

# The Strategic Spend Management Imperative in Higher Education

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In recent months, global shifts in higher education have heightened financial insecurity for colleges and universities as institutions are increasingly being asked to do more with less while also addressing urgent needs to minimize costs and risk.

Forward-thinking leaders are innovating traditional models for procurement, travel and expense management and identifying sustainable measures to bridge the gap in revenue created by budget shortfalls and uncertainty around enrollment and funding.

Many leaders are looking to make an impact and contain costs by transforming their internal spend management functions — procurement, travel and expense, contract life cycle management, accounts payable, and strategic sourcing — to provide greater transparency into the institution's financial performance.

## Critical Spend Management Functions



Procurement



Travel and Expense



Contract Life Cycle Management



Accounts Payable



Strategic Sourcing

## The Spend Management Transformation Opportunity

In recent years, many colleges and universities are undergoing fundamental changes to their operating models at a rapid pace. The current environment, characterized by constant change, has also challenged institutions to react quickly and decisively to urgent demands while also reinforcing the importance of managing costs, increasing savings and managing their risk exposure.

These structural shifts have highlighted the criticality of embracing standardized spend management tools while reducing reliance on manual processes.

Institutions have a unique opportunity to modernize their complex operations and reveal critical data to support their larger financial goals. By positioning spend management as a vital component to enabling institutional strategy, its impact can be magnified from a back-office function to a catalyst for transformation.

One of the primary differentiators between institutions that succeed with transformation and those that do not is visible, unwavering executive support. By aligning operational imperatives to the institution's overarching vision and mission,

administrators can help to drive long-term adoption and sustainability.

The benefits of an institutional spend management transformation range from the obvious to others that are understated:

- **Efficiency and cost containment:** Many institutions are using manual, time-consuming paper-based methods of spend management. Effectively [implementing a dynamic spend management program](#) can result in 49% time savings on travel planning, 70% time savings on expense reports and a 35% increase in employee compliance with institutional policies. Moreover, leading procurement automation and contract management solutions can reduce contract risk, drive compliance, mitigate financial exposure and enable the ongoing management of costs.
- **Data planning:** In order to make effective strategic decisions, leaders must have access to data that supports them. When data is visible to stakeholders (from the chief financial officer to procurement staff to end users) across the organization, it can be leveraged to improve agility and influence behavior. As the industry grapples with several seismic transformations, leaders must have a clear line of sight to contracts, institutional spend and procurement activities by category in order to model the ongoing impact of their efforts. Data-driven demand management practices are also more important today than ever before as they can be used to direct discrete spending to preferred agreements.
- **Standardization and compliance:** Higher education institutions have their own complexities, and ensuring that all staff are following the same protocol can be a challenge. A spend management program simplifies this task by automating processes, mitigating rogue behavior and reducing the use of shadow systems. The goal is to make the right choice the easiest choice by putting systems in place that create an overarching structure that adds value and supports the institution's goals. In light of the pressures to transform internal service



delivery, institutional leaders are beginning to shift their thinking about spend controls and embracing more standardized structures.

- **Workforce agility:** Technology can give organizations a competitive edge when it comes to recruiting and retaining talent. But, perhaps more importantly, it can also help eliminate burdensome workloads from existing administrative staff and faculty — a key driver of individual productivity and loyalty. Ensuring top talent are retained and continue to make an impact at the institution is critical for business continuity that helps institutions effectively manage both near- and long-term changes.
- **Leadership clarity:** Robust institutional spend management can also provide critical insights into supplier relationships that allow leaders to make strategic decisions about where money is being spent and focus on those that reflect an institution's priorities.

## Thinking Beyond Implementation

Rather than the mere implementation of a tool, the objective in any spend management improvement project is institutionwide transformation of which technology is a critical enabler. As with any other enterprise resource planning (ERP) solution, the ultimate goal is to improve the way internal services are delivered by aligning people, processes and technology.

Leaders should continually assess and optimize current spend management functions along those three dimensions to determine how to bring additional value to the institution. Consider the following questions:

### Three Dimensions of Spend Management Transformation

PEOPLE	<ul style="list-style-type: none"> <li>What essential talents and skills does the institution need that are not already found in its current workforce?</li> <li>Do staff, faculty and leaders understand how spend management supports institutional strategy?</li> <li>How compliant are staff to existing spend management policies?</li> <li>What feedback does the institution have from staff related to the effectiveness of its spend management strategy?</li> </ul>
PROCESSES	<ul style="list-style-type: none"> <li>Do the institution's current processes and systems work together to encourage the right balance of compliance and efficiencies?</li> <li>Which of the institution's current processes could be improved by a technology solution?</li> <li>Are there redundancies in any of the institution's spend management functions?</li> <li>Is there a strong understanding of spend management processes institutionwide?</li> </ul>
TECHNOLOGY	<ul style="list-style-type: none"> <li>What barriers does the institution currently face with existing spend management tools?</li> <li>Does the institution's existing solution(s) integrate emerging technologies into its processes?</li> <li>How frequently is the tool upgraded?</li> <li>Does the tool provide visibility into data that will help the institution to better control spending?</li> <li>Does the institution have the right mix of tools and functional capabilities to support its strategic objectives?</li> </ul>

Many leaders rush to implement a technology as the means to evolve. Yet, to be financially sustainable in today's volatile environment, spend management transformations require the alignment of people, processes and technology combined with an institutional mindset of ongoing optimization, innovation and improvement.

### Key Takeaways

To modernize institutional spend management strategies, leaders should:

#### Think Differently.

Actively assess all opportunities to reduce costs, manage spend, improve contract risk management and enforce adherence to procure-to-pay principles. As business travel and events policies evolve, use this as a time to rethink priorities and risk management principles and perform activities and will never look back. What your organization does today will prepare you for the "new normal." It will also get you ready for what lies ahead.

#### Plan Differently.

Help stakeholders connect the dots between spend management and the institution's mission. Bring spend management principles to the leadership level by integrating them into budgeting and strategic planning efforts.

#### Act Differently.

Follow a prescriptive, standardized process for spend management that includes stakeholder engagement, adherence to leading practices, data analysis and process refinement to ensure institutionwide adoption.



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