

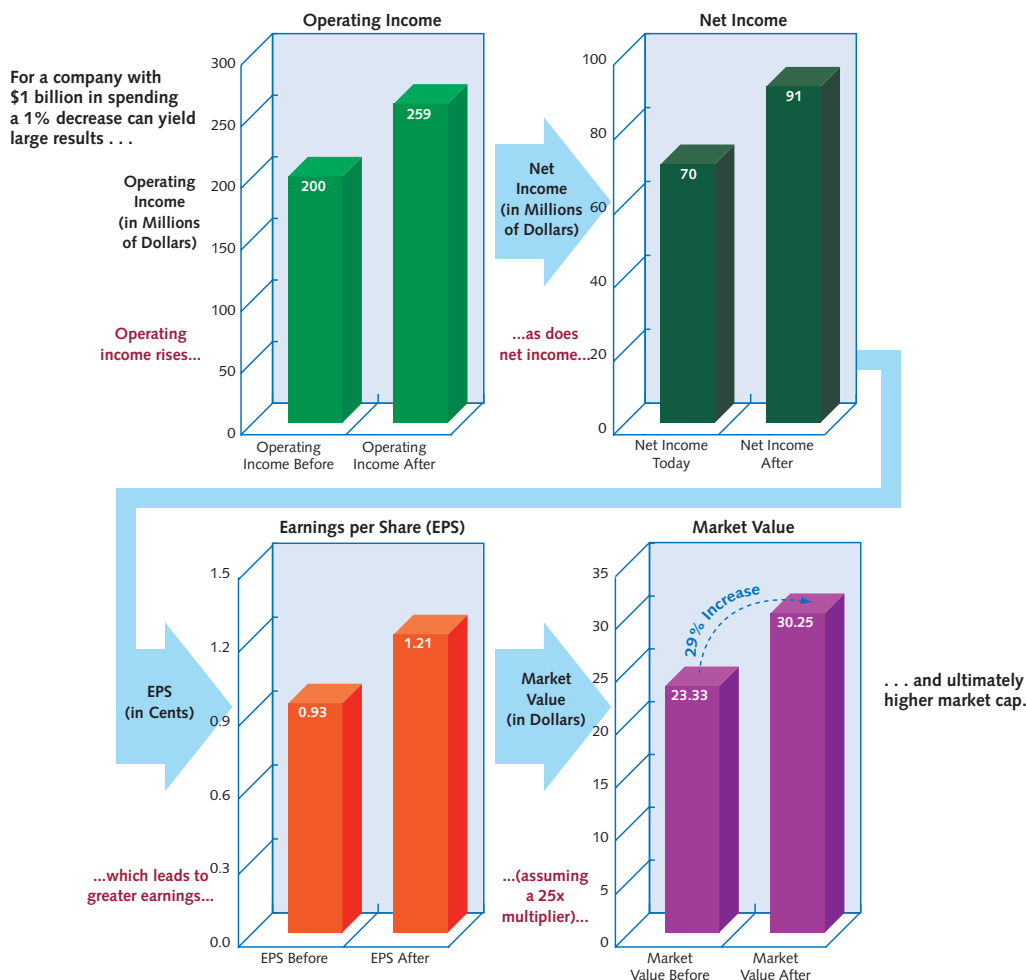
# Enterprise Spend Management: Taking Charge of Enterprise Value

## Executive Summary

*Creating a culture of fiscal discipline is the single most important thing we can do to create, maintain, and improve the long-term health of our companies in any environment. Companies that can take firm control of the money they earn will outperform competitors in bull markets and gain market share in contracting ones (see Exhibit 1). The bad news is that we can't control the economic circumstances in which our companies operate. The good news is that every company can implement common-sense tools and practices to take charge of the single most important enterprise asset: the money that you earn.*

### Exhibit 1 Enterprise Spending Management: Advances in Control Can Yield Large Results

Source: the Yankee Group, 2002



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We believe that competition will drive enterprise spend management (ESM) to become the next non-optional area of enterprise automation. This Report identifies key areas that can quickly yield powerful increases in control, visibility, and effective ESM. We will outline the most common causes of unrealized or deferred benefits in supply management and reveal key best practices utilized by best-in-class companies.

(Note: All monetary figures in this Report are in U.S. dollars.)

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### I. Controlling Enterprise Value

The difference between good companies and great ones is simple: superior execution. Strategy, the subject of a thousand books and management seminars, is only the opening gambit in a much longer game. Strategy gains us entry to the next level of competition, but winning depends on whether your organization can actually make the moves that will ensure that you ultimately prevail. Execution trumps strategy in so many ways, particularly because so much in the business environment is impossible to control—economic fluctuations, fickle customers who decide to do business elsewhere, the ebb and flow of our own talent pool as they are exposed to natural turnover. Yet in the midst of this maelstrom, victory is possible; it lies in identifying and taking charge of the controllable factors in our environment (see Exhibit 1).

Of course, we are all subject to many limitations—time, resources of skilled people, budget—so we must make decisions about how to best spend our scarce energy and resources. If we could choose just one factor of our businesses to add to our existing sphere of control, what would it be? Which one would make the most difference to our ability to survive and thrive?

We suggest the following: Each of our organizations is entrusted with money, won either in hard-fought budget negotiations, or on the commercial playing field by selling products and services. If we have to choose to control one thing, we should control the money that we have—down to the last penny.

#### The Central Role of Spending: Being in Control of Your Economic Life

Each day as we go about our lives, we are surrounded by financial transactions large and small. Each time we take out our wallet—to buy our morning coffee, a newspaper, fill up our gas tanks with regular—we're exercising control over our fiscal lives. We make the choices that determine what is done with the money we earn. Surprisingly, many corporations have very poor control over what they spend as contrasted with the average person who works for them. Most corporations suffer from a host of predations on their control over their “wallet”—uncontrolled spending, suppliers that send bills for services and materials at different and higher prices than initially agreed upon, and many others. To make an analogy, it's as if we opened our own wallets, and each encounter with our money was a surprise—we couldn't predict how much of the money we had earned would actually be there, or, if it wasn't there, where it had gone.

## The Economic Detective: Are You Really in Control of Your Money?

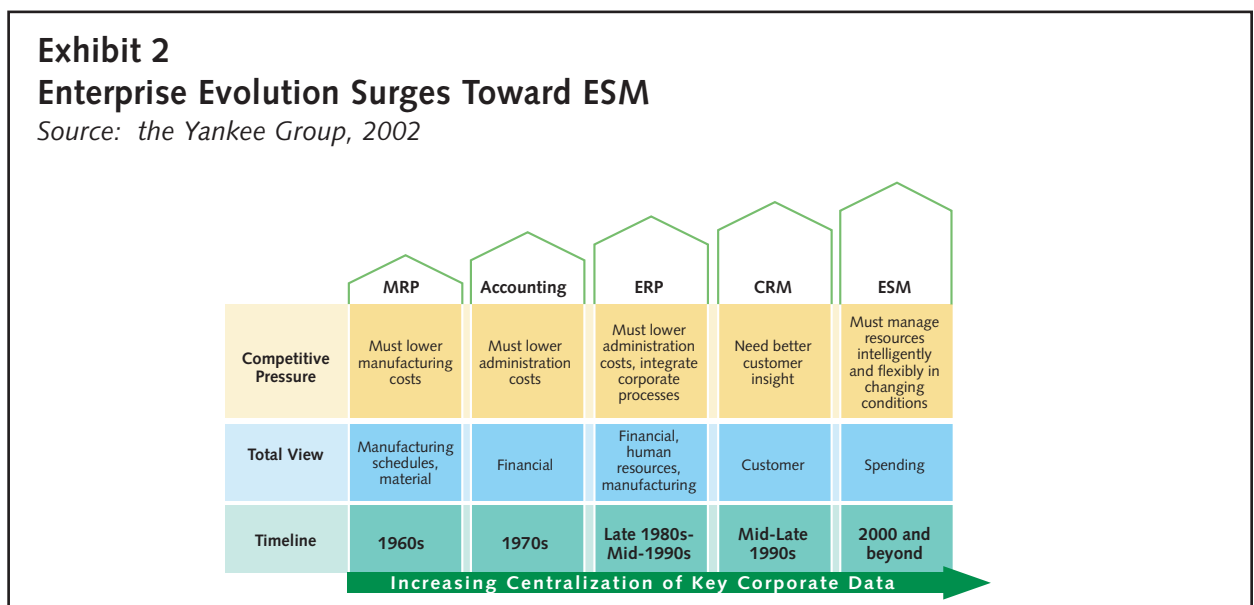
Ask yourself the following questions:

- Who is your top supplier in terms of contract value?
- What is your top category of spending? Is this category trending up or down?
- How often do your suppliers deliver goods at prenegotiated prices?
- What are your areas of compressible spending?
- How often are contracts put out for a true competitive bid, and with how many suppliers?
- How much of your spending is actually controlled via the purchasing department and goes through a reasonable authorization process?

The lack of a spending management system with a centralized data model turns each executive into an economic detective. Understanding how enterprise resources—particularly budgetary resources—are utilized is central to achieving profitability. However, finding the answers to even the simple questions posed above is often time consuming, and the manually assembled data may be unreliable and inaccurate. Even the best options produce only static “snapshots” of data, and are typically not produced often enough to affect sourcing patterns.

In many companies, executive attention, innovation, and creativity are focused not on long-term spending trends, but on revenue generation. For good reasons, much work and inspiration goes into a company’s “revenue centers”: the creation of new products and services, managing and shaping a company’s marketing and sales strategy and daily execution, and creating robust relationships with customers. Departments classified as “cost centers”—for instance, information technology (IT) departments—and procurement departments-often fall victim to a type of benign executive neglect.

We see an opportunity for executives to engage themselves in an innovative new way of managing enterprise spending through a merger of information technology and leveraging of procurement resources that can yield significant improvements to the bottom line (see Exhibit 2). What if there were a way to ensure that every penny of the money earned by the hard work of your company was spent at only the right time, that procurement professionals could fine-tune spending to purchase needed materials and services at optimum prices, and that you as an executive could have complete visibility into exactly how the value your corporation has generated was being leveraged?



## Complete Spending Management: What's Standing Between You and Your Goal?

We find three problems standing between most companies and adequate control of their spending:

- Insufficient information,
- Insufficient control, and
- Insufficient ability to create a good sourcing/procurement process.

We'll now tackle each of these:

### Insufficient Information

- **Information about spending isn't captured or classified correctly.** Most companies have a "default" or special spending category for all purchases they buy using a check (sometimes called CheckRequisition, or 9999). Since so many products and services are bought this way—and they now all have the same "9999" classification—there's no true way to analyze, later on, what is being spent on what category of services. ERP systems do not have the necessary information or application workflow to manage spending on their own. Many executives, considering what was spent on ERP systems, are chagrined to realize that these systems don't provide complete spending visibility. In defense of ERP systems, they are utterly vital to enterprise operation; but at their most basic level, they are record-keeping systems that don't provide a task-based tool to boost productivity or enable individual employees to work in support of a new best practice. They are vital in keeping track of what, collectively, we *have* done: Which invoices have been issued? Who has been covered under our insurance plan? Which parts are needed to fill out a specific bill of material to manufacture a product? But in general, these systems, while necessary, do little to help us do what we *will* do today and in the future.
- **Information about spending is classified by departmental spending, not true usage.** For example, computer bags with corporate logos may be bought by marketing and classified as a marketing expense, not an IT expense. Similarly, PCs bought to run a factory floor automation program may be classified as part of manufacturing operations, ending up in the cost of goods sold (COGS) data. Both of these should be classified as IT spending.
- **Disparate systems lead to disappearing data.** Information about spending is often captured in multiple systems, making it difficult to aggregate. If you have multiple divisions or locations, the problem multiplies, as different organizations have different taxonomies for naming and numbering different commodities and suppliers.
- **Information at the right time.** If information about enterprise spending is widely distributed, hard to collect, and in formats and taxonomies that are difficult to reconcile, companies simply won't evaluate their spending as often as they should. In many companies we have talked to, it may take a month or more to gather the simplest form of a roll-up report about spending, providing such essentials as a listing of top suppliers, where money is being spent on which commodities, and the like. The very time lag of this information has important effects—it's more difficult to identify sources of leakage such as unregulated off-contract buying until they've already happened. An important question to ask is: "How would I change how my business is managed if I could see information about everything we are spending money on in real time?"

- **Information about spending isn't captured at all.** We can't really blame our employees when—with deadlines looming and a goal in mind, and with no knowledge of how they can get what they need through organizational channels—they simply decide to buy necessary materials on their own, completely evading any system intended to control or even simply keep records of enterprise spending. In this case, receipts for reimbursement that contain little useful information flow into accounting departments, representing a kind of black hole of spending information. Failing to capture spending information may result in companies paying for things twice. For example, think of freight liability insurance. Most buying organizations carry it, but do you notice whether your suppliers are also adding insurance to their invoice? If so, the goods are being insured twice—at your expense.

## Insufficient Control

- **No one is minding the store.** The second major problem in managing spending is lack of spending control. In many cases, a company's procurement department actually manages less than 50% of enterprise spending. As a result, fully half of all enterprise spending is done without the power lent to it by procurement professionals skilled in negotiation, aware of pre-existing contracts that have preferential pricing, and the like.
- **Inadequate contract control.** Infuriatingly, when procurement professionals have done their best to maximize organizational savings by negotiating the best possible contract, aggregating spending, and putting real thought into the right choice and mix of suppliers in many cases, the true value of savings in a contract isn't realized. Why?
  - **Paper invoices, purchase orders lead to poor data.** Most companies still have the bulk of their transactions on paper. In practice, what this means is that only the top level—supplier and amount—actually gets captured. Line items in an invoice, delivery data, and more simply aren't captured. Most companies focus on creating direct electronic links only with their largest suppliers, leaving the majority of suppliers out of the loop.
  - **Volume discounts aren't triggered.** If there is no way to efficiently match invoices against a contract, procurement professionals may not know when enough product has been bought to trigger the volume discounts they have negotiated.
  - **Delivery agreements aren't monitored (or honored).** For companies attempting to run a lean inventory, whether or not suppliers follow delivery agreements to the letter can make a big difference. Suppliers may try to save by bulking up quantities and making fewer shipments.
  - **Availability isn't as promised.** Even with contracts where availability has been assured, running out of supplies still happens. But many buyers don't get the benefits in terms of additional discounts or expedited supply that their contracts specify in cases of shortage.
  - **Maverick buying leads to off-contract purchases.** Without a spending management system, there's no way to guarantee that employees are aware of strategic relationships with suppliers. This leads to sourcing that doesn't leverage existing relationships.

## Insufficient Ability to Create a Good Sourcing Process

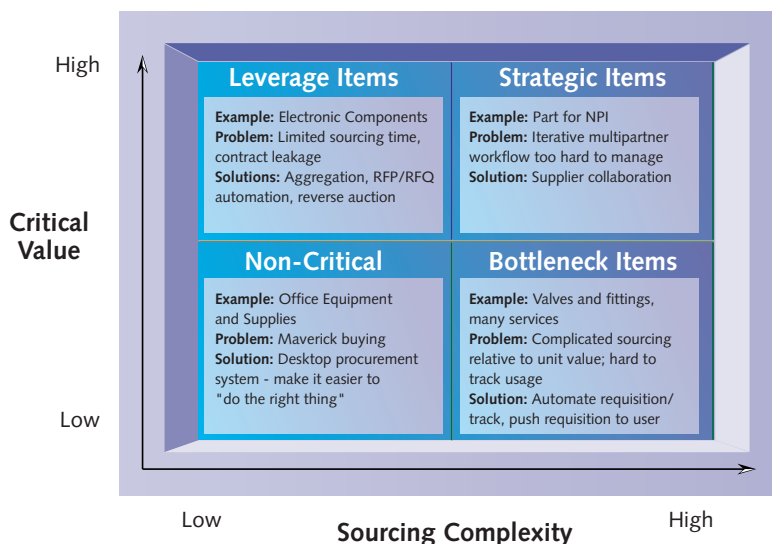
- **Sourcing overload.** Most companies do not grow their sourcing departments at the same rate that their business grows—in tandem with their sourcing requirements. As a result, sourcing organizations “cherrypick,” managing high-value items, but failing to achieve true total spending management (see Exhibit 3). With automation, sourcing professionals can create a partnership with business units that leads to true sourcing control.
- **Cumbersome routine sourcing processes.** In many cases, routine sourcing processes within an organization are an administrative nightmare—forms being forwarded to managers, piling up in a procurement organization, creating a welter of unaggregated orders to multiple suppliers. This causes three serious problems: 1) it ties up procurement professionals in a survival mode of processing orders, restraining them from strategically optimizing spending; 2) the cumbersome process inspires maverick spending and noncompliance among employees; and 3) it makes it very difficult to aggregate purchases, causing ever more invoices, which themselves may cost as much as \$50 in labor and other costs for a company to process.

## II. Where's the Best Place to Begin with ESM?

Often, companies begin an ESM initiative by starting a labor-intensive data-gathering project. What do we spend, with whom, why, and on whose authorization? If we have a corporate procurement system for indirect goods, how can we move toward ESM for direct goods? Which materials and services, once the procurement is automated, will yield the quickest results? The fastest? These are all important questions. In terms of tactical advances, however, how smoothly your ESM initiative rolls out will have a great deal to do with corporate structure and corporate culture. In Exhibit 4, we set out a matrix of issues relating to the three core types of supply—direct, indirect, and services.

### Exhibit 3 Matching Materials with Solutions

Source: *the Yankee Group, 2002*



## Exhibit 4 ESM Decision Matrix

Source: *the Yankee Group, 2002*

	Key Factors	Required Support From		
		Business Unit Manager	Corporate, with Executive/CEO Champion	
		Direct	Indirect	Services
<b>Organizational Issues</b>	Need for stakeholder buy-in	High	Low	High
	Need for behavior change	Low	High	High
	Business unit manager control	High	Varies	Varies
<b>Supply Relationship Issues</b>	Supplier leverage	High	High	Varies
	Strategic relationships	High	High	High
	Coordination of production changes	High	Low	Low
<b>Supply Attributes</b>	Time-to-value	Medium	Short	Long
	Complexity	High	Low	Varies
	Substitutes	Few	Many	Varies
	Geographic preferences	Varies	Low	High

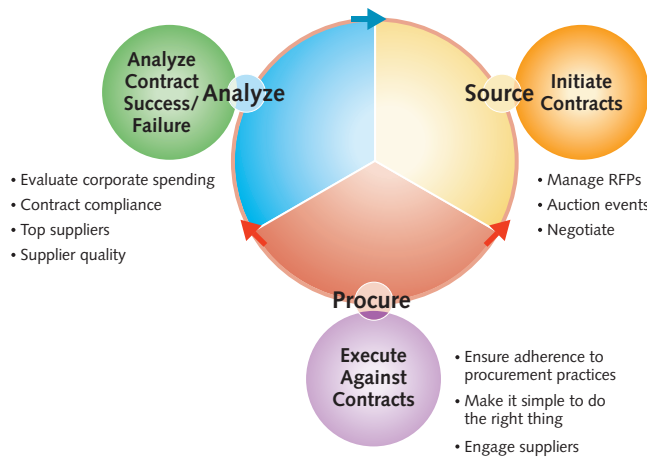
### III. Complete, Consistent, and Fast: Enterprise Value and the Spending Life Cycle

Harnessing spending is about more than cost control—it's about unleashing flexibility, speed, and rapid responsiveness in an organization, while continuously freeing up capital that can be returned to your business to power new initiatives, invigorate existing lines of business, and increase profitability. But with the sea of problems that we only began to touch upon above, how can you begin?

We propose that companies begin to initiate a “spending management backbone” that serves as the central support for all spending processes and associated data. Just as other systems support vital business processes for the enterprise, the spending management system would add support for one more business process, automating and controlling it while adding value to the existing business process automation systems your company already has, in the form of ERP, supply chain, CRM, inventory management, and many others. The spending management backbone will also have special properties. Unlike most enterprise systems, which automate important internal operations, your spending management backbone will automate both internal processes—such as smoothing out the paperbound process of procurement approvals and invoice matching—and reach beyond the borders of your corporation into your network of suppliers to create more high-value partnerships (see Exhibit 5).

## Exhibit 5 The Spending Management Life Cycle

Source: *the Yankee Group, 2002*



### The Life of a Contract: Relationships in Action

The key to spending management is support for the “spending life cycle.” To understand the spending life cycle, it’s useful to examine the optimal life cycle of a contract (see Exhibit 5). In most companies, contracts are notable largely for the number of file cabinets required to house them. But to an economic detective within a corporation, they are evidence of hundreds and perhaps thousands of vital relationships between a company, its employees, and the outside world, and are records of the core work a company must accomplish to survive and thrive in a world of increasing competition.

### The Three Phases of ESM: Sourcing, Procurement, and Analysis

Our relationships with suppliers go through three phases:

- **Sourcing:** Sourcing is the process of establishing relationships and agreeing on ground rules that will ultimately become the basis for a contract. In sourcing, we identify suppliers, negotiate, and collaborate.
- **Procurement:** Once we have established a contract, we begin to exercise it by buying against it. In this arena, we concentrate on maximum efficiency in guiding employees to the “right” suppliers and products (that is, ones with whom we have prenegotiated prices), making sure purchases move through an approval process (but do so quickly and efficiently), and managing the process of registering orders with suppliers, catalog, PO, and invoice.
- **Analysis:** Once we have committed to putting all spending through a spending management system, we are beginning, in a data sense, to create more than just one-time savings on materials or a one-time efficiency improvement in processing purchase orders. Combined with an analysis infrastructure, the central data repository of a spending management system can become an engine of continuous improvement, giving executives information about spending with pinpoint accuracy and identifying areas where costs can be compressed or changed as strategic initiatives change.

## Sourcing—The Genesis of a Contract

Whether or not we get off to a good start with a new project, product, or partner relationship has a big impact on the success of our initiative. Within the sandbox of sourcing, we identify partners, negotiate, collaborate on the nature of services and products, and ultimately come to a decision. What components should be considered in a sourcing package of your spending management system?:

- **RFP/RFQ process**—First to be considered is a system that will enable your professional buyers to streamline the process of negotiating contracts for goods. In many cases, the primary reason why many goods aren't bought at negotiated discounts involves personnel limitations in the procurement department. Negotiating proposals for a commodity with multiple suppliers is time-consuming and difficult to document. A system that helps procurement professionals assemble a request for quotation and manage the subsequent negotiations can dramatically widen the proportion of goods bought at superior negotiated prices.
- **Reverse auction**—For some kinds of commodities, online reverse auctions (where suppliers bid a price to supply goods or services) are the best way to get suppliers into healthy competition with one another. But building bid packages—the documentation that's sent to suppliers invited to participate—and management of the auction can be very labor-intensive. A reverse auction package helps by allowing the rapid assembly of bid packages and administration of auctions. Additionally, in an industry where the process of awarding contracts is regulated, an automated system can provide an excellent audit trail automatically, without tying up additional resources in the procurement department.
- **Design-in selection**—Nearly 80% of a product's raw cost is committed in design stages. Do your engineers know which parts, materials, and electronic components come from suppliers that your company has strategic relationships with? Do they have the information near-at-hand in a searchable database? If the answer is no, you're letting engineers run your sourcing strategy and missing a critical opportunity to control costs, quality, and delivery.
- **Design/manufacturing collaboration**—In today's distributed competitive environment, parts, assemblies, and even whole products may be manufactured by partners. A design and manufacturing collaboration system allows your engineers to compare scenarios and costs on different designs, and manage services from important manufacturing and supply partners.
- **Supplier relationship management/supplier portals for community and continuous improvement**—Most "supplier relationship management" initiatives since the decline of vast vertically integrated companies (Ford Motor Company once actually owned rubber plantations to assure supply for tires) have actually been supplier rationalization—which is a polite way of referring to a process of slashing, squeezing, and depopulating the supplier base. Yet, against all odds and ranks of supply management consultants, supplier rolls continue to grow slowly over time. Technology for supply management allows us to face the reality of a diverse supply base and find some rational way of managing it. Supplier portals are a great solution for a supplier base that contains both very large and very small suppliers that may have radically differing levels of technological sophistication. Such portals enable a supplier community for the supplier ready for complex system-to-system interchange of production forecasts, or for the supplier whose technology is limited to an Internet connection and a browser.

Sourcing savings can be among the biggest to be harnessed when implementing a spending management strategy. Spending management systems address the most strategic and high-value supplier transactions that a company engages in. But without a spending management system, employees are trapped at a lower level of performance—simply coping with the pressing need to get supplies now, rather than optimizing supply by analyzing supplier value, creating supplier competition, and cementing supplier relationships.

## Procurement—Maximizing the Value of a Contract

Once the sourcing process is complete, the second stage of the spending life cycle begins—procurement. In this “operational phase” of the spending management life cycle, companies and their suppliers begin to execute against the contracts they have created:

- **Desktop sourcing enablement**—Desktop sourcing enablement gives each employee the ability to requisition goods and be assured that these requisitions will pass quickly through an approval process and be sourced by approved suppliers.
- **Requisition management**—Once a need is identified, requisition management shepherds the request through the authorization process and matches it with the appropriate procurement professional, creating a task within a “sourcing workbench” that allows the procurement professional to act swiftly on requisitions and aggregate demand.
- **Supplier catalog enablement**—The procurement portion of a spending management initiative must be supported by a strong centralized data model, particularly for supplier and product information. Supplier catalog enablement creates the ability to quickly load suppliers’ catalogs in an XML format, “punch out” to remote or Web-hosted catalogs, or use a supplier network with preloaded catalogs.
- **Invoice and purchase order processing**—This “back-office” process is critical to spending management, which can create a high volume of invoices to process. A fully electronic purchase order and invoicing process means that enterprises don’t have to ramp up administrative personnel as they bring procurement online, and is also critical to capturing spending information for analysis.
- **Project-based procurement**—If your company contracts out to customers on a project basis, the ability to tie procurement activities to those projects is critical. Not all spending management vendors offer this ability, so careful assessment of the software is warranted.

## Analysis—Generational Improvement of a Contract

One of the primary problems that enterprises have in controlling spending is simply knowing what is spent with whom. Spending visibility—provided by a firm analytics and reporting platform—is one of the key features of enterprise spending management. Among the compelling reasons for combining spending management with analytics are:

- **Continuous improvement**—The primary benefit of adding analysis to spending management is that it enables an enterprise to move beyond the one-time benefit they may have from aggregating their purchases and negotiating new contracts into a phase of continuous improvement—progress against key indicators such as price purchase variance, contract compliance, and on-time delivery can be measured and addressed. The simple fact is that if these reports must be done manually, they will not be done often enough to ensure the maximum benefit to the enterprise.

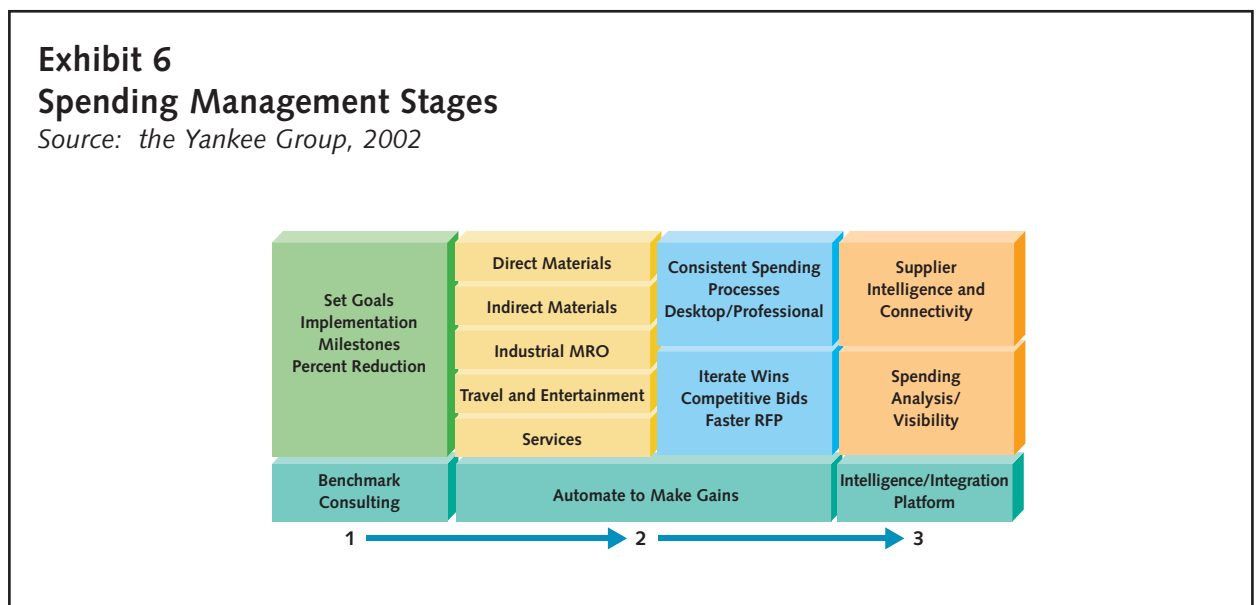
- **Real-time reaction to supply conditions**—Analytics can also be used to help companies become more responsive to supply fluctuations—identifying opportunities to collaborate with suppliers to create a lean but secure flow of critical raw materials, components, and other supplies.
- **Contract analysis and supplier analysis**—We believe that the analytics areas that will become the most used are contract and supplier analysis. Because of the administrative burden of matching data against contracts, and preparing supplier scorecards, these key best practices are rarely done. A spending management solution with a strong analytics backbone can automate the process of preparing these reports, while enabling procurement professionals to evaluate contract compliance and supplier performance in order to leverage this intelligence into the next generation of contracts.

## IV. Getting Started with Spending Management: Seven Best Practices

Where should your company begin in its effort to create a total spending management environment (see Exhibit 6)? We have identified seven key best practices that have yielded the fastest results for enterprises engaged in spending management initiatives.

### First Step: Create a Comprehensive Spending Management Program

If we were to offer only one piece of advice to companies assessing a spending management initiative, it is that comprehensiveness counts. A good spending management initiative aims to manage every penny a company spends, regardless of the category of spending. Although it may seem like a good idea to “test the waters” with a pilot implementation of a spending management application, research indicates that limited implementations yield less than impressive results. Companies that commit to a comprehensive spending program see not only greater total savings volume (which would be expected since they are addressing more categories of spending) but also greater savings yield per dollar spent. While we understand the value of pilot projects in terms of helping get technical personnel, procurement staff, and other stakeholders up to speed on how new applications work and will help in daily tasks, boldness is clearly rewarded in spending initiatives.



What exactly do we mean when we say that spending management should be “comprehensive” to yield satisfactory results? Within corporations, spending is often broken down into three major categories that a comprehensive spending management initiative must address:

- **Indirect spending**—Spending on materials that will be consumed but do not become part of a product or service that is ultimately sold to a customer. Examples include office supplies and travel expenditures, as well as maintenance, repair, and operations supplies (e.g., tools and lubricants used to maintain factory equipment).
- **Direct spending**—Direct materials are goods and services that will become part of a product sold to a customer. These high-value, mission-critical goods are frequently the target of complex contract negotiations.
- **Services spending**—For many companies, spending on services—temporary help, consultants, contract manufacturing—is the largest category of spending after direct materials. While some purchasing/spending management initiatives overlook this spending, we feel it’s critical that a spending management initiative address the area of services spending management.

## Second Step: Create Consistent Spending Processes

Leading companies create and communicate consistent spending practices across the organization; everyone, from the CEO down, participates in procurement systems that automate workflow that’s consistent with a company’s supply strategy. Because of this, sourcing becomes both more dynamic and more controlled. For example, use of a desktop procurement system creates a “queue” of needed supplies that are automatically aggregated and sent to a supplier once certain levels are triggered. As a result, a supplier may receive not a “quarterly order,” but a purchase order tightly tied to concrete needs. Similarly, for the professional buyer, more commodities may go out for bid, but they are managed through a tightly controlled process that allows them to manage multiple bid events at once.

## Third Step: Commit to Complete Spending Visibility—Aggregate, Track, and Benchmark to Keep Your Organization Honest

When evaluating any enterprise application, reporting and analysis features often take a backseat. We couldn’t disagree more. One of the keys to better spending management is better spending visibility. Within your spending management initiative, you should be able to quickly and easily view information on top suppliers, top categories of spending, supplier evaluation reports that show how well your partners conform to contracts, and real-time information on services spending.

## Fourth Step: Automate to Make Gains

**Remove the “people bottleneck” between your enterprise and successful spending management.** One of the largest barriers to improvement in a company’s spending management practices is lack of automation. Automating sourcing and procurement processes can radically reduce maverick spending by simply making it easier to do the right thing—needed supplies are now no further away than an employee’s browser, and authorization workflow is also automated. For your professional buyers, automation can radically change the proportion of goods exposed to a true competitive process, either through sophisticated RFP management or online reverse auctions.

**Control contract leakage by automating contract management and bringing transactions online.** Contract leakage—that is, not getting the full negotiated savings value of a contract—occurs for two reasons. The first half of this problem is managing the buying behavior of business units, and guiding them to on-contract purchasing. The second half is managing the buying transaction once goods have been selected—correctly correlating invoices, purchase orders, and terms to the contract.

### **Fifth Step: Set Goals and Benchmarks**

Companies that achieve best-in-class results display a common commitment to tangible reductions in spending over the first year of an enterprise spending management initiative. A typical goal might be to reduce indirect spending by 10–15%, and reduce supplier redundancy for top commodity categories by half in the first year. But it's important to look beyond one-time gains and plan for continuous improvement by involving suppliers, departments, and business units in the process of formulating second- and third-generation objectives.

### **Sixth Step: Target Quick Wins and Iterate Them**

Best-in-class companies also simplify the introduction to spending management by initially targeting one or two areas of spending compression, particularly in direct materials and services spending, and then quickly iterating those to more categories and more suppliers. For example, a company may use a reverse auction for packaging materials and printing services, see a 15–30% reduction in this area, and move on to the next category. What's required to make this strategy work is an assessment of current spending to create a "hit list" of potential targets for a new and innovative approach to sourcing. By creating a sourcing SWAT team to assess current spending and nominate new areas of spending control, companies bring more and more categories of enterprise spending under control and analysis.

### **Seventh Step: Reach Out to Suppliers**

Supplier engagement is a critical component of spending management success. Internal automation, common processes, and a good strategy can provide excellent benefits. But if automation stops at a company's front door, significant value may be left on the table. Facilities for suppliers to collaborate with engineering and procurement professionals, load catalogs, and use electronic "purchase order collaboration" and reconciliation are key parts of a successful spending management initiative.

## **V. Conclusions**

Every competitive advantage begins as a technological innovation. In information technology, the primary drivers of technological innovation that lead to business advantage have a common theme: they create greater business visibility and speed reaction time by creating a centralized data model and rapid enablement of best practices across a corporation.

Managing spending is not optional; deciding how intelligently you will do it is the only issue at hand. Executives must create a culture of fiscal discipline and back that up with an enterprise spending management system that enables every employee to participate in keeping their own companies competitive. This is one thing you can do to create a legacy of increasing value in the long term while providing solid and impressive results in the short term.

## Further Reading

“The Evolving Supply Chain: Visibility and Event Management,” *Yankee Group Report, BtoB Commerce & Applications*, Vol. 6, No. 14, November 2002.

“The Rise of the Inter-Business Network: An Architecture for Competitive Advantage,” *Yankee Group Report, BtoB Commerce & Applications*, Vol. 6, No. 12, October 2001.

“Purchasing’s big moment-after a merger,” Chapman et al, *The McKinsey Quarterly*, 1998, No. 1, pp 55–65.

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