MESH

Spend Management 101

Learn how to navigate the changing landscape of corporate spend management to get the most out of your spend.

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01. About This Guide

From CFOs to finance managers, the professionals managing business financials provide the rest of the organization with the resources it needs to function. Ultimately, finance teams are responsible for finding strategic opportunities to reduce costs and help the company grow.

Unfortunately, finance professionals are often bogged down in manual tasks keeping track of the company's spending and other expenses as well as facing multiple challenges as they work to keep their businesses financially stable.

Critical to a business’s success is managing the money it spends. The wider umbrella of spend management has become an increasingly scrutinized topic as new paradigms and platforms emerge to help companies manage their expenses.

This guide will help you understand what spend management means in a modern context, how it has been practiced until today, some of the challenges it presents to businesses, and new tools and resources that are emerging to help companies manage this important process.

02. What is Spend Management?

At its core, spend management is the process of paying the vendors the company needs to operate its business. This includes payments through corporate cards, ACH, wire transfers, or any other method of payment and includes paying everything from vendors as large as cloud providers or other high-cost services to paying for something as simple as a cab ride for an employee.

Spend Management: Paying the vendors needed to support business operations.

The main goal of spend management is making sure that there is visibility into how the funds of the company are being spent and whether it's in line with the budget and plans of the company.

Typically, the way a company pays for something has been viewed through three basic pathways. Each of these pathways is primarily a way for finance teams to categorize and understand how and when a payment is being made.

Payment Pathways

1 Accounts Payable

These are payments that accrue to the business. A service is selected and entered into the accounting system and needs to be paid at some future date. This means it is essentially identified as a payment that needs to be paid in the future.

Accounts payable are typically paid via ACH, check, or wire. It can also be paid via card depending on the vendor.

2 Expenses and Procurement

The simplest way to understand this category of spending is with this phrase: "I owed this, I paid this." This is a payment made by card, check, cash, or other means that has already been paid when entered in the company's accounting system or ERP platform.

3 Reimbursement

In this case, an employee has made a payment, whether through cash or through a personal card, and needs to be given those funds in return.

4 How Businesses Have Typically Made Payments

Accounts Payable	Expenses and Procurement	Reimbursements
Checks, ACH, Wire transfers	Corporate cards	Employees' personal cards, cash

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Approval Workflows

One of the critical elements of controlling and managing a company's spend is setting clear approval policies and workflows.

All payments made by the company are matched to an approval process and then further matched to a budget. So a company will plan out what it needs to support its operations for any given period of time and spend according to that budgeted amount.

That approval process can happen in one of several ways:

Pre-approval

A vendor is selected, there's a vendor agreement, terms are agreed to. Every month, or chosen period, there is a payment to be made.

After Payment

Usually, there is a pre-approved budget and policy so in these cases it's a process of making sure the expense is in alignment with the pre-approved budget and policy.

Employee Expenses

The employee uses their own money to pay for an expense. Typically, and especially in cases of travel, there is an approval process both before and after the expense is made. So, first to determine the budget for the expense, and then after to make sure it's in-line with whatever policy was determined by the company.

03. Spend Management Today

Until now, spend management has been split across legacy tools and without a clear or automated way to manage the process from a central location. This has led to finance teams having to create ad hoc or labor intensive processes to control spending.

Accounts Payable

With accounts payable, approval has often already happened during the negotiation process or when selecting that vendor or services. From there, the actual payment is made via ACH or wire transfer or less often by corporate card.

In addition, there is some existing support from online services that help companies manage accounts payable such as Bill.com, Concur, and others. With these services, users can enter invoices into the system, sometimes via email or other online method, and then the invoice undergoes an approval process.

General Expenses and Corporate Cards

When the product or service doesn't include an invoice, the go to choice has been the corporate card. These purchases include procurement of supplies or other immediate purchases. In addition, subscription services and other SaaS platforms are included in this category.

Approval for these purchases can happen in any number of ways. For example, an office manager may have a set budget for a weekly team lunch which has been pre-approved. Alternatively, there could be approval after the fact when the need arises, for example a client lunch.

Corporate Card Chaos

Unfortunately, along with the benefits they provide, corporate cards often introduce a great deal of chaos for finance teams.

Even today, there are companies where CEOs are the primary owner of corporate cards and finance teams or others are left to track down payments through pages of printed statements.

This unorganized and opaque process creates a huge bottleneck of manual work and data entry as finance teams scramble to track down and identify all the payments made on corporate cards. This situation is only exacerbated when multiple corporate cards are introduced into a company.

Today, this process can be streamlined slightly. Bank statements can be downloaded as a CSV and then uploaded into a spreadsheet and from there to an ERP. However, this only cuts down on some of the repetitive manual work necessary to identify and reconcile the payments coming from corporate cards.

Envelopes of Receipts

The most common way for employees to manage the process of reimbursement remains a pile of receipts in an envelope. Employees, whether traveling or for any other purpose, are expected to keep track of their own spending and have to dip into their own funds in order to achieve their goals.

While new employee reimbursement tools are emerging to help with this process, they nevertheless rely on this same out-dated, and largely broken model. Additionally, employee reimbursement is only becoming more common with the rise of remote work.

Remote Work Enters the Mix

The last few years have ushered in a new era of remote work. While companies have been expanding their global presence for some time, the new era of remote and hybrid work has driven an acceleration in the decentralization of businesses. However, this has added extra pressures to both employees and finance teams to adapt spend policies to this new reality.

One effect of going remote is that it is pushing more and more companies to pursue virtual cards. In the past, office managers would ensure that all employees are supplied with the tools they need to be successful including their basic workspace.

Now, remote employees are often required to provide those tools themselves and manage their own workspace. If they need to purchase additional tools or resources this burden often falls on them to make those procurements. This can result in employees having to pay for these purchases and be reimbursed. So finance teams see the virtual card as one way to ameliorate this problem.

04. Pitfalls and Challenges

The methods and tools finance teams have been using to manage spend has led to a number of challenges and pain points - not only for their finance teams themselves but across the business as an organization.

These can be summarized as:

- Burdens on employees resulting in time consuming processes
- Lack of visibility into spend
- Risks to the business due to loss of productivity, fraud, abuse, or other issues resulting from the lack of control in spending

Manually Intensive and Time Consuming Monthly Close

Making sure that all entries are booked appropriately into the accounting software or ERP, and working through the process of tracking them down and reconciling all of the receipts has always been one of the most demanding tasks for finance teams. More than anything else it was time consuming and could take days to complete and finance professionals are always looking for ways to accelerate this process. [speed monthly close]

Reconciliation is incredibly important and having disparate sources of spend and inconsistent tracking and identification of spend can increase the time necessary for that process.

The accumulation of manual tasks puts a huge burden on the team and delays monthly close. It also makes it difficult to make sure that all charges or spend are booked to the correct account and budget.

Points of Friction for Employees

No business can be successful if its employees are unhappy, and spending is often a major pain point for team members. For example, employees are often expected to travel for work and spend money legitimately, but those expenses rack up and come out of their own pocket. They need to wait to be reimbursed, and sometimes travel expenses can amount to several thousand dollars that employees need to wait on.

This can cause undue stress for employees that need to take on a financial risk and burden in order to perform their duties. Furthermore, recent data shows that employees will avoid making purchases for work when they must do so out of their own pocket. This can directly impact productivity and the business's chance of success.

On the finance team's side, this accrues back to additional stress and work as they need to respond in a timely manner to the requests of employees who want to be reimbursed. And today, reimbursement often requires double approval - from someone on the finance team and from an employee's direct manager.

Opaque Expenses

With most of the traditional solutions, there has been zero to little visibility into the companies spend until it has all been booked in the accounting system or ERP. This means only after the full reconciliation process has been completed, including all of its time consuming tracking and identify of spending, can the finance team have any kind of complete picture of what the company's expenses are.

This severely limits the finance team's ability to get an accurate overview of the company's total spend, which can easily lead to overspending and imprudent financial decisions.

Corporate Cards Introduce Risks

The first and obvious risk is losing the card. Along with that is the risk of having the card number stolen or falling victim to some other fraud. Of course the card can be canceled, but this can leave employees without a reliable way to make payments apart from out of their own pocket.

If this happens in the middle of a trip, it means that employees may have to make payments and expect reimbursement without prior approval or a clear policy in place. Loss of a corporate card will also cause additional challenges if it has been used to pay for any subscriptions, SaaS services, or any other recurring payment.

If the subscription is mission critical for your business, the loss of a corporate card can present a real risk of interruption or other damage to your business.

05. How Can Modern Spend Management Help?

It's clear that many of the tools and processes that teams are using to manage spend are insufficient to the task. They introduce workflows that depend on data entry and repetitive and intense manual tracking and uploading of receipts and receipt matching.

This has led finance teams to be bogged down in day-to-day operations rather than focusing on creating strategic plans, optimizing spending, or identifying areas or opportunities for growth.

Fortunately, modern spend management platforms are emerging to help finance teams both avoid the pitfalls and challenges described previously, and to also automate significant portions of their workflows. This results in saved time and resources - especially during monthly close - as well as more in-depth understanding of the company's spend.

Platforms in this category, such as Mesh, provide a mix of solutions to help finance teams, including:

- Virtual payment cards
- Physical corporate cards
- Spend insights and visibility
- Deep integration with accounting platforms and ERPs

Automation

Spend management platforms can help eliminate or drastically reduce the manual process of entering information into a spreadsheet and categorizing spend after the fact. Instead, platforms like Mesh allow you to create virtual cards and categorize them during the setup process so you know ahead of time what kind of payment is made with each card. When that data is synced to the accounting platform or ERP, it's already tied to the transaction.

This is a breakthrough for monthly close and reconciliation and automates much of the tasks that have preoccupied finance teams previously.

Visibility and Insights

Beyond automation, modern spend management platforms provide real-time insights into company spend as it happens. As transactions come into the system, they can be viewed according to the transaction type or by vendor.

This level of insight is critical in helping finance teams understand their spend and where it can be optimized.

Eliminate Reimbursements

With modern spend management platforms such as Mesh, reimbursement can effectively be eliminated as a process.

Managers can use spend management tools to pre-approve budgets and provide custom virtual cards for those expenses. This means employees don't need to pay with their own funds. It saves them time and removes a pain point, as it does for the finance team as well.

Planning for the Future

view of all spending, and the ability to dive into the fine level details of where spend is happening based on category, department, or vendor.

This kind of visibility into spending unlocks new avenues to plan and budget. Ultimately, understanding your company's current expenses and allocations are the best predictor of where it is going and where it needs to focus more to enable growth and success.

With the higher level of visibility that spend management platforms provide, comes the ability to more accurately predict and plan for the future. Spend management platforms provide a central location to receive a high level

Payment Solutions

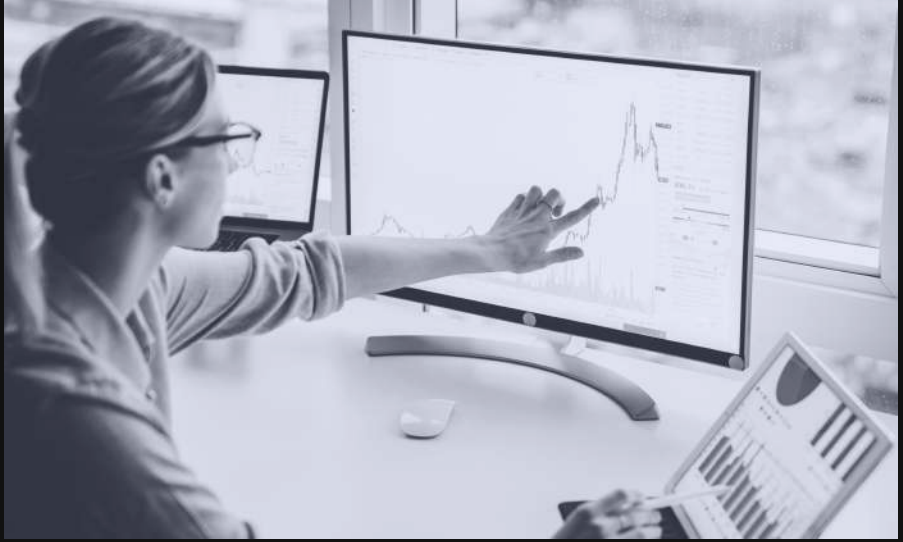
An additional element that spend management platforms bring is the ability to focus on payment solutions rather than payment methods. What does this mean in practice?

Many platforms available today try to push users to use a particular payment method or embrace a specific philosophy around spend management, whether that's a focus on providing all company employees with a corporate card or simply focusing on virtual cards for employees, these solutions focus on the method first and foremost.

However, new solutions that are becoming available are increasingly taking a more holistic approach to payments that focuses on finding the right solution for the payment rather than a specific method. Platforms such as Mesh, for instance, use virtual cards to help finance teams make payments, but these cards are provided in such a way that they can be customized to fit the specific needs of any payment.

For example, virtual cards can be created that are locked to individual vendors helping not only to prevent abuse but also make identification of payments much easier.

All of this tracks back to the central purpose of spend management platforms - accelerating and streamlining financial workflows through automation.



06. Conclusion

Spend management is a critical component of any finance team's operations. It is the way in which companies finance the vendors and services they need to be successful. Unfortunately, the process today is reliant on ad hoc tools and resources and requires a great deal of manual effort.

Legacy Spend Management:

- Resource and labor intensive
- Opacity into spend
- Risk of fraud, abuse, and unnecessary spending

As we have seen, spend management today is on the cusp of a transformation in the way finance teams approach control company expenses. Modern spend management platforms provide powerful tools that can help finance teams take control of their spend and gain insight into where that spend is going.

Modern Spend Management:

- Focus on automation to avoid manual and repetitive tasks
- Reduce risk of fraud and disruption to mission critical services
- Eliminate pain points for employees
- Allow for better strategic planning and budgeting

One of the most important tasks for businesses is examining current processes and optimizing for the future. Modernizing your businesses' spend management can help prepare it to face today's rapidly changing business landscape.