

6 Key Strategies for CFOs

Take Control of Travel and Expense Management



The global economy has made it an even greater challenge for CFOs to manage the Travel and Expense Management (TEM) line item in the budget. Most industry reports suggest that TEM is the second largest controllable cost (compensation and benefits being the largest), and represents between 12-15% of an enterprise's overall budget.

In most organizations, the CFO is not involved with the day-to-day function of travel management. They are however, increasingly expected to assess the big picture of how corporate travel management can move from being an unmanaged and uncontrolled expense, to a reliable driver of results.

Expectations are high for CFOs; in a recent study from **KPMG**, 63% of the surveyed CEOs from high performing organizations believe that the CFO role will increase in significance over the next 3 years, as compared with other C-suite positions. Most likely the CEO in your organization is requesting more visibility and insight into your company's budget. In turn, as the CFO of your business, it's critical to understand and take control of managing the TEM budget.

You're not alone. In a survey report conducted by **CFO Research**, 42% of respondents said that their companies plan to focus on optimizing the level of control over TEM expenditures, gathering more information on employee spending behavior, fine-tuning policies for travel expenses and other related activities. Respondents went on to state that, "control over the total travel spend is likely to have a greater impact on a company's financial performance than simply getting the best price – that is, maximizing the value of travel-related spending – or reducing transaction costs by minimizing the administrative burden of Travel and Expense Management."

Clearly, gaining control over TEM costs is a high priority. How can you balance the financial priorities of your organization and the needs of your travelers to establish control over TEM?

We suggest that TEM control is possible through increased clarity, improved oversight and enhanced predictability.

CLARITY into the "big picture" of TEM spend and the underlying, often systemic, reasons why this line item is tough to manage, and how your results compare in the marketplace. For example, in 2015 the average ticket cost for TMC customers was \$57 less per itinerary (per person) than what third-party travel sites offered for the same booking, as revealed by Topaz International's independent audit. This loss in potential savings adds up quickly and without clarity into overall spending, makes it hard to measure and adjust your policy guidelines.

OVERSIGHT into day-to-day TEM by gaining awareness of challenges and opportunities for process improvement.

PREDICTABILITY with budgeting and leveraging resources to effectively reduce costs and easily manage this line item, thereby decreasing the burden on resources and improving overall expenses, cash flow, traveler safety and more.

In this white paper, we'll first explore the challenges that CFOs face when a lack of control over TEM expenditures exists. We will then deliver actionable strategies to help you bring control, clarity, oversight and predictability into the TEM process. Implementing these strategies will, in turn, reduce TEM expenses, increase overall program visibility and provide predictability for forecasting your corporate travel budget.

CHALLENGES WITH TAKING CONTROL OF TRAVEL AND EXPENSE MANAGEMENT

You will certainly face many challenges as you work to gain control over your corporate travel expenses. Executive staff and traveling employees may run into multiple conflicting priorities, over-stretched financial staff, and a lack of support for and understanding of corporate travel policies. This contributes to the long list of your intractable challenges. In order to gain clarity, improve oversight and achieve predictability – to control your TEM budget – it's important to recognize and assess the key challenges you'll likely face:

TEM SYSTEM AND PROCESSES THAT ARE NOT INTEGRATED WITH YOUR ERP SYSTEM

Technology is all around us, yet the systems available to effectively integrate TEM within enterprise resource planning (ERP) software platforms are either non-existent or not optimized within many finance departments. Collecting and analyzing your travel spend data can be incredibly time-consuming, especially when done through multiple systems that do not speak to one another.

In a survey from CFO Research, respondents stated that the "...single largest barrier to accessing robust, timely, and comprehensive information on travel expenses is a lack of integration among different systems and processes." Nearly 40% of respondents pointed to a lack of integration as one of their top challenges. In addition, 66% of respondents reported that relying on many sources of data including corporate card reports, expense reports, and vendor reports for example, greatly increased reporting complexities and the time needed to aggregate and analyze all travel-related data.

It's unclear where expenses are coming from when your TEM systems and processes are not aligned with your existing ERP system. As such, it's difficult to know where improvements need to and can be made.

LACK OF C-SUITE UNDERSTANDING, BUY-IN AND SUPPORT

There are a number of internal audiences that utilize or have input into your corporate travel management system. Traveling sales teams, human resources, procurement specialists and the legal department, for example, all have to work together to simplify corporate travel policies and processes for all parties.

When the C-suite doesn't provide support for a robust corporate travel program, a disconnect exists between each party's expectations for TEM program visibility and your ability to properly weigh those expectations against your finance team's priorities. This barrier prevents you from effectively utilizing all of the tools and systems, as well as internal brainpower that's needed to gain control of TEM. Few of these players have a big picture understanding of the challenges and opportunities inherent in a fully integrated TEM system.

EMPLOYEES DO NOT HAVE, ARE NOT COMPLIANT WITH, OR DON'T UNDERSTAND THE "WHY"

of T&E policies and procedures Highly integrated systems and processes along with the full support of your CEO cannot always prevent "Travel Anarchy™" within your organization. When traveling employees aren't given, aren't aware of or don't adhere to your company's corporate travel policy, improving oversight into your full corporate travel program is virtually impossible.

In instances where employees are not compliant with travel policies, your natural tendency may be to implement additional restrictions for travelers. This can cause increases in the need for travel exceptions to be approved and therefore, a decrease in productivity for both the traveler and the manager.

A high level of communication of corporate travel policy procedures and changes (along with the development of an efficient system that meets the needs of both the traveler and the business) can mitigate the challenge of employee non-compliance.

LACK OF INVOLVEMENT IN THE DEVELOPMENT, EDUCATION AND ENFORCEMENT OF YOUR BUSINESS' TRAVEL POLICY

In order to make your business' corporate travel policy work for everyone, it must be easy for your travelers to use; fully support them from arranging travel and through the trip; reduce your TEM costs; and provide insight and predictability into your budget forecasts. To meet all of these objectives, you must quantify the opportunity of such an effort and involve your travelers in the development, education and enforcement of your corporate travel policy.

6 STRATEGIES TO IMPROVE TRAVEL AND EXPENSE MANAGEMENT

You can begin to address the challenges we've outlined above by following a few key strategies that will in turn help you gain control of your TEM budget and maintain traveler satisfaction. As we've mentioned before, an experienced TMC can help direct and guide you through each and every one of these processes and provide project management support.

TMC's can also provide overall savings between 10-20%, consistent support, increased productivity and control that unmanaged corporate travel programs desperately need. By getting a handle on your processes and policies around travel, a TMC will also be able to provide the reporting visibility that your CEO requires of you and the finance department. With the right TMC advisors in place you can begin to tackle these key strategies:

1 FULLY INTEGRATE YOUR TEM AND ERP SYSTEM

The technology is available to combine your ERP and travel-reporting tools into one easy-to-use, customizable and fully integrated system that dramatically increases employee productivity, reduces expenses and most importantly, provides control over your business' expense management.

As you assess the requirements for the best solution, consider the following:

- **Vendor integration** – does the system offer the opportunity for all travel vendors to be seamlessly integrated into your system? Including all vendors within the expense management system improves oversight into vendor pricing and improves vendor relationship management.
- **Analytics** – the ability to gather, analyze and present robust data and analytics will give you visibility and control of your travel and expense budget now and into the future. It's critical to assess the appropriate data points, compare them to benchmarked results, and use this information to make the best strategic decisions for your business based on the reported numbers.
- **Mobile capabilities** – in order to promote policy compliance, having the ability to access your company's travel policy requirements and the preferred vendors through a mobile device provides travelling employees with much needed support, right at their fingertips. Your TEM system should offer mobile capabilities that enhance your travelers' experience (for example, by enabling simple receipt collection and in-travel expense reporting).
- **Add-ons** – once you've assessed your corporate travel program needs based on traveler requirements, include add-ons that work best for your employees and your business. Many businesses are investing in the ability to support and track their employees regardless of their travel destination. Increases in travel disruptions and travel emergencies require added support for your road warriors, especially if they travel in potentially dangerous areas of the world.

Businesses that utilize fully integrated TEM systems experience reduced costs in the form of employee productivity and reduced expense-processing fees. They also witness improved visibility of spending and overall policy compliance. Effective system utilization also provides a level of control that allows clarity and predictability – giving you a broader and more holistic view of your overall TEM process.

2 DEVELOPING A STRONG SET OF POLICIES AND PROCEDURES WILL DIRECT YOUR TRAVELERS TO THE RIGHT PROCESSES AND BUYING DECISIONS

Global Business Travel Association (GBTA) found that creating and implementing a strong travel policy is the number one way to drive savings. Without belaboring the point, we've talked about the importance of having a comprehensive travel policy a great deal and have written about it extensively in our T&E Policy Workbook.

3

COLLECT AND ANALYZE YOUR DATA

Once you've integrated a broader business solution system to better track and control your TEM, it's critical to then collect, analyze and internalize your travel data points. Managing the complexity of travel through data utilization will bring greater efficiencies to your corporate travel program.

For example, there are five key data points that can help you reduce costs, provide information that assists in the procurement of volume and negotiated discounts, and increase the effectiveness of your corporate travel policy.

- Total volume – this can be overall travel volume, by product (air, hotel, car, sedan, etc.), by department or by cost center.
- Average transaction cost – compared to benchmarked data; Topaz International and other third parties provide this data, as do many travel management companies (TMC's.)
- Lost opportunity compared to lowest fare available - what was the lowest fare for the itinerary compared to what was selected by the traveler? This data is often available from TMC's and can't be secured from public sources.
- Travel purchase by source – what was purchased from your TMC (if used), what was purchased online or by phone, and what was purchased from alternate sources (public sites, supplier sites, etc.?)
- Policy compliance – if you have details in your travel policy about what the company expects travelers to select (fares under \$500 or within range of the lowest fare, per diem rates), how did the team do with compliance?

Collect and analyze these data points and any others that can be used to successfully manage costs in your business. Then use this baseline data to track and manage your TEM expenses and make the appropriate changes necessary to improve overall budget control.

4

LEVERAGE PREFERRED VENDOR RELATIONSHIPS

One essential factor in controlling your TEM budget is to know and understand all of your vendor relationships. Why are they working with your business? What volume and/or preferred discounts are being used? Are you receiving their best price for services based on your collected data?

When you have a fully integrated TEM system and are tracking the key data points that impact vendor pricing, it's essential to work closely with a procurement specialist to ensure that your business is getting the best price. Vendor deals can then be balanced with services provided to best meet traveler expectations. By leveraging these relationships, you'll gain improved oversight into the whole vendor procurement process, ensuring added visibility into expense management and control.

5

EFFECTIVELY MANAGE EMPLOYEE COMMUNICATION AND CHANGES WITHIN THE TRAVEL POLICY AS THEY HAPPEN

An important part of controlling TEM expense is ensuring corporate travel policy compliance within your organization, while at the same time, keeping your travelers happy with vendor choices and less travel-related "paperwork." Through automating employee expense tracking, adjusting the travel policy where necessary, managing exceptions and communicating changes, both business and traveler needs can be met.

When employees are part of the solution, the process becomes more efficient and easier to execute. In turn, enhanced systems and processes will reduce the time it takes for expense reimbursement and decrease errors in reporting, directly impacting the bottom line.

Many times, businesses assemble a "travel squad" of key stakeholders from cross-functional departments within the organization, who have a direct connection to travel. This group can be used to gather feedback, provide constructive criticism and help to explain and enforce the potential changes and questions that ultimately come up with updating the corporate travel policy. Providing this resource to travelers within your business not only gives you and your CEO valuable insight, the process can also increase overall travel policy compliance.

TMC's can provide overall savings between 10-20%, consistent support, increased productivity and control that unmanaged corporate travel programs desperately need. By getting a handle on your travel processes and policies, a TMC will also be able to provide the reporting visibility that your CEO requires of you and the finance department.

The above-mentioned challenges are seen daily within the travel management arena. Organizations' requirements for increased financial controls necessitate the implementation of updated corporate travel systems and policies. These will provide rich data for budgeting and a smart, efficient way to educate and keep travelers compliant, while meeting their travel needs.

A true corporate travel management system provides you, your finance team, and your organization more control, clarity and predictability by balancing the needs of the business with the needs of travelers. By effectively taking control of TEM, you will enhance productivity, improve morale, reduce total costs and ensure your corporate travel program will drive positive results.

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