



Minimize Risk And Maximize Gains Through Spend Optimization Solutions

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FORRESTER OPPORTUNITY SNAPSHOT: A CUSTOM STUDY COMMISSIONED BY OVERSIGHT | MARCH 2021

Finding And Managing Spend Risk Requires Complete Visibility

Most organizations have limited insight into their external spending on goods and services, restricting their ability to optimally monitor, analyze, and mitigate the risks, challenges, and opportunities in that spend. Failure to optimize spend opens the door for loss of potential savings and costly operational, reputational, and compliance risks.

Oversight commissioned Forrester Consulting to explore the state of spend analytics in spend management today. In surveying 207 finance and procurement leaders, we found that many lack a comprehensive view of total company spend and that much spend analytics work is done retroactively across siloed departments and systems using manual processes. Decision-makers with a spend optimization solution in place at their organizations report fewer challenges and better financial management control, but only 25% have adopted such a solution.

Key Findings



Only 9% of decision-makers without a spend optimization solution have a single view of spend, and many can only retroactively address risks that cause cash loss and compliance challenges.



56% percent agree the office of the CFO lacks the granular insights needed to optimize spend.



Leaders who adopt spend optimization solutions gain more complete, granular, and timely data insights to improve financial control and strengthen regulatory and policy compliance.

Current Spend Reporting Produces Only Partial Insight

Reporting practices on organizational spend often fail to provide the level of detail needed to manage such spending effectively. Business leaders struggle to understand where dollars are spent, who spent them, and whether the purchases are in compliance with existing contracts, company policies, or government regulations.

Spend information typically comes from the broad categories reported in their general ledger or the limited data from category-specific tools. In fact, 86% of respondents rely on an enterprise resource planning (ERP) system to manage external spend, and 74% rely on reporting against the general ledger to analyze spend. Decision-makers also use procurement and vendor management systems to analyze more category-specific purchasing. But these sources of data are either too general in categories or too narrow in focus.

“If applicable, what solutions(s) are currently implemented for managing/analyzing your external goods and services spending?”
(Select all that apply)

SOLUTIONS CURRENTLY IMPLEMENTED (SHOWING TOP RESPONSES)

FOR MANAGING EXTERNAL GOODS AND SERVICES SPENDING

Enterprise resource planning (ERP)	86%
Procurement system	56%
Vendor management services solution (for contingent workers and project services)	50%
Outsourced partner for audit and recovery	45%

FOR ANALYZING EXTERNAL GOODS AND SERVICES SPENDING

Reporting against general ledger data	74%
Reporting from our procurement system	48%
Enterprise financial performance management	46%
Reporting from vendor management system	43%

An Incomplete View Of Spend Weakens Financial Control

Our survey found that 85% of decision-makers with a spend optimization solution have a single view of spend, compared to only 9% of those without a solution. Constrained by a lack of visibility, only about half of decision-makers say they have strong controls to catch fraudulent and wasteful spend and identify breakdowns and errors in spend and payment processes. Additionally, 59% state they only know whether purchases comply with government regulations and company policies after the fact.

“Please rate your level of agreement with the following statements.” (Showing “Agree” + “Strongly agree”)

We have dashboard reporting views that allow us to visualize key spending trends and patterns.

60%

We only know after the fact if all of our purchases were in compliance with company policies and government regulations.

59%

We have a systematic way of identifying if we've optimized payment terms and discounts across vendors.

56%

+9% for those with a spend optimization solution implemented

We have strong controls in place that will catch fraudulent or wasteful spend.

53%

We have strong controls in place to identify breakdowns/errors in our spend/payment processes.

41%

We know at the time of purchase if our purchase is compliant with company policies and government regulations.

32%

+57% for those with a spend optimization solution implemented

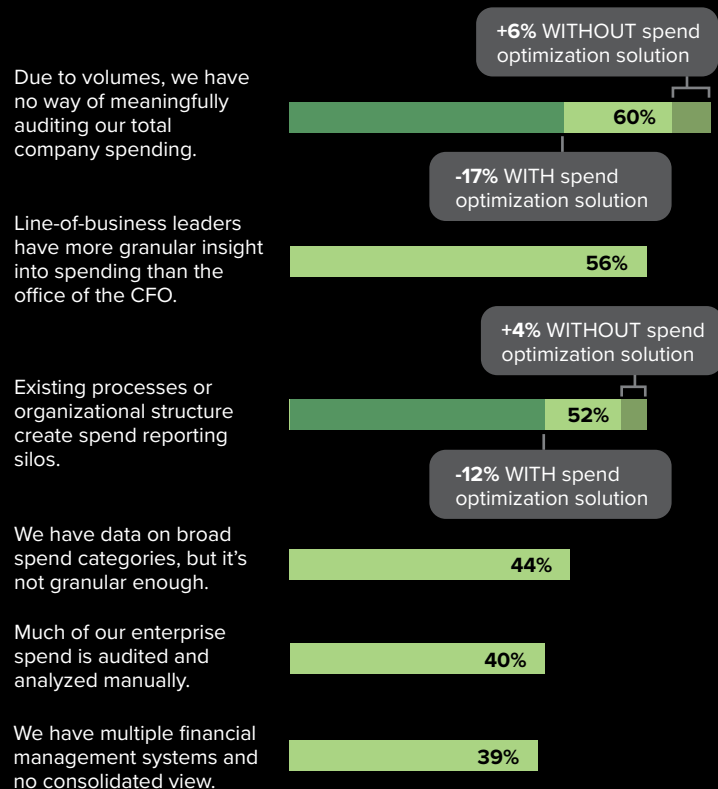
Our organization has a single view of all of our external spending.

28%

Senior Leaders Lack Meaningful Insights

The senior leaders responsible for optimizing enterprise spend are largely at a disadvantage because current processes and tooling prevent many from easily accessing the most important insights. Sixty percent of leaders report that, due to volumes, they have no way of meaningfully auditing their total company spending. In addition to struggling to glean meaningful insights from all company spend, some executives simply never see some insights. Fifty-two percent of decision-makers agree that existing processes or organizational structures create spend reporting silos, and 56% say that the office of the CFO lacks granular insights needed to optimize spend.

“What, if anything, is preventing your organization from optimizing spend?” (Select all that apply)



Business Partners Stifle Progress

Though only 25% of finance and procurement leaders have already implemented a spend optimization solution, all respondents are interested in implementing one. These leaders see the value in investing in a solution to create a single view of enterprise spend, but some struggle to gain buy-in from their peers. When asked what is preventing their organizations from investing in a spend optimization solution, 48% report that different stakeholders are wedded to different systems, 43% report the business is prioritizing other technology investments, and 31% report that they lack a business sponsor.

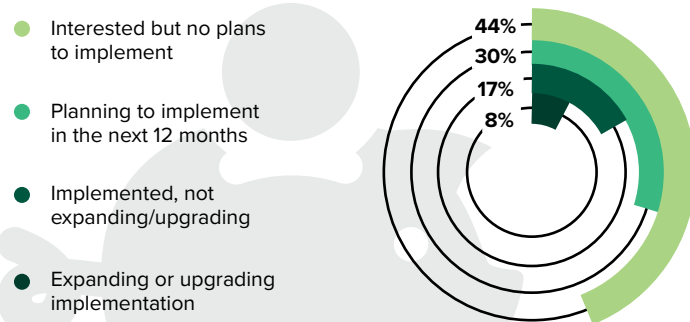
We defined a spend optimization solution as one that consolidates data from all source systems to analyze all external goods and services spend.

“What, if anything, is preventing your organization from investing/investing more in a spend optimization solution?”



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“What are your company’s plans when it comes to implementing a spend optimization solution?”



Base: 207 director+ in finance, controllers, procurement, auditing, and shared services responsible for defining spend optimization strategy

Note: Percentages may not total 100 because of rounding.

Source: A commissioned study conducted by Forrester Consulting on behalf of Oversight, December 2020

Spend Optimization Solutions Strengthen Financial Control

With existing processes and systems, leaders often make critical business decisions based on outdated spend information. Spend optimization solutions solve that problem by providing real-time insights that lead to better decision-making and better controls over spending. Leading firms turn to spend optimization solutions to identify the best opportunities to reduce cash leakage (41%), strengthen financial controls and analysis (55%), improve compliance (51%), and maximize audit efficiency (52%). A spend optimization solution allows much more complete, granular, and timely insight into a company's spending, with visibility provided to key stakeholders in finance and risk management as well as procurement.

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“What benefits have you seen/would you expect to see if you implemented a well-integrated spend optimization solution that analyzed your total company spend and provided actionable recommendations?” (Select all that apply)

Strengthened financial control

55%

Maximized audit efficiency

52%

Improved compliance
(e.g., ability to catch and correct out-of-policy behavior)

51%

Reduced fraud and/or waste

47%

Improved confidence in purchasing decisions

41%

Minimized cash leakage

41%

Better decision-making via more trusted insights

32%

Improved cash flow

31%

Base: 207 director+ in finance, controllers, procurement, auditing, and shared services responsible for defining spend optimization strategy

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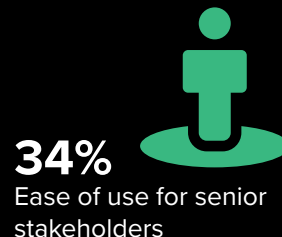
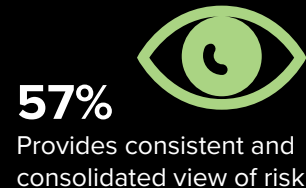
One View Of Spend Is One View Of Risk

Technology-powered transformation has come to spend optimization. Achieving spend optimization depends on having a solution provider that can deliver a wholistic and timely view of external spending. Integration with the sources of spend data in financial management systems is fundamental.

But financial management leaders also seek a reliable technology solution with the ability to automate broad business spend practices to create a consistent and consolidated view of risk (57%), as well as a vendor with a proven track record of improving business outcomes for customers (49%).

“What is most important in your partnership with a spend optimization solution provider?”

(Showing top ranked responses)



Conclusion

Companies that do not have timely, complete, and granular spend data are at a disadvantage when it comes to controlling costs and identifying opportunities to spend dollars more strategically. They also run the risk of significant amounts of their spending being out of compliance with contracts, company policy, and even the law.

Spend optimization solutions allow firms to establish better financial control through real-time intelligence on who is buying what across all spend channels, including corporate card programs and accounts payable. These solutions offer enterprisewide benefits not just to the chief procurement officer, but also to the CFO and the chief risk officer to drive better spend decisions.

Companies seeking a spend optimization solution should turn to solution providers that can consolidate data from multiple systems in real time and provide analytics and insight focused on compliance as well as on sourcing opportunity identification.

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Forrester's CIO research group

Methodology

This Opportunity Snapshot was commissioned by Oversight. To create this profile, Forrester Consulting conducted an online survey of 207 spend optimization strategy leaders in the United States. The custom survey began and was completed in December 2020.

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Demographics

COMPANY ANNUAL REVENUE

\$500M to \$749M: 36%

\$750M to \$999M: 37%

\$1B to \$4.9B: 18%

>=\$5B: 8%

RESPONDENT LEVEL

C-level executives: 7%

Vice president: 27%

Director: 66%

POSITION/DEPARTMENT

Finance/accounting: 49%

Procurement: 51%

INDUSTRY (TOP 5)

Healthcare: 15%

Financial services: 15%

Education: 15%

Retail: 5%

Transportation and logistics:
4%



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