Tackling Maverick Spend in Procurement

How Enhanced Technology and Cooperative
Strategies Can Reduce Unauthorized Expenditures

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How Enhanced Technology and Cooperative Strategies Can Reduce Unauthorized Expenditures

Research Contact:
Chris Rand
Research Manager, WBR Insights
Chris.Rand@wbresearch.com

Written by:
Mike Rand
Content Director, rand&rand

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Executive Summary

Maverick spend, which refers to purchasing activity that occurs outside of approved procurement processes or systems, can lead to suboptimal buying conditions and contractual discrepancies.

This not only impacts cost savings opportunities but can also lead to a lack of visibility into organizational spend and supplier performance.

In the greater context, maverick spend can undermine strategic sourcing efforts, weaken supplier relationships, and potentially expose the organization to increased risk and compliance issues. Companies must implement robust procurement strategies and technologies that enhance spend visibility and compliance with established procurement policies.

This report explores the current state of maverick spend in the procurement function. It also explores what steps procurement leaders are taking to address this challenge from a cost perspective, as well as from the perspective of facilities management and maintenance.
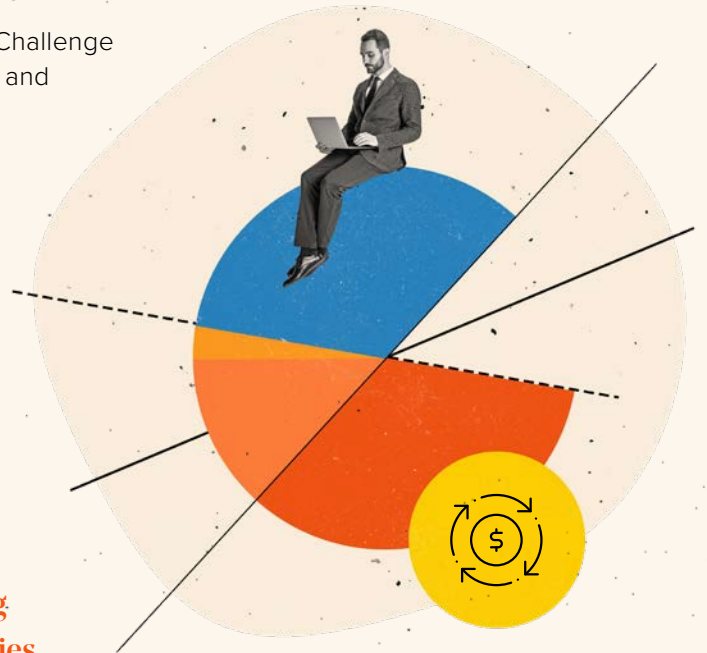
About the Respondents

The WBR Insights research team spoke with 100 business leaders to generate the results featured in this report.

The respondents occupy roles in supply chain (27%), procurement (25%), risk management (24%), and plant or facilities maintenance (24%).

At 61%, most of the respondents are directors. A significant portion of the respondents are vice presidents (22%). The remaining respondents are department heads (9%), senior directors (5%), C-level executives (2%), or senior vice presidents (1%).
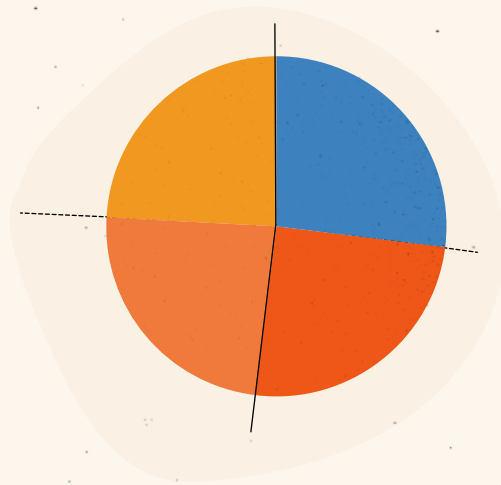
What best describes your role?

- ● **27%** Supply Chain
- ● **25%** Procurement
- ● **24%** Risk Management
- ● **24%** Plant and/or Facilities Maintenance
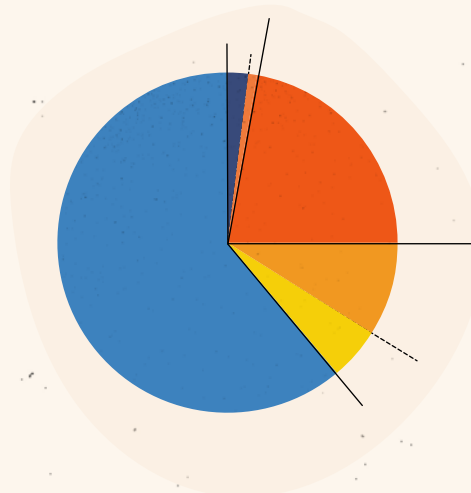
What is your seniority?

- ● **2%** C-Level
- ● **1%** Senior Vice President
- ● **22%** Vice President
- ● **9%** Head
- ● **5%** Senior Director
- ● **61%** Director
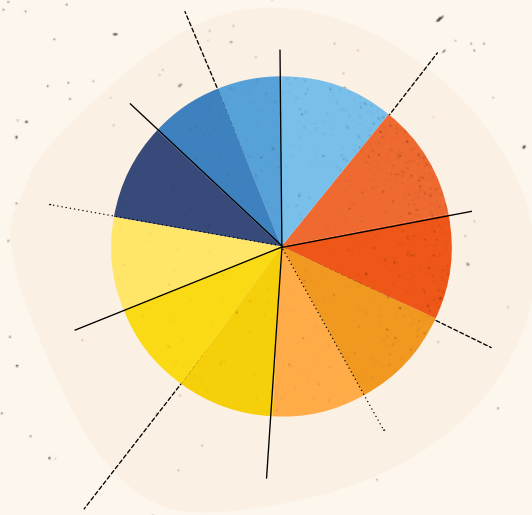
What industry does your company represent?

- **11%** Manufactured goods
- **11%** Chemicals, plastics, & polymers
- **10%** Consumer products
- **10%** Telecom, electronics, & high-tech
- **9%** Pharmaceutical
- **9%** Medical devices
- **9%** Energy, oil, & gas
- **9%** Aerospace & defense
- **9%** Automotive
- **7%** Multi-Site Retailer or Restaurant
- **6%** Industrial manufacturing

The companies represented in the report operate in a variety of industries, including manufactured goods (11%), chemicals, plastics, and polymers (11%), consumer products (10%), and telecom, electronics, and high-tech (10%), among others.

More than one-third of the respondents (34%) represent companies with less than $250 million in spend under management. However, 22% represent companies with more than $1 billion in spend under management.

What is the total amount of spend under management within your organization?

	Less than $250 million	$250 million – $500 million	$500 million – $1 billion	More than $1 billion
	34%	21%	23%	22%
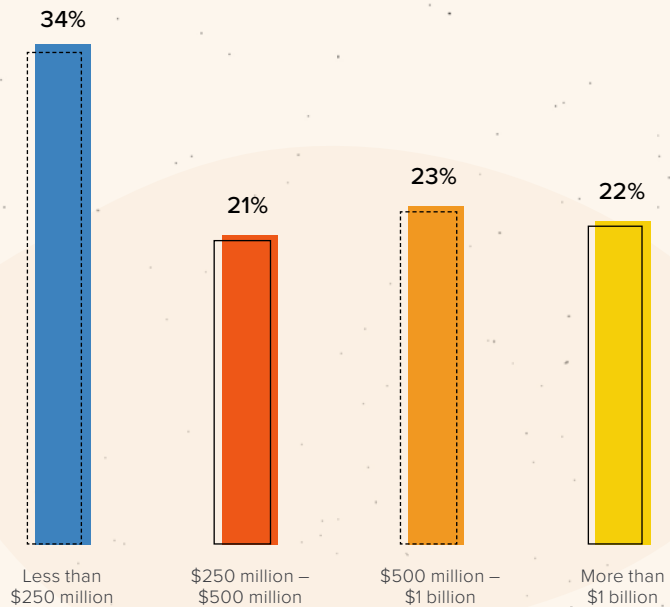
Key Insights

Among the respondents:

- **52% view maverick spend as a somewhat significant challenge;** 39% view it as a very significant challenge.

- Over the past year, **62% observed a moderate increase in maverick spend;** 25% saw a significant increase.

- Common technologies for managing spending are **supplier management systems (75%), contract management software (70%), and spend analysis software (67%).**

- **61% use eProcurement solutions,** such as apps and dashboards, to control spending.

- Of those using eProcurement solutions, **66% express high satisfaction with their solutions.**

- **20% are part of a group purchasing organization (GPO);** 73% are considering joining one.

- Of the GPO members, **65% saw a decrease in maverick spend after joining.**

- GPO membership benefits include **cost savings (90%), enhanced purchasing visibility (80%), more sustainability (65%), and better supplier performance with quality control (55%).**

- The top pain points in terms of procurement for plant and facilities maintenance **include inventory management challenges (79%) and issues with supplier and spend visibility (78%).**

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Controlling Maverick Spend: Centralized vs. Decentralized vs. Cooperative Models

*Procurement organizations face the challenge of reducing costs and boosting efficiency. The choice between centralized and decentralized models impacts this quest. A third option, the **purchasing cooperative**, blends the best of both to offer comprehensive benefits.*

Centralized Purchasing: Strength in Unity

Centralized purchasing aggregates procurement to leverage economies of scale, securing bulk discounts and enhanced contract compliance. This model curtails maverick spending but may lack the agility needed by individual departments.

Decentralized Purchasing: Flexibility & Responsiveness

Decentralized purchasing empowers departments with the autonomy to meet specific needs swiftly. This model fosters speed but can lead to inconsistent pricing and elevated maverick spending due to missed bulk discounts.

The Cooperative Model: Best of Both Worlds

SDI's Supply Chain Purchasing Cooperative marries the centralized model's buying power with the decentralized model's autonomy. Members access significant savings (15-20%) on MRO supplies and a vast network of suppliers without sacrificing individual procurement strategies. This approach not only streamlines processes but also amplifies spend analysis and profit-sharing opportunities.
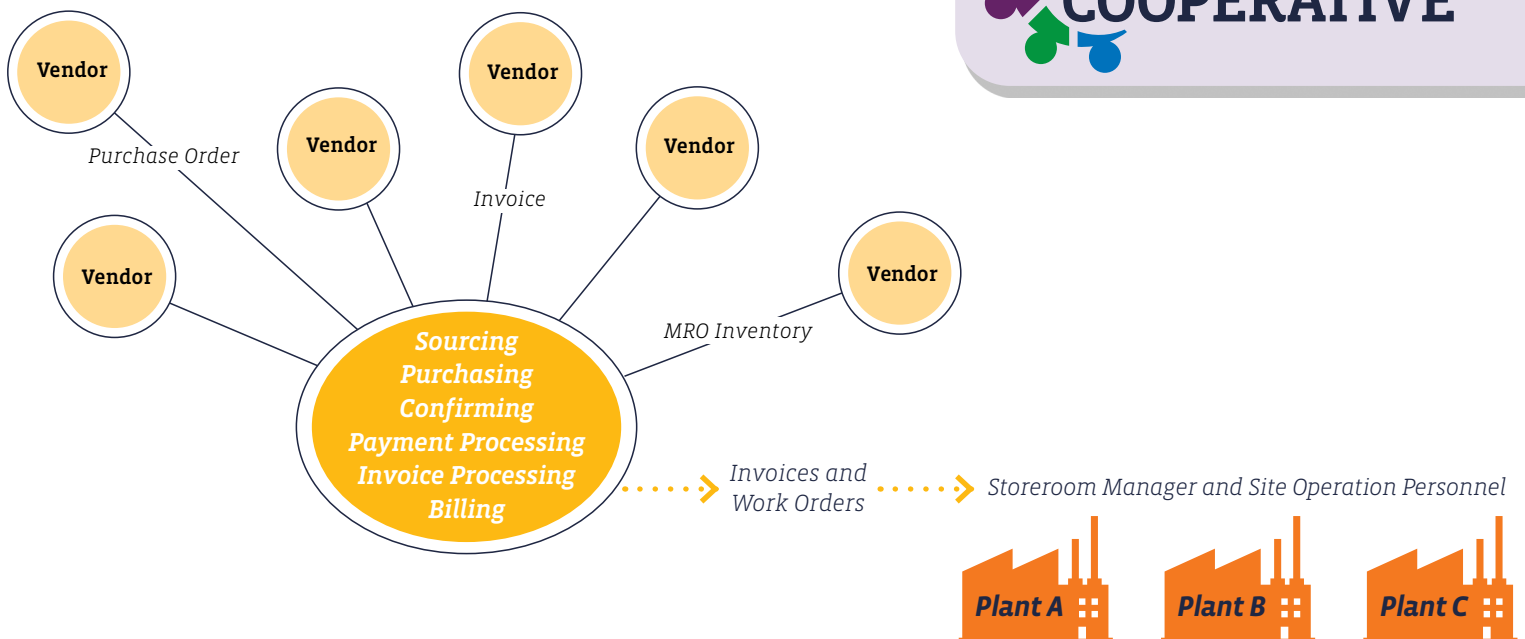
Enhanced Data & Analytics

With purchasing data and spend aggregated in one place, businesses gain useful analytics and reporting not available with decentralized buying. Insights on spending patterns, supplier performance, and other metrics allow for data-driven decision making to optimize costs.

Conclusion: A Tailored Approach

Businesses must weigh each model's benefits and constraints. The cooperative model, highlighted by SDI's initiative, provides a balanced, innovative solution. It ensures cost savings and procurement efficiency without compromising on procurement independence.

Take Strategic Steps with SDI's Supply Chain Cooperative

Joining SDI's cooperative could be a pivotal strategy for optimizing procurement and unlocking sustainable savings. This model is designed for organizations seeking a blend of efficiency, flexibility, and strategic sourcing.

JOIN NOW
SUPPLY CHAIN COOPERATIVE

Vendor · Vendor · Vendor · Vendor · Vendor · Vendor · Vendor

Purchase Order

Invoice

MRO Inventory

Sourcing
Purchasing
Confirming
Payment Processing
Invoice Processing
Billing

Invoices and Work Orders

Storeroom Manager and Site Operation Personnel

Plant A · Plant B · Plant C

Maverick Spend Is a Significant Challenge and Is Expected to Increase

In procurement, "maverick spend," also known as "rogue spend," refers to the procurement of goods and services without adhering to the organization's purchasing procedures and approval processes.

This type of spending often occurs outside established purchasing contracts and can lead to uncontrolled costs, as well as potential compliance issues.

In your view, how significant a challenge is maverick spend at your organization?

39%
Very significant

52%
Somewhat significant

9%
Not very significant

Maverick spend can occur intentionally or accidentally when someone with purchasing authority buys from unapproved vendors or when they make personal purchases using company funds.
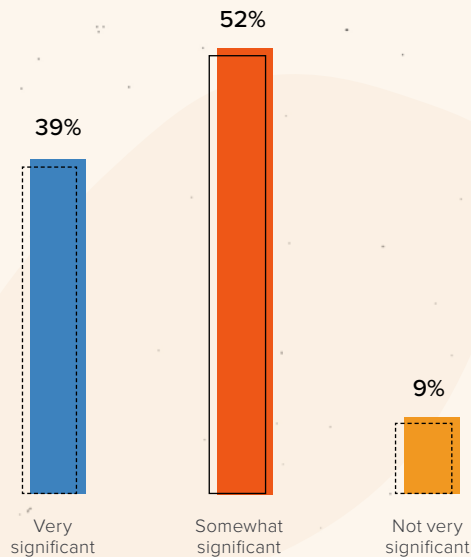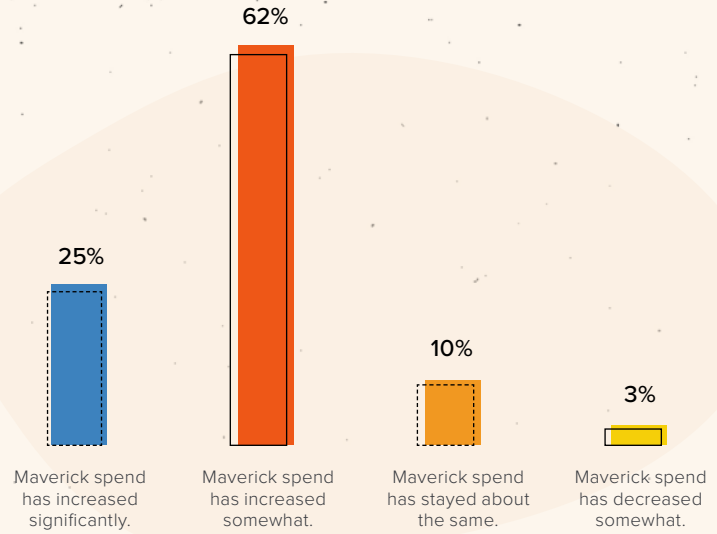
The results of the study underscore the prevalence of maverick spend within procurement organizations, with 91% of respondents recognizing it as a challenge in procurement. Specifically, 52% see it as a somewhat significant challenge and 39% see it as a very significant challenge.

Based on these results, maverick spend continues to be a major obstacle in procurement, affecting organizations of all sizes and in a variety of industries. This is despite significant advances in procurement technology, which has delivered unprecedented visibility into company spending and the supply chain.

Companies are likely struggling with the increasing complexity in the supply chain as well as their organizations' expanding needs regarding technology, materials, and more. As we will learn, some procurement leaders are also struggling with ineffective or outdated spend management tools.

Have you seen rates of maverick spend increase, decrease, or stay about the same within your procurement department over the past 12 months?

|			
25%	62%	10%	3%
Maverick spend has increased significantly.	Maverick spend has increased somewhat.	Maverick spend has stayed about the same.	Maverick spend has decreased somewhat.

Most of the respondents have seen rates of maverick spend increase somewhat (62%) or increase significantly (25%) over the past 12 months.

This surge not only undermines established procurement strategies but also poses significant risks to cost controls and budget compliance within organizations. This is also a trend that is likely to continue if procurement teams don't make substantial changes to their existing processes or their underlying technologies. Addressing this issue will be crucial for ensuring fiscal discipline and maximizing the efficacy of procurement operations, which are fundamental to organizational financial health.

The key to resolving the issue of maverick spend may be found among those companies that have witnessed a decrease in unauthorized spending. Although only 3% of the respondents to the study witnessed a decrease in maverick spend over the last 12 months, most of them recognize that specific strategies and technologies helped.
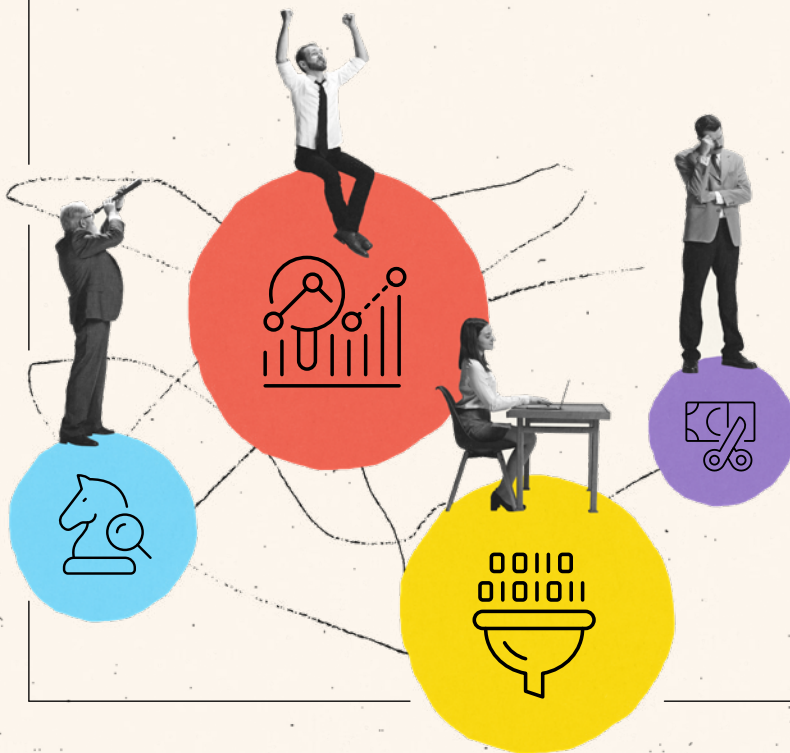
Since you said maverick spend has decreased, which of the following strategies, if any, have helped reduce maverick spend at your organization?

Data analytics for purchasing trend analysis — 67%

A revision of our procurement and spending policies — 67%

Training and employee education programs — 67%

Regular audits of purchases — 67%

Encouraging supplier consolidation — 67%

Purchasing centralization — 67%
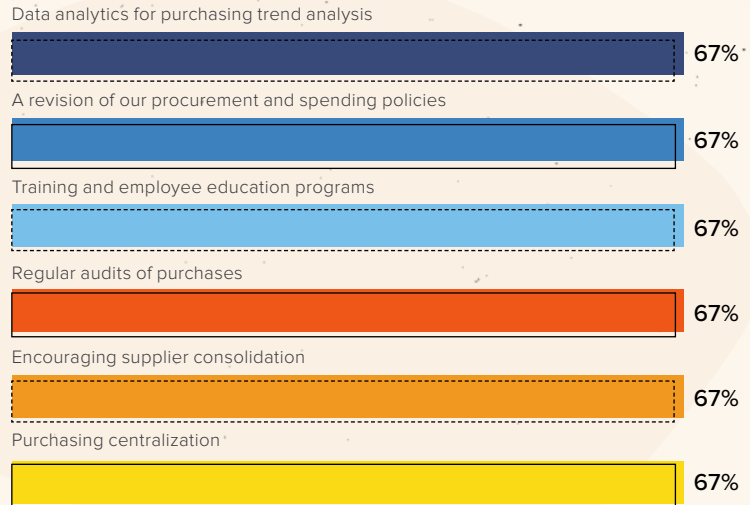
For example, in each case, 67% of these respondents say data analytics, a revision of procurement policies, employee training, regular purchase audits, supplier consolidation, and purchasing centralization helped reduce maverick spend.

Data analytics is pivotal in identifying patterns and outliers in spending, which enables companies to pinpoint irregular transactions that contribute to maverick spend. Revising procurement policies helps create clearer and more up-to-date guidelines that limit opportunities for unauthorized purchases.

Focused employee training empowers the workforce with knowledge about procurement protocols, thus minimizing the likelihood of

maverick spend due to ignorance or misunderstanding. Similarly, regular purchase audits provide ongoing oversight to ensure compliance with spending policies, while supplier consolidation and purchasing centralization limit the avenues through which maverick spend can occur.

Procurement, supply chain, and facilities maintenance leaders must work together to address the underlying issues that contribute to maverick spend. This can include identifying gaps in processes, implementing stricter controls and guidelines, and providing ongoing training for employees on proper procurement procedures in addition to the implementation of new spend solutions.
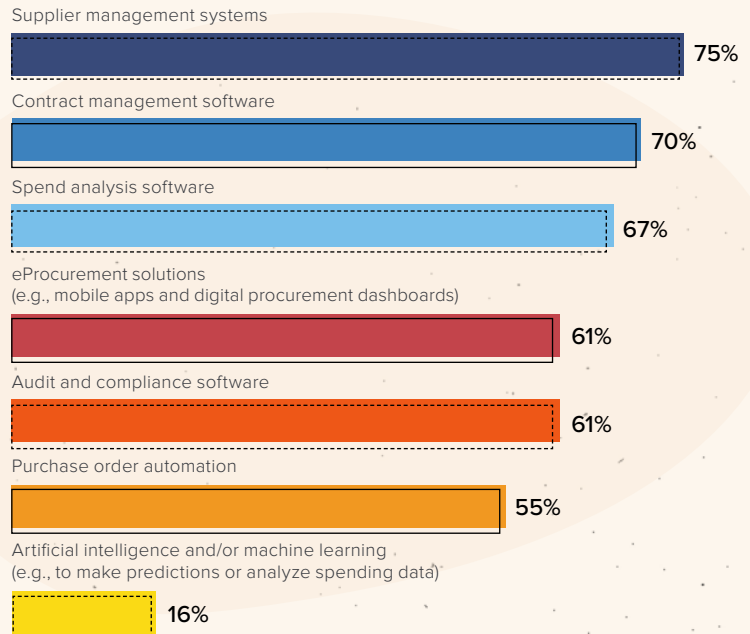
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Leaders Can Use a Range of Strategies and Technologies to Reduce Maverick Spend

A combination of technology and strategy is required to reduce unauthorized spending.

Ideally, companies should invest in software that can track and analyze spending data, identify potential areas of maverick spend, and provide insights for improved procurement practices.

Moreover, effective communication between departments is crucial to ensure that all stakeholders are on the same page when it comes to managing maverick spend. This includes regular meetings to discuss progress. It also includes implementing a system for reporting any instances of unauthorized spending.

Which of the following technologies do you currently use to manage spending and potentially reduce maverick spend?

Supplier management systems
75%

Contract management software
70%

Spend analysis software
67%

eProcurement solutions
(e.g., mobile apps and digital procurement dashboards)
61%

Audit and compliance software
61%

Purchase order automation
55%

Artificial intelligence and/or machine learning
(e.g., to make predictions or analyze spending data)
16%

Most of the respondents are already using a range of technologies to manage spending and potentially reduce maverick spend. Some of the most commonly used tools include supplier management systems (75%), contract management software (70%), and spend analysis software (67%).

However, although most of the respondents use them as well, fewer respondents are using audit and compliance software (61%), eProcurement solutions (61%), and purchase order automation (55%).

Only 16% are using artificial intelligence and machine learning in their spend management processes. This is likely due to the relative novelty of AI technology, but it also suggests that procurement teams could benefit by exploring AI capabilities to tamper down on maverick spend.

An eProcurement solution is an electronic platform that streamlines the procurement process for businesses and organizations. It allows buyers to manage their purchasing activities online, from requisition
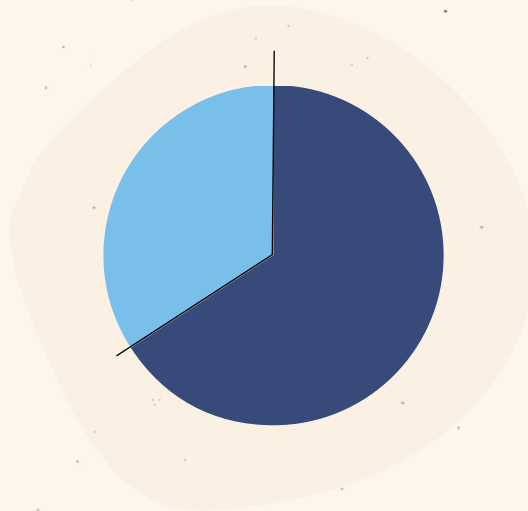
You said you use an eProcurement solution. How satisfied are you with your current eProcurement solution?

- **66%** Very satisfied
- **34%** Somewhat satisfied

to payment, while also providing suppliers with a centralized portal for submitting bids and receiving purchase orders. Most eProcurement solutions provide users with intuitive dashboards that can be accessed online or via a mobile device.

Among those respondents who use an eProcurement solution, 66% say they are very satisfied with their current technology. However, more than one-third (34%) say they are only somewhat satisfied.

This suggests that while eProcurement solutions can greatly improve efficiency and streamline the procurement process, some solutions may not deliver the type of visibility and cost savings procurement leaders need.

Beyond changing internal strategies and technologies, there are external tactics that can help.

For example, joining a group purchasing organization (GPO) is also an important strategy in controlling procurement costs, but it can also help reduce maverick spend by consolidating the entire procurement operation around established purchasing channels.

Currently, only 20% of the respondents have joined a GPO. However, 73% say they are considering joining a GPO. This heightened interest speaks to the growing interest in this type of agreement and the benefits it could provide procurement leaders.
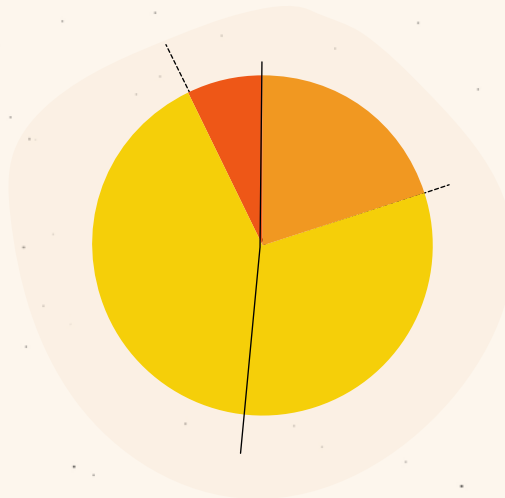
Have you joined or are you considering joining a group purchasing organization (GPO)?
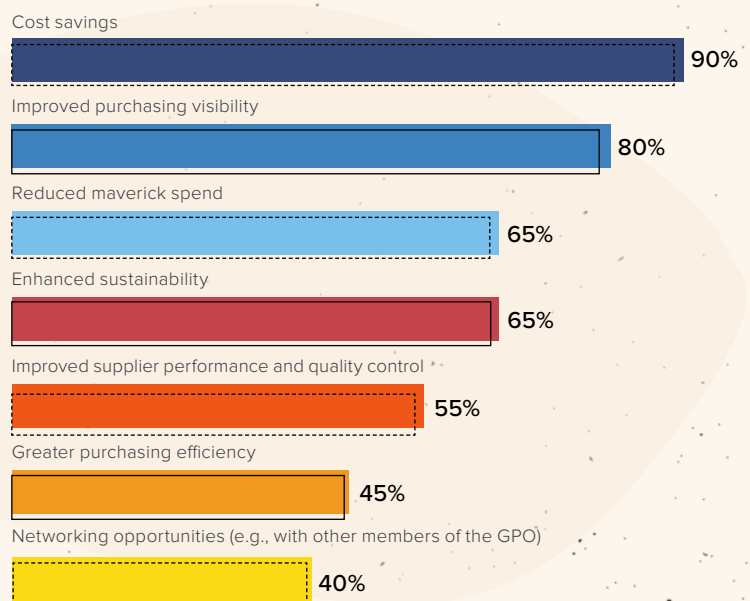
- **20%** We have joined a GPO.
- **73%** We are considering joining a GPO.
- **7%** We have not joined and are not considering joining a GPO.

Indeed, 90% of the respondents who say they are already part of a GPO say they have experienced cost savings as a result. Meanwhile, 80% have experienced improved purchasing visibility; 65% have witnessed

enhanced sustainability, and, most notably, 65% have experienced a reduction in maverick spend.

As procurement leaders analyze the steps they need to implement to reduce maverick spend, joining a GPO could be a viable strategy.

Since you said you are a member of GPO, which of the following benefits have you realized since joining?

Cost savings
90%

Improved purchasing visibility
80%

Reduced maverick spend
65%

Enhanced sustainability
65%

Improved supplier performance and quality control
55%

Greater purchasing efficiency
45%

Networking opportunities (e.g., with other members of the GPO)
40%

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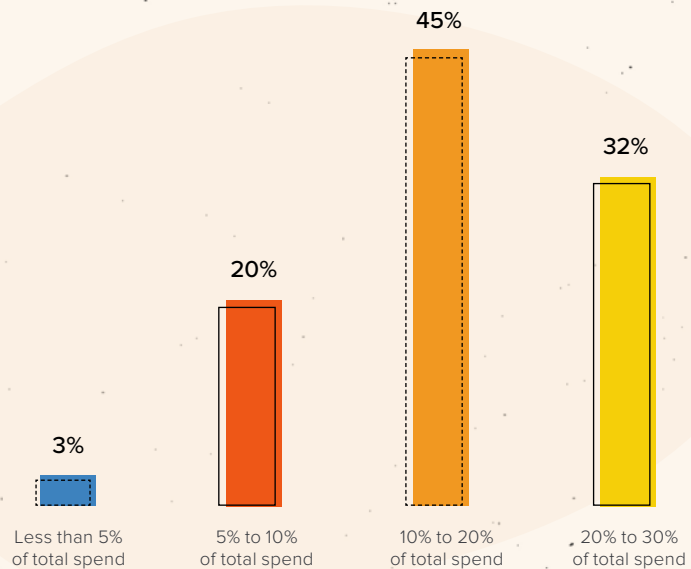Worldwide Business Research

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Spend Visibility Is a Key Challenge in Facilities Management and Maintenance

Facilities management and maintenance are crucial aspects of any organization, and they are directly linked to the procurement function.

This involves the management and upkeep of buildings, equipment, assets, and services to ensure they are always in good working condition and ready to assist in the company's mission.

Successful facilities management and maintenance requires leaders to access key products and services, which requires them to go through procurement.

Out of the total amount of spend under management within your organization, please estimate the proportion allocated to plant and facilities management and/or maintenance.

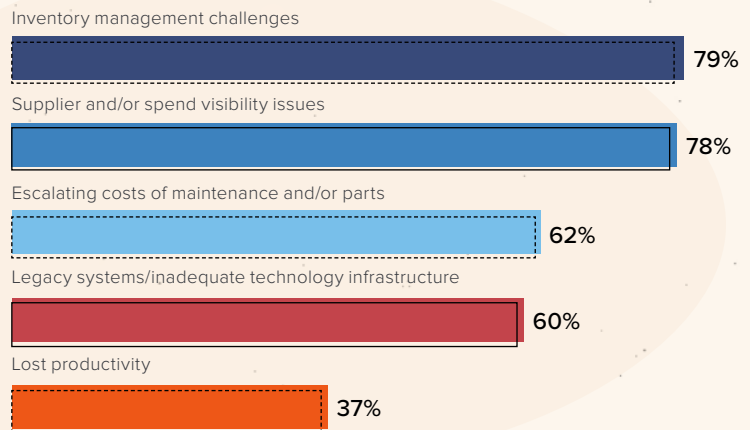| 3% | 20% | 45% | 32% |
| Less than 5% of total spend | 5% to 10% of total spend | 10% to 20% of total spend | 20% to 30% of total spend |

Importantly, facilities management takes up a significant amount of organizations' spend under management. For example, 32% of the respondents say 20% to

30% of their total spend is allocated to plant and facilities management or maintenance. Almost half of the respondents (45%) say 10% to 20% of their total spend is allocated.

Because of this, organizations must ensure that their procurement process is efficient and optimized for acquiring the goods and services necessary to manage their facilities without the risk of rogue spending. This includes having a clear understanding of the specific needs of the organization's facilities, as well as maintaining a good relationship with suppliers to ensure timely and cost-effective delivery of services.

To reduce maverick spend in this category, organizations must have clear channels that allow facilities leaders to acquire the goods and services they need. They must also have clear visibility into how each dollar is spent to maintain the organization's assets.

Which of the following are top pain points in terms of procurement for your plant and facilities management and/or maintenance?

Inventory management challenges
79%

Supplier and/or spend visibility issues
78%

Escalating costs of maintenance and/or parts
62%

Legacy systems/inadequate technology infrastructure
60%

Lost productivity
37%

Currently, the top two pain points among procurement for leaders involved in facilities management are inventory management challenges (79%) and supplier or spend visibility issues (78%). These results point to a lack of spending visibility in this area, which could significantly contribute to maverick spend.

Organizations that experience maverick spend in their facilities budgets must assess their existing purchasing processes and find ways to improve them. This could include

implementing new technology, such as spend analytics tools, to gain better visibility into spend and identify areas for cost savings.

In addition, organizations should consider creating a dedicated procurement team to focus on facilities management and maintenance. This would help ensure that all purchasing decisions are made strategically and in alignment with the organization's overall goals and objectives.

Conclusion: Key Factors That Lead to Maverick Spend

To gain a better understanding of how maverick spend happens in the first place, researchers asked the respondents to identify the specific factors that lead to the problem.

Across multiple responses, a common thread that emerged as a significant contributor to maverick spend is the lack of centralized controls and coherent policies. Decentralized decision-making within various departments, such as development, procurement, design, and manufacturing, is a weakness that allows for inconsistent spending practices. This suggests that streamlining authorizations and implementing more cohesive, company-wide policies could substantially mitigate this issue.

Such changes would likely lead to improved oversight, more efficient procurement processes, and enhanced compliance with internal spending guidelines.

Two other key factors the respondents cited are inadequacies in monitoring spend as well as insufficient technology infrastructures. Several comments point out that shortcomings in current monitoring systems, including those related to R&D investments and equipment procurement, pose a risk for untracked and unauthorized expenditure. Similarly, outdated or inefficient technological tools are identified as contributors to maverick spending.

To address these issues, respondents recommend improving monitoring systems to foster organizational transparency and investing in technological upgrades. Doing so would likely lead to more effective oversight, real-time tracking of expenditures, and the facilitation of better collaboration across departments.

Finally, communication and corporate culture play pivotal roles in addressing maverick spend. Many respondents criticized the lack of clear communication regarding procurement policies and responsibilities, suggesting that maverick spending could be curtailed through enhanced dialogue between departments and clear, concise procurement guidelines.

Further, fostering an ethical spending culture and educating employees on the importance of complying with established procurement guidelines could instill a greater sense of fiscal responsibility. These measures would not only reinforce a company-wide commitment to sound financial practices but would also provide a more transparent and accountable framework for employees.

Key Suggestions

Implement centralized procurement controls:

Establish comprehensive, centralized controls to streamline authorizations and standardize purchasing practices across the company. Centralizing procurement decisions is crucial for creating uniformity in spending, reducing the risk of maverick spending, and ensuring compliance with company policies.

Invest in updated technology and monitoring systems:

Upgrade technological tools and monitoring systems to enhance spend visibility and prevent unauthorized expenditures. The modernization of spend analytics systems, eProcurement solutions, and compliance software will be essential for gaining real-time insights into spending, which can lead to more informed financial decisions and better expenditure tracking.

Foster transparent and regular communication:

Ensure open and ongoing dialogue about procurement policies and responsibilities across all departments. Transparency in communication is a key element that aids in demystifying the procurement process and preventing misunderstandings that can lead to non-compliant spending.

Address inventory management and spend visibility issues in facilities maintenance:

This could involve implementing dedicated teams or personnel to oversee facilities procurement, investing in specialized technology designed for this category, and establishing clear channels for acquiring necessary goods and services.

About the Authors

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SDI is an industry pioneer in supply chain solutions and services, renowned for over 50 years of experience in guiding facilities and plant maintenance leaders towards operational excellence. As specialists in integrated parts management, SDI has transformed procurement services and warehouse management solutions across a spectrum of industries, partnering with notable supply chain leaders including Blue Diamond Growers, American Airlines, Walmart, and the New York City Department of Education.

Employing the power of the **ZEUS Digital Supply Chain Management** platform and a comprehensive suite of **mobile applications**, SDI offers cutting-edge tools to refine supply chain processes, guaranteeing more efficient and reliable facilities. From first call completion to mean time to repair, SDI is dedicated to enhancing key performance indicators, improving uptime and fueling business growth and resilience.

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