

# BUILDING A BEST-IN-CLASS T&E POLICY



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# INTRODUCTION

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## *What is “Best-in-Class”?*

The term “Best-in-Class” is frequently heard in the travel industry, but what does it mean, and how can we apply it to the creation or revision of a T&E policy? Initial thoughts conjure up visions of an ideal “gold standard” T&E policy that everyone must be using or risk being left behind. The truth is, there can be no uniform definition of “Best-in-Class”, because what is appropriate for one organization is not necessarily appropriate for another. Simply put, one size does not fit all.

There are three guiding principles that can help create a T&E policy that satisfies business and cultural needs, as well as six elements that form the foundation of a strong travel management program. Taken together, these guiding principles and T&E policy elements will ensure the creation of a T&E policy that is “Best-in-Class” for an organization.

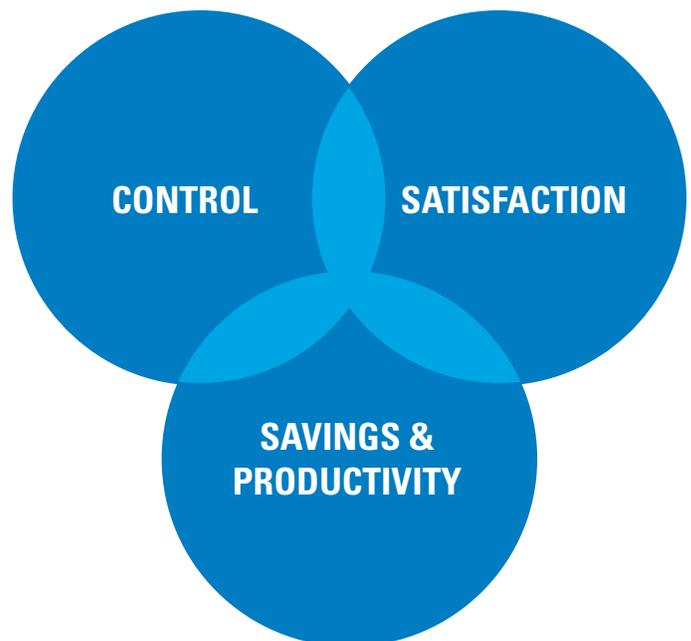
## *The three guiding principles for any T&E policy are:*

(1) maximizing savings to the organization, while simultaneously improving (or at least maintaining) both traveller (2) satisfaction and (3) productivity. Organizations must determine the appropriate mix to satisfy their business requirements and corporate culture, as changes in any one of these areas will have an immediate impact on the others.

## *The six elements of a T&E policy are:*

1. Culture
2. Content
3. Comprehensiveness
4. Communication
5. Control
6. Compliance

These are elaborated upon further in the section entitled “The Six Cs of T&E policy”.

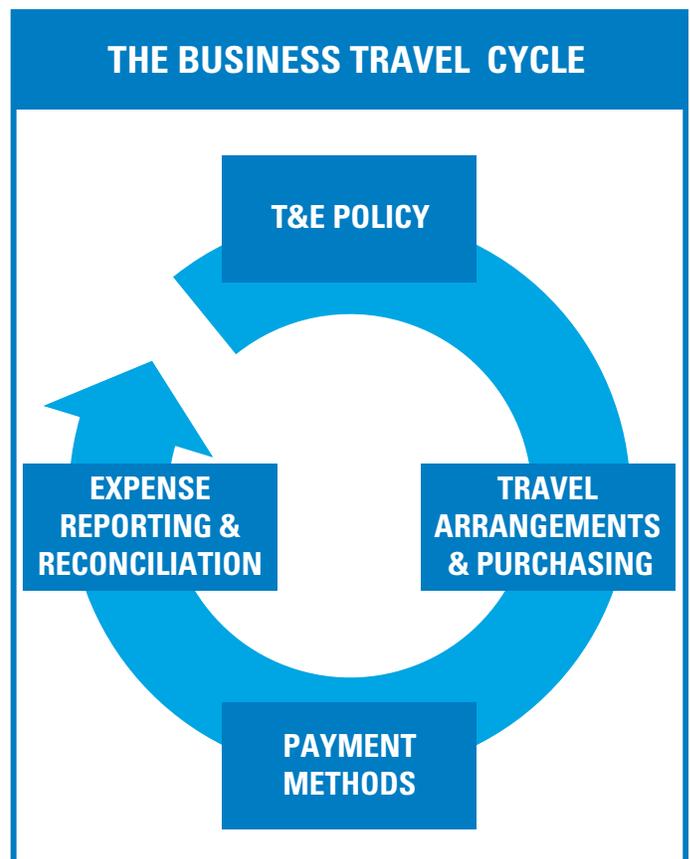


# THE BENEFITS OF AN EFFECTIVE T&E POLICY

Recent American Express Business Travel studies have shown that policy-related measures taken in an attempt to hold down T&E costs are among the most effective cost-control steps taken by many organizations. The single most important step organizations can undertake is to develop more explicit T&E policies and implement more consistent enforcement measures. Tackling the T&E policy offers organizations with all levels of spending volume an important opportunity to reduce their T&E costs.

Organizations have only four chances to exercise control over any given T&E expenditure. The *first* opportunity, which occurs before the expense has been incurred, involves the development of a T&E policy. This is simply a matter of exercising control by letting travellers know the ground rules. The *second* control opportunity is the point at which prices are determined. This can occur at the time reservations are made (airline tickets, hotel rooms, car rentals) or at the point of sale (restaurants). The *third* control opportunity involves the usage of comprehensive and efficient payment methods that verify actual costs and collect vendor data. The *fourth* and last chance an organization has to control and reduce travel expenses is at the time expense reports are audited and processed for payment.

Developing a comprehensive policy is the first opportunity a company has to control T&E expenditures. A T&E policy serves as the cornerstone of any travel management program by clearly outlining the procedures related to business travel-related expenditures.



# THE SIX Cs OF T&E POLICY

## Overview

To help companies develop and improve their T&E policies, American Express Business Travel has identified six key elements that form the foundation of a strong travel management program:

These elements are the starting-point and foundation for our 'best practices' – proven effective methods and strategies repeatedly demonstrated on a global basis, by corporate industry leaders.

The Foundation of a Strong T&E policy	
Culture	influenced by management goals, industry, economic climate
Content	topics addressed in the T&E policy
Comprehensiveness	the level of detail provided under each topic
Communication	how the policy is distributed
Control	enforcement principles and penalties for non-compliance
Compliance	how well travellers follow the policy

## Culture

Definition: *Culture (cul-ture) n.*

“A set of shared attitudes, values, goals and practices that characterize a company or organization”

An organization's culture is reflected in all of its operating policies and procedures, including its business T&E policy. Corporate culture is a critical link to each of the other five key elements. Decision makers in travel management are required to have an intuitive grasp of their company's culture. Travel management requires a deliberate balancing act between potential savings and a company's status quo. Issues that may impact corporate culture are those that can affect an employee's comfort and/or convenience level while travelling. Any changes to corporate culture require strong and visible support from senior management.

### Corporate culture...

- determines the traveling lifestyles of its employees
- can be considered relaxed (employee-oriented) or restrictive (business-oriented)
- is influenced by management goals, industry, economic climate and corporate history

Relaxed Culture (Employee-Oriented)	Restrictive Culture (Business-Oriented)
<ul style="list-style-type: none"> <li>• Internal Cash advances issued</li> <li>• Central/Direct bills utilized for employee travel</li> <li>• Travellers can book any class of air service</li> <li>• Use of preferred vendors not required</li> <li>• Reimburse "reasonable" meal expenses</li> <li>• No senior management support</li> <li>• Meal per diems</li> <li>• Employees permitted to use personal credit cards for expenses</li> <li>• Reimbursement of Club Membership dues</li> <li>• No restriction on size of rental vehicles or class of hotel accommodation</li> </ul>	<ul style="list-style-type: none"> <li>• No Internal Cash Advances</li> <li>• Employees required to book all reservations through the designated travel agency</li> <li>• Clear class of service and lowest logical airfare guidelines</li> <li>• Corporate sponsored T&amp;E card &amp; employees are required to use it for all business expenses</li> <li>• Spending limits or reasonable guidelines for meals</li> <li>• Employees required to use vendors with whom the company has negotiated rates</li> <li>• Visible Senior Management support &amp; enforcement principles</li> </ul>

## Content

Definition: *Content (con-tent) n.*

“The topics or matter treated in a written work”

The success of a T&E policy hinges on the topics addressed. Critical topics need to be included in order to maximize the effectiveness of the policy. Travellers need to know what management’s expectations are. A T&E policy should cover information on each component of T&E spending as this will ensure that travellers understand management’s expectations on all components of business travel.

### Content...

- is measured on the number of topics addressed in the T&E policy
- is incomplete if the T&E policy is missing any of these essential topics

## Comprehensiveness

Definition: *Comprehensiveness (com'pre-hen'sive) adj.*

“covering completely or broadly; having or exhibiting wide mental grasp”

The success of your organization’s T&E policy hinges not only on the actual topics included, but also on the level of comprehensiveness within each topic. If all details are not clearly defined in the T&E policy, travellers will not understand the company’s expectations.

### Comprehensiveness...

- is the degree of detail provided under each of the twelve critical policy components
- gives travellers and expense approvers the information needed to follow the T&E policy and control expenses
- ensures a tangible record of all ongoing travel management objectives

T&E policy Content – Essential Topics	
General Issues (purpose, scope, enforcement, responsibilities)	Meals/Entertainment
Travel Arrangements	Payment Methods
Air Travel	Documentation
Lodging	Expense Reporting
Car Rental	Communication Expenses
Other Transportation	Group and Meeting Travel

A T&E policy is Incomplete if Missing Details on:		
Enforcement Language	Frequent Flyer Programs	Instructions and Processes
Designated Travel Agency Usage	Preferred Suppliers and Rates	Car Rental Guidelines
Travel Agency Contact Information	Exceptions for Executives	Preferred Car Rental Suppliers
Airline Class of Service	Approved Payment Methods	Size Limit of Rental Vehicles
Lowest Logical Airfare Parameters	Specific & Appropriate Documentation	Tax Documentation Requirements
Preferred Air Carrier Details	Hotel Class and Room Type	Alternate Transportation
Emergency Travel Assistance	Group and Meeting Travel	Converting Foreign Currencies
En route Travel Arrangements	Corporate Card Program Benefits	Traveller Reimbursement Process
Use of Private / Charter Aircraft	Cash Advance Issuance Criteria	Meals/Entertainment – Spending Limits
Rail Travel	Cash Advance Limits	Requirements
Travel Safety Tips	Electronic Ticketing	Procedures
VAT Reclaim	Issuance Criteria	Car Rental Insurance
Traveller Profiles	Hotel Cancellation	Car Rental Refueling
Corporate Card	Expense Reporting	Telecom Expenses
Receipt Level		



## Communication

Definition: *Communication (com'mu-ni-ca'tion) n.*

“a process by which information is exchanged between individuals through a common system of symbols, signs or behaviour”

Spread the word! Improve communication methods and obtain senior management support. Even a meticulously crafted policy cannot deliver savings if travellers are not familiar with it or its contents.

Communication measures...

- the extent of the T&E policy's distribution
- how the T&E policy is distributed
- how often the T&E policy is updated
- traveller awareness and knowledge of the T&E policy

The T&E policy should be communicated to all appropriate parties in order to be effective.

## Control

Definition: *Control (con-trol) n.*

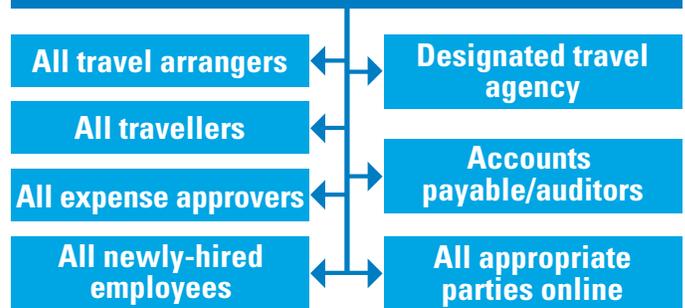
“a device or mechanism used to regulate or guide the operation of a machine, apparatus or system; power or authority to guide or manage”

T&E policy control is the muscle behind every corporate T&E policy.

Control measures...

- strength and effectiveness of the specific policy language
- methods in place for monitoring compliance
- enforcement strategies used in dealing with non-compliance

### Effective T&E Policy Communication:



### A T&E policy Exerts Minimal Control When:

Travellers are not required to use preferred air, hotel or car rental vendors	Reimbursement is allowed for expenses outside of the T&E policy
Use of the corporate card is not mandated	Travellers are not required to submit appropriate receipts
Travel is not consolidated to one designated travel agency	An automated pre-trip auditing system is not in place



## Compliance

Definition: *Compliance (com-pli-ance) n.*

“the act or process of complying to a desire, demand or proposal; conformity in fulfilling official requirements”

Once a company has developed and communicated its T&E policy, a key question still remains: are travellers complying with it? All imposed restrictions must be monitored for traveller compliance as non-compliance results in higher than necessary costs.

### Compliance...

- measures how well travellers are following the T&E policy
- ensures that your company achieves the financial and administrative benefits expected with a best-in-class T&E policy
- is the ultimate measure of a T&E policy’s overall success

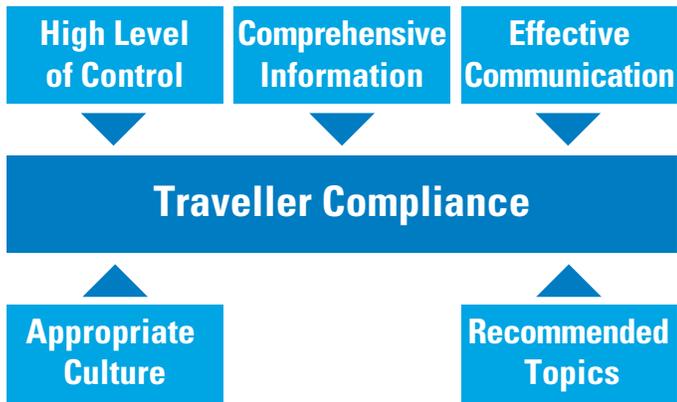
It is important to keep in mind that simply having a formal T&E policy is not enough. Policies must be reviewed regularly, clearly communicated to employees and consistently enforced. Studies conducted by American Express Business Travel have shown that, on average, 39% of all expense reports include at least one instance of non-compliance to policy, and about 25% of all expense reports that come into travel accounting departments have to be sent back for clarification or additional support. Non-compliance frequently occurs because policies are not explicitly defined.

Key opportunities to achieve policy compliance:	
Use of designated agency for air, hotel and car rental reservations	Submission of appropriate receipts to substantiate expenses
Use of preferred air, hotel, and car rental vendors	Submission of expense reports within encouraged timeframe
Use of corporate-sponsored payment method	Staying within meal/hotel spending guidelines
Use of appropriate class of air service	

## SIX Cs OF A CORPORATE T&E POLICY SUMMARY

## BENEFITS OF THE SIX Cs OF A CORPORATE T&E POLICY

When a T&E policy reflects the company's culture, contains all recommended topics, is comprehensive, effectively communicated and exerts a high level of control, it creates synergy – resulting in a high level of traveller compliance.



To achieve a higher level of control and greater degree of compliance, the T&E policy must be strictly enforced. More and more organizations are implementing an automated process to effectively monitor and audit T&E policy compliance.

- Failing to enforce a T&E policy will render it ineffective.
- Improved compliance will result in lower direct T&E costs.
- Travellers will understand management's expectations.
- Used of preferred vendors will be maximized.
- Market share commitments will be met.
- Comprehensive management reporting from your designated travel agency and corporate card vendor will be used for monitoring, budgeting and forecasting.

## *Using a T&E policy to Reduce Costs*

A number of cost-saving steps can be taken to solve the most common T&E policy problems. Your organization may enjoy opportunities to save money and time by ensuring that following aspects of your travel management program are addressed appropriately:

- **Direct Costs** – Does your company work with a single agency that has the ability to obtain the lowest logical airfares and discounted corporate rates?
- **Employee Abuse of Travel** – Is your T&E policy up-to-date, thorough and explicit?
- **Enforcement of Policy** – Have you evaluated whether or not supervisors thoroughly review expense reports or simply approve them automatically?
- **Documentation Requirements** – Are your documentation requirements included in your T&E policy for each expense category? Are the requirements clear and comprehensive?
- **Expense Reporting** – Are you giving your travellers sufficient “incentive” (i.e. use of user-friendly automated expense management [AEM] tools) to submit expense reports correctly and in a timely fashion?
- **Shifting Class of Service** – Are airfare class of service rules set in a cost-effective and equitable fashion, i.e., by flight duration or geographic region, as opposed to management level?
- **Advance Fare Purchase** – Do you insist that your travellers take advantage of the significant price breaks that occur when booking airfares 7 to 14 days in advance?
- **Wireless/Telecom Spending** – Is your company cashing in on up to 20% in wireless communication savings by using a negotiated plan for cellular usage and requiring its usage through your T&E policy?

The ‘best practice’ recommendations in this document reflect corporate objectives implement internal and external cost-reduction initiatives and to achieve greater administrative efficiency while streamlining the travel expense management program. We have found that controlling travel and entertainment costs does not necessarily mean curtailing employee comforts and essential activities. On the contrary, it is possible to get more mileage out of fewer dollars with a carefully thought out and conscientiously applied T&E policy.

Our recommendations encompass many of the best practices commonly used in the industry today. There are many essential points to consider in creating a truly effective T&E policy document. Some of these key points include:

- A strong T&E policy program that adheres to development, communication and enforcement best practices
- Emphasis on senior management public support of policy and expectations for compliance
- Education and distribution of the T&E policy to all key travel-oriented staff
- Comprehensive guidelines established on all major T&E expense categories
- Automation and technology to communicate policy and monitor compliance

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# “RIGHT-SIZING” YOUR CORPORATE T&E POLICY

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## *Developing a Realistic T&E policy*

Your company’s operating environment, corporate culture and management expectations will determine whether the T&E policy will impose lax, moderate or restrictive spending controls. It is important to remember that companies with excessively loose controls may be incurring higher than necessary travel expenses and may be leaving themselves open to abuse, if not fraud. Alternatively, companies often create restrictive travel policies that fail to monitor or enforce – implicitly communicating little regard for an important management procedure and, again, potentially exposing themselves to abuse.

T&E policies will vary significantly from one company to another, though the topics that need to be addressed will be similar across the board. An effective T&E policy requires four phases of activity:

1. [Development](#)
2. [Communication](#)
3. [Monitoring](#)
4. [Enforcement](#)

Companies who focus attention on creating, communicating, enforcing and monitoring their T&E policies can gain a competitive cost advantage over firms that ignore these often obvious, yet powerful steps.

Senior management can often be overly sensitive to the reactions of employees as a result of a new or revised T&E policy – particularly from frequent travellers. Since most employees prefer to make their own decisions while travelling and do not want to be subjected to excessive constraints, there is some basis for this sensitivity. However, all employees live and work under rules and guidelines, and while some travellers may initially react negatively to a new or updated T&E policy, they will accept it, often without much difficulty.

In our experience, written T&E policies range from single page memos to 100+ page corporate manuals. With the array of issues that need to be addressed for a T&E policy to be effective, a single-page notice is inadequate. On the other hand, expecting employees to read and abide by a long and cumbersome document is equally unrealistic. American Express Business Travel recommends the 20-Minute Commitment – if travellers commit just 20 minutes to reading their T&E policy, most of their questions regarding travel management will be answered. In most cases, a 20-minute version of your company’s policies and procedures can gain a far broader readership than a more comprehensive document. Remember: the most comprehensive policy, if left unread, will do nothing to boost compliance.

We hope you will find this T&E policy whitepaper a valuable resource in adapting your revised policy to your organization’s specific travel and entertainment needs.

## About American Express Business Travel

American Express Business Travel, a division of the American Express Company, is dedicated to providing peace of mind to clients as they achieve the greatest possible value from their investment in travel through increased cost savings, outstanding customer service and greater spend control. For small businesses, medium-sized enterprises and multinational corporations, American Express Business Travel provides a combination of industry-leading booking technology, travel management consulting expertise, strategic sourcing and supplier negotiation support, and customer service available around the world, around the clock, online and offline.

American Express operates one of the world's largest travel agency networks with over 2,200 travel service locations in over 140 countries and territories worldwide. The Company processed over \$21.8 billion in global travel sales in 2006.

American Express Company is a diversified worldwide travel, financial and network services company founded in 1850. It is a world leader in charge and credit cards, Travelers Cheques, travel, business services and international banking.

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