

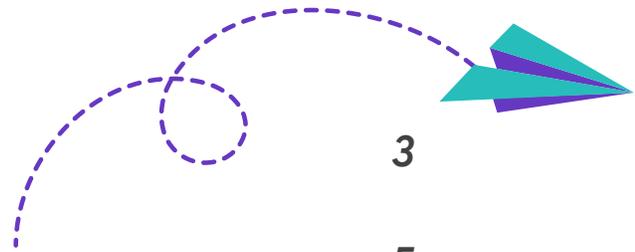
# Control in a crisis

How to manage spending responsibly, keep business continuity, and grow during periods of economic crisis.



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# Introduction

Controlling costs and tightening up spend are the easiest ways for companies to quickly adjust to an unplanned economic downturn.

The economic fallout of COVID-19 may be out of your control, but implementing measures to quickly and strategically implement spend control can mean the difference between life and death for your organization.

When a health crisis like Coronavirus/ COVID-19 (SARS-CoV-2) hits, remote work may be the only practical option to continue operations.

Of course, not every business can provide work from home options but for those that can, like most software companies, this work model is viable, though requiring digital tools and processes.



# Is your company ready?

This handbook covers four spend management strategies your company can implement to proactively revise your spend control to minimize a downturn's negative impact on the business.

1. Lock down spending
2. Over-communicate with your team
3. Reforecast and defer costs
4. Increase accountability and responsibility



Strategy 1

# Lock down spending

The very first action a company needs to take is to control cash outflows and limit spending.

Approving all spend before orders are placed ensures no rogue spending happens. These controls can be relaxed later.

# Here's how you can lock down spending

Increase purchase accountability through stricter approvals. Requiring approvals in advance of purchase order creation is prudent and necessary at all times, but especially during an economic crisis. Companies should lower limits of purchase order approval authority. For instance, we suggest decreasing limits by up to 50% on all requisitions.

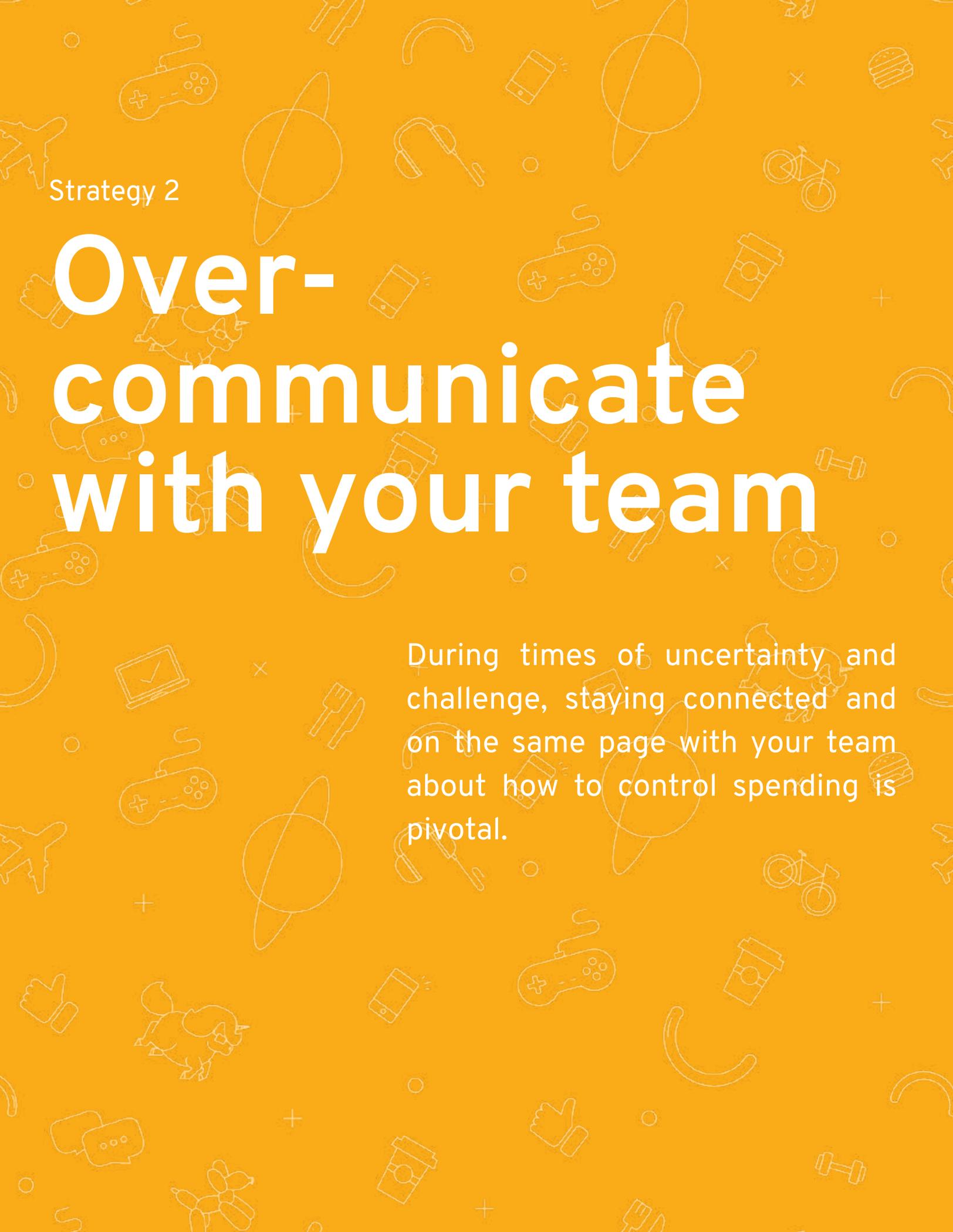
Depending on the size of the company, consider increasing the number of approvals, signing authorities or even inserting the CEO as the final approver on all expenditures. Ultimately, companies should consider using the CFO or Controller as the gatekeeper on all material payments going out the door. With a digital system, it's easy to create a sequence of different approvers located in different physical locations and be flexible in changing the approval levels as the economic challenges abate.

Revise budgets. When targets are set in place, accountability and responsibility follow: there is no such thing as overanalyzing in times of crisis. Plan regular meetings to review actual-to-budget reports and analyze variances. Procurify allows managers and leaders to check their spend pipeline and purchasing analytics broken down by users, business units, and vendors in real-time.

Build a transparent process to assess requests for purchases. During times of downturn, crucial cost management starts with scrutinizing requests for purchases. Cloud expense management systems:

- Ensure employees don't need to jump through paper hoops to submit requests
- Provide real-time notifications and updates on orders so communication is kept timely and open between team members
- Clarify the details of an order directly on the request to keep all information in one place
- Allow for automated three-way matching to verify invoices before they are paid
- Establish automated checks to ensure that an individual cannot approve the same request they submitted
- Enable embedded and efficient alerts that provide timely responses where those in the approval process are geographically distributed or are working remotely

Luckily, automated systems like Procurify can help procurement departments and finance teams seamlessly integrate all the suggestions in this strategy.



Strategy 2

# Over-communicate with your team

During times of uncertainty and challenge, staying connected and on the same page with your team about how to control spending is pivotal.

# Here's how you can over-communicate with your team

Invest in digital tools. Spend management software enables seamless communication, even when people need to work remotely. Digital platforms can even do some of the actual communicating – automatically.

For instance, tools like Procurify provide real-time digital notifications that keep people aware of approval requests and purchase order status. These notifications remove the need for long email threads and Slack messages, making the spend process more efficient and organized for everyone involved. Don't forget to train employees on new systems and processes either: ensure everybody knows how to use the tools correctly.

Regularly review spend. Set up consistent times to meet with individual teams, departments, and managers to review budgeted and actual costs. In addition to using procurement spend management

software to pull reports and track spend, video conferencing tools such as Zoom, Skype, or Whereby help teams maintain face-to-face communications and a feeling of open community.

Be transparent. Communicate new processes and controls in the context of your company culture. Keep your team focused on a clear and succinct plan that they easily understand. This will help people feel they are contributing to the company's future and not just changing how they work.

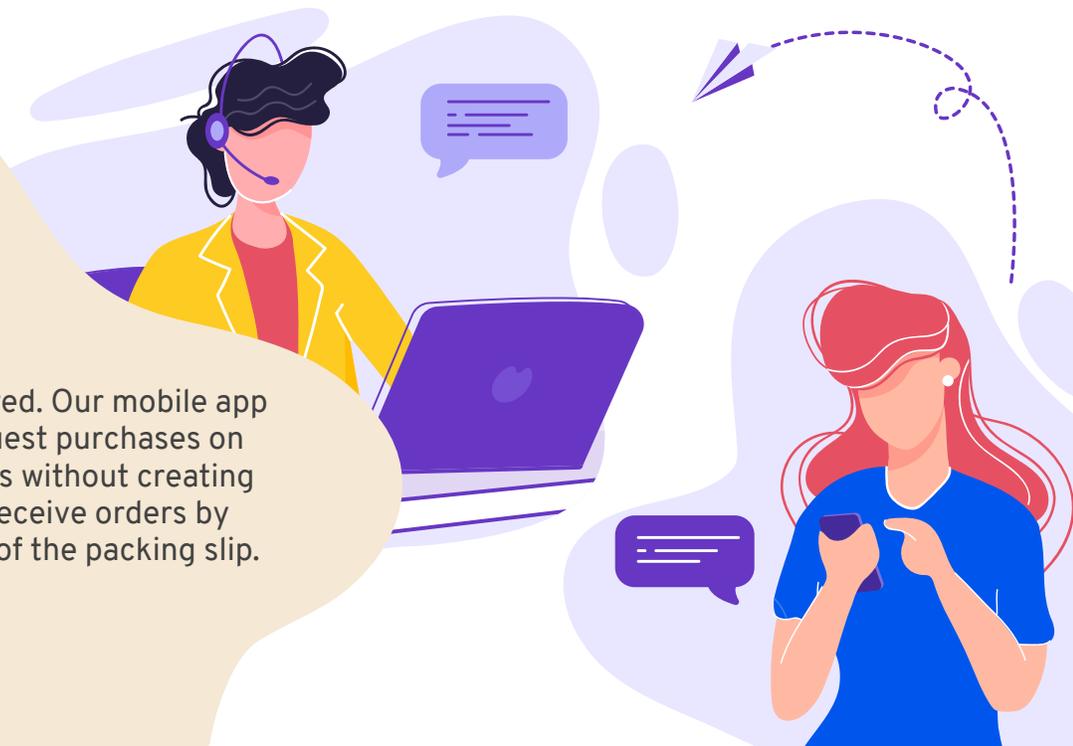
An organization's Spend Culture reflects the shared beliefs and practices that informs how, why and when money should be spent. Regardless of what type of Spend Culture you have, getting employee buy-in is key to locking down costs during a downturn. They need to know how they contribute to proactive spend management spending.

## PRO TIP

Working from home?

Away from the office?

Procurify has you covered. Our mobile app allows everyone to request purchases on the go, submit approvals without creating bottlenecks, and even receive orders by simply taking a picture of the packing slip.



## You have a spend culture – use it!

Here are suggestions of how to communicate new changes and processes in spend control to your company, depending on your Spend Culture type:

### Administrative:

“We have documented new procedures and standards in response to the downturn. In times of economic crisis, we must be more prudent to ensure each and every cost is properly approved, tracked, and controlled. It is now more important than ever to ensure we use our money wisely.”

### Agile

“In these challenging times, we continue to encourage innovation but pride ourselves in being flexible to changing circumstances. Each department will continue to have their own budgets and goals but we will work closely with each one of them to find heightened controls around spend approvals to ensure we use our money wisely.”

### Democratic:

“We pride ourselves on empowering our people and individual departments to make spending decisions on their own. This will not change. However, during the downturn, we have created new guidance for spending and new approval levels to ensure we use our money wisely.”

### Unrestricted

“In times of crisis, it is more important than ever for people to take responsibility for their decisions. We will start to create simple processes around purchase requests and necessary approvals for each expense, and start looking into how data can help us use our money wisely.”

TAKE THE QUIZ

[Discover your Spend Culture ›](#)

Strategy 3

# Reforecast and defer costs

So, how do you reduce expenditures in business?

Whether you take a top-down or bottoms-up approach to budgeting, analyze what the business actually needs to spend money on in the next month, quarter, and twelve months.

## Here's how you can reforecast and defer costs:

Think big picture. Don't fall prey to knee jerk reactions and cut expenses uniformly. For businesses that may be resistant to recessions, cutting costs arbitrarily across the board can leave them vulnerable to competition and displacement.

In many cases, budget reviews in the early stages of a downturn are limited to areas of variable spend which are easiest to rein in. However, ignoring the big picture with a "let's wait and see" approach can trigger long-term repercussions to the health of your business.

Key strategic exercises to dive into:

- Review burn rate, runway, and business models
- Prepare forecasts under "worst-case" and "best-case" scenarios
- Update break-even analyses to prepare for all outcomes
- Dedicate time to think about customers' changing needs in both the short and long-term
- Strategize how to best position your company when the market starts to recover

Defer and delay high-ticket expenditures. Review large budgeted business expenses and move them to the next quarter or fiscal year. Postpone big projects with hefty costs such as:

- Events and conferences
- Office and store openings
- Capital expenditures
- Leasehold improvements
- New marketing programs and campaigns

***“Decreasing budgets is a difficult exercise in uncertain times, but it’s important to refocus the business strategy as a whole and not simply from a pure cost-cutting outlook.”***

- Phil Gray, Director of Operations at Procurify

Review major operating expense items. In a downturn, cash is king. Reviewing workplace policies and making adjustments can be incredibly beneficial to short-term cash flow:

- Implementing a remote-friendly work environment can not only decrease long-term rent, but creates a residual effect on utilities and other people related expenses such as travel subsidies and office supplies.
- Software subscriptions are a significant and ever-growing area of spend for many businesses. Immediately triggering a review of all upcoming software subscription renewals can kickstart an initiative to re-evaluate the ROI of your technology stack in a strategic manner.
- Audit your payroll and people expenses. Define non-essential labour in order to make appropriate adjustments while upholding company culture and morale.
- Can full-time employees become part-time?
- Can projected hiring be deferred?
- Can contract projects be put on hold?

## Search for alternative options with vendors.

During challenging times, companies often try to stretch their payables' payment timing. To maintain positive relationships with vendors, communicate and be transparent with all suppliers to increase trust and reduce potential challenges with your supply chain.

Leverage your vendor relationships with catalog management. You've built a relationship with preferred suppliers and vendors. Ensure your team takes advantage of this. If mutually beneficial agreements cannot be reached, consider securing new suppliers that can offer better pricing and assess how soon new contracts can be signed.

Renegotiating contracts is a significant way to generate cost savings and mitigate risk. For instance, arrange new terms for both pricing and payment dates. Renegotiate annual subscriptions to monthly or quarterly payment terms.

Analyze discretionary spending. Wherever possible, reduce and defer discretionary spend. Control indirect spend to increase the bottom-line.

By definition: *“A discretionary cost is a cost or capital expenditure that can be curtailed or even eliminated in the short term without having an immediate impact on the short-term profitability of a business.”*

Identify and review the essential and non-essential expenses by asking:

- Is this a “nice-to-have” or a “company-critical” cost?
- If we eliminated this expense, would our sales or relationships with customers suffer in the short-term?
- If we eliminated this expense, would our bottom line suffer in the short-term?
- If we eliminated this expense, would team member morale suffer?

Discretionary costs can be found in:

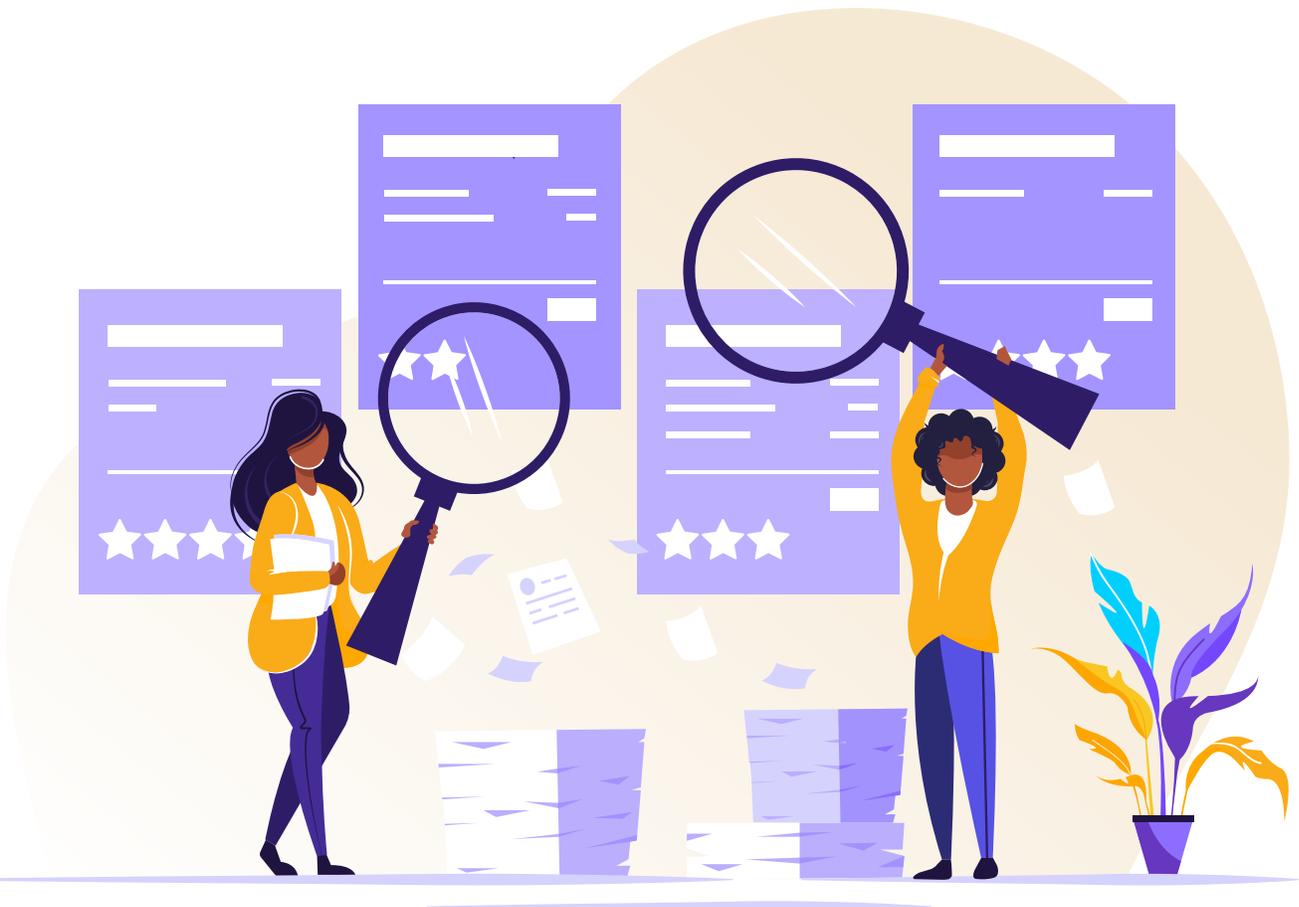
- Marketing and advertising
- Event and conferences
- Research and development
- Repairs and maintenance
- Freelancers and agencies
- Office costs such as subscriptions and supplies
- Employee costs such as training and offsite events

## Travel

Let's talk travel. Travel is typically one of the most variable discretionary line items on the P&L. Scrutinizing travel spend can go a long way. Using a digital system allows your team to request a travel budget so all related expenses tied to business trips can reside within one system for easy oversight and approval.

However, during a crisis like COVID-19, travel restrictions and global lockdowns are accelerating the level of restriction. We expect remote working environments and the use of video conferencing software to reduce travel expenses significantly -- and so should you. This shift in work culture may prove to provide a guide for continued travel expense savings after the crisis abates.

**Change credit card policies:** If your company relies heavily on reimbursable expenses or corporate credit cards for a portion of its discretionary spend, implement temporary amendments to spend policies to rein in non-urgent expenses. If your company uses pay cards, such as a debit-credit card for employees, then you should have the ability to claw back pre-approved credit to immediately halt this type of spend.



Strategy 4

# Increase accountability & responsibility

Tightening up spend requires appropriate attention and oversight.

Tracking requests, approvals, and real-time costs is key to ensuring costs do not get out of hand.

## Here's how you can increase accountability and responsibility

Keep an audit trail. Ensure you can track the path behind every purchase. A digital spend management system helps you track down the smallest detail of each transaction so that you unearth any irregularities and ensure compliance. Companies don't need a complex ERP to do this. With Procurify, car-sharing and delivery giant Pathao is able to review spend data related to trends by department and user while studying expenditure, department, and account code.

Monitor spend and focus on visibility. A digital spend management system allows for real-time budget tracking and helps companies like Skip The Dishes that have manual and siloed budgets identify opportunities for cost savings and discounts that they would have never seen before. Visibility into company spending is especially important for organizations with multiple locations across different cities: it's crucial to know who is spending what, and on what.

Double down on analysis. Sticking to budgets and reviewing spend is critical during a recession: always be analyzing.

Create revised budgets with each department and give them the autonomy to be accountable for their numbers. Automated spend systems make it easier for department heads to see what portion of their budgets have already been spent, and what's left of it, before approving any PO requests.

***“A budget is a point-in-time forecast of how a company will allocate resources. Many companies are now using quarterly-updated forecasts or rolling 12-month forecasts as a replacement budget or control to reflect new expectations of both topline and expenses.”***

- Chris Burns, CFO Partner at CFOs2GO

# The bottom line

Controlling costs and creating a company-wide Spend Culture is a proactive way to maintain the health of your business during times of downturn.

We are confident that implementing these four strategies will benefit your organization in the long run and help you survive, and potentially even thrive, during a recession.

Plan early, take necessary actions to lower risk, and get your finger firmly on the pulse of the revenue engine of your business. Do not let expenses remain static as the landscape of your business moves around you.

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To learn more about controlling spend through an automated, cloud spend management platform, contact us to learn more about Procurify.

Stay tuned for additional information in this series where we'll share cloud accounting software options, productivity solutions for remote accounting teams, and business continuity planning steps.

# Stay in control with Procurify

Procurify helps you gain control of your organization's spending.

Complete your financial toolkit with the world's most friendly purchasing software.

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



Procurify would like to thank CFOs2Go for contributing to this guide.

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