Managing Every Mile

How to deliver greater return on investment from Travel and Expense

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Foreword

Today's world is rich in opportunities for growth and expansion. Travelling for business is key to unlocking these opportunities as we seek to build relationships, explore new markets and uncover new ways of working.

Those of us who travel regularly for business recognise the inherent value of doing so. Getting closer to customers and partners, being inspired by new ideas, expanding cultural horizons are all instrumental in driving better business performance.

Nonetheless, quantifying the value of business travel remains a key challenge for many organisations. In this report, the London School of Economics and Political Science (LSE) outlines the case for taking a more holistic and strategic approach to travel and expense management and offers a framework to improve both the return, and the measurement of return, on business travel.

We commissioned this report as we are committed to empowering organisations and individuals to make the most of business travel by ensuring it is a simple, enjoyable, stress-free and productive experience.

Together with our customers we are redefining global business travel by empowering organisations with the expertise, insights and flexible tools to meet their needs while providing total support to the traveller in terms of duty of care and building a more responsive experience. Our mission is to make the complex simple, taking away the challenges of business travel and expense, so we can all enjoy the benefits.

While clearly there is no one-size-fits-all for every organisation, by taking a strategic look at travel and expense management, the LSE provides an independent perspective on how to manage every mile when it comes to business travel.

We look forward to hearing your thoughts on this report, and working together to build smarter business travel programmes that work both for your corporation and for your travellers.

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Executive Summary

A comprehensive framework for managing T&E is central to maximising value

Travel and Expense (T&E) is a major line of expenditure for many companies. Despite this, best-practice processes are often overlooked or implemented poorly, leading to cost and productivity inefficiencies, limited strategic oversight of travel management and frustrated employees.

In other areas of corporate expenditure this is not the case. This study provides research and insights as to how corporations can take a more strategic approach to T&E by putting in place a comprehensive IT-enabled framework so that benefits can be maximised, both for the corporation and the traveller.

Following interviews with senior decision makers across large corporations, it is clear that a number of strategic priorities underpin T&E programmes, but only by implementing a more structured approach can these priorities be delivered upon, and the true value of travel to business performance be measured and improved.

Proactive management through automation and IT drives significant benefits

The research finds that through proactive management of T&E, using best-practice processes and automated IT systems, dramatic impact can be achieved: the cost of processing a transaction can reduce by over half;[1] over 10 percent savings can be made through the use of an online booking tool;[2] employee satisfaction can improve;[3] 20 percent higher fraud identification than paper-based expense reports can occur, among others.

This research presents a framework for T&E spend management encompassing three stages:

1) Setting the T&E strategy

2) Optimising the T&E spend management processes

3) IT enablement of the T&E processes

The T&E spend management processes encompass five activities, enabled by IT: T&E Strategic Sourcing, T&E Buying, Traveller Support and Duty of Care, Expense Management, and Analytics and Feedback. Utilising this structure, insights from interviews with 19 CxOs and 7 HR executives were gathered from corporates internationally to review current T&E spend management practices and identify Return-On-Investment (ROI) improvement opportunities.

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1 http://www.cfoedge.com/resources/articles/cfo-edge-expense-reporting.pdf
2 Amadeus (2015). European Business Travel and Expense Analysis
3 JP Morgan (2010). Corporate T&E Spend Benchmarks: Spend Metrics that Highlight Winning Performance

Six strategic priorities were identified from executive management interviews: *growth* for CEO; *efficiency and cost* for CFO/CPO; *people* for CHR; and *risk management and cost* for CIO. The strategic priorities inform the functional priorities for T&E. Employee value proposition was perceived to be an important component of organisational 'well-being' and employee development.

Companies are skipping T&E best practices

The interviews overwhelmingly reveal a propensity to skip best practices in the T&E strategic sourcing and T&E buying steps. The best practices skipped include enforcing process compliance through a managed-buying channel; ensuring sufficient spend visibility to enable strategic sourcing; establishing demand management enabled by 'smart approval'; and driving corporate card utilisation. Skipping these best practices results in missed savings opportunities in T&E and sub-optimal ROI.

Companies should not use expenses as the way to manage corporate travel requirements

One of the most significant findings of the interviews was the over-reliance on the expense stage as a mode of managing T&E in the organisation. Despite significant investment by many interviewed CxOs in T&E solutions, Expense Management was viewed as a source of 'user frustration' and 'clerical and managerial annoyance'.

Enhancing ROI requires best practices implementation in the preceding stages to reduce complexity in Expense Management, and addressing missing functionality. Similarly, the analytics and feedback loop between the expenses step and T&E sourcing is less effective than it could be in the absence of stronger T&E sourcing and T&E buying practices.

IT is seen as a key enabler to improved T&E programmes

The research identified IT as a key enabler of T&E functionality. Around 60 percent of executives were considering changes to their T&E systems in the next 1-3 years. They identified future-state IT-enabled functionality in booking, expenses, and analytics and reporting.

The attainment of greater ROI from T&E requires best practices throughout the spend management process, with a particular emphasis on the initial stages. When T&E spend management adheres to best practices across the entire process, the benefits to the organisation and the employee can be significant.
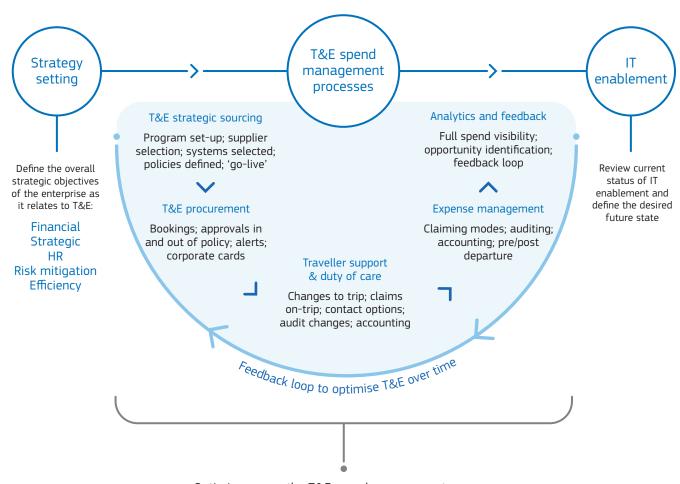
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1. Introduction

"Getting T&E right is not just about installing a solution. I wish it was."
COO, EU, Corporate

This research focuses on the "what and how" of T&E spend management by 'peeling the organisational layer' through interviews with a cross-functional group of 26 senior executives in corporates in four regions: UK, EU, Asia/India and the US. In some cases, additional in-company assessment occurred. The research assessed travel management in the organisation through the use of a T&E spend management framework depicted in Figure 1. Investigation occurred across three stages:

1) Setting the T&E strategy

2) Optimising the T&E spend management processes

3) IT enablement of the T&E processes

Figure 1: T&E spend management framework

Strategy setting

Define the overall strategic objectives of the enterprise as it relates to T&E:

Financial
Strategic
HR
Risk mitigation
Efficiency

T&E spend management processes

T&E strategic sourcing
Program set-up; supplier selection; systems selected; policies defined; 'go-live'

T&E procurement
Bookings; approvals in and out of policy; alerts; corporate cards

Traveller support & duty of care
Changes to trip; claims on-trip; contact options; audit changes; accounting

Analytics and feedback
Full spend visibility; opportunity identification; feedback loop

Expense management
Claiming modes; auditing; accounting; pre/post departure

Feedback loop to optimise T&E over time

IT enablement

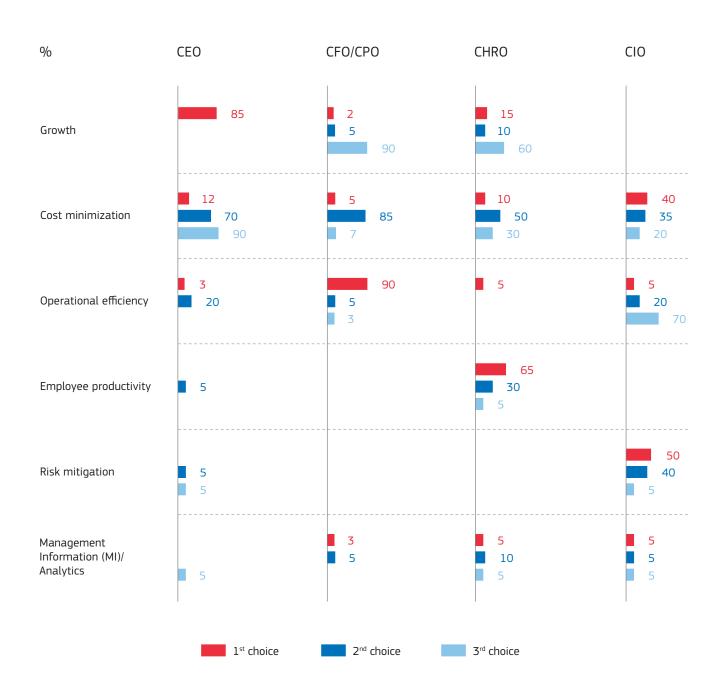Review current status of IT enablement and define the desired future state

Optimise across the T&E spend management process to minimise the total cost of ownership to the enterprise

Subsequent sections in this paper follow the investigative structure of this framework. This commences with an initial assessment of the CxOs strategic priorities and the role that T&E plays to support these. Five areas of activity that comprise the T&E spend management process are subsequently reviewed, including T&E Strategic Sourcing, T&E Buying, Traveller Support and Duty of Care, Expense Management, and Analytics and Feedback. This is followed by a review of IT-enablement priorities for T&E requested by CxOs in Booking, Expenses, and Analytics and Reporting. The research concludes with recommendations on the implementation of best practices, identifying a number of areas that if adopted, can enhance the ROI of T&E investment.

2. Strategic objectives for T&E spend management

Six strategic priorities were identified from executive management interviews. The distribution of responses reflects the cross-functional nature of T&E in the organisation. Each executive management function outlined specific priorities, with the consolidation of these representing the strategic priorities of the organisation. Chart 1 outlines the strategic priorities shared in the interviews by the CxOs.

Chart 1: CxO strategic objectives for T&E spend management

%	CEO	CFO/CPO	CHRO	CIO
Growth	85 / – / –	2 / 5 / 90	15 / 10 / 60	– / – / –
Cost minimization	12 / 70 / 90	5 / 85 / 7	10 / 50 / 30	40 / 35 / 20
Operational efficiency	3 / 20 / –	90 / 5 / 3	5 / – / –	5 / 20 / 70
Employee productivity	– / 5 / –	– / – / –	65 / 30 / 5	– / – / –
Risk mitigation	– / 5 / 5	– / – / –	– / – / –	50 / 40 / 5
Management Information (MI)/ Analytics	– / – / 5	3 / 5 / –	5 / 10 / 5	5 / 5 / 5

1st choice 2nd choice 3rd choice

The results indicate that:

1) Growth is the priority in managing T&E for CEOs

2) The other CxOs' strategic priorities reflect the functional roles (*financial* for CFO, *employee* for HR, *cost and risk management* for CIO)

3) The employee value-proposition is a key concern, with this identified by recipients as a recent phenomenon compared to other areas

The interviewed CEOs highlighted *growth* as their most important priority with respect to T&E spend management. This included support in attaining business objectives such as ensuring that sales resources could expediently service key customers without delays. T&E was viewed by the majority of CEOs as a strategic tool. CEOs' secondary objectives reflected cost and operational efficiency priorities. This is supported by research that confirms that the main reason corporations spend on travel is to acquire and develop clients, with this accounting for 56 percent of travel budgets.[4]

"It's not about minimising a cost line in the P&L; it's about supporting the business."
CEO, Corporate, EU

Responses from other executives reflected their functional responsibilities in the organisation. CFOs displayed the greatest focus on operational efficiency and cost minimisation. In contrast, CHR executives were focused on employee productivity as a primary objective. The primary objectives of CIO/COOs were focused on risk mitigation and cost minimisation. In summary, the interviews reveal a focus by CxOs on achieving a balance in the organisation between multiple requirements.

Employee value proposition was perceived to be an important component of organisational 'well-being' and employee development. Over 30 percent of respondents wanted to utilise travel to promote retention. T&E was also highlighted by many CxOs as supporting flexible working practices such as remote working. In addition, new technology features such as uploading expenses via mobiles by remote workers and others had resulted in efficiency gains and improved employee morale.

"Travel and overseas experience are increasingly being requested but we can't easily do this for many employees due to inflexibility in our budgets and processes."
HR Director, UK, Corporate

4 Amadeus (2015). European Business Travel and Expense Analysis

3. Current T&E spend management practices

The following sub-sections outline the best practices and the current management practices across the T&E spend management processes. The interviews indicate a propensity to skip best practices in the T&E strategic sourcing and T&E buying steps. This results in missed savings opportunities, sub-optimal ROI enhancement, and an impact to downstream processes.

One of the most significant findings of the interviews was the over-reliance on the expense step as a mode of managing T&E in the organisation. Despite significant investment by many interviewed CxOs in T&E solutions, this step was viewed as a source of 'user frustration' and 'clerical and managerial annoyance'. Similarly, the analytics and feedback loop between the expenses step and T&E sourcing is less effective than it could be in the absence of stronger T&E sourcing and T&E buying practices.

3.1 T&E strategic sourcing

"Complying with policy means savings, visibility of travel and lower costs."
CEO, US, Corporate

Through the T&E strategic sourcing process, companies regularly review their T&E spend, identify opportunities, and execute savings on their total cost of ownership of T&E. Best-practice T&E strategic sourcing elements include: full spend visibility into T&E; regular review of the spend base to identify sourcing opportunities (spend consolidation, price negotiation, demand management etc.); a travel policy to drive demand management; and a managed process that helps drive the identified savings and optimise process costs.
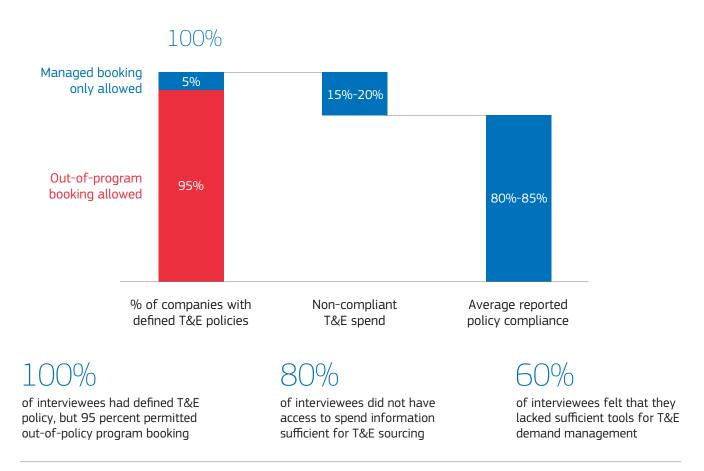
"There is no doubt that we can maximise T&E savings if everybody complied with policy. This is not the reality however."
CFO, UK, Corporate

The overriding focus observed in this stage of the spend management process was the establishment of and compliance with a formal travel policy. Policy was identified as being one of the most essential tools in controlling direct and indirect T&E spend. CxO's acknowledged limitations with the implementation of this objective however; on average, compliance rates were 80-85 percent. The main drivers identified for non-compliance included a lack of pre-approval (when required), and a disregard for flight requirements and accommodation guidelines. Compliance can yield significant benefits to the organisation: companies with travel policy compliance rates of over 80 percent can achieve 23 percent lower total indirect costs per traveller than companies with low compliance rates.[5]

Only five per-cent of firms mandated managed bookings. CxOs highlighted however that managed travel facilitated a greater degree of compliance than otherwise would be the case, with 84 percent contracting a major Travel Management Company (TMC) to support the managed travel program, and the remainder utilising a local external travel agency (TA).

5 Ibid

Chart 2: *T&E sourcing opportunities*

100%	**80%**	**60%**
of interviewees had defined T&E policy, but 95 percent permitted out-of-policy program booking	of interviewees did not have access to spend information sufficient for T&E sourcing	of interviewees felt that they lacked sufficient tools for T&E demand management

The following gaps were observed in current practices versus best-practices:

_'Process compliance': 95 percent of companies permit travellers to engage outside of the program. This booking approach invalidates multiple T&E sourcing levers available (e.g., spend consolidation, demand-management, process cost optimisation). Enforcing process compliance represents a significant opportunity being forfeited by many organisations.

_'Analysis' (including *spend identification*): Best-practice T&E sourcing decisions should include detailed spend analysis encompassing spend by 'commodity' (travel-type), total cost, and other cost management information.[6] Over 80 percent of interviewees did not believe this information was available to the degree required to maximise savings, but that it was 'sufficient' to assist with T&E buying decisions, although in a lagged manner and with limited detail.

_'Implementation' (including *demand-management*): Dynamic demand management requires accurate analytics, reporting and feedback loops to initiate real-time changes and generate savings through proactive T&E buying.[7] Around 60 percent of interviewees believed that they lacked the elements required to maximise this opportunity end-to-end but were obtaining some benefits. Over half were implementing IT and process changes to maximise this opportunity further.

6 http://supplychain.broad.msu.edu/files/2011/09/stegner.pdf
7 Nair, P.R and *, Anbuudayasankar,S.P. (2016) An Investigation on the benefits of ICT deployment in Supply Chain Management (SCM). Indian Journal of Science and Technology. pp: 1-7; Vol 9(30).

CxOs highlighted the implementation of a number of T&E sourcing best practices as they sought to enhance their travel management processes:

1) Enforce online booking tool usage, recognising that some exceptions will occur

2) Enforce pre-approval for all bookings

3) Enforce policy compliance

4) Reduce, or prohibit out-of-program bookings, or provide mandatory logging of these

3.2 T&E Buying

"The easiest savings involve people buying through the company's channels."
CFO, UK, Corporate

Best practice T&E buying process can be understood through an analogy with buying a personal computer for an employee: a process that is usually rigorously structured by corporations to maximise the value of expenditure. The process commences with employees submitting a travel request, in many cases after selecting this from a self-service booking tool. This is similar to employees ordering PC hardware through a self-service e-procurement catalogue. Following the submission of the travel request, this progresses to management approval (where required), analogous to the submission of a request for the approval of a PC.

Following management approval, the travel request progresses to the purchasing function where the equivalent of a PC 'Purchase Order' (PO) is created, often initiated automatically when the TMC issues travel documentation or a booking confirmation. Invoicing subsequently occurs. This is equivalent to the PC order being shipped by the supplier and the order receipt confirmation subsequently being logged when it is delivered, with the vendor invoice processed through Accounts Payable.

The interviews indicate that in T&E buying, these best practices are often skipped. The primary missed opportunities include:

1) Enforcing a managed-buying channel to consolidate spending including bookings currently not being captured directly

2) Engaging in a 'smart approval' process that ensures policy is being followed

3) Utilising corporate credit cards to capture spend, with two-thirds of firms offering corporate cards to employees, but only 10-15 percent of employees taking up this option

Research indicates that the absence of these best practices could lead to forfeiting cost reductions and efficiency gains: companies that follow an integrated best-practices policy can reduce travel costs in some major categories such as flights to a range of 10 percent[8] – 20 percent[9] below industry average. In-company analysis amongst a number of interviewed organisations indicates that adhering to best-practices in T&E will also provide accurate up-to-date information for reporting and analytics to enable the integration of automated feedback loops as well as to improve information available for Traveller Support and Duty of Care.

8 http://www.egencia.com/docs/Seven_Cost_Saving_Strategies.pdf
9 https://www.runzheimer.com/sites/default/files/whitepaper-visibility-insight-leads-to-better-cost-control.pdf

Enforcing a managed-buying channel

The enforcement of a managed-buying channel was viewed by CPOs as one of the most readily available modes of enabling cost savings to occur: 15-20 percent of all bookings do not adhere to one of the managed booking modes, leading to lost savings. Interviews indicate three missed ROI opportunities:

1) Improved volume discounts through the consolidation of spend

2) Increasing 'on-contract' spend to improve realised volume discounts including attaining rebates that occur at specific spend/volume targets

3) Improving the quality of analytics that can provide a feedback loop to further facilitate T&E sourcing decisions

The T&E buying process reflects out-of-program spend that is not generally tolerated by other more rigorous buying processes such as PC purchasing by employees. The lack of conformity with managed-buying channels is analogous to employees purchasing their PC from a supplier outside of the preferred channel and forfeiting discounts available to the organisation. Another parallel is 'bring-your-own-device' (BYOD), a trend that 40 percent of the CxOs cited to be increasing within their organisations. BYOD was highlighted as an example of 'flexibility within governance'. BYOD provides the employee with flexibility, lowers the capital cost in the purchase of additional phones for the corporation, and is managed within the corporation's IT governance framework especially with regards to security.

"We get the best TMC in, cut the best travel deals, invest in systems and policies, and they still don't use it."
CPO, EU, Corporate

One-third of executives indicated that employee use of a single mobile device for personal and work tasks, including T&E, can enhance T&E buying through the use of this managed channel. In the process, Traveller Support and Duty of Care were flagged as being enhanced. Mobile bookings however accounted for an average of only 11 percent of total bookings.

'Smart approval'

The ability to engage in the 'smart approval' of travel was identified by the majority of CEOs as important in supporting growth targets. In addition, the majority of CFOs and CPOs identified greater automation through 'smarter approvals' as a key factor generating lower transaction costs, greater accuracy and lower administrative burden and frustration.

One identified example of smart approval is when the customer relationship management (CRM) solution is linked to the T&E system. The link would enable the automatic approval of travel requests within a defined tolerance of travel against specific accounts/customers. The result would be a rapid and fully-captured travel request that can subsequently also be charged directly to the required area, or credit card (straight-through processing). Another benefit from the CRM link would be to provide a view of expenses and travel related to key account activity, requested by 30 percent of CEOs and over 80 percent of CFOs.

The use of smart-approval and straight-through processing of approved requests contrasts with the existing process. Where pre-approval is required for all travel (37 percent), this occurred at one-level above the employee. For out-of-policy travel, 47 percent responded that one-level above the employee approval was sufficient, whilst 32 percent indicated that Department Head's approval was required.

Corporate cards

Over two-thirds of firms offered the choice of a corporate card to employees, but take-up was around 15 percent on average. 10 percent of this total was accounted for by the mandatory use of corporate cards for travel. Only 26 percent of interviewed corporations use a central card for booking major travel categories, especially flights. 32 percent of corporations allow expensing flights paid on personal cards before departure, leading to more expense claims than if a central card had been used, and also to fraud scenarios (e.g., booking and expensing a flight, and then getting a refund from airline).

Interviews highlighted a number of key benefits in the use of corporate cards for the management of T&E, as long as all other necessary and appropriate safeguards are in place to make sure that such cards are used only for authorised and approved travel expenses:

1) Integration with the TMC and Accounting/Finance function to facilitate the seamless booking, charging and reporting of travel

2) Integrating expenses directly into an employee's trip profile with a single payment source from the company

3) The use of a 'compliant tool' for auditing that integrates booking with payment permitting greater employee autonomy and matching spend with payment

4) Providing a feedback-loop between expenditure and T&E sourcing

"People don't want to give up collecting points on their personal cards, including our execs."
COO, EU, Corporate

Corporate credit card use can mirror a best-practices PC buying model through a source-to-pay approach that matches spending with purchase requests and enables fulfilment in an automated manner. This automated accounts payable process can significantly lower transaction costs and fraud by eliminating the need to review every invoice manually. The use of corporate cards for travel produces a similar closed loop through the referencing of the original booking and enhances reporting. Interviews reveal that the impediments to greater take-up of corporate cards are not structural or technical, but rather, cultural.

3.3 Traveller Support and Duty of Care

"If you're stuck in the middle of nowhere abroad, it's 2am UK time, and you need to be elsewhere, you just get on with it; we expect that."
COO, EU, Corporate

The on-trip phase is one of the most challenging in the travel management process. Employees are away from their home-location and they will often incur both major and out-of-pocket expenses that cannot be submitted to an approval process. Feedback highlighted that logistical challenges can impact how employees make on-travel changes including a lack of connectivity and access to travel tools; time-zone differences; and difficulty in locating managers. CxOs estimated that over 80-85 percent of employees made on-trip changes through out-of-program bookings, with the majority of 'standard changes' made online, and a minority occurring via phone. The remaining 10-15 percent of changes occurred through the company's portal managed by a TMC. It was estimated that over 90 percent of on-trip changes were charged to personal credit cards.

Interviews indicate that firms engaged in best-practices utilised a clear, well-communicated travel policy that was consistently applied and articulated, including when exceptions were permitted. Interviewed executives believed that *knowledge* amongst employees on the travel policy, including on route-changes, was essential for T&E to be optimised.

Over 80 percent of CxOs indicated that the creation of a 'cultural contract' with employees was essential in promoting responsible travel behaviour with the balance of control for on-trip decisions residing with the employee, including under what conditions exceptions to policy could occur. Best-practices T&E was based on 'trust' and an open facilitative corporate culture. This included the consistent application of the travel policy, and the ability of employees to make travel decisions on-trip, with recognition by CxOs that on-trip changes are likely to include higher than average out-of-policy changes.

All CxOs indicated that they undertook a legal duty of care requirement for employees travelling, and strove to exceed this. 70 percent highlighted that at present, employee duty of care had a greater focus in their organisation than in the past. Over two thirds confirmed that their company had a duty-of-care plan in place that provided:

1) Travel alerts before departure for high-risk countries

2) Employee monitoring on a daily basis by HR or the Travel Department

3) Emergency contact details for designated firm managers

3.4 Expense management

Almost 90 percent of interviewees have already adopted a commercial solution for expense management. Despite this, two thirds of executives indicated that the expense process was a cause of both 'user frustration' and 'clerical and managerial annoyance'. In addition, a lack of a granular view into expense spend at lower levels (below cost-centre) was highlighted as a continued gap and source of frustration.

"Expenses are a necessary evil: we all hate doing them but we have to if we want our money."
Director of Operations, EU, Corporate

The impact of moving from a manual or semi-manual expense solution to an automated, commercial T&E solution is significant to the organisation.[10] Research has highlighted that 4.6 percent of all direct costs in expense claims are related to expense management, and that the implementation of automation, along with best-practices, can reduce this cost by over half, resulting in a net saving of 2.5 percent of direct costs.[11] The use of commercial T&E Solutions combined with corporate credit card utilisation and captured bookings can reduce expense transaction cost claims by 78 percent, processing times by 24 percent,[12] and reduce fraud, including duplicate expenses estimated to be 0.75 percent of transactions.[13] In addition, data generated can enhance analytics and provide real-time reporting to enable proactive T&E management that can maximise feedback loops and generate further T&E savings.

Despite the majority of corporations in the sample utilising more modern T&E solutions implemented within the past 5 years, and others assessing replacement of their current solutions within the next 1-3 years, expenses remain the primary area of frustration amongst many CxOs. Interviews identified two primary causes for 'expense frustration' and sub-optimal T&E ROI:

"We don't have a T&E solution: we have a series of disjointed travel management steps that culminate in the biggest headache we call 'expenses'."
CFO, EU, Corporate

1) Companies are managing the T&E process through expenses

2) Some functional limitations remain after automated T&E solutions are implemented

10 Cary, J (2012). Integrating T&E into the finance function: end-to-end expense management programs, coupled with best-practices, can offer CFOs better data as well as a comprehensive picture of the company's T&E spend. Financial Executive; pp. 68
11 Certify White Paper. The importance of expense management automation.
https://d3kjp0zrek7zit.cloudfront.net/uploads/attachment/file/5309/ImportanceOfExpenseManagementAutomation_1.pdf
12 http://www.newbusiness.co.uk/articles/travel-advice/how-reduce-your-travel-and-expense-process
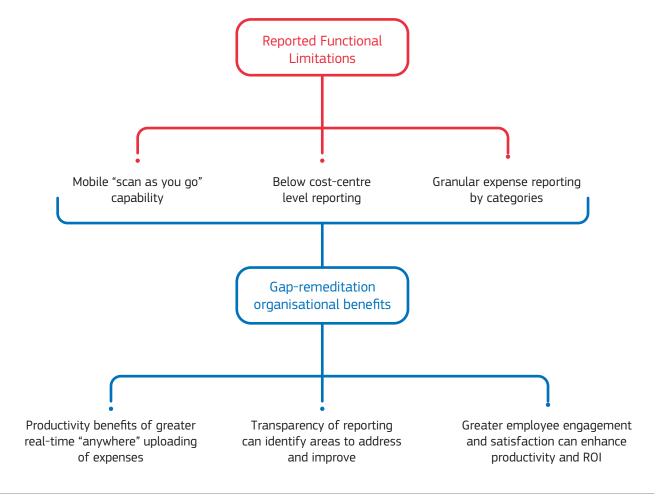13 https://www.complianceweek.com/sites/default/files/OversightReport.pdf

Figure 2: Functional limitations in interviewee expense solutions and gap-remediation benefits

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                    ┌─────────────────────────┐
                    │   Reported Functional    │
                    │       Limitations        │
                    └─────────────────────────┘

  Mobile "scan as you go"    Below cost-centre      Granular expense reporting
        capability           level reporting              by categories

                    ┌─────────────────────────┐
                    │    Gap-remeditation      │
                    │  organisational benefits │
                    └─────────────────────────┘

 Productivity benefits of greater   Transparency of reporting    Greater employee engagement
 real-time "anywhere" uploading     can identify areas to address  and satisfaction can enhance
         of expenses                      and improve                productivity and ROI
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"We, and employees, love mobile expense uploads. I am amazed more don't use it. I think it's only a matter of time before it's mandated given everybody seems to have a smartphone today."
CFO, EU, Corporate

"We have just implemented it. It's really taking off. They love the ability to 'snap and upload' an expense immediately."
HR Director, UK, Corporate

Where best practices are absent in the early stages of the T&E process, a compounding effect was observed that led to a reliance on expenses to manage T&E. The factors driving complexity in the expense process included; manual submission and review of all expenses; a lack of expense capturing due to the use of non-managed booking modes; and the absence of corporate card use. 70 percent of interviewees cited the use of 'workarounds' at various stages of the T&E process to manage existing complexity. The workarounds included among others development of ad hoc expense reports; a manual email driven approval process; and manual tracking of expense totals to assess against rebate thresholds and to inform forward-looking buying decisions.

35 percent of interviewees were in the process of assessing new T&E systems for replacement within the next 12-18 months. The interviewees cited increased complexity in managing their existing expense process as one of the key drivers in the selection of a new solution. The three most cited functional limitations of current T&E solutions cited by interviewees are summarised in Figure 2, with gap closure of these yielding numerous organisational benefits.

21 percent of executives indicated that mobile scan-and–send of expenses was utilised in their organisation. The majority of respondents identified this as the most expedient enhancement to expense transaction efficiency and fraud reduction. COOs and CIOs also cited the additional benefits of speed, storage and security.

All CFOs highlighted a requirement for more granular expense reporting beyond cost-centre detail, and expense reporting by categories. Only one third were able to obtain this to the degree they required, utilising T&E solutions implemented in the past 12 months on average. In the majority of these cases, T&E solutions had undergone a degree of customisation and integration with IT systems.

"We are getting the best detail we've ever had with our updated T&E solution, including in and out-of-policy expenses."
Regional Delivery Director, UK, Corporate

3.5 Analytics and feedback loop into T&E sourcing

Analytics was one of the most consistently requested components of a T&E solution and the area identified as most lacking the required detail. 80 percent of executives did not feel they had the required information to undertake more strategic T&E travel sourcing and achieve savings. Around 25 percent of COOs also indicated that the implementation of analytic functionality was impeded by legacy IT and solutions not able to support the functionality required, or was impeded by wider organisational infrastructure issues.

"We still don't get everything we need to proactively manage travel costs to the degree we should be able to, such as low-level costs, integration with reporting, and real-time alerting."
CFO, US, Corporate

CxOs highlighted the use of workarounds and manual effort, in the absence of analytics, to create visibility into both managed and out-of-program bookings:

1) *Managed booking channels:* Information being captured by TMCs utilised in the majority of firms is not integrated, resulting in a lack of data, analytics and feedback loops that can maximise T&E sourcing opportunities.

"Without the right data, we don't get the most out of our travel buying."
CPO, US, Corporate

2) *Out-of-program bookings:* Booking data is not being captured in the majority of firms. This lack of data and resulting analytics is reducing potential T&E buying savings through automated and manual feedback loops.

The implementation of best-practices to address these shortfalls can create or improve feedback loops (e.g. with the T&E Sourcing function) and real-time analytics. These can have multiple benefits including; automated identification of opportunities to the T&E sourcing function based on real-time travel patterns and demand; identifying the profile of travel to executives to identify alignment with strategic objectives (e.g. servicing key accounts); highlighting compliant and non-compliant travel; and others. Analytics was also identified by the majority of interviewees as the key enabling factor for making both strategic and tactical travel management changes such as 'spot buying'.

"If we had real-time information on bookings, we could source 'spot deals' and reduce costs on a route amongst many other areas."
Travel Manager, UK, Corporate

The root causes identified by CxOs for the lack of required analytics and feedback loops mirrored the case of expenses: a lack of best-practices preceding the expense step and some functional limitations in the automated T&E solutions implemented. In addition, the fragmented approach to managing the T&E process leads to data silos and a need to manually consolidate reports from multiple sources.

"If we capture travel data at the right points in our T&E process, we can establish automated loops back into the business that result in better deals for our travel."
COO, EU, Corporate

4. T&E IT enablement and priorities for the future

The majority of CxOs highlighted that IT enablement was required to maximise T&E functionality, with CIOs identifying IT activities as a high priority when implementing T&E solutions. Feedback from COOs highlighted that the implementation of major T&E solutions required a high degree of collaboration with IT, e-commerce, Infrastructure and other Technology functions in order to ensure alignment between solution requirements and organisational capability.

Around 60 percent of executives interviewed were considering changes to their IT and T&E systems in the next 1-3 years to facilitate best-practices T&E management. Interviews indicated a number of preferences from CxOs for future state IT enablement in the areas of booking, expenses and analytics and reporting.

Booking

94 percent of executives requested mobile booking as the highest IT-enabled booking priority. Mobile bookings accounted for an average of 11 percent of total bookings whilst 85 percent of employees were using mobiles to undertake some form of itinerary management. All TMC's offered mobile booking capability, but this remains low with employees preferring to book via other online modes, or by calling their TMC, if not undertaking out-of-program bookings. Another mobile feature frequently requested was changing bookings on mobile device (53 percent).

The second most requested feature was automated alerts for lost savings bookings (88 percent). CxOs indicated a preference for online alerts being generated at the booking stage including user-alerts with prompts if further information was required, and the use of booking data to create metrics, alerts and feedback loops. The ability to integrate the company's CRM into the booking process was also identified by over 30 percent of respondents as an emerging area that can streamline and approve bookings automatically in certain cases (such as identified key account servicing travel). In addition, one third of respondents indicated that their current managed booking process did not offer the required information when bookings were referred to approval.

The third most requested IT-enabled preference (59 percent) amongst CxOs was functionality to capture out-of-program bookings such as logging travel booked in this manner on a portal. This approach reflects attempts to compensate for a lack of best practices through workarounds. Capturing the information manually was recognised as a challenge.

Expense

70 percent of executives identified the ability to extract low levels of expense detail as their highest IT-enabled functionality for expenses. This included the ability to segment and search expenses at a granular level via defined criteria such as compliant and non-compliant categories, employee names, routes selected for travel, and other major categories. Data generation and exporting for analytics was also highlighted as important functionality within this capability. Over half of CFOs highlighted that their function is currently expected to produce multiple reports manually that can be used for analysis of expenses with the process being labour-intensive but only providing detail at a higher level due to a lack of granularity in lower level expenses.

The next most requested IT-enabled functionality by CxOs (59 percent) was the uploading of expenses by mobiles. CFOs in particular indicated that this could reduce both processing and transaction cost, reduce fraud and support feedback loops. One additional area identified by around 30 percent of CxOs for IT intervention was per diems.

Analytics and reporting

Analytics and reporting of travel expenses represents the most widely requested area for IT-enabled enhancement across CxO functions. Primary drivers include:

1) Facilitating a *granular review* of costs to identify buying opportunities for savings

2) *Identifying behaviour* requiring attention at the individual traveller and/or at approver-level

3) Automating *feedback loops* to minimise transaction costs and support T&E sourcing

Best-practices T&E utilises an automated integrated chain from the booking stage through to the payment. In the process, data is automatically captured, generating required reports, alerts and other information.

55 percent of CxOs requested the use of analytics and reporting to alert on travel before it occurs, with the two most requested reporting categories being;

1) Out-of-policy travel against employees, managers, cost centre and other criteria (53 percent)

2) The reporting of in-policy travel against the same criteria (42 percent). In addition, 41 percent requested analytics to support duty of care to employees, including travel alerts being generated in the travel portal. 24 percent of CxOs seeking alert functionality requested automated travel notification to a line manager for planned travel to a high-risk country.

Around half of respondents also indicated that IT-enabled reporting and alerting should occur in real-time, with the most frequently cited functionality being cumulative spend vs savings made by the category of travel (e.g. flight route, frequently used hotel, airline, etc.). The reporting of a cost centre's travel costs against its travel budget was also highlighted by 41 percent of respondents to track net position.

A further 12 percent of respondents identified the need for additional travel information to be captured at the point of booking from drop down menus and tick-boxes to permit more standardised analytics to be captured and reported. This included out-of-policy requests that could involve greater detail captured to aid in automated alerting to a manager with justification that is not currently being captured. The facilitation of this requires best-practices travel management to capture bookings through managed-travel channels and the automated progress of requests through the T&E activity chain that generates feedback loops and data. This can be utilised to maximise T&E sourcing feedback and generate accurate data for reporting & analytics.

"We sometimes pay submitted expenses and a per diem, when an employee incorrectly claims for both. It's not always accidental. Currently we rely on manual checking to pick up on this and it doesn't always work."
CFO, UK, Corporate

"I want to know what we are really saving by seeing my spend against the savings the travel company, or my travel department, claim are being made."
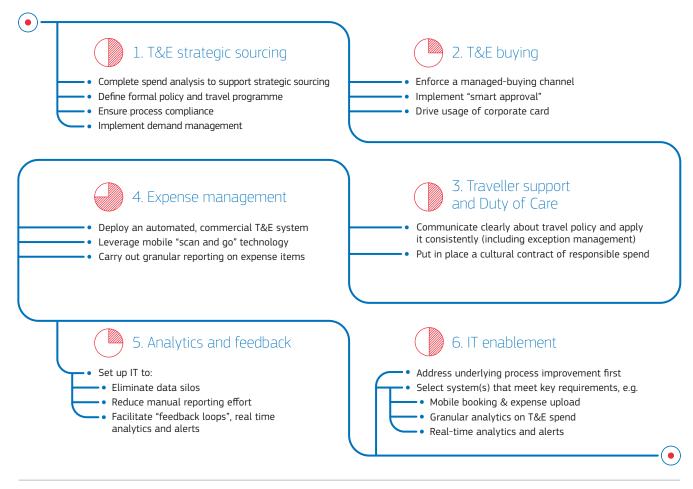CFO, EU, Corporate

5. Conclusion

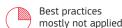## By adopting best-practices ROI opportunities exist across the T&E spectrum

The assessment of T&E amongst sample firms highlighted variability in best practices. CxOs confirmed that although more modern T&E solutions had been implemented, fundamental enablers of ROI-maximisation such as policy compliance were not being followed. In other cases, legacy T&E solutions had led to multiple manual workarounds and greater complexity that minimised benefits. Discussions with HR, Operations and Technology permitted a more complete review of T&E and highlighted that multiple opportunities existed to enhance the return from the T&E management process.
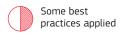
Figure 3 consolidates the ROI-enhancing opportunities for the six areas defined in the T&E spend management framework and the average maturity of practices in each. Best practices were mostly applied in only one of the five stages: Expense Management. Three other areas depicted some best-practices being applied: IT Enablement, Traveller Support and Duty of Care, and T&E Sourcing. Analytics & Feedback and T&E Buying depicted practices mostly not being applied.
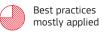
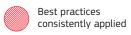*Figure 3: T&E maturity and ROI maximisation opportunities*

1. T&E strategic sourcing
- Complete spend analysis to support strategic sourcing
- Define formal policy and travel programme
- Ensure process compliance
- Implement demand management

2. T&E buying
- Enforce a managed-buying channel
- Implement "smart approval"
- Drive usage of corporate card

4. Expense management
- Deploy an automated, commercial T&E system
- Leverage mobile "scan and go" technology
- Carry out granular reporting on expense items

3. Traveller support and Duty of Care
- Communicate clearly about travel policy and apply it consistently (including exception management)
- Put in place a cultural contract of responsible spend

5. Analytics and feedback
- Set up IT to:
  - Eliminate data silos
  - Reduce manual reporting effort
  - Facilitate "feedback loops", real time analytics and alerts

6. IT enablement
- Address underlying process improvement first
- Select system(s) that meet key requirements, e.g.
  - Mobile booking & expense upload
  - Granular analytics on T&E spend
  - Real-time analytics and alerts

Key: Maturity of practices in interview sample

- Best practices mostly not applied
- Some best practices applied
- Best practices mostly applied
- Best practices consistently applied

Opportunities to enhance ROI are readily available to organisations in the T&E sourcing stage including utilising spend analysis to guide sourcing and ensuring compliance with policy. ROI improvement in T&E Buying can occur through the enforcement of a managed-buying channel to minimise both non-compliant travel and out-of-program bookings and through mandating corporate card use. A consistently applied travel policy in the T&E sourcing and buying stage can also yield benefits when employees are on-trip and continue to adhere to travel policies. A 'cultural contract' between employees and the organisation can limit out of policy travel to cases where it is an exception due to specific circumstances.

Many organisations could benefit from applying best practices across the spend management process for T&E, the second largest indirect spend category for many corporations. When T&E spend management adheres to best practices across the entire process, the benefits to the organisation and the employee can be significant. This research indicates that most of these can be obtained through more proactive management of T&E sourcing and buying.
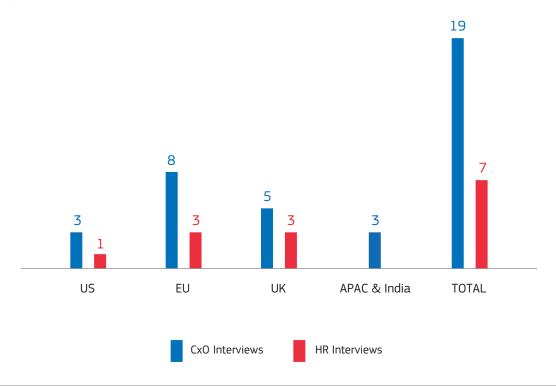
Appendix: Methodology

Interviews were undertaken with 26 executives and senior managers in corporates drawn from a cross-section of sectors and included

_Accenture
_Allianz
_Amadeus
_Arcadia Group
_Folli Follie Group
_Google
_Hays
_Hill and Knowlton
_KFC
_Lend Lease

_O2 Telefonica
_Lockheed Martin
_Oracle
_Pladis
_Royal Bank of Scotland
_Sapient
_Vodafone
_Warner Brothers
_Yoox Net-a-Porter

Locations included were from four regions, UK, EU, APAC & India, and the US as depicted in Chart 3. Additional in-situ company information was gathered from some firms from previous research and for this study.

Chart 3: Sample size and distribution

Interviewees were drawn from a cross-section of sectors and CxO functions including CEOs, CFOs, COOs, CHR and CPOs or equivalent senior executives. The interviews followed a semi-structured process with the framework defined in Figure 1 utilised and lower-level detail assessed. In some cases, the focus of the interview was in a portion of the framework, reflecting the focus of the individual's role (e.g. HR), with exploration of other areas occurring at a more cursory level.