

Importance of data analysis skills in spend analysis

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Importance of data analysis skills in Spend Analysis Data analysis skills are very vital for spend analysis despite the emergence of a number of automated software solutions. Having strong data analysis skills benefits an organization as well as its suppliers. It enables a company to better plan the spend strategies and gain an understanding of pricing proposals by the suppliers. The reports obtained using software solutions are generally unable to provide information about daily planning and purchasing activities. The data no doubt is available in the systems but skills are needed to access data, manipulate it and use tools to generate business insights from the data. Many a time spend analysis projects seem to be simple database applications and may be tackled through use of in-house solutions such as SQL, Microsoft Access, Business Objects and Cognos. Smaller firms may even prefer manual solutions or Excel. Lately packages solutions have gained popularity. Spend analysis software solutions do help companies to have a greater visibility of their data but the analysis part requires a lot of skills and manual intervention. Therefore, the procurement managers keep this aspect in mind while initiating spend management projects and also while recruiting employees for spend analysis. Most of the large organizations use ERP software packages for increasing their data visibility. However, these systems are not enough for spend management activities. ERP contains incomplete data and duplicate vendors. The data is not as dynamic as needed for spend management. Many companies may refresh their systems once in a week or month. However, real-time changes are essential to be monitored for spend management. Use of structured methodologies such as Six Sigma in Spend Management Structured methodologies such as Six

Sigma have been used by many organizations for Spend Management. The basic purpose of using Six Sigma for Spend Management is to remove inefficiencies, leakages and injudicious spending caused due to uncertainties involved in the production planning process. However, six sigma initiatives in spend management may fail if the organization is not well prepared for the change. The biggest cause of failure is the inability of firm to decide strategic goals and to measure outcomes against these goals. For making six sigma methodology successful, organizations need to enhance visibility of supplier and customer data. This leads to effective spend management. The visibility can be improved by use of software packages and ERP solutions. However, it is not judicious to rely solely on these packages and human analysis is needed at multiple stages. Once the tracking and monitoring have been set up, it becomes easy to establish baselines and measure performance accurately leading to success of six sigma projects in spend management. Several Fortune 100 companies have made use of softwares such as Zycus Spend management software for successful implementation of Six Sigma in spend analysis. This software can be easily interfaced with the current IT infrastructure such as Business Intelligence tools and hence generates maximum benefits at minimum cost (Loganathan, C.). Therefore, a combination of skilled manpower and efficient software packages enable an organization to use structure methodologies such as Six Sigma in their Spend Analysis initiatives. Role of functional departments such as Finance in Spend Management Spend Management is not the sole responsibility of Procurement department in an organization. Other departments such as Production, Finance, Accounts, IT and even Marketing have significant roles

to play in making spend management decisions. Finance department can especially be used as partner in spend analysis initiatives. It is the responsibility of Finance department to track the progress in Spend management and documents the savings achieved. These savings must then be rolled up to various departmental budgets so that they are utilized in the most optimum way. In this way, instead of making extra expenditure on unplanned activities, the savings are utilized efficiently for planned activities. Spend Management holds significant benefits for financial managers. According to Aberdeen Group, 2010, 75% of CFOs and finance professionals feel pressure to produce costs savings in a downwards economic scenario. Spend analysis can act as a significant solution to this problem. Today less than 40% of CFOs are making use of supply risk information in their spend management programs leading to considerable erosion in their savings. Spend Management is gradually moving from realm of procurement management to a high focus area for finance (Aberdeen Group, 2010). Further, it is very important for IT department to be involved in Spend Management project. Often IT and procurement departments may have ownership conflicts over spend management projects. ERP systems throughout the organization are controlled by IT and the department may find it difficult to digest the idea of a different spend management system which uses same or similar data as ERP but is not under its control. Therefore, it is very significant to convey the objectives of spend management program to IT. References: Six Sigma in Spend Management: Secrets of Success. Zycus Inc. While Paper The Value of Spend Analysis in

the CFO's World. (2010). Aberdeen Group. Research Brief Loganathan, C. Spend Management. Retrieved November 02, 2011 from