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Evaluation Guide to Travel & Expense Management

Picking the Right T&E Tool for Your Organisation

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Executive Summary

The business environment today is highly complex and hyper-competitive. A slowing global economy has placed pressure on organisations to cut costs, even as the digital revolution requires more investment for innovation. Amid all this, there is the constant push for market expansion, which boosts business travel.

How can organisations balance these competing challenges? The critical job falls on finance leaders who must scrutinise and reduce expenses, and channel spend to where the business needs it most.

The first target for review should be T&E (Travel and Expense) expenditure, which on average comprises 10% to 12% of a company's budget. In fact, according to Forrester Research, 40% of organisations do not have a unified T&E and invoice management strategy. This means time-consuming expense tracking procedures, incorrect claims and security breaches, and a lack of oversight on employees' safety – adding to unnecessary costs and poor budgeting.

The solution lies in implementing an intelligent and integrated T&E Management system. This guide offers finance leaders a comprehensive and objective framework to evaluate solutions that will aid your organisation's current and future spend management requirements.

It will walk you through the six key attributes to look out for when evaluating a T&E vendor:

- Visibility and Control over Spend
- Organisational Size and Expected Growth
- Employee Experience
- Duty of Care
- Security and Governance
- Value to Business

Apart from finance leaders, this guide is also designed to be used collaboratively across the organisation such as HR (Human Resource), IT, travel and business users. It will provide questions to ask and actions to take during the evaluation process.

Read on to find the T&E tool that is most appropriate for your organisation.

Why Effective Travel and Expense Management Matters Even More Today

Finance leaders are bombarded with critical challenges in today's challenging business climate:

The global economy is slowing
How do we control costs more efficiently, even as we invest more to boost growth?

Digital innovation has made the business environment hyper-competitive
How do we combine spending data with digital technology to make finance more intelligent and agile?

Expanding into new markets is a must even as industry and foreign regulations are increasingly complex to navigate
How do we support our employees' travel needs, while ensuring full compliance with our expense policy as well as foreign tax laws?

It may come as a surprise that an effective T&E tool can help an organisation tackle these disparate challenges. But when it comes to saving costs, T&E related spending is often considered the lowest-hanging fruit.

There are other spend categories such as external expenditure (generated by external services or temporary workforce) and passive spend items (taxes and fees generated by staff in the process of their jobs). But travel-related spending is the second highest cost after payroll and using the right tool to manage this large spending is likely to give you the best value.

An intelligent T&E ecosystem can ensure that your budget is effectively directed at top corporate priorities such as growth, profitability, business expansion, risk management and digital transformation. Having an effective T&E strategy will not just lighten workloads but help organisations save costs and be more efficient and productive.

Who should Read this Guide?

Finance leaders: This guide offers a comprehensive and objective framework to evaluate the effectiveness and efficiency of your organisation's current and future T&E needs.

Corporate leaders: It is also designed to be used by corporate leaders collaboratively with other key members of your organisation such as finance, human resource (HR), IT, travel and business users.

Gone are the days when the largest enterprises relied on a one-size-fits-all T&E software, while smaller ones made do with spreadsheets or a homegrown solution. Today, there is a plethora of options available.

Besides the top 10 vendors who serve roughly 75 per cent of the US$2 billion global T&E software market in 2018, there are dozens of smaller players. However, more options do not necessarily make your search for the right T&E tool any easier.

A quick online search yields various guides on finding the "best" tool for your organisation by comparing price points and functionalities. While this is useful, companies could waste a lot of time if their search is solely directed at finding a tool best suited to their present budget or user needs.

With e-commerce and globalisation driving businesses to expand at an unprecedented pace, an organisation needs to consider how a tool can match its future growth. So before test-driving various T&E solutions or asking for price quotes, start on the right foot by identifying your current as well as future needs.

Pre-requisites for Using this Guide

The following list of questions will guide you in identifying the basic information needed to evaluate your current and future T&E needs.

- What current T&E policy and tools do you use? Manual (i.e. physical form, excel), in-house system, etc.
- Does your organisation work with external travel management companies or suppliers for travel booking?
- How many employees are there in your organisation, across regional offices?
- How many expense reports/claims are submitted on average per month?
- How long does it take for employees to be reimbursed?
- What accounting/ERP system(s) is your organisation using?
- Who should be involved in the buying decision and/or who will be the decision maker (IT/HR/Finance)?
- What is your project timeline?

Here are the six key attributes to consider for an effective T&E management solution.

Six Requirements for Effective Travel and Expense Management

1. Visibility and Control over Spend

Get consolidated and real-time updates of your organisation's spend for clearer planning

Companies often experience an influx of expense submissions towards the end of the year, made worse by incorrect claims. Having proper oversight on expenditure, including "off-grid spend" such as air ticket bookings that employees make directly with clients or suppliers, will help your organisation tighten its T&E management process.

Reduce Seasonality and Influx of Expense Reports

For more efficient planning, try to reduce the volatility in the timing of expense reports filed. Find a tool that will:

- Remind your employees to submit their expense reports within the best time frame allotted to them (either within a certain number of weeks or months)
- Stagger expense reports across the month/year
- Provide increased visibility for Finance into year-to-date spend

Kofax, a business process management solutions provider, was able to cut down the number of full-time staff dedicated to processing expenses after it implemented an automated T&E solution that allowed employees to prepare expense reports in half the time.

Minimise Human Errors

Using a T&E tool that unifies and automates the entire T&E process – booking, itineraries, recording receipts and expense reports approval – will allow your organisation to consolidate global spend with greater accuracy and efficiency. Better yet, automate the system to include company policy information that will notify the relevant parties when needed.

A 100,000 yen (~US$900) claim by an employee of a global MNC ballooned to US$100,000 as he did not change the currency of his expense claim from the default. Fortunately, the company's audit team was able to detect this anomaly with real time dashboards developed by the T&E solution before the claim was processed, saving the company thousands of dollars.

Capture Out of System Bookings

Increasingly, organisations see a need to capture spend data even for bookings made outside the system, and other data such as credit card spend and mileage expenses. With spend data captured in one system, finance leaders can view the company's budget in real time and make decisions on the go.

A spend management ecosystem can solve this issue by automating your organisation's travel processes. For example, with a T&E system that captures itineraries directly from suppliers like Airbnb and allows travel itineraries made externally to flow seamlessly into it, your business travellers will get negotiated rates and policy checks no matter where travel is booked.

Manage Expense and Requests Made Pre-trip

Some tools have the option for your business travellers to submit their travel itineraries for approval prior to booking confirmation. This allows their managers to take control of spend and enforce compliance with a system that is easy to use. Managers will also be able to compare planned spend to actual spend, improving their ability to make forecasts.

Malaysian mobile operator Celcom invested in a T&E tool to manage the company's claims processes and to ensure claims are compliant with its regulations. The tool eliminated human error and improved staff productivity, which resulted in cost savings. Non-compliant claims were also cut to **less than 8 percent**.

Ability to Negotiate with Vendors

With a connected T&E ecosystem, you can automatically review travel data and flag compliance issues. Better yet, find a tool with a strong eco-system of suitable tax partners that will be able to review all claims on your behalf.

For instance, tools that come with an all-in-one dashboard will also allow finance teams to track tax implications for each employee and country, and compile spend and payments.

Integration of T&E Data

By combining T&E into one solution, organisations can connect people, processes and systems for more efficiency and accuracy. Such a system will allow your organisation to capture employee spend in one place and track total T&E spend, including how much comes from each department and even if managers are adhering to internal protocol, such as the checking of travel receipts.

Questions to ask

- How much time does it save on planning business travel and completing expense reports?

- What percentage of expenses are non-compliant? How much is caused by human error?

- Do your finance teams struggle to manage the influx of expense report submission at the end of the quarter or year, depending on your company's billing cycle? How much do you value more robust and efficient audit operations?

- Does your company track the total amount of Value-added Tax (VAT) that is paid across all employee-initiated overseas trips?

2. Organisational Size and Expected Growth

International and regional expansion means your organisation needs greater support in T&E management

An integrated spend management solution will prepare organisations for the future, and ideally offer support at every stage of growth and evolution. It will not only expand an organisation's current visibility into T&E spend globally for greater insights, but also help you remain compliant every step of the way.

Understand Your Organisation's Needs

Companies need to determine expansion plans and identify what systems are currently used in those locations, as well as understand the processes and policy the end users are accustomed to.

It is also important to think about the deployment of solutions based on country groupings, such as currency, customs, language, regulations, or product availability. Based on your organisation's needs, use a tool with transparent and straightforward pricing that will easily tier up usage when necessary as usage increases.

Gain Control Over Market Differences

As companies expand, regional policies may begin to differ as they are localised to fit the markets. Finance teams must understand where spend is happening and account for differences in budgets. They should focus on what the budget can deliver, instead of deliberating over where the budget has been spent.

Find a tool that provides access to an international network of app partners who can help your organisation save on significant charges such as Value-added Tax (VAT) and mobile roaming. It will also be good to ensure access to international partners that offer specialist advice on immigration and tax rules. This allows your company to configure settings that will automatically update the latest rules and regulations in a foreign jurisdiction when employees travel to that country.

Most importantly, it is vital that your tool of choice should be flexible in adapting to policy changes as your organisation grows.

By using a T&E tool with an international partner network, multinational home appliance manufacturer Electrolux tripled their VAT reclaim from €30,000 to nearly €100,000. Today they are approaching €400,000 per year in VAT recovery. **That is almost 450,000 USD a year!**

Some T&E tools link up with partners such as EY to automatically identify requirements for a work permit or business visa; pull up relevant compliance procedures such as payroll withholding tax; and identify foreign requirements such as applying for a US tax identification number for foreign employees entering the US and staying for more than a stipulated number of days.

Create a Global Spend Management Template

This helps to optimise the current solution through better alignment with your teams, policies, and processes across the globe. It will also help set the groundwork for future expansions. Some considerations when developing the template:

- Consider workflow, accounting structure, audit rules, groups, expense types, custom fields, and reporting
- Provide a list of expense types/audit rules to pick from and workflow options
- Create clear guidelines on language customisation
- Determine when VAT/ travel allowances are appropriate
- Find a tool that allows flexibility in organisation-specific policies, requirements, categories and so on.

With employees located in major markets around the world, an automated global travel booking solution was essential for Unisys Corporation to keep up with expected organisation growth, and in turn rise in business travel. By centralising its process with an automated global travel booking tool, travel bookings were slashed by 40%! The tool also allowed 47% of expense reports submitted to be auto approved as they met all the right conditions based on a logic programmed in the system.

Questions to ask

- Is your organisation working towards international/global expansion in the next 5 to 10 years?

- Do you foresee greater complications, such as an increase in overseas travel bookings and expenses submitted arising as your organisation expands into new markets?

- How does your company:

    - Manage the financial risk you may face as a result of employees traveling for extended periods in different locations?

    - Ensure full compliance with foreign laws and changing industry regulations and policies, as well as support different workflows based on regional or departmental differences?

3. Employee Experience

Having an intuitive, easy-to-use system can make a world of difference

Companies spend more than <u>60% of their time</u> extracting information manually for analysis before business decisions can be made. Some spend up to five months processing employee expense claims. This lengthy process hampers an organisation's ability to make quick business decisions. What's more, it can cause a cash crunch for some staff and unhappiness as a result.

Reduce Frustration with Automation

Automated T&E solutions can speed up reimbursement time by 67% by streamlining expense reimbursements and credit card payments.

Research agency IDC interviewed eight corporations that reaped significant efficiency gains by migrating from Excel-based processes to a cloud-based solution. Interview respondents saved an average of 6.1 hours and 4.1 hours per year per employee on travel planning and expense reporting, respectively.

Choose a T&E tool that uses intelligent technologies to:

- Capture and centralise spending data from any purchase (travel, lodging & ground transportation, etc)
- Make filing expenses easier by auto-filling expense reports
- Anticipate, predict, and control spending across the enterprise, reducing the time needed to monitor your budget
- Analyse data through interactive dashboards
- Generate insights through real-time reports that help you make better business decisions
- Automatically reimburse employees directly and capture exchange rates to local currency

By using a T&E tool to manage expense across 19 countries, <u>Twitter</u> was able to cut its expense submit-to-pay cycle time by 65%, from 26 days to 9.5 days.

Increase Accuracy with Localised Product Functionalities

Companies with global operations have employees that require an easy-to-use user interface which automatically switches to the local language of the countries where their employees operate or allow them to activate additional languages by request.

This allows both the static user interface such as menus and page names, and dynamic text like expense and payment types to be available in the local language, making it easy for employees to file and read expense report requirements.

Questions to ask

- How much time does it take to complete an expense report and be reimbursed? Are your employees frustrated with slow reimbursements?

- Is your organisation struggling to attract and retain top talent vis-a-vis trendier firms that adopt latest innovations (e.g. machine learning, artificial intelligence) to improve processes?

- Does your organisation have global employees who require in-region language options?

- Do your employees find it cumbersome to keep track of receipts, and match actual spend on credit cards to capture fluctuations in exchange rates?

4. Duty of Care

Organisations are responsible for the safety and well-being of their employees anywhere in the world

Regardless of your business size or location, companies have a legal and moral obligation to take care of all employees, knowing exactly where and when they are travelling and caring for their wellbeing during any emergency.

Disparate Systems Cause Gaps in Visibility

A recent survey of 7,850 business travellers from 19 global markets, including Singapore and Malaysia, found that 54% working at companies with a formal travel policy believe that their safety is not one of their companies' top priorities. More than 9 in 10 of respondents added that they share their location while travelling, with safety being the reason 58% of the time.

A T&E solution with risk management features can help an organisation communicate with its employees in the event of an emergency. It can easily locate employees based on data captured from expenses, itineraries, supplier e-receipts, mobile check-ins and corporate credit card transactions.

When a magnitude 7 earthquake hit Taiwan in 2018, Japanese IT solutions provider NEC used the risk management features of its T&E platform to confirm all its employees' safety in Taiwan. While this task would normally take two to three days to complete, NEC was able to complete it in just a few hours.

In addition, it is also crucial to educate business travellers about their safety and security. This includes sharing company expectations and helpful tips and tricks about safe travel and tailor sessions for traveller genders. Employees must also be accountable and responsible for security and safety reasons.

Create and Practice a Duty of Care Master Plan

Develop a clear policy that guides your employees on safety and security. This master plan should include common and major incidents for both employees in the office and business traveller, and establish Country Risk ratings – Low, Medium, High – for each global destination.

With an emergency response protocol in place, which includes how you will communicate with employees and the frequency of your communications, find a T&E tool that can help you to execute this plan in the following ways:

• Centralise and consolidate employee data from various channels – expenses, itineraries, supplier e-receipts, mobile check-ins and corporate credit cards. This will enable companies to alert employees, locate them, and set up two-way communication in an emergency or dangerous situation

- Offer opt-in tracking and check-in features for employees as well as apps that provide emergency relief services especially during global events and catastrophes that might affect employees
- Show safety scores for neighbourhoods, lodging, and restaurants around the world, including categories such as physical harm, women's safety, theft, as well as health and medical facilities
- Allow employees to easily access embassy information in whichever country they are in

Questions to ask

- How is your organisation fulfilling its duty-of-care requirements for its employees on business travel?

- Is your organisation able to establish a clear two-way communication with employees during major catastrophic events, and in cases of medical issues, road traffic accidents and petty crime?

- How does your organisation ensure the safety of female employees when they are on the road carrying out their work duties?

- Is your organisation doing enough to protect all employees – not just those who are constantly out in the field travelling between client sites, but even those commuting to your offices daily?

5. Security and Governance

Data security and privacy is critical for business functions, including managing travel and expense

Data housed in a cloud-based T&E solution, or even a local server, could be targeted by hackers if the organisation lacks a strong framework that protect against unauthorised access. This is dangerous as T&E data provides insights into cash flow and employee location including where they frequent – potentially making them easy targets of crime.

Therefore, when choosing a Software as a Service (SaaS) provider, it is important to carefully assess aspects such as scalability, reliability, and geographic reach, to ensure that your data is secure, and the services are reliable.

Security is Key

A 2018 report by Cybersecurity Insiders found that 18% of organisations have experienced a cloud security incident, and survey respondents cite data loss, data privacy and confidentiality as their top three cloud security concerns. In fact, Microsoft's cloud systems fend off 1.5 million hacking attempts on a typical day.

As T&E data captures detailed and critical information on each employee, T&E vendors must conduct multiple internal and third-party audits regularly to ensure customers' data confidentiality, integrity and availability on their cloud platforms.

The T&E vendor of your choice should have industry recognised accolades that guarantee its security standards, such as having Information Assurance processes that are founded on and audited to the internationally recognised ISO 27001 Security Management standard. The vendor should also have received the Data Protection and Privacy certification based on the General Data Protection Regulation (GDPR) by the British Standards Institute.

Check with the vendor if they can:

- Augment and update security architecture with the latest security features and services
- Detect all intrusions, while continuously monitoring all aspects and layers of the infrastructure for vulnerabilities
- Use industry recognised third-party security specialists, enterprise-class systems and tools to scan the T&E software, and swiftly identify and address any weaknesses
- Ensure privacy management by collecting only the minimum necessary personally identifiable information (PII) and use it only for stated purposes.
- Require encryption for any data transfer

Accessibility to Data

Cloud platforms give organisations the flexibility to access their data wherever and whenever. It is highly attractive as employees can upload and submit their expense reports on the go, which enhances the employee experience. Finance leaders can also view and approve reports on the go and can match budgets against spend in real time.

When searching for a secure and reliable SaaS provider, see if they can:

- Accelerate improvements in architecture and designed to cut down service disruptions and improve average system response times
- Allow quicker, real-time adjustments to the platform's capacity for changing transactional demand

Fast, accurate and reliable access to data is also dependent on the location of your data centre. Look for a provider with data centres around the world, so that you can choose to host your data closer to you, thereby benefitting from a stronger connection with less delay and better latency. They should also maintain strong safeguards, from data encryption and mobile security, to authentication, physical security of data centers, data redundancy and disaster recovery, as well as a tiered services stack and infrastructure that reinforces security.

Questions to ask

- How concerned is your organisation about the safety and security of its data?

- Is your organisation looking for a SaaS provider that will enable employees to access their T&E tool securely whenever and wherever with an Internet connection?

- Are your systems actively compliant with the GDPR – a new EU law that gives residents greater protection and control of their personal data?

- Does the T&E vendor in consideration have the relevant industry-recognised accolades? How often are the checks and balances done on their security systems? Who are some of their existing customers and how are they utilising the solution?

6. Value to Business

Gain more insights as well as returns from your investment in a T&E solution

Many organisations are so focused on following their budget that they fail to do a cost-benefit analysis to quantify whether the benefits will outweigh the costs in the long run. Research agency IDC found that firms that adopted T&E tools achieved substantial business value, worth an average of US$2.78 million (US$54,900 per 100 users) over three years.

It is critical to consider the business value reaped from spending on a T&E solution against its cost to determine what's best for the organisation.

Assess the Value

When assessing a potential T&E tool, consider these points:

- How much time does it save on planning business travel and completing expense reports?
- How much cost savings can you reap through enhanced visibility and improved compliance?
- How much do you value more robust and efficient audit operations?
- Will your employees be empowered by the new T&E system to make smarter decisions?
- Does it increase employee satisfaction by providing a wider set of travel booking options?

You can also use this tool to calculate your company's potential ROI.

Provision of Services

In most cases, T&E vendors can help you to manage the implementation process virtually, saving time and cost. Check if they have teams dedicated to ensuring a successful implementation and roll-out of the solution. This includes adhering to your list of requirements to customise fields or ensuring that the links to specific programmes are set up appropriately.

Consider getting professional support and services that can provide you with:

- Detailed and customised reports, and at-a-glance dashboard for quick analysis visibility into your spending
- Reliable 24x7 dedicated support and services for admin to configure and make changes to the platform to meet changing requirements, such as rate changes
- Locate and pinpoint where travelling employees might be in case of a potential threat
- Real-time integration with existing customer relationship management cloud solution providers, ERP, HRMS, and accounting/finance systems to get the most out of existing technology investments

Questions to ask

- How much savings can be derived by controlling T&E expenses, reducing fraud and increasing compliance?

- Has your organisation done an assessment to determine which of the T&E attributes are vital to its growth and efficiency?

- What are your Key Performance Indicators?

- What are your organisation's objectives for investing in a T&E solution, and what is your expected ROI?

- How should your organisation continue to leverage existing technology investments and preferred partners (ERP, accounting systems, card vendors, existing suppliers, etc.) even with the implementation of new technologies today?

To assess whether your company already has the expertise to implement the project in-house, or if you need to get professional support, answer these two questions:

- Does your organisation have multiple policies and workflows?

- Does your organisation need support for industry or country-specific travel or expense requirements?

Conclusion

Users of this guide typically identify current bottlenecks or future needs that they were previously unaware of. This is important because effective T&E management is about covering all grounds – and even averting errors – before spend happens so that you can achieve full control of your budget and growth priorities.

According to G2's Summer 2019 Grid® Reports, SAP Concur was ranked by over 4,000 users as the No.1 in the Travel Management, Expense Management, and Travel & Expense Management categories. With 54 per cent of global market share, SAP Concur is the leading provider of cost-effective, holistic solutions for tens of thousands of the world's top companies.