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Mary S. Schaeffer
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Automate Operating Expense Controls for Profitability Improvements

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By Chris Levush

Controlling Expenses

Imagine this: It's the last day of the fiscal month, all invoices have been processed, reconciled, and posted into accounting by noon. The auditors provide you with a last-minute list of 50 transactions they want to review and expect to see them when they arrive tomorrow. You are ready for them within hours of getting the notice.

When you arrive to work, you find hundreds of invoices awaiting action. "Not a problem," you think, because the invoices are all approved with supporting documentation in place.

For many finance professionals in small and mid-size companies, these situations may sound like nothing more than a great dream. With today's technology, however, these kinds of operating expense controls can be reality.

So what is operating expense control? Many business and finance executives seek to control spending and resolve a specific area of "pain" by implementing a travel expense management system. While travel and entertainment can account for up to ten percent of a company's total operating expenses, controlling spending doesn't stop there.

A more holistic approach will provide a system to control and reduce all the places where spending occurs, including T&E, payroll, purchasing, and the piles of invoices that can flood your department. In short, an operating expense control system automates the numerous paper-intensive processes that many small and mid-size companies use to track, control, and verify expenses.

The financial rewards for this all-encompassing approach to operating expense controls are signifi-



Chris Levush is the controller for expense-watch.com, a developer of a web-based subscription service giving small and mid-size companies comprehensive tools to control and reduce operating expenses. He can be reached via www.expensewatch.com.

cant. A recent report from Triple-Tree, a research-based investment banking firm, shows that a 1% decrease in operating expenses has *ten times the impact* on profitability as a corresponding increase in revenue. Yet, the report states, less than 20% of organizations fully embrace comprehensive spend management, resulting in losses of more than \$500 billion in profits annually.

Additional Benefits

Other advantages of a comprehensive automated expense management system are notable as well. Company expense data is aggregated in a central location to facilitate better analysis and decision-making. Corporate spending policies are administered to all employees and enforced when expenses occur. With a clear, configurable hierarchy of authority, policy enforcement is auditable, increasing accountability and assuring compliance with regulatory mandates at every level in the approval chain. When budget information is incorporated, real-time budget vs. actual data is accessible by managers, enabling true accountability.

Data as a Tool

With data as current as the last transaction, budget owners see accurate budget information and can analyze how a request to spend company money will impact their departments and businesses. Another benefit with this immediate visibility into spending is that your finance department won't get barraged every month end with questions from concerned budget owners wanting to know where they stand.

The aggregate data enables finance and business executives to analyze company spending from a macro perspective to transactional detail. With this detailed spending data, your company can gain bargaining leverage with preferred vendors and eliminate duplication, overspending, paying for products and services not rendered, and more.

SaaS

The costs associated with purchasing and implementing operating expense control systems have decreased over time, in part due to changes in the way technology is delivered. Many small and mid-

size businesses are embracing on-demand, Software as a Service (SaaS) over on-premise, installed solutions, especially for financial technology. In fact, Aberdeen Group, a technology research firm, reports that 70% of the small and mid-size companies surveyed have a strong preference for SaaS financial applications.

The primary reasons for considering a SaaS financial management system are the same reasons on-demand technology is taking the SMB market by storm. According to Aberdeen Group, the top drivers for implementing a SaaS financial solution include limited internal information technology resources and restricted technology budgets. Companies of this size are steering clear of the large initial costs associated with licensed solutions and looking for faster payback on smaller upfront investments.

Small and mid-size businesses are citing other benefits to on-

demand technology as well. SaaS applications remain easily configurable and take less time to implement. They are also easier to use and flexible to changing business needs. With a browser to access the Internet, on-demand applications are available no matter where users are or what time it is.

Controls

Automation of operating expense control systems is a strategic move that will provide significant profitability improvements across your organization. In fact, Triple-Tree's research shows that automation can reduce processing costs by as much as 70 percent. By gaining visibility into how your company spends money, the report cites spending reductions by as much as 15 percent.

When the right controls are in place, tedious manual processes are eliminated, spending policies are automatically enforced, fraud is prevented, managers have real-time reporting and compliance is ensured. **AP N&T**

Stop Leaking Profits: A Complimentary webinar

To learn more about automated operating expense controls, join PayStream Advisors, an expense management research and advisory firm, for an [expensewatch.com](http://www.expensewatch.com) Webcast on Best Practices for Establishing Company Spending Policies, Thursday, Sept. 13 at 2 PM EST.

For details and to sign up click [here](#) or go to

<http://www.expensewatch.com/Shared/Forms/SpendPoliciesWebcast-AICPA2.aspx>

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CRYSTALLUS, Inc.
Accounts Payable Now & Tomorrow
560 Peoples Plaza #197
Newark DE 19702

Phone: 302-836-0540
Fax: 302-836-0541

E-mail: customerservice@ap-now.com
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