the creative sector. While product-based industries find materials and production costs to be their most significant expenses, service industries are driven most by personnel costs.

Given that, service industries may find that their profitability is significantly impacted by indirect costs, such as employee travel. This kind of spend is a different animal to manage – read on to learn more.

## Recognising Non-Strategic Spend



REMEMBER

What we've discussed so far are core costs or direct costs, which are often thought of as strategic spend. *Indirect costs* are non-core costs, often known as *overhead*. They're not directly attributed to creating a product or service, and have more to do with taking care of the company's operations and health.

You can think of this as *non-strategic spend*. That doesn't necessarily mean it's less important than strategic spend, but it's often more complicated to manage. Here are some of the things that fall into the bucket of indirect costs.



REMEMBER

## Expenses related to selling

This is how you get in front of the customer and make the pitch for your product or service. There's no question that the following are important costs:

- » **Direct sales expenses:** These include the salaries of sales-people, including their commissions, benefits, and payroll taxes.
- » **Marketing:** This might relate to maintaining the company's product line or services, as well as its brand and image. It's not necessarily the same thing as advertising, though many companies lump them together.
- » **Advertising:** Any form of advertising fits in here, and companies may choose to create different general ledger codes to account for different kinds of advertising.
- » **Travel and entertainment expenses (T&E):** Sales and marketing staff often spend a lot of time on the road, going to in-person events and visiting customers or prospects.

## General expenses

It doesn't matter what kind of industry you're in, there are some things you must purchase just to keep activities going. Here are some examples (and corresponding labour costs may fall into these buckets, too):

- » Administrative expenses
- » Legal expenses, including the labour involved
- » Human resources, payroll, employee benefits, and company events
- » Office rent and utilities
- » Facility maintenance
- » Information technology, office equipment, other supplies

## Expenses related to operations

Beyond the general expenses, a couple of other categories of expenses relate to operating the company:

- » **Travel expenses:** It isn't just salespeople travelling. Service personnel often do their jobs somewhere other than at a

company location, whether it's for repairing items, consulting with clients, and so on.

» **Ancillary operational expenses:** This is a catch-all for other kinds of company expenses that support the main activity of the company. This could be the cost of food for the crew or for fixing equipment, for example.

## Seeing the complication

See how many words it required to spell out what's included in indirect, non-core costs that make up what's called non-strategic spend? It is a whole lot more complicated to explain than strategic spend involving direct costs.



REMEMBER

The irony is that for a lot of organisations these costs make up a smaller share of the overall annual spend, and yet they're a lot more complicated. These expenses are a bunch of smaller purchases spread across a variety of components across the entire organisation. They're managed by multiple internal stakeholders, who work in different departments and have different bosses.

Not only that, but many of these costs happen without a lot of advance planning. A lot of suppliers are often involved. That makes it hard for procurement departments to get a handle on indirect costs and maintain any kind of clear visibility into spending patterns. It's tough to control this spending and standardise processes.



WARNING

Make no mistake, procurement departments succeed because they have structured processes. But if they try to enforce their structured processes on non-strategic spend, they end up stirring up resentment and friction. Their processes seem like the only way to gain control and visibility, but that can create ill will without even proving that it's worth the cost. At times, it's not even possible to apply strict procurement processes to these kinds of expenses.

As much trouble as it can cause, non-strategic spend is money that needs to be spent. It may not fit neatly into the narrative of achieving long-term strategic objectives, but the company won't run without it. That said, if non-strategic spend is executed poorly, it can have a negative operational impact.



# Managing the Tail Spend

The biggest takeaway from the previous information is that spend is infinitely harder to manage when it happens in smaller or wider-ranging transactions involving more buyers and sellers and departments and situations. Your organisation's biggest spend management challenge is likely to be what's known as *tail spend*.

Simply put, tail spend involves purchases that are high in volume and high in frequency but typically lower in value, with a lower impact on the business. These are purchases made outside of existing contracts you have with core suppliers. In many cases, the procurement team isn't involved at all. It's a whole bunch of little, one-off things such as office supplies, software subscriptions, or flights (though tail spend can, from time to time, also include high-value purchases that departments make quickly to expedite business needs they might have).



WARNING

With tail spend, a lot of stakeholders are involved both in spending decisions and payment implementation. Not only are suppliers numerous but they're constantly changing. They've rarely been strategically vetted, there's no contract, and there may be a low trust level requiring payment in advance.

## PERUSING THE PARETO PRINCIPLE

Ever heard of the Pareto Principle? It's sometimes called the 80/20 rule, and it was named for an Italian economist named Vilfredo Pareto, who came up with the idea well over a century ago. He noted that 20% of Italy's population owned 80% of the land, and Pareto suggested that same ratio could be applied in a lot of other areas, too.

When it comes to business spend, Pareto's wisdom tells us that about 80% of an organisation's costs relate to purchases from about 20% of its suppliers. That's spending that is core to the business, dictated by strategically managed relationships that get a lot of procurement attention.

That all makes a lot of sense. But when you carry the thought further, you realise that a smaller portion of the business spend creates the vast majority of the complexity. That 20% piece of the company's spending is certainly too big to ignore, even if its complexity makes you want to look the other way. Any way you can tame that part of the oversight hassle will free up your ability to focus on strategic spend.

In lay terms, tail spend is a pain in the you-know-what. It's a whole lot of headache for a smaller piece of the pie, so difficult to manage and optimise that a lot of companies just throw their hands up and overlook it.



REMEMBER

While I'm talking about tails, I may as well bring up *long tail spend*. It's the tail of the tail, after you've excluded the strategic spend that procurement is handling centrally. The long tail is where the complexity is highest. Challenges of long tail spend include:

- » Lack of visibility and control because transactions happen all over the place, causing an increase in waste and abuse
- » Fragmented processes involving multiple departments, with incorrect cost classifications that mess up financial reporting
- » Inefficient execution through manual and cumbersome processes
- » Risk of blocked business activities if transactions are delayed
- » Stakeholder friction, as departments can't agree over control and responsibilities

That's a long list of problems and challenges. But you know what they say about problems – each one is an opportunity for improvement.



TIP

Get a handle on long tail spend and you can increase efficiency and productivity, streamline decision making, cut out mundane tasks, and automate approvals. You can reduce risk by ensuring compliance with accounting requirements. You can end unauthorised spending.

Effective management of long tail spend can save money by proactively offering insights into spending patterns, spotting areas for optimisation, and ensuring that procurement is focused on the most impactful places. Transactions can be accounted for in the proper periods through better cut-off management.

And the icing on the cake? Employees feel more empowered, able to make quick purchasing decisions without bureaucratic hurdles.

- » Establishing spend governance
- » Planning to make payments
- » Reconciling business spend

# Chapter 3

## Managing Your Business Spend

I'm not suggesting spend management is as easy as one, two, three – but the overall concept can be easily boiled down into three main buckets or phases of activity. Read on to find out about the processes of establishing spend governance, building systems to make payments, and figuring out how best to report and reconcile spending. Ultimately, bridging these phases is all about gaining control and visibility.

### Governing Your Spend

There's a reason why speed limits are signposted along most roads, why your office has regular operating hours, and why food outlets have hygiene rules. Without guidance and rules, how can anyone know what's expected, and how can it be determined if expectations are being met?



REMEMBER

The same can be said for the first phase of spend management – the *governance phase*. This refers to the process of planning and setting budgets for various areas of spend, from project costs to departmental spend to travel and entertainment (T&E) expenses. This phase spells out who can spend what, and when they can spend it.

Guidance for this governance phase comes from high places. Depending on the size of the organisation, this budget-setting

process might even be led by the CEO, and it's probably informed by company policies. Key stakeholders approve the budget, and the finance department oversees implementation and management. Governance includes:

- » **Budgeting:** The organisation sets out how budgets get adopted, but the process is typically managed by business leadership.
- » **Setting spend controls:** This is jointly defined by business leaders and the finance department.
- » **Defining approval flows:** Business leaders and the finance department also determine how spending approvals happen.
- » **Adopting business expense policies:** The same groups also jointly detail the specifics of controls on business expenses, such as limits on business travel.
- » **Treasury management:** Now that it's been determined how much can be spent and by whom, and how it's controlled and approved, it's important to make sure that funds are accessible. Finance professionals ensure access to funds in a debit environment, or perhaps a credit line, so that approved payments can be executed. Setting budgets and rules isn't enough – spending can't happen until finance properly allocates credit lines or liquidity.



TIP

Getting back to that mention of speed limit signs, budgets and processes must be communicated to all stakeholders so that everyone knows what's expected. Meanwhile, responsibilities must be delegated and controls granted to the right people for execution, delivery, and accounting. This has often meant relying on manual processes and resorting to using Excel as a reporting tool, which are not ideal approaches.

## Making Payments

So, everyone has been told what the rules are, what's in the budget, and how spending gets approved. Now comes time to make it all happen, phase two of the spend management process, the part when actual payments get made.

We're talking about buying things for day-to-day business operations, whether they're strategic in nature or ad hoc purchases. Businesses often use such processes as corporate credit cards or invoice

payments, or they ask employees to make purchases on their own and file for reimbursement. This process needs to be efficient if your organisation is going to be agile, competitive, and successful.

It's worth mentioning that the payments you're making must adhere to the governance you established in the first phase. Some of that efficiency comes from automating certain expenditures by setting up actionable spend rules and controls.



REMEMBER

Finance maintains oversight during this phase, but most of the actual spending activity is implemented by employees. You've given them a budget, and now they're using the appropriate resources to take actions and achieve their business objectives.

## Reviewing Business Spend

The third phase logically follows. You've set up rules and processes to guide spending and allow it to happen efficiently. And you've established processes to get the payments made. The third phase involves making sure that everything has gone as planned, within budget and according to policy, and informing all who need to know.



REMEMBER

Reporting and reconciliation of business spend is vital for a number of reasons. It involves company money and cash flow, of course. There are often legal and compliance needs that require accurate and timely reporting and reconciliation, too. And this is info that's not just retrospective but also helpful for setting forward direction.

It's also a hassle for many organisations. It takes a lot of time at the end of every month, every quarter, and every year. It requires input from lots of people and teams, with data from a variety of accounting systems and analytics solutions, and in many cases, a bunch of Excel spreadsheets. Beyond gathering information, the finance team is involved in:

- » **Enrichment:** This means capturing all information needed to qualify every transaction, with all the pertinent context information and supporting documentation such as receipts and invoices.
- » **Classification:** Here's where finance professionals match transactions with cost centres, classify the nature of the

spend, note whether it's operational or capital, and determine what entities it belongs to, such as projects or budgets or accounting domains.

- » **Validation:** When necessary, finance will make sure that transactions are in line with business expense policies and other guidance.
- » **Accounting integration:** This is when all of the validated information gets fed into the company's enterprise resource planning or accounting platform.

## Gaining Control and Visibility

The whole point of all this activity is to gain control and visibility, and that's what happens when you bridge these three phases of spend management and feed the results into the ERP or accounting platform. You're ensuring that what happens in one phase is properly dependent on what has happened in another, and sharing information so end-to-end processes can be supported without duplication of effort.

The phases are bridged by:

- » **Control bridge:** This is the bridge between the governance and payment phases. This is how you control spending by creating budgets and implementing rules and policies. This bridge makes it possible to delegate funds to the right places and control spending before it happens, which is a key to controlling risks.
- » **Visibility bridge:** This bridge links the payment and review phases, ensuring that all payment transactions are captured immediately when they happen, and that they can be enriched with metadata, supporting documents, and in some cases, a validation workflow. The bridge carries on to the ERP or accounting system, where reconciliation happens.



TIP

The governance and review phases are typically managed inside the company, but a bank may handle payments. If you don't bridge the phases well, you may end up with inefficient and manual processes. The bridges ensure that governance context is seamlessly transported all the way to review. That saves duplication of effort, such as classifying an expense when that information already was part of a governance approval.

## IN THIS CHAPTER

- » Seeing if you need a spend management solution
- » Listing the key components
- » Controlling tail spend
- » Recognising how spend management helps

# Chapter 4

# Employing a Business Spend Management Solution

This is the chapter where problems turn into solutions. Read on to figure out whether your business is in need of a new spend management solution. The chapter outlines some of the components that you should be seeking. It explains how a spend management solution can grab hold of tail spend. And it documents some of the real-world benefits that users of one spend management solution have experienced.

## Recognising Your Need

How well does your organisation do with regard to spend management? Are you confident that you have the visibility and control that you need? Do your employees feel empowered or hassled by business spend processes? Now's a good time to explore whether you need to employ a spend management solution.

Soldo commissioned a Forrester study on the economic impact of its spend management solution in 2023. Spoiler alert: The study

found that the solution delivered a 358% return on investment. That's the gain, now here's a brief rundown of some of the pain points that companies reported before they went down a better path. Do any of these sound familiar?

- » **Expense management that's time-consuming and cumbersome:** Employees may spend hours submitting expense claims manually. They have to collect and scan physical receipts (and had better hope they haven't lost them). Finance managers then have to spend hours and hours manually reviewing those claims, checking for policy compliance, and running down any missing details or paperwork.
- » **Monthly reporting that's manual and inefficient:** Finance managers spend even more hours going through bank statements at the end of the month, manually creating, reviewing, and approving a monthly report by way of spreadsheets. Then they must compare their findings with planned budgets and company spend.
- » **Funding, card access, and distribution that don't meet business needs:** Employees can quickly become frustrated if they're using their own money to pay for business-related activities. And for many, company credit cards aren't accessible to all. If, on the other hand, employees are supposed to use cash, it's clumsy and time-consuming to withdraw, count, and distribute the funds. And it's a recipe for errors and theft. All of this results in bottlenecks that slow the business down and make it less competitive.
- » **Visibility and control that are subpar:** If finance managers have to wait weeks for bank statements so that they can review transactions and analyse spend, they're already far behind an ideal schedule. And if, weeks later, they find suspicious transactions, it's much harder to resolve, and too late to block the card.



WARNING

If spend management isn't keeping up, patience wears thin and employees are distracted from value-adding work. And while you feel like the hassle-causing controls are safer from a cash-flow perspective, you still end up with unwelcome surprises at the end of the month – marketing that's over-budget, duplicate software subscriptions, or other missteps. On top of that, inaccurate or siloed data can cause compliance risks.



That's what spend management pain looks like. If you can feel that pain, you probably need a spend management solution.

## Outlining Key Components



TIP

Accounting systems and ERPs aren't well suited for spend management because they're missing key components. A complete platform absolutely must allow you to see spending across the whole business, from payment to reconciliation, and it has to do so in real time. So, what should a spend management solution look like? Here are some components to look for:

- » **Company cards and easy bank transfers:** This is how you empower individuals and teams to make business payments, whether online or in-person. Company cards can cover travel and entertainment (T&E) costs, digital advertising, office supplies, and all kinds of other expenses.
- » **Employee expenses application:** Look for a connected mobile app that's linked to company cards. With that, employees can check their available balance and track their own activity. A connected mobile app makes it a paper-free process that easily captures receipts and tracks money spent on business expenses while on the go. And because it's connected, managers can review and approve spending. Goodbye, mindless and infuriating paperwork!
- » **Management platform:** Here's the key to continual visibility, a dashboard or main control centre that shows each transaction as it happens, sets the budgets and limits for each card, and establishes spending rules. Through this platform, you can stipulate what spending can happen and when, putting limits on amounts, times, and geographies. It should provide automated spending reports and allow monitoring in granular detail.



TIP

Put all this together and you get a proactive and progressive solution that can both facilitate and control business spending. You can gather insights and organise spending, and you don't have to wait until the end of the month to find problems or uncover ways to improve your spending. Your organisation will save time and money and make better-informed decisions.

# Getting a Handle on Tail Spend



REMEMBER

As Chapter 2 explains, tail spend is where your biggest headaches brew. This is a key place where a business spend management solution can really shine. It's not a matter of trying to make tail spend fit into ill-fitting procurement processes, but rather creating a system that's made for the purpose. Here's what it should do:

- » **Enable centralised budget management:** Seek a customisable solution that can delegate aggregate budgets to employees who'll be executing the spending, allowing post-payment verification. It should map into the business org chart and organisational spending needs. That's a whole lot more efficient than managing each individual transaction.
- » **Simplify approval processes:** There's no need for complicated vendor qualification and onboarding procedures, so approvals for individual transactions are much more streamlined.
- » **Distribute the work and responsibilities:** Decision making and payments are decentralised, which aligns them more closely with business needs and allows faster response times.
- » **Allow comprehensive spend analytics:** A solution should offer detailed insights into spending patterns, vendors, and cost breakdowns. Budget owners can track progress, and procurement can look for optimisation opportunities.
- » **Embrace automation:** A spending solution with automated processes and intuitive interfaces gets rid of the friction and reduces the time stakeholders spend on the details of spending.

## Understanding the Benefits of a Spend Management Solution

Ultimately, the right spend management solution connects spending systems, puts an end to unnecessary paperwork, automates repetitive tasks that once were manual, and provides better

spending visibility with much more granular detail. Spreadsheets and forms and other routine administrative hassles are no longer needed.



REMEMBER

A helpful solution provides mobile apps and payment cards for employees along with comprehensive web applications for oversight. As a result, companies can:

- » Achieve real-time visibility of all transactions across the business, pulled together in one place.
- » Activate company expense policies with a minimum of hassle.
- » Control who's spending money, where, and on what.
- » Create more accurate budgets and forecasts.
- » Simplify the whole process, all the way from governance to payment to reconciliation.



REMEMBER

That Forrester study mentioned earlier provides specific details about how Soldo's solution impacts companies' spend management activities. The study interviewed multiple representatives about their experiences, and then aggregated the findings and combined the results into one composite organisation. Here are some of the results:

- » Finance managers at this composite organisation cut the time spent on claims by 62%, freeing up time for tasks and projects that added more value. This organisation's net savings over three years totalled €98,600. The time finance managers spent reviewing and approving reports dropped by 80%, and the time spent ensuring that budgets and spend were aligned was cut in half.
- » Employees saved a lot of time on expense management, worth €73,400 over three years. They halved the time spent submitting expense claims, saving more than 45 minutes per claim on average.
- » The operations team no longer had to distribute cash. By issuing temporary or permanent virtual cards to employees and contractors, they saved about 50 hours a year.

The study participants had plenty of additional benefits that weren't as quantifiable but were perhaps even more priceless. Here are some of the highlights:

- » **A timely view of company spending:** Respondents hail the instant visibility they gained into all transactions and budgets and the overall company spend. It allows better planning and flexibility in budget management.
- » **Managing cards, money, and budgets in real time:** The solution is flexible and valuable for employees who are on the move getting their work done. It's especially helpful in topping up funds when needed, issuing or unlocking cards instantly, and providing temporary virtual cards for one-off expenses.
- » **Better compliance with business spending policies:** In the past it would seem counterintuitive to imagine greater ease of use and improved policy compliance at the same time. But that was, indeed, the experience, which reduced the risk of fraud, theft, and inappropriate use of money. Getting rid of cash usage helps tremendously and enables easy detection of fraudulent or out-of-policy transactions.
- » **Improved agility and autonomy for employees:** Workers get a modern solution and don't have to use their own money or cash to make payments. It's a big win for employees' cash flow and financial security, making them more flexible and agile as they work towards their business goals.
- » **More ease and control when dealing with contractors and external vendors:** Temporary virtual cards are convenient, secure, and easy to arrange. That enables contractors and other third parties to make payments as part of their contracts, while giving the company more control.
- » **Greater automation thanks to integrations:** The solution integrates with accounting, administration, and budget software, so transaction data can automatically move where it needs to go. Users told Forrester that they experienced a big reduction in manual tasks and a whole lot easier reporting on financial data.

## IN THIS CHAPTER

- » Automating and simplifying spend organisation
- » Improving on petty cash and out-of-pocket reimbursement
- » Finding a better way for subscription and travel spending
- » Integrating for easy reconciliation

# Chapter 5

## Ten Examples of Spend Management in Action

If you've read the preceding chapters, you have an idea about the problems that go along with loose spend management and the benefits of gaining greater control. This chapter explores ten specific use cases and features of spend management in action. These examples explore how the spend management solution from Soldo simplifies what used to be cumbersome, providing greater control and visibility.

### Approving and Organising Spend

A comprehensive business spend management solution brings much-needed automation to processes that have for generations caused frustration and exasperation. Soldo's solution, for example, centralises control through a web console, providing complete visibility, the ability to decide what should be spent and where, and customised approval for ad-hoc purchases.

It's customisable, not one-size-fits-all, and yet it brings needed structure. It ringfences different pots of money to properly organise spend, gain full control, and have accurate reporting afterwards. It brings together into a simple process all three phases of spend management: governance, making payments, and review.



TIP

The idea is to organise spending by person, project, or team; facilitate payment; and streamline reconciliation and reporting with automated processes. The business gains agility and efficiency through the automation of spend reporting data that's passed directly to accounting software or other financial systems.

## Putting It in an App

There's an app for nearly everything these days, so it makes sense that spend management should benefit from the simplification that an app can provide. Soldo's mobile app helps employees manage expenses from their pocket.

Employees can request funds or temporary cards using the app, and receipts can be captured right away. The necessary details are automatically entered with no need for organising and manually entering them. The app can easily report lost or stolen cards and classify transactions as they happen. Gathering key data is effortless for employees, and having that data on hand makes life much easier for admins.

## Replacing Petty Cash

It's been said many times that 'cash is king', but when it comes to petty cash, the king has lost his crown. Petty cash is unreliable and inefficient, easy to lose or lift, and hard to account for at the end of the month. Soldo's spend management solution replaces it with company cards.



TIP

These cards let employees buy what they need without using their own funds or petty cash, and without going over budget. Finance teams are always in control over who's spending funds on what, where, and how much.

With this solution, teams or locations are given pots of money called Wallets, and cards are set up to access the Wallet. Transactions can be viewed as they happen, and expenditures are automatically synced with the accounting system.

Without the need for petty cash, there are no more last-minute trips to the bank. Desktop or mobile apps can top up the company

cards. Employees use the Soldo mobile app to capture and upload receipts at the point of purchase, with no more paperwork to file.

## Optimising Subscription Spend

A lot of any company's spend these days is on subscriptions of one kind or another. Subscriptions are a classic example of tail spend, and as such, it's hard to keep track of them. You're likely to end up with services that aren't wanted or used, or ones that have expired.



TIP

The Soldo solution tackles this problem with dedicated subscription cards that are easy to track, pause, or cancel. Each subscription gets a dedicated virtual card that watches over recurring spend, follows rules for transaction amounts, and reduces the risk of fraud.

Companies using this approach never miss a bill, so they avoid unexpected interruptions in whatever service was subscribed. Subscription cards can be named for easy tracking, and because they aren't assigned to an employee, if anybody leaves a team, payments still happen. With better supplier control, it's easier to negotiate more attractive deals for software-as-a-service subscriptions used across the company. And if you determine that you don't need a subscription or aren't using it, it's easier to cancel.

## Managing Travel and Entertainment

No one enjoys the incredibly important work of managing travel and entertainment (T&E) expenses. The finance team certainly doesn't appreciate all the manual work and the frustration of chasing down incomplete claims and missing receipts. And those doing the business travel certainly don't enjoy the paperwork they have to file related to transportation, accommodation, meals, and other travel expenses.



TIP

Soldo's spend management approach to T&E includes a powerful management platform and a mobile app. Employees get cards linked to company money to pay for their hotels, flights, and trains and the like. They use their app to capture relevant receipts right away. Expenses are tracked in real time and correctly classified, and it's easy to ensure that they adhere to policy.

The system enables you to set custom budgets for teams and individuals with funds that are shared or isolated. Everyone knows how much they can spend on what. That saves money.

Spending can be tracked in whatever manner you want – by employee, team, vendor, or time period. This delivers granular insights into how and what teams and employees spend on travel.

## Streamlining Shared Spending

Here's another often-repeated business saying: 'You've got to spend money to make money.' Your teams have business tasks to complete, goals to meet, and they inevitably have to spend money to do those important things. It's true whether your people are working on construction projects, completing media productions, planning events, running retail operations, or anything else.

If financial processes hold them back, slow them down, and make it tough to complete their tasks, you've got problems. If purchase orders arrive too slowly and employees can't afford to front the money and get reimbursed, success is constrained.



TIP

The Soldo solution for business spend management employs company cards, a management platform, and a mobile app to streamline shared spending while keeping it fully under the microscope. The idea is to replicate the team or project organisational structure in the platform and link associated budgets into Wallets.

Once that's set up, employees within a project or on a team can be assigned non-named team or project cards so that each connected employee is drawing funds from the proper pot of money. All spending is still linked to individual employees, so you have complete control and visibility. At the end of the month, reporting and reconciliation are smooth.

This approach allows for dedicated cards to be assigned to a specific team, whole department, or even a project. Budgets can be allocated based on a time period such as weekly or quarterly, and what's more, spending is fully authenticated and secure. This helps prevent internal fraud and scams, and any card can be instantly frozen or cancelled.



# Eliminating Out-of-Pocket Expenses

About the only good thing that can be said about out-of-pocket employee spending is that, in the past, it was pretty much the only way some spending could happen efficiently and in the necessary moment. But when employees use their own money for company-related purchases, it's a hassle all round.

For them, they're down a wad of cash until a reimbursement arrives. To get that reimbursement, they have to save receipts and fill out forms. Finance teams then have to sort through that paperwork and pay the claims. And on top of that, there's no way to get an up-to-date view of company spending when the accounting all happens days or weeks after the fact.



TIP

With Soldo company cards, employees buy what they need when they need to, without dipping into their own funds or going over budget. Finance teams have control of it all and instant visibility. Receipts are captured digitally to justify purchases, and it all happens smoothly and efficiently.

Employees love the approach because they're empowered to get their jobs done without handing over their own personal cash. You can set automatic top-ups, get detailed spending reports, and use integrations to automatically transfer all of the data and invoices into whatever accounting platform you prefer.

## Creating a Credit Card Alternative

A common alternative to using out-of-pocket funds or petty cash for tail spend has been credit cards. That approach brings certain conveniences and efficiencies, but it has its own drawbacks. You can't issue a card to everyone, so many employees don't have payment options or they have to share cards. That can lead to hassles with two-factor authentication as well as inefficient reconciliation. Monthly statements need to be downloaded and cross-referenced, with receipts collected and attached.



TIP

Company cards in the Soldo solution don't rely on a credit line, so there's no risk of going over limits or being charged interest. Spending is more easily controlled, visible in real time, and automatically synced with the accounting system.

Rather than forcing employees to collect paper receipts, this system captures them digitally, keeps track of VAT and spending categories, and funnels all the data to the proper place. Security is much higher with no one sharing cards, every penny can be tracked, details don't have to be spread around online, and virtual cards expire after use, so the risk of fraud is minimised.

## Integrating with Financial Systems

There can't possibly be very many people who actually enjoy transferring data from one system to another – cutting and pasting, glancing back and forth between two windows on a computer screen, or moving numbers from paper to a keyboard. It wastes valuable time that could be better spent doing something else, it's boring, and there are lots of opportunities to make mistakes.



TIP

Integrations are an absolute godsend. The Soldo spend management solution syncs financial systems together to automatically transfer transaction data. Front-line employees and finance people are freed up to be more productive at some other task, such as proactive financial management. And beyond eliminating manual data transfer errors, integrations allow better reporting into a single, consistent, up-to-date view that's both accurate and complete.

## Getting the Big Picture

I just mentioned having multiple windows open on the computer screen. What if you didn't have to look in multiple places to see all the company spend information?



TIP

The web app or management platform that's part of the Soldo solution brings all the information and power into a single place. It's where you distribute, track, review, transfer, manage, analyse, and report. Every penny or cent spent shows up in real time, so the company has precise control over how company money is spent. Because it's automated and in one place, that complete control happens efficiently, with fewer steps and more time for other things.



# Discover a uniquely proactive approach to spend management

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# Spend money more effectively and time more wisely

Keeping track of business spend can be a hassle, with budgeting, reconciling, reporting, and reimbursing all adding up to a big headache. What's the solution? Step forward, *Managing Business Spend For Dummies*, your guide to controlling company and employee spending.

Dive in to discover all of the factors that make up a modern spend management solution. A single platform can offer visibility into and control over all spending in real time. Physical and virtual company cards are an alternative to credit cards, petty cash, and out-of-pocket spending. A mobile app helps employees facilitate receipt capture, track budgets, and make requests. And integrations help all the data flow right into accounting and financial systems. Spend management not only eases headaches for the finance team, but also empowers those on the front lines to do their jobs effectively and meet their goals, driving greater productivity and success.

## Inside...

- Manage all three phases of business spending
- Speed up expense processes
- Increase financial transparency and accountability
- Achieve real-time visibility of transactions
- Analyse and improve spending decisions
- Create accurate budgets and forecasts
- Be inspired by real life use cases

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