happay

Corporate Spend Management

# The Roadmap for Progressive CFOs

A THOUGHT LEADERSHIP PAPER

Overview

Indian economy is the 7th-largest economy# in the world with a vibrant business landscape dominated by 60–65 million Micro, Small and Medium-sized Enterprises (MSMEs)##, the country is expected to witness accelerated growth over the coming years.

A user-friendly and efficient payment system is an immensely powerful tool that can help not only minimise the cost of exchanging goods and services, but also ensure the smooth, continued functioning of various teams, companies, and the economy as a whole.

However, while payment systems in the B2C space have witnessed tremendous growth, those in the B2B area have remained mostly stagnant and stuck in an archaic era that does nothing for ease of use, process speed and efficiency, or compliance. Therefore, there's a dire need for an overhaul of B2B workflow so that the benefits of digitalisation can start trickling into businesses.

7th Largest Economy

GDP -2.73 Trillion

USD 60-65 Million

MSME

As millennials are accounting for a more substantial part of the country's workforce, they're expecting the same level of technology sophistication at the workplace as well. Hence businesses are increasingly doing away with traditional, manual and paper-driven processes and instead shifting towards more automated means that leverage the magic of the internet, ML and AI at the backend.

There remains a glaring need for a stable, structured, and compliant means of handling spend – more so due to the growing legal requirements triggered by demonetisation, the introduction of GST, e-way bill etc. Businesses of all types and sizes particularly feel the need for such a structured system given the large volume of transactions they witness day in and day out, for a multitude of purposes ranging from vendor payments to employee reimbursements. Thus, with the digital horizon rapidly stretching ahead nearly beyond our line of vision, there's an urgent need to do away with outdated, archaic payment systems, and to tighten up, secure, and simplify processes by leveraging the best technologies available. This White paper intends to broadly explore the
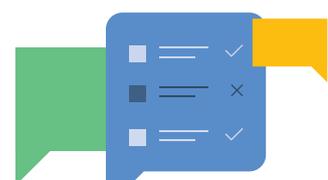
current trends which the CFOs need to keep in mind. Touching upon the critical drivers of Corporate Spend Management, it covers both regulatory as well as technological developments.

Corporate Spend Management: Three significant trends for Progressive CFOs

The digital landscape in India has undergone a sweeping transformation in the past 5–6 years, with the banking space witnessing particularly rapid innovation – the commoditisation of transaction banking being a prime example. However, most of the change is in the Business to consumer (B2C) space. On the Business-to-business (B2B) front, these advancements barely had an impact. The primary reason for the tough road to B2B Corporate Spend Digitalisation is because payment innovation is the last step in the cycle.

A lot of preceding steps of the workflow is considered the holy grail of digitalisation. These include process adherence, regulatory & legal compliances, contract terms and conditions, organisational hierarchy, amongst others. The current trends in corporate B2B spend management can put into three buckets:

Better Data Connectivity: Indian organisations witnessed an increase of 130% data[^] over the last two years. UIDAI, NPCI and GST Council have already laid the foundation for the most critical piece of the massive big data puzzle – capturing identity, demographic, financial and skill data in a meticulously structured manner. All businesses have now a sizeable inter-connected ecosystem of vendors, suppliers and partners apart from clients and prospects, each producing large swathes of transactional data. Big data gathered by the business from various sources is leveraged by business analytics for intelligent decision making.
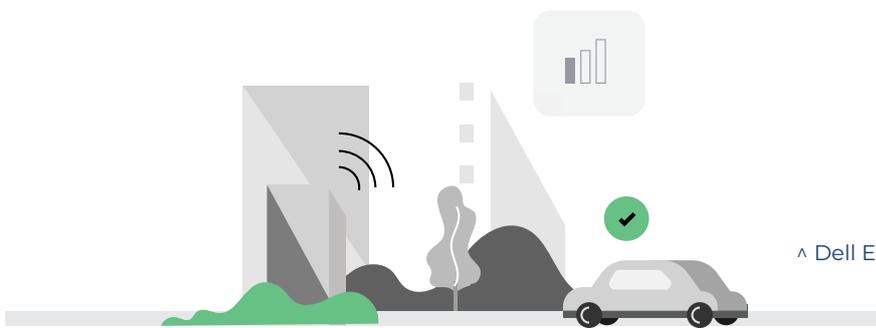
Rising Technology adoption:
Corporate India is currently at an inflection point in terms of the usage of new-age technologies that embrace automation, artificial intelligence (AI) and machine learning (ML). CFOs should pay close attention to such new technologies since their adoption is rising in the last couple of years. In fact, over time, it will acquire the power to impact everything from operational automation and resource optimisation to spend decisions and business models.
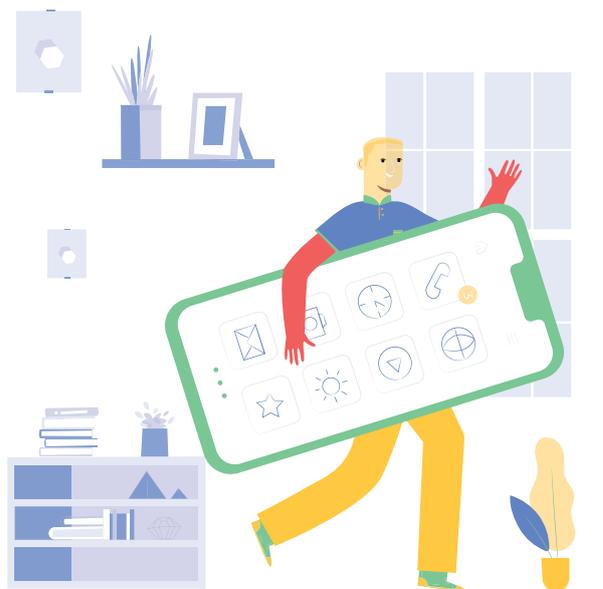
Younger Workforce: Half the Indian workforce is expected to comprise millennials[^^] by the end of the next year. And as millennials account for a larger share of the workforce, businesses will have to get accustomed to dealing with related changes, such as the shift towards a gig economy prioritising a flexible approach to work as opposed to traditional corporate hierarchy-based flexibility benefits. The focus will move towards positive employee experience –something that CFOs will need to prioritise. Tech-savvy millennials expect the B2B workflow at par with the seamless B2C transactional experience.

There is increasing evidence that role of CFO has changed shockingly fast over the last couple of years. From the traditional book-keeper role the CFO mandate is now to oversee the Digitalisation of the company. However, the paradox is that Finance function is still working with archaic structure and processes. As is evident from the above points, there's an urgent need for revamping the B2B processes and workflow to ensure sustained business growth.
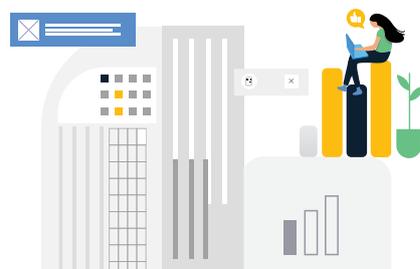
^^ AMDOCS- SHRM, Engaging Indian Millennial @workplace Report

## Connectivity is driving the change from archaic manual spend processes.

Post the launch of Reliance Jio, India witnessed a data boom unlike never before. Everyone now has an internet-enabled smartphone – and the country of over a billion people has suddenly jumped into the technology bandwagon. Companies were also not left behind, they creating BYOD (Bring Your Own Device) policies and took control of the personal mobile phones of employees.

Now, as the broadband space begins to offer higher bandwidth and better connectivity, midmarket and smaller companies only stand to benefit over time. With reliable broadband coverage extending to even remote areas including towns and villages, the population is getting increasingly tech-savvy – particularly the millennial section, which is naturally predisposed to embracing technology even for personal use. Companies are now thinking of having an extranet to connect to suppliers and dealers to get access to real-time information of the marketplace.

Payments space in B2B is stuck in the archaic era, Digitalisation of workflow has not happened

Also, as millennials are accounting for a more substantial part of the country's workforce, they're expecting the same level of technology sophistication at the workplace as well. Millennials are known to be open to trying out newer payment systems, as long as the rewards are worth it. Process simplification, lesser paperwork, minimum approval hops are the areas which organisations target for immediate results. Additional features such as personalisation, location and device-agnostic mobility etc. only add to the appeal.
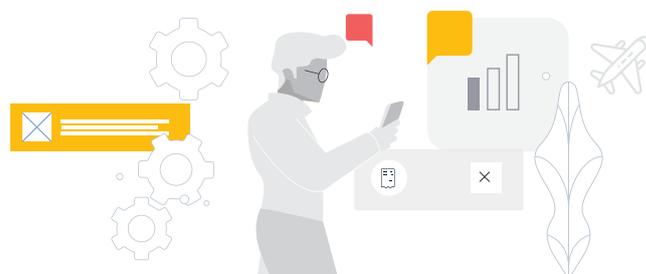
Overall businesses, too, are exhibiting a high propensity to adopt new, advanced technologies aimed at enhancing and optimising spend management. They're increasingly doing away with traditional, manual and paper-driven processes and instead shifting towards more automated means that leverage the magic of the internet, ML and AI at the backend. What's more, these technologies, contrary to widespread expectation, actually lower the total cost of ownership for businesses, due in large part to their high scalability – making them cost-effective despite the initial associated costs of setup, training and implementation.

There's no longer any need for a "one-size-fits-all" Spend Management approach.

Given the expansive, varied corporate landscape that is India, it's no wonder that the impact of such large-scale digitalisation would be felt on the spend platform as well. What's more, the structure and hierarchies of any company depend on organisational preferences and business needs, which vary as you go from the North to the South, and from the East to the West.

Most companies are currently working in silos from the technology perspective. Our benchmark report reveals that many do not use available new-age technologies such as automatic of import spend data from SMSs (95%), from the invoices they receive in their email inbox (87%), bookings of ride sharing (Uber), auto receipt scans (77%), and direct import from corporate credit card statements (79%) to record expenses. Connecting with the respective ecosystem like TMCs, Banks, Uber, ERP, HRMS helps in getting a 'Single View' of the system. Which, in turn, helps in analytics, audit and better cost negotiations with the vendors.

Companies are no longer settling for a standardised approach across the length and breadth of the country – they demand systems that are configurable and flexible enough to factor in nuances brought on by cultural and geographical variations in needs and preferences. For large conglomerates, requirements and preferences may also change within the same group company. All this points to a need for modular, flexible payment systems that are configurable to specific requirements.
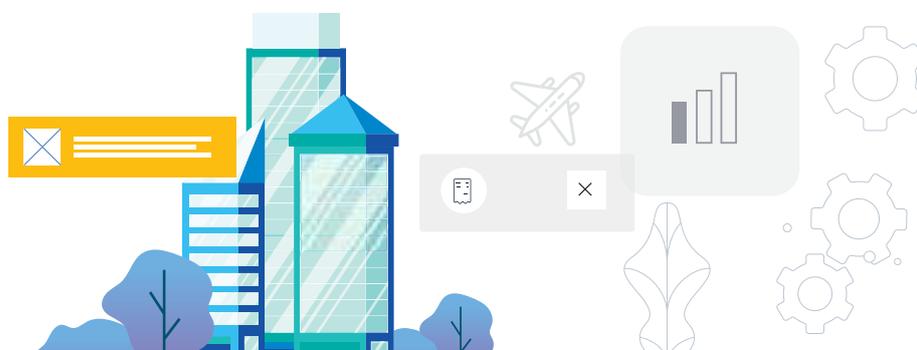
Regulations are changing rapidly; businesses need to adapt to this new reality!

68,041 firms account for 67% of total GST paid in FY 18, which is just 1.02% of GST payers in the country. These businesses account for 30% of the invoices generated through this system. Data analysis show that as many as 3.9 crore B2B invoices worth above INR 50,000 is generated every month – of INR 12 lakh per day. Towards this end, governmental initiatives such as the GST and the e-invoice system proposed for roll out this year will help immensely*
(*As per GST press reports dated 20th June 2019)

Within a year of the launch of the e-way bill system, 41,000 transporters have enrolled, and 5,577 lakh e-way bills** have already been generated. This new system allows real-time authentication for manufacturers and traders, and the same thing can be replicated for the services sector as well in the future.
(**As per GST press reports dated 4th April 2019)

Another significant disruption which the CFOs need to keep an eye on is the growing volume of UPI transactions because sooner than later these two payment systems will become a way of life in the corporate and enterprise segment as well. The growth figures for UPI is mind-boggling 1500 times in the last two years, with 128 banks already connected to it. UPI 2.0 has enabled a single platform for sending invoices and receiving payments, thereby simplifying the process for most companies. Which means as a company, now you can easily manage petty cash through Digital means and not rely anymore on hard cash.

Corporate Spend Digitalisation is the only way forward.

Given the developments detailed above, spend digitalisation was but a natural outcome and forgone conclusion. However, while digital spend management has been in existence for a while now, both at banks as well as business enterprises, something was missing – integration among the various operational silos (of accounts payable, T&E, supply chain etc.), and process visibility. Organisations were still in the dark about the status of their spend and cash flows due to lack of real-time data integration and traceability.

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Happay: Most Favoured Corporate Spend Management Partner
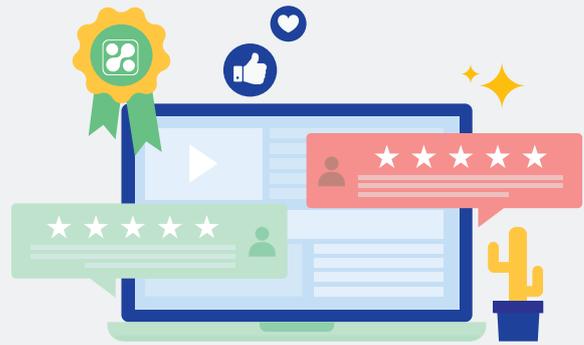
From Happay's viewpoint, we saw these trends coming as far back as two years ago and started developing our solutions to cater to the increasingly diverse requirements of businesses. At the same time, we also offered real-time spend management control to CFOs.

The 4 Cs of spend management – Content, Commerce, Control and Customer experience – form the core model on which Happay works. All these parameters need to be enabled and integrated seamlessly on intelligent, automated platforms (directly or through ecosystems) to streamline and optimise all enterprise spend. The right blend of technology, data and design will not only aid such efficiency but will also facilitate a seamless migration of users from old systems to new ones.

Content

Commerce

Happay Model

Control

Customer Experience
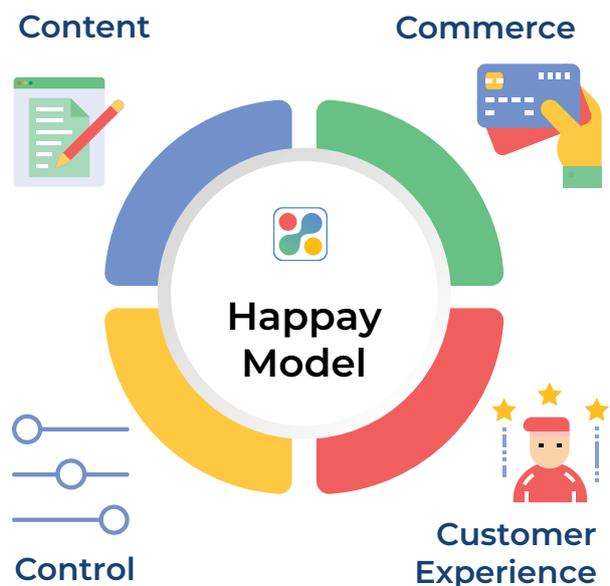
At Happay, our vision is to digitalise 100% of enterprise spend requirements, whether they're vendor & invoice-related, employee benefits-related, travel-related, petty cash- related, corporate card-related or fleet-related. Currently, we are the leaders in spend management in India and are fast evolving into the leading partner for accounts payable and invoice automation. Our well-integrated yet highly configurable technology stack allows us the freedom to offer future-ready payment and spend management solutions via a SaaS model that provides the best of content, commerce and control – resulting in flawless customer experience, every time.

Get the flexibility, control, and efficiency that your business needs

EVERYTHING YOU NEED TO MANAGE SPEND

Tight spend controls and policies

Dynamic approval workflows

Mobile-driven expense reporting

Real-time reconciliation

MIS and Spend analytics

Real - Time data export
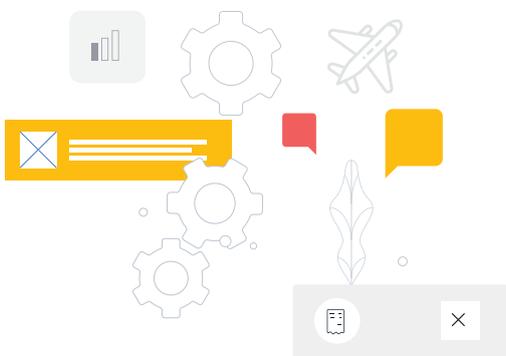
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