

8 STRATEGIES TO REDUCE COSTS AND EXTEND RUNWAY IN LIFE SCIENCES

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INTRODUCTION

THE BIOTECH INDUSTRY HAS HAD A CHALLENGING YEAR IN 2022:

More than 60 companies announced layoffs in the first half of the year, some shutting their doors altogether. In addition, initial public offerings (IPOs) were dramatically lower, with only 14 biotech IPOs announced in the first half of 2022, compared with 104 biotech IPOs in 2021.¹ Venture capital (VC), usually a mainstay of biotech financing, has also had a slow year, which appears to be part of a broader pullback around the world. By midyear, biotech startups raised about \$16.5 billion, compared with 2021's \$47 billion for the full year.²

With IPO and VC funding tight and the economy unpredictable, life sciences startups are likely looking to trim operations to extend their runway. Now is the time to emphasize financial responsibility, demonstrating a solid track record of responsible use of funds should IPO or VC opportunities arise. This report will address eight ways to trim operations and discuss how the right Business Spend Management (BSM) platform can help analyze and prioritize spending in your organization. Discover how such a system and process can help life science companies thrive — not just survive — in a volatile market environment.



INVESTING IN BUSINESS SPEND MANAGEMENT-POWERED COST CONTAINMENT **PAYS OFF QUICKLY**

It seems counterintuitive, but effective cost containment starts with investment. Without a complete, real-time picture of financial health, it's extremely difficult to quickly reduce company spend or redirect it. This is where the practice of BSM is invaluable.

BSM provides a holistic, unified view of all your company's spending and the ability to make decisions on that spending quickly. BSM gives you multiple levers to pull when it comes to cost containment, such as:

- Providing visibility and control over your spend and cash
- Optimizing for both risk and sustainability
- Increasing business agility to invest at the right time

An investment in BSM pays off quickly, so you're set up with advanced capabilities when you need them the most — during the next disruption, not after it's already passed.



8 WAYS TO CONTAIN COSTS

1 IMPROVE SPEND VISIBILITY TO IDENTIFY LOW-IMPACT AREAS THAT CAN BE CUT.

Many companies lack full visibility into their spend due to siloed systems and manual processes associated with requesting goods and services. When a system or process is not easy, user adoption will struggle which leads to less spend captured and controlled, with increased bottlenecks.

Knowing how and when spend occurs across the business asks you to go beyond automating distinct areas and focus on harmonizing a range of spend and liquidity-related processes. On its own, automation leaves gaps in the picture of financial health it was meant to deliver. A BSM approach digitizes, automates, and — crucially — connects processes in procurement, invoicing, payments, cash management, and expenses, creating a single source of financial truth for the organization. You can finally see the complete picture of how, when, and where spend occurs. That's an essential first step in deciding when and where to contain costs.

If your business only has a historical view of spend, you lack the visibility and control to stop spend before it has been committed to a supplier. It is critical to implement a comprehensive BSM platform that includes procurement, sourcing, and the financial controls like a dynamic approval chain to stop spend in its tracks.

With a good BSM platform, users are guided to preferred suppliers and contracted goods and services, to easily locate what they need and submit purchase requisitions for approval. This really focuses on people spending money with trusted, contracted suppliers at negotiated rates while providing visibility to budgets, necessary stakeholders, and company policies, which, Mike Manna, Regional Vice President for Coupa said, "is critical for preventing overspending and driving compliance."

"This is really about getting into the department-level and program-to-project-level spend and really knowing if you're staying on track and being able to very quickly forecast if the business needs a change. It's absolutely critical that the people in the company involved in the purchasing process can stay on top of this because they have to track this against the budget. Otherwise, the burn rate's going to start to get away from them."

William Tamulynas
Director of NetSuite at Sikich



2 IMPLEMENT THE SPEND CONTROLS TO STOP UNNECESSARY OUTGOING SPEND.

Visibility isn't helpful if you can't enforce the controls you put in place. Visibility must be paired with the ability to set up and enforce control over spend to contain costs. These days, with unpredictability as a reality of life, having control doesn't mean having one fixed set of processes to manage costs. Instead, businesses need flexibility — different levers they can pull to manage spend, depending on the circumstances. Are you able to do more with less when needed? Can you avoid overspend just by looking at budgets? Can you increase control by making it easier for users to comply with spend management policies?

Taking the right actions that are appropriate to your situation is the key to resilience. Speed and agility are part of this — you don't want to react too late. One of the key advantages of a BSM approach is that all your various spend processes are connected together, so you can take multiple actions at once, in a coordinated way, for example, tightening your purchasing approvals while also leveraging early payment discounts to help your business and your suppliers.

Start by taking a look at your rejection rates for spend requests. They can indicate if your approval chain is inefficient or ineffective. Here are a couple of scenarios to look out for:

- Too many approvers in a given chain. Late-stage approvers almost always rely on approvals that have already been completed, and they rarely reject. But these pointless steps slow things down and those delays work against getting more of your spend preapproved in the first place.
- Very low rejection rates. These mean that the approvals are pointless. Those approvers should be reassigned as “watchers.”

If you're working with manual systems or point solutions (or both), it can be tedious to revise approval processes to change your approval matrix and approvers for each category and spend amount. And it might take multiple rounds to perfect your setup — until it needs to change again.



3 NEGOTIATE TAIL SPEND.

Tail spend is typically defined as the amount of money an organization spends on purchases that make up about 80% of transactions but only 20% of total spend volume. This isn't necessarily a strategic area for life sciences companies. An example might be office supplies. A biotech company may need office supplies, but compared with laboratory reagents, it's a very small area of spend, even though there may be a lot of low-dollar transactions for it.

By using the community aspects of Coupa's BSM platform, companies can leverage discounts that have been negotiated on their behalf in a variety of categories, including, in this example, office supplies. The company itself may not have enough spend in those areas for steep discounts, but with Coupa, companies can leverage the buying power of the community and receive enterprise discounts offered through the Coupa Advantage program.

Targeting tail spend categories such as IT supplies, office supplies, background checks, branded apparel, rental car services, etc. can drive significant savings for your business without a large labor spend. In fact, with Coupa you can tap into the savings on day 1.

Another option is to pool spend with group sourcing events. You might have the option to collaborate with other businesses in group sourcing events through your Group Purchasing Organization (GPO), industry association, or your Business Spend Management platform. For example, Coupa also offers monthly group sourcing events, referred to as Sourcing Advantage, where companies can join an event with the community and leverage the buying power of all participants to acquire those goods or services at a better price.

4 FIX AND STREAMLINE THE FINANCIAL APPROVAL PROCESSES.

Fraud comes with a hefty price tag. In its [Global Economic and Crime Fraud Survey 2022](#), PWC estimates that among companies with global annual revenues over \$10 billion, 52% experienced fraud during the past two years. Within that group, nearly 20% reported that their most disruptive incident cost them more than \$50 million. Among organizations experiencing the most disruptive incidents, almost 70% of attacks were committed by external perpetrators or collusion between external and internal actors.³ Unsurprisingly, approval chains for all types of spend (such as pre-approved purchases, T&E, invoices, and treasury payments) as well as compliance requirements (including delegation of authority and segregation of duties) can help lower the cost of fraud and non-compliance.

But what about plain-and-simple human error?

How costly is that? And what can finance and procurement leaders do about it?

The amount of overspend will vary from company to company, but employees generally want to make good spending decisions. In most cases, the right guardrails just aren't in place. Having too few approvers opens the door to fraud and non-compliance with spend policies. Having too many approvers creates inefficiencies, bottlenecks, and poor relationships with employees and suppliers.

66%

of businesses believe their financial controls, including spending thresholds and approval chains, need improvement.

— Coupa Survey, May 2022



A BSM approach offers a faster and easier way to contain costs by eliminating overspend. By having approvers connected on a cloud-native platform that has compliance built into its code, finance and procurement teams can create user roles and spend thresholds with ease. The right people are assigned the right roles across the finance function and work in line with defined policies that guide the right spend decisions every time. Users can even perform systematic security checks to make sure that payment details are correct. AI and community-powered fraud detection also help identify and flag patterns, such as multiple purchase requests just under the approval thresholds.

A good BSM platform provides automation.

“Coupa’s BSM platform provides multiple layers of automation. From automating the majority of the supplier onboarding process through the entry and approval of invoices, the Coupa platform provides the ability to increase efficiencies for both procurement and finance teams.”

Karen Soligon
Director of the Coupa Practice at Sikich

5 DRIVE DIGITAL ADOPTION WITH SUPPLIERS.

Focus on increasing supplier adoption of your procurement and AP technologies to increase efficiencies, identify opportunities for savings, and contain costs. Digital workflows with suppliers cut down on errors, clarify terms of the relationship, make it easy to track orders and payments, and can benefit suppliers by giving them visibility into their invoices and payments while enabling them to take advantage of early payment discount programs. When suppliers can maintain their profile information, ESG certifications, and bank information in a secure and self-service way, there's less manual admin work and the risk of fraud is greatly reduced.

Digitizing your interactions with suppliers is necessary today.

There are many reasons for this — remote work, monitoring supplier performance, being able to find certified sustainable and diverse suppliers, extending Days Payable Outstanding (DPO), leveraging early payment discounts, monitoring for fraud (to name a few) — and they all depend on having a modern payments infrastructure. But during uncertain times, your relationship with your suppliers becomes even more important — from a financial and a fulfillment perspective. By encouraging your suppliers to transact digitally, you and they can have better visibility and tighter collaboration.

6 STREAMLINE AND OPTIMIZE THE PAYMENTS PROCESS.

When you adopt a BSM approach to spend, you harness the power to get more out of every dollar from every transaction. BSM helps you establish the modern payments infrastructure that's essential to managing working capital and prioritizing strategic activities.

Optimized payments open up multiple opportunities while allowing you to focus on retaining cash for the present:

- Negotiate payment terms and increase DPO to preserve working capital
- Support supplier continuity by paying them early in exchange for pricing discounts
- Pay long-tail one-time suppliers with virtual cards to earn rebate revenue and increase yield on liquidity
- Automate payments to increase efficiency and free up capacity for higher-value work
- Reduce fraud risk and enforce compliance by automating manual payment processes with touchless invoicing and automatic reconciliation

These types of win-win scenarios are available throughout the digital payments space. Digital payments also provide added controls, float, and rebate opportunities. Using virtual cards for payments lets you leverage the card's billing cycle for additional DPO improvements.

7 MITIGATE SUPPLIER RISK.

Like in the downturns of 2008, 2001, or even 1980, companies are trying to cut non-essential spending while also mitigating risk, responding to external stakeholders' concerns including sustainability, and remaining agile to invest at the right time for whatever the future brings.

During uncertain times, as companies focus on margins, the best companies also focus on changes in the risk environment. Companies that struggle with supply risk need to get out from under the pile of emergencies and find a way to shift from crisis management to a longer-term strategy of ongoing risk mitigation. This way there's always a mechanism for business continuity, regardless of supplier and supply chain issues.

Start by digitizing the process for the initial vetting and ongoing monitoring of suppliers (and their subcontractors) for multiple risks like information security, data privacy, and ethical sourcing. Digitizing inefficient, manual processes reduces operating costs and lowers the chance that you'll experience lapses in these areas which can lead to heavy fines by regulators and brand damage. **Make use of AI-powered platforms that proactively suggest alternatives to high-risk suppliers who can help your company respond quickly to elevated risks.**





8

MAXIMIZE THE PRODUCTIVITY OF YOUR WORKFORCE.

Easy-to-use technology can help optimize productivity while driving scalability across the workplace. By simplifying and automating manual buying processes, companies gain greater adoption leading to improved visibility, compliance, and control to better manage spend.

“Many growing life science companies operate with lean back-office teams and have challenges scaling with the business as volumes increase. Coupa helps companies capture all their spend and process more with limited resources while driving savings and stretching cash flow. Instead of overworking or growing the back-office, companies use Coupa to maximize productivity and improve decision making with greater visibility over all business spend.”

Michael Manna
Regional Vice President at Coupa

Coupa simplifies the buying processes on a unified platform to allow scientists to get the goods and services they need quickly and focus on science. The entire sourcing, contracting, procurement, invoicing, and payments process is automated and streamlined in one place. Customers and Suppliers benefit from improved collaboration and accelerated processes allowing for more time on strategic and greater value assignments.

Coupa’s BSM platform also provides insights and prescriptive recommendations to optimize processes, mitigate risk, and increase measurable savings. By optimizing the current processes to drive efficiencies, compliance, and scalability across the organization businesses unlock hidden potential of employees. Employee time can be re-routed to more effective high priority projects focused on progressing their company’s mission.

BUSINESS SPEND MANAGEMENT AS A STRATEGIC LEVER TO NAVIGATE DISRUPTIONS

In the current macroeconomic environment with rising costs, high inflation, increasing interest rates, and global market uncertainty, one thing is clear — we're going to be in choppy waters for a bit. Building a resilient organization is key to navigating current and future disruptions. For fast-growing life sciences companies, this is not a time to make hasty decisions. It's time to pause and reassess. Get ahead of uncertainty with smart discipline rather than broad clampdowns. Visibility and control via digital capabilities will be your friends and path to resilience and rapid payback, no matter what the future brings. The resilient performers will emerge from this environment in a strong position for growth.

For more information about how Coupa and Sikich can help you manage your life science company's spend, reach out to a representative today.

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Coupa helps life science companies get the most out of business spending without getting in the way of innovation. Life sciences companies of all sizes worldwide rely on Coupa's easy-to-use platform to streamline innovation, maximize lab productivity, optimize supply chains, and record spend approvals for regulatory compliance. Designed with your employees and suppliers in mind, Coupa boasts industry-leading adoption levels, significantly reducing the number of workarounds and saving you hundreds, thousands, even millions of dollars each year.

[Learn More](#)



Sikich is a leading technology and advisory consultancy that partners with biopharma, biotech, clinical diagnostic companies and Clinical Research Organizations (CRO) to streamline processes and ensure compliance, so stakeholders can do what they do best: develop new treatments for patients who need them. Offering a range of solutions and services from ERP to QMS, IT Quality & Compliance, cybersecurity, managed services, and cloud migrations, our team is dedicated to supporting life sciences companies across their growth journey. When you work with Sikich you experience cost savings, efficiencies, and successful project delivery with the best balance of speed to value. Headquartered in the United States, Sikich is among the top 1 percent of all enterprise resource planning solution partners in the world.

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