

Overcoming Inflation-Driven Budget Woes

Greater visibility into supply chain costs can help companies thrive in an era of rising prices

At a time when commodity prices have hit a historic high and are continuing to climb, more and more businesses are confronting an uncomfortable reality: that today's inflationary environment will be with us for some time. What's more, companies are simultaneously grappling with supply chain disruptions, an energy crisis and higher wages stemming from labor shortages. Overcoming this confluence of challenges will require taking decisive steps to not only adjust prices and seek new sources of growth but also pursue an aggressive stance on cost cutting—the often-overlooked side of the coin when it comes to the success of every business strategy.

Companies able to find ways to effectively trim expenses, manage working capital and mitigate vendor and supplier risk will have an edge in combatting increased commodity costs, agreed C-Suite executives participating in a recent roundtable discussion sponsored by RadiusPoint and Chief Executive Group.

Digitally transforming expense management processes can be a great starting point, noted Sharon Watkins, CEO of RadiusPoint, a telecom, IT and utility expense management software firm, who explained that providing greater spending visibility throughout an organization can help identify cost-savings opportunities. When payment processes are digitized, detailed information about vendors and contracts, everything from phone numbers to contractual terms such as early termination fees, become readily available. Collecting and analyzing this data by category of cost and business unit can then enable companies to identify and address areas where they may be able to reduce spending.

Optimizing Operations

"Receiving, processing and paying invoices, as well as providing procurement services, yields a great deal of useful cost data that can be used to reduce spending," said Watkins. As an example, she cited a recent case in which RadiusPoint was able to help a national eyewear client with 1,200 locations look into optimizing its service contracts for waste management.

Mining data from digital invoice records enabled the company to identify issues like over-utilization—loca-

tions paying for eight-yard bins when two yards would suffice—and surcharge spending—locations where additional pickups were regularly adding \$500 to \$1,000 in fees to a \$75 monthly bill. "It turned out that the additional pickups were due to other people throwing their trash in the company's bins—so both issues could be resolved with a \$15 lock and some service rightsizing," explained Watkins.

The data informed a renegotiation with the vendor that brought significant savings. "Having that digital information allowed us to create a report on what was going on without the client having to go through all of those invoices and contractual terms individually, which would have taken months," said Watkins. "This, in turn, enabled the company to add security and take rightsizing measures that provided savings of \$10,000 a month—all of which began within 90 days."

Katherine Napier, senior vice president for operations and CFO of the Morehouse School of Medicine, offered a similar story of successfully scrutinizing costs to find savings. "We conducted an inventory of our contracts for photocopier machines for the whole school in order to reduce the number of copiers on campus," she explained, noting that the effort enabled the company to identify savings opportunities.

In reviewing photocopier-related expenses, the company discovered that the college had been purchasing copiers for new locations while still paying warranty bills for more than 50 copiers that were in storage. "Once we



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made that discovery, the company was able to realize savings by moving those copiers to other locations and putting them back into use," said Watkins.

Seeking Savings

Several participants in the roundtable discussion described other strategies for boosting productivity by finding ways to trim costs. Edmentum, for example, explored managing rising healthcare costs by adding a provider that encouraged telemedicine as a less expensive but equally effective form of healthcare.

"In a lot of cases, for common concerns for which you'd typically go to a doctor, you can get a diagnosis and treatment more quickly and economically over the phone," explained Frank Jalufka, CFO of the provider of online learning programs. "It potentially saves money on the cost of our health benefits because we're self-funded. It also reduces time away from work, especially during peak treatment hours such as Monday mornings when doctor's offices and urgent care centers are often crowded. In the case of an employee who might miss hours of work waiting in a doctor's office, you can possibly reduce that down to 30 minutes."

At many companies, the ongoing issue of supply chain disruption is prompting changes to manufacturing processes. Greater Sudbury Utilities, for example, has begun reusing materials once bound for the garbage heap.

"We build a lot of infrastructure and, typically, when we rebuild a hydro line, we discard all the old equipment," explained Catherine Huneault, VP of corporate services and CFO at the utility service company. "But because of supply chain issues, we now look to keep and reuse lines that are less than 10, and sometimes even 20, years old."

The People Problem

Despite the emphasis on managing inflation by controlling costs, some companies are under pressure to boost compensation to recruit and retain workers in an increasingly tight talent environment. "We're realizing that in some cases you've got to be more competitive [with pay]," said Jalufka. "You may have to do a market adjustment internally because there can be a large cost associated with losing that individual in terms of the amount of time that it takes to find someone to replace them and get up to speed. So from a retention standpoint, in some cases, selective market adjustments have made sense for us."

Emboldened by the move to remote workforces, other companies report opting to outsource work to talent based overseas in order to get the skilled workers they need at an affordable cost. "Outsourcing has worked very well for us," said Elena Ackovska, group management accountant at Catalyst Care Group, who says a team of two people based in Skopje, Macedonia, has grown to 40

BUDGETARY COST CONCERNS

Rising energy costs topped the list of cost-related concerns in a Q1 2022 survey of C-Suite executives by RadiusPoint.



1. Rising Energy Costs



2. ESG Reporting



3. Supply Chain Issues



4. People Problems



5. Service Continuity



6. Vendor Issues

Source: RadiusPoint



workers handling everything from marketing and finance to human resources. “What was meant to be a place providing back-office support for the business has turned into a great opportunity to get really experienced, professional people from small countries.”

Global specialty chemical company Buckman has had similar success filling vacant roles in its Belgium-based Europe—an operation with workers living in Spain rather than hiring in its high-cost, high-labor restriction local market. “We had to be diligent about making sure we hired the right people, who could work from home—this was during Covid—and who could be disciplined and learn our company,” explained David Rosenthal, CFO of the company, who said the move was a success. “There’s an ability now to go out there and find talent anywhere in the world. It helps that the Belgium operation is in the same time zone, and we use English as our common business language in Europe.”

Since then, the company has also filled open positions in its Memphis office with talent based in Brazil, Mexico and Argentina, where it has operations. While the move was slightly more complicated because of the need to adjust work hours due to time-zone differences, it has been successful, reported Jeff Kaminsky, finance manager at Buckman, who added that coaching by experienced managers helped smooth onboarding of the remote hires. “We spent a lot of time training people and making

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sure that they understood what was expected of them, how to do things and being very open to questions. It’s gone very well so far.”

Companies should also be cognizant of talent issues plaguing their vendors, which may be impacting their operations, noted Watkins. “Their people issues are causing you billing issues,” she said. “Invoicing issues on the vendor side can cause things like late fee

charges or service disruptions.” Software that issues notifications when invoices are late or missing can help companies surface and address invoicing issues as they arise.

Future Focus

Eventually, some of the headwinds businesses currently face will abate. However, until things normalize—central banks get a handle on inflation, supply chains unsnarl and the talent market calms—it is the companies able to improve their expense management processes that will not only survive but thrive in the current market.

The ability to analyze underlying invoice data in order to ask the right questions, assess contracts, renegotiate rates and realize savings can play a pivotal part in dealing with today’s inflationary challenges. “There are lots of areas where digital transformation can help with cost cutting that are worth exploring,” said Watkins. “And the benefits of identifying those savings will last well into the future.”



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