

The State of Travel and Entertainment Expense Management

February 2010

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Executive Summary

Business travel has long been a critical component for achieving corporate goals; business travel is considered an operational necessity for organizations across the globe. However, in 2010, enterprises have begun to transform their perception of expense management from an unavoidable cost to a strategic mindset. This report is a go-to guide for enterprises seeking to convert their decade-old complacency of this everyday business practice to one that aligns with a new age of organizational goals and drives enterprise value through process efficiencies and a strategic viewpoint.

Best-in-Class Performance

This *State of T&E Expense Management* benchmark study captures the intentions, strategies, and performance of over 175 enterprises and used the following two key performance metrics to distinguish Best-in-Class performance: 1) rate of compliance to corporate travel policies and procedures and 2) cost to process a single expense report. Best-in-Class enterprises in this study are notable for their superior performance and attribute their reliance on key capabilities and technologies for the advantages that they hold over their peers:

- Over 31% higher rate of compliance to corporate travel policies
- 80% lower expense-processing costs than all other enterprises

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics that help them achieve a competitive edge. These top-performing organizations are:

- Nearly 50% more likely than all other enterprises to hold real-time visibility into Travel and Entertainment (T&E) spending against budget
- 43% more likely to regularly audit expense reports
- 20% more likely to leverage a formal sourcing program

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Automate the multiple facets of the expense management process
- Leverage T&E spend data to fuel future planning and sourcing efforts
- Integrate expense management solutions with existing enterprises systems

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

“Expense management has always been a focus in our company. With automation of this process it became much easier to maintain that focus and to manage to our corporate goals.”

~ VP Business Development /
Sales, North American
Software Enterprise

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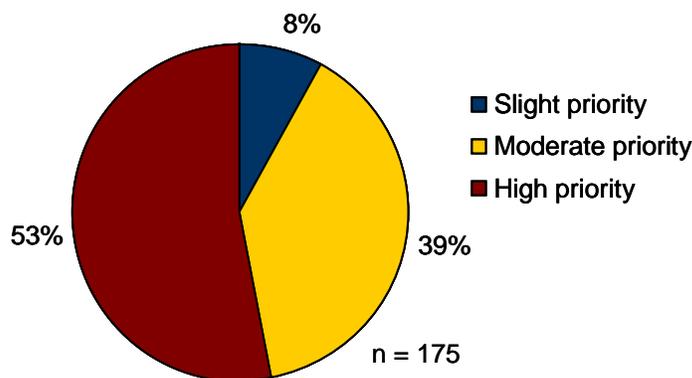
Chapter One: Benchmarking the Best-in-Class

After the economic downturn took its malevolent toll on unsuspecting enterprises across the world, many organizations are finding that 2010 has become a year of recovery...and opportunity. The complex category of Travel and Entertainment (T&E) expense management has often been billed as a necessary cost to the tune of nearly \$24 million for the average enterprise, however, the *State of T&E Expense Management* study has found that enterprises view this necessary business objective in a strategic light, boosting the overall value of expense management.

Business Context

Aberdeen's T&E expense management automation study (June 2009) detailed the various economic impact pressures experienced by enterprises in regards to restricted travel budgets and an increased control over spending on expenses. With two months of 2010 behind us, Aberdeen has discovered that over half (53%) of enterprises place a high priority on expense management due to current economic conditions (Figure 1).

Figure 1: Priority on Expense Management in Current Economic Conditions



Source: Aberdeen Group, February 2010

With enterprises reinstating travel budgets and conducting business on a global scale, there is heightened organizational awareness to the benefits of controlling spending on this category and managing the complexities of T&E expenses in a strategic manner.

The Strategic Value of Expense Management

In 2009, cost containment was on the minds of many modern executive's playbooks; by advancing and streamlining existing enterprise functions and processes, organizations could drive down costs on their day-to-day operations. Much like the accounts payable and purchase order requisition

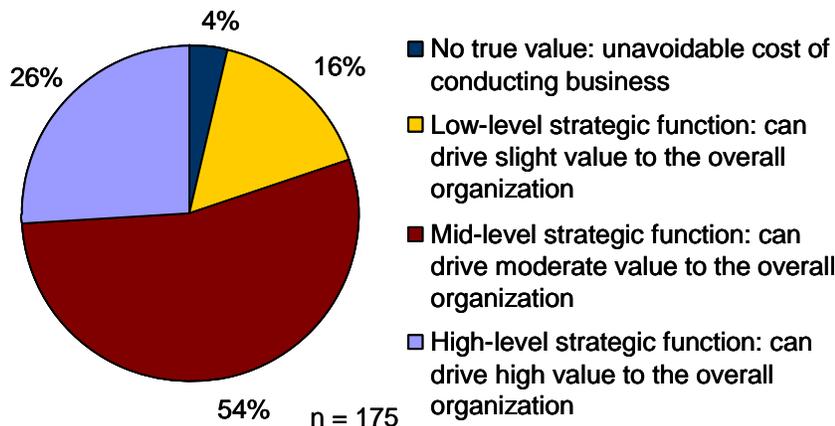
Fast Facts

- ✓ Over half (53%) of enterprises place a high priority on expense management
- ✓ Best-in-Class enterprises have driven a 31% higher rate of policy compliance than all other enterprises and have achieved an 80% reduction in expense-processing costs

processes within the finance and procurement groups, expense management involves several sub-processes that define the journey of the typical expense report (entry of expenses into an expense report, approval of expense reports and reimbursement of expenses).

New research suggests that enterprises see expense management as a mid-level strategic function (Figure 2).

Figure 2: The Value of Expense Management



Source: Aberdeen Group, February 2010

“Expense management is very beneficial to the overall enterprise. We must manage costs, therefore, doing it in an efficient automated manner is the only way to achieve our objectives. Our 2010 strategy is to utilize T&E spend analysis by category and vendor to negotiate better corporate discounts.”

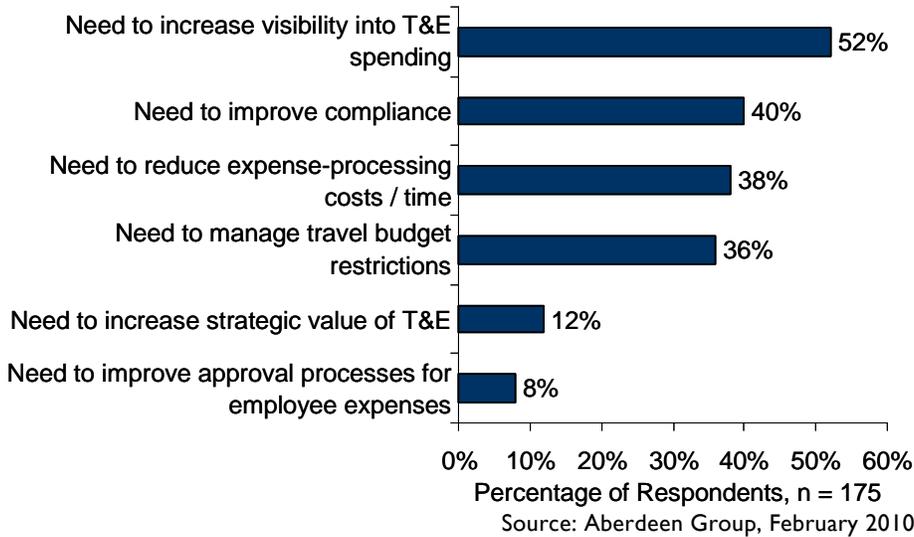
~ Director of Finance, Mid-Market North American Transportation/Logistics Company

A majority (53%) of enterprises view expense management as a mid-level strategic function that can drive moderate value to the overall organization. This line of thinking proves that enterprises are beginning to drift from the notion often associated with T&E expenses in which they are merely a “sunk cost,” and are beginning to think strategically about their expense management processes and capabilities. With improved focus around expense management, enterprises can derive greater value in numerous ways, including cutting expense-processing costs through streamlined and automated procedures, as well as reducing “maverick” T&E spend to drive compliance and reap the rewards of cost savings from negotiated agreements with hotels, airlines and car rental firms.

Drivers for Action: Visibility and Compliance

Within the expense management process, there is often a balancing act of enterprise pressures that organizations must carefully alleviate to ensure that their expense management efforts drive value to the overall enterprise. Figure 3 details the top factors driving enterprises to focus on expense management.

Figure 3: Top Pressures Driving Enterprises to Focus on Expense Management



Enterprises are focused on increasing visibility into their T&E spending (52%); a clear viewpoint into spending on this category presents the enterprise with an opportunity to pinpoint areas of non-compliance and accurately forecast financial information as it relates to employee travel. Although restricted travel budgets (36%) do not seem as prevalent as they were last year (our 2009 *T&E Expense Management Automation* study found it to be the top enterprise pressure), it is still crucial for organizations to easily measure their current T&E spending against its actual budget as a means of improving another key pressure in Figure 3, compliance (40%).

Compliance has become a key metric in determining an enterprise's performance in adhering to existing policies and procedures concerning business travel. In an age where enterprises are becoming more strategic with regards to expense management, it is critical that organizations respect the solid link between policy compliance and enterprise value. And, as we will see in the next section, Best-in-Class enterprises have demonstrated their ability to strategically enhance their expense management programs by driving compliance.

The Maturity Class Framework

Aberdeen used two main performance metrics to determine our maturity class framework: rate of compliance to travel and entertainment expense policies, and the cost to process a single expense report (Table 1).

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 90% compliance to T&E expense policies ▪ \$6.25 cost to process a single expense report
Industry Average: Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 77% compliance to T&E expense policies ▪ \$28.91 cost to process a single expense report
Laggard: Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 47% compliance to T&E expense policies ▪ \$51.35 cost to process a single expense report

Source: Aberdeen Group, February 2010

Best-in-Class enterprises have effectively outpaced their peers in relation to perhaps the two most significant metrics in expense management: compliance and expense-processing costs. In fact, these top-performers have generated a 31% higher rate of policy compliance than all other enterprises and have achieved an 80% reduction in expense-processing costs.

The Best-in-Class PACE Model

Enterprises must effectively leverage a series of strategic actions, core organizational capabilities, and technology / solution enablers, as detailed in Table 2, in order to spark the necessary performance gains achieved by Best-in-Class enterprises.

Table 2: The Best-in-Class PACE Framework

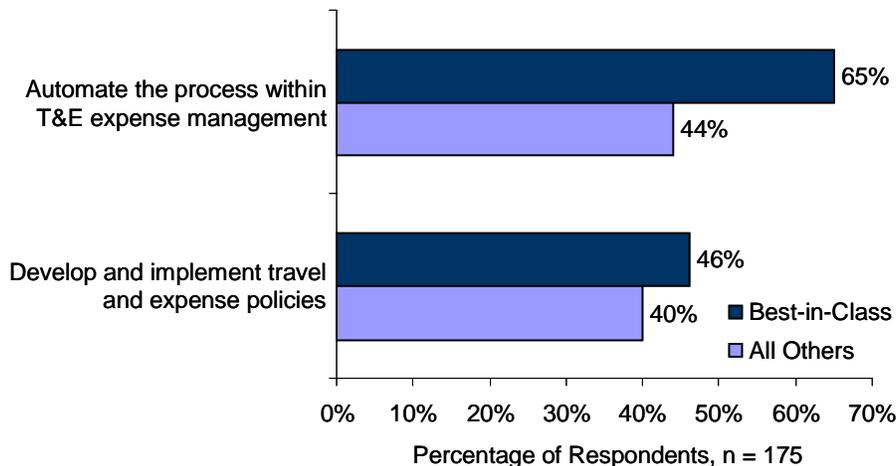
Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> ▪ Need to drive compliance to T&E policies / contracts 	<ul style="list-style-type: none"> ▪ Automate the expense management process ▪ Communicate / educate travelers on policies and processes 	<ul style="list-style-type: none"> ▪ Documented approval process for expense reports ▪ Visibility into all T&E spend across the enterprise ▪ Standardized T&E expense management processes ▪ Regular audits of expense reports 	<ul style="list-style-type: none"> ▪ Standalone expense management system (hosted or on-demand) ▪ Commercial cards ▪ Automated auditing of expense reports ▪ Automated workflow for expense report approval ▪ Smart-phone expense management capability ▪ Automated reimbursement

Source: Aberdeen Group, February 2010

Best-in-Class Strategies

The complex category of T&E often entails a wide variety of strategies and actions to spur performance development across the scope of compliance, cost and time. Figure 4 details the actions undertaken by Best-in-Class enterprises to enhance their expense management programs.

Figure 4: Best-in-Class Strategic Actions



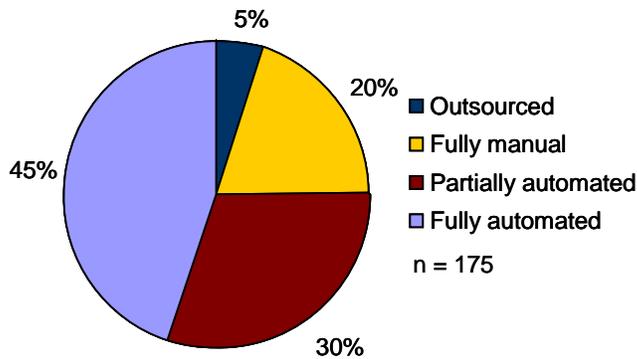
Source: Aberdeen Group, February 2010

Automation, as detailed in previous Aberdeen studies over the past four years, is a critical cog in the expense management machine. The steps in the expense lifecycle, including expense creation, submission, approval and reimbursement, can be delayed by manual and paper-laden processes, such as mailing, copying and reviewing physical expense reports. The vast majority (65%) of top-performing enterprises automate the processes within expense management, ensuring a streamlined and holistic reaction to each step in the expense lifecycle. This has effectively contributed to a sharp decrease in expense-processing costs.

Expense Management Automation

Automation of expense management processes enables a wide variety of operational and cost benefits to the larger organization, including the elimination of manual and paper-based processes associated with expense report creation, submission, review, approval and reimbursement. Figure 5 details the level of expense management automation in place for enterprises in our overall survey pool.

Figure 5: Expense Management Automation



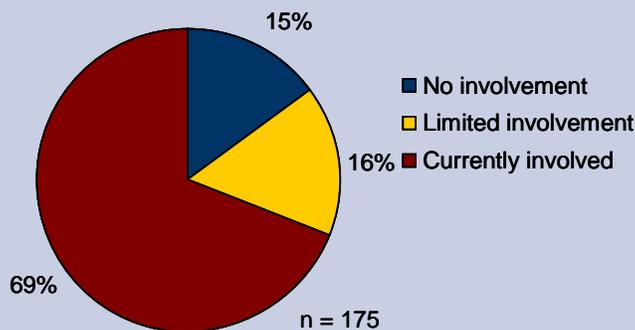
Source: Aberdeen Group, February 2010

Although automation of expense-processing assists in driving down costs that were once inflated to due reliance on paper, it also has qualitative gains across the enterprise. With an automated system in place, employees can easily create and submit their expense reports, sparking convenience (and productivity). On the approval side, managers can better view the fleet of pending expenses for approval. And, as we will see in the next section, enterprises can leverage the data from an automated system to arm their internal stakeholders with actionable information for future planning and sourcing.

**Aberdeen Insights —
Strategy: The Convergence of Travel and Procurement**

Collaboration can be an effective strategy for enterprises that are strategically managing complex categories of spend. Often times, categories such as T&E, contingent labor and real estate / facilities management touch multiple internal groups, calling for equal access of information and capabilities to efficiently manage these areas of corporate spending. Nearly 70% of enterprises, as shown in Figure 6, currently operate in a collaborative environment between their procurement and travel groups.

Figure 6: Procurement Involvement in Travel Management



Source: Aberdeen Group, February 2010

continued

Aberdeen Insights — Strategy: The Convergence of Travel and Procurement

One of the procurement department's main goals is to spur bottom-line growth through their sourcing expertise and ability to negotiate favorable agreements. This cost-cutting group can be leveraged to help take a more strategic approach to sourcing the components within the travel category. By applying the traditional source-to-settle process for T&E agreements (data analysis, strategic sourcing, contract negotiation, and payment), enterprises are gaining an edge in various expense management attributes:

- 75% of enterprises involving procurement in travel management have increased their visibility into T&E spending
- 73% of enterprises involving procurement in travel management have seen an elevated level of cost savings on T&E spend
- Nearly 60% of enterprises instituting this collaboration have experienced an increase in travel policy compliance

Chapter Two: Benchmarking Requirements for Success

Travel and entertainment expense management has moved beyond the notion of an unavoidable business cost, as organizations across the globe are beginning to view this area of spending as a value-added strategic process. To reinforce this strategic outlook of expense management, enterprises must invest in a multi-tiered plan that involves processes and solutions that improve T&E spend visibility and allow for actionable intelligence to be gleaned and utilized in future expense management planning and execution.

Fast Facts

- √ 62% of top-performing enterprises currently have real-time visibility into T&E spend against budget
- √ 80% of Best-in-Class organizations are currently leveraging an expense management automation solution

Case Study — Leveraging Expense Management Automation and Integration

A mid-market pharmaceutical manufacturer has been utilizing an expense management system for over nine years, and has recently integrated their corporate card program with this system a few years ago. "We wanted a program that would allow us more flexibility," said the Director of Finance. The current integrated system allows the enterprise to capture multiple types and sources of data, including integrating it with their existing ERP system during every month-end. As the pharmaceutical industry involves various intricacies for their data, the Director of Finance noted that their integrated system easily handled these alternate data types.

In addition to the ease-of-use with reporting and data aspects, she added that the main advantage of this automated system is *efficiency*. "The major benefit for us is efficiency," she said. "We were able to remove all of those manual aspects to expense-reporting and processing. I'm not sure how we would have done that without this automated system. All of our approvals are automated, as well." The Director of Finance noted that the most alluring factor to corporate card and expense management integration is the way the two systems work together. "For our company, we're always interested in streamlining existing processes and functions. This system has really made the expense management process an easier one for us."

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute daily expense management operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing expense data and exposing it to key stakeholders); (4) **technology** (the selection of the appropriate expense management tools and the effective deployment of those tools);

and (5) **performance management** (the ability of the organization to measure its expense management results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Documental path of approval for expense reports		
	92%	80%	77%
Process	Formal sourcing programs for T&E spend categories		
	66%	56%	44%
Organization	Collaborative development of T&E expense policies		
	73%	60%	56%
Knowledge	Regular reporting on T&E spend by category		
	77%	58%	32%
	Real-time visibility into T&E spend against budget		
Technology	62%		
	35%	23%	
Technology	Expense management solutions / functionalities in place:		
	<ul style="list-style-type: none"> ▪ 88% expense auditing ▪ 80% standalone expense management system ▪ 79% commercial card program ▪ 76% automated reimbursement ▪ 65% automated population of expense information from corporate card feed ▪ 32% end-to-end solution to manage booking / expenses 	<ul style="list-style-type: none"> ▪ 58% expense auditing ▪ 53% standalone expense management system ▪ 75% commercial card program ▪ 51% automated reimbursement ▪ 43% automated population of expense information from corporate card feed ▪ 17% end-to-end solution to manage booking / expenses 	<ul style="list-style-type: none"> ▪ 50% expense auditing ▪ 36% standalone expense management system ▪ 57% commercial card program ▪ 50% automated reimbursement ▪ 34% automated population of expense information from corporate card feed ▪ 10% end-to-end solution to manage booking / expenses
Performance	Expense management performance-tracking:		
	<ul style="list-style-type: none"> ▪ 62% automated notification of non-compliant items 	<ul style="list-style-type: none"> ▪ 37% automated notification of non-compliant items 	<ul style="list-style-type: none"> ▪ 33% automated notification of non-compliant items

Source: Aberdeen Group, February 2010

Capabilities and Enablers

The Competitive Framework (as detailed in Table 3) outlines the core competencies required for enterprises to achieve top-shelf performance in the expense management arena. With a strategic outlook for this function in 2010, organization must follow the Best-in-Class lead in order to derive value from the expense management process.

Process

A critical factor in the expense management process is approval time. For expenses to be properly tracked and reimbursed, it is important that enterprises put in a place a documented path of approval (92%) that is communicated in various fashions (in the automated expense management system, company intranet, email, etc.). A key factor in the Best-in-Class reduction of expense approval time (nearly 45% faster approval than all other enterprises) is a clear, documented and communicated path of approval that employees can utilize to properly route expenses for sign-off.

As discussed in Chapter One, the convergence of travel and procurement has assisted enterprises in driving visibility and performance. Procurement's expertise is being felt across the expense management spectrum; the majority of Best-in-Class enterprises (66%) have implemented a formal sourcing program for T&E spending, a factor which allows them to leverage their purchasing expertise to effectively negotiate agreements with airlines, hotels and car rental firms, thus setting up the organization for discounts and cost savings.

Organization: Collaborative Policy Creation

The true link to expense management performance is policy compliance; by adhering to enterprise travel policies, the organization can reap the rewards of discounts through existing agreements for air travel and lodging. Top-performing enterprises (73%) have taken a cross-functional approach to developing their T&E policies. The involvement of multiple internal units (finance, IT, procurement, human resources, operations, etc.) can assist in developing travel policies that align with all traveling employees (and allow ease-of-use for expense report creation) across the organization, helping to secure a unified approach to business travel and ensuring a satisfactory rate of compliance.

Knowledge Management: Reporting and Visibility

Managing complex categories of spend, especially T&E, requires a clear viewpoint into all purchasing activity as a means of accurately planning and forecasting, as well as measuring performance. Regular reporting on T&E spending (a capability in place in 77% of Best-in-Class organizations) can give program heads visibility into current spending on each category within the T&E gamut, including air travel, lodging and car rentals, and allow them to act appropriately with regards to budgeting concerns.

Real-time visibility into T&E spending against budget (62%) is a crucial capability than can aid in the 2010 expense management program. Last year, many enterprises experienced restricted and slashed travel budgets, forcing them to reevaluate the importance of business travel in achieving corporate goals. While this pressure isn't as prevalent in 2010, it is still critical for organizations to know where their spending stands against the actual T&E budget.

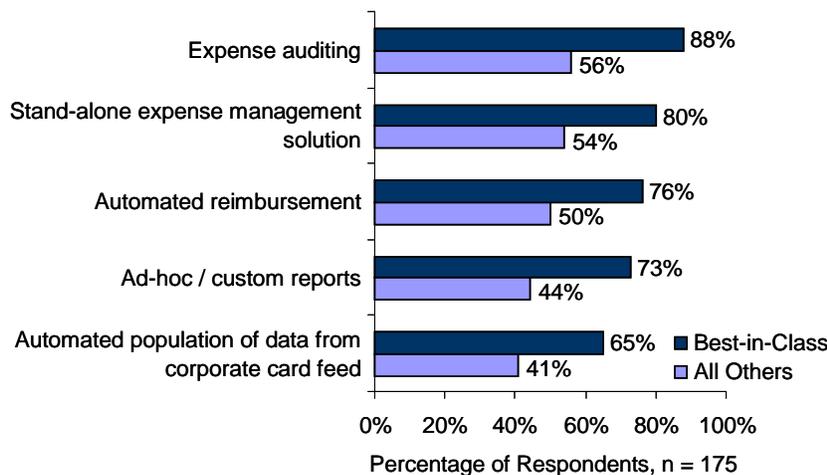
Expense Management Technologies and Functionalities

Although core process, organizational and knowledge management capabilities form a solid program for managing T&E expenses, it is through the utilization of key technology solutions and functionalities that the true strategic value of expense management can be realized.

“The main benefits [of an automated expense management solution] are improved visibility of expenses for control and compliance, from a finance department point-of-view, ease-of-access to data required for internal reporting, and taxation for reporting and compliance. From a procurement point-of-view, it allows comparison of T&E data to our master data to determine any gaps in process, policy or compliance.”

~ Procurement Director,
Asia/Pacific Consumer Durable
Goods Enterprise

Figure 7: Technology Utilization, Best-in-Class vs. All Others



Source: Aberdeen Group, February 2010

Best-in-Class enterprises have leveraged a variety of technology solutions and functionalities to spark their superior performance within expense management:

- With automated expense auditing in tow (88%), top-performing expenses are partaking in a repeatable process that analyzes all expense reports for a variety of "red flag" items, such as non-compliant travel or instances of employee expense fraud.
- An expense management solution is a key component of Best-in-Class success; this solution streamlines and automates the entire expense management process: report creation (and receipt imaging), submission, resolution, and reimbursement. Standalone expense management solutions also entail automated expense auditing procedures (as illustrated above). Aberdeen research has found that enterprises utilizing a standalone expense management solution have effectively reduced their expense-processing costs by nearly 60%.

- Best-in-Class organizations have also made use of automated reimbursement (76%), which quickens the final stage of the expense management process, allowing employees to be reimbursed for their T&E expenses in fast fashion. Top-performers also have ad-hoc / custom reporting (73%), a functionality that allows them to slice-and-dice their expense spend data as a means of fueling sourcing efforts. These enterprises can view their spending at the supplier or category (airline, lodging, car rental, restaurant, transportation, etc.) level to effectively arm the procurement team with a detailed view of spending patterns / trends, which can aid the team in renegotiating agreements with major suppliers.

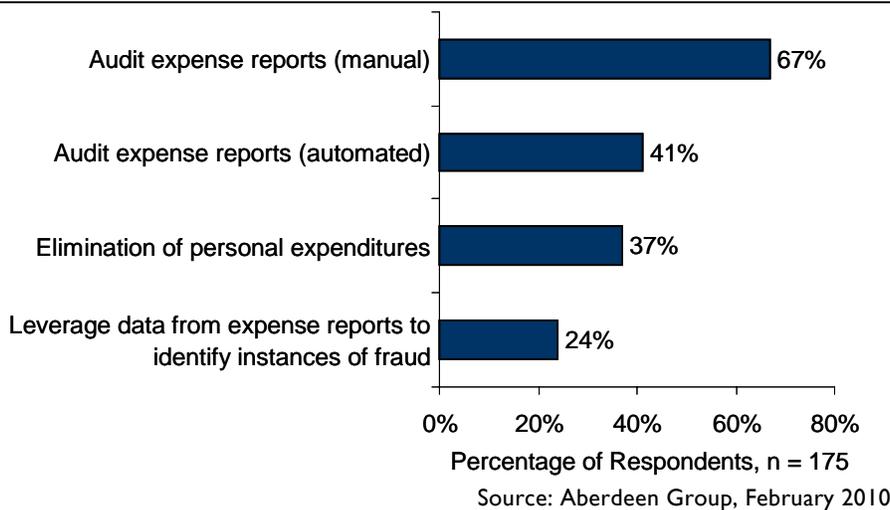
Performance Management: Compliance-Tracking

Compliance is the cornerstone of an effective expense management program. With enterprises taking a strategic viewpoint of this category in 2010, it is critical that they closely monitor, track and measure the rate of compliance to travel policies and procedures. Best-in-Class enterprises (62%) have leveraged automated notification of non-compliant items to boost adherence to corporate travel policies. This system immediately alerts managers and other executive users on the expense management system of potential non-compliant expenses. Swift action can then be taken to alleviate these issues.

Auditing and Integration

Over the past few years, a new internal threat to proper expense management has taken form: employee expense fraud. Combined with the existing risk of non-compliance to corporate travel policies, enterprises must promptly act on these threats. Expense auditing is a formidable tool to alleviate the risks of expense fraud and non-compliance, and Figure 8 details the methods of expense auditing currently utilized by enterprises.

Figure 8: Expense Report Auditing Methods

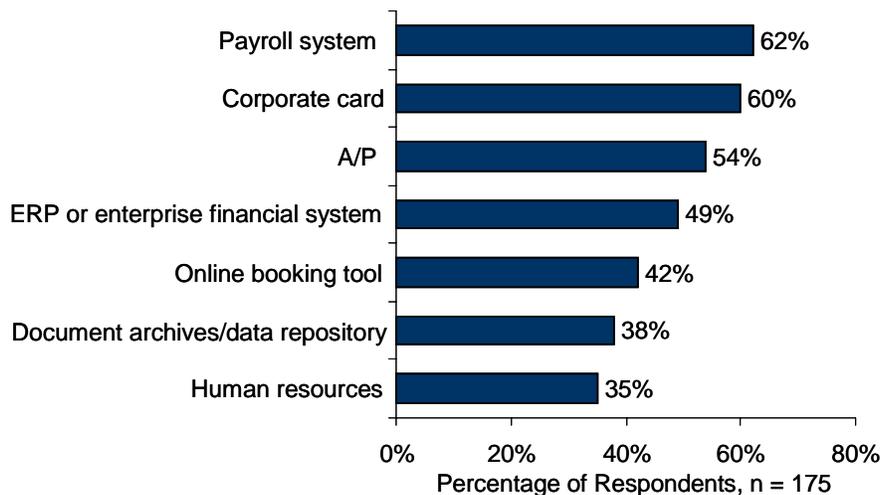


Enterprises are mainly reliant on manual auditing of expense reports (67%). While auditing alone is a proper step in improving T&E spend management, manual auditing involves physically handling expense reports or utilizing homegrown spreadsheets to track compliance. Only 41% of enterprises are currently leveraging automated auditing to scan their expense reports for fraud or non-compliance; automated expense auditing solutions can be tailored based on a dollar threshold or certain employee documentation aspects, presenting enterprises with a means of automatically pinpointing areas that require prompt action.

Expense Management Integration

Expense management automation on its own accord has assisted Best-in-Class enterprises with driving down expense-processing costs and increasing policy compliance. However, this solution can be integrated with other internal enterprise systems; Figure 9 details the various aspects of expense management integration.

Figure 9: Expense Management Integration with Enterprise Systems



Source: Aberdeen Group, February 2010

“By interfacing our corporate card program directly with our expense management system, we have achieved greater policy compliance, have decreased the time required to complete an expense report, and increased card adoption through ease-of-use, resulting in high revenue share percentage.”

~ Director of Finance /
Administration, Large North
American Insurance Company

Organizations are currently instituting integration between their expense management systems and payroll (62%), corporate cards (60%), A/P (54%) and ERP / financial systems (49%). Integration with the payroll system allows the enterprises to quickly reimburse employees, while A/P and expense management integration fuels the financial team with accurate and real-time information regarding all expense spending, allowing them to gauge and forecast budgetary items for the T&E category.

Corporate card and expense management integration can improve the holistic expense management process and drive visibility into expense spending; enterprises can extract data from the corporate card and expense

management systems to gain a deeper understanding of their spending with major airlines and hotels, thus arming their procurement teams with the necessary knowledge to improve supplier relationships and negotiate superior contracts. This integrated system can also pre-populate expense reports with employee information to reduce expense creation time.

Aberdeen research has also found that enterprises leveraging corporate card and expense management integration have improved policy compliance by over 20% and reduced reimbursement lengths by nearly 30%.

Aberdeen Insights — Technology: End-to-End Expense Management

Like other complex categories of spend (contingent labor, real estate and facilities management, strategic meetings management, etc.), expense management often involves a tactical blend of sub-processes that are required to effectively direct the flow of employee T&E expenses. Automation is often a key component of efficient expense management, assisting the organization in streamlining the processes within this category and ensuring that business travelers are compliant with company policies.

End-to-end expense management solutions effectively automate all facets of the expense management process, including travel booking, expense creation and submission, expense report approval, and employee reimbursement. These solutions transform the many intricacies of managing the flux of expenses into an end-to-process that covers the span of booking, payment and reporting, allowing users to gain control over spending (while providing access to T&E spend data) and achieve performance benefits. In fact, Best-in-Class enterprises are nearly 70% more likely than all other organizations to utilize this type of solution. Enterprises currently leveraging an end-to-end expense management tool report the following benefits:

- 51% lower expense-processing costs than enterprises without this solution in place
- 41% faster time to complete a single expense report than organizations not utilizing an end-to-end tool
- 21% quicker expense approval time than enterprises without an end-to-end expense management solution

Chapter Three: Required Actions

Expense management has risen as a strategic internal process that can pay performance dividends across the entire organization. However, enterprises on the lower scale of Aberdeen's maturity framework must institute the following recommended actions in order to effectively spur corporate performance across the expense management spectrum:

Laggard Steps to Success

- **Regularly report on T&E spending by category.** Best-in-Class enterprises are nearly 60% more likely than their Laggard peers to regularly report on the categories within T&E, such as airlines, hotels and car rental firms. This capability can drive the much-needed visibility into all components of T&E spending to effectively forecast and gauge for future planning.
- **Look to an expense management platform to automate and manage the many facets of expense-processing.** Only 36% of Laggard organizations currently have this system in place, which has proven to reduce expense-processing costs and time (creation, approval and reimbursement) by streamlining and automating the many inner-working steps in the expense lifecycle.
- **Implement a formal sourcing program for travel spend.** Although T&E expenses are often varied in nature and typically fall outside the scope of formally-sourced indirect spending, the procurement group can be leveraged to strategically source agreements with airlines and hotels to stimulate cost savings on spend within this category. Best-in-Class enterprises are nearly 35% more likely to have this program in place.

Industry Average Steps to Success

- **Streamline expense-processing methods through end-to-end travel and expense management automation.** Certain expense management solutions might not offer the gamut of needs for the complexities of this area of spending; end-to-end expense management solutions provide a seamless transition of data and information across the various steps within the expense management process, from travel-booking to expense auditing and reimbursement. Best-in-Class enterprises are nearly 50% more likely than Industry Average organizations to leverage an end-to-end solution.
- **Integrate expense management programs with existing enterprise systems, such as corporate cards.** Best-in-Class enterprises are 23% more likely than Industry Average organizations to integrate their expense management solutions with the

Fast Facts

- √ Best-in-Class enterprises are 60% more likely than Laggard organizations to regularly report on T&E spending by category
- √ Best-in-Class enterprises are 23% more likely than Industry Average organizations to integrate their expense management solutions with the corporate card program

“Our goal for this year is to be efficient with our spending; even when travel is necessary, wasting money isn’t. Our strategic plan will include closer monitoring on travel policy compliance.”

~ Procurement Manager, Large Financial Services Enterprise

corporate card program. By doing so, top-performing enterprises have not only enhanced expense-processing (by cultivating a seamless transition between expense submission, approval, and reimbursement) but have also presented their internal units with valuable data in which to support sourcing pipelines and supplier negotiations. This integration has also provided enterprises with an increased level of spend visibility and reduced expense-processing costs by nearly 25%.

- **Develop visibility into aggregate T&E spend across the enterprise.** Visibility isn't just a concern for the lower tier of performers; the average organization must develop a solid viewpoint of their T&E spending to accurately monitor and track activity to effectively ease budgetary concerns and measure policy compliance.

Best-in-Class Steps to Success

- **Enhance supplier negotiations and sourcing efforts by leveraging data culled from expense management systems.** Although 56% of top-performing organizations are currently utilizing data from internal expense management systems (and their integrated brethren in corporate cards, financial / ERP and A/P systems), they should seek to improve the level of actionable intelligence derived from their existing well of spend data to fuel negotiations with key suppliers in the airline, hotel and car rental fields, as well as enhance existing travel policies.
- **Utilize mobile / smart-phone functionalities to improve expense management processes.** Approving managers and directors are often on the road in support of new business opportunities. Through mobile / smart-phone expense management access, these program heads can easily view and approve the fleet of expenses while traveling. This functionality also offers the ability to peer into expense spending across the enterprise, yet less than 20% of Best-in-Class enterprises are currently leveraging this high-tech stream of new-age mobility.

Aberdeen Insights — Summary: The New State of Expense Management

Business travel often plays a critical role in the development of enterprise plans and customer outreach; organizations often rely on traveling salespeople and executives to grow revenue and expand the business. In 2009, enterprises were faced with a plague of economically-driven restrictions; many travel budgets were slashed and cost containment efforts were top-of-mind for many corporate executives.

2010 sees T&E expense management enter a state of strategic importance and total enterprise value. Budget restrictions are waning, and in the midst of recovery is the mode of thinking that strategic expense management is a vital component in achieving business goals. The majority of organizations in this study view expense management as a mid-level strategic function, one that can drive additional value to the overall organization.

To effectively spark a meaningful performance advantage and utilize expense management as a strategic internal capability, enterprises must reshape internal thinking towards expense management and priorities to balance real-time visibility into T&E spending with priority on improving existing expense-processing operations. Enterprises can further streamline expense management processes by integrating automated solutions with existing corporate systems (such as corporate cards and financial systems) to transform expense management into a holistic process.

The advent of end-to-end and other expense management automation solutions, in conjunction with a strategic outlook on the T&E category, can shift this function into a new era in 2010, progressing the notion of expense management as an enterprise process that transforms cost containment and travel policy compliance into uninhibited value.

Appendix A: Research Methodology

Between January and February 2010, Aberdeen examined the use, the experiences, and the intentions of more than 175 enterprises using expense management in a diverse set of enterprises.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on expense management strategies, experiences, and results.

Responding enterprises included the following:

- *Job title:* The research sample included respondents with the following job titles: Manager (30%); Director (27%); C-Level (16%); Vice President (10%); and others.
- *Department / function:* The research sample included respondents from the following departments or functions: procurement / supply chain (38%); finance (21%); business development (11%); corporate management (10%); travel (6%); and others.
- *Industry:* The research sample included respondents from the following industries: financial / accounting services (14%); manufacturing (10%); energy / utilities (8%); retail (8%); and 25 others..
- *Geography:* The majority of respondents (63%) were from North America. Remaining respondents were from Europe (22%); Asia-Pacific (12%); and Middle East / Africa (4%).
- *Company size:* Thirty-nine percent (39%) of respondents were from large enterprises (annual revenues above US \$1 billion); 34% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 27% of respondents were from small businesses (annual revenues of \$50 million or less).
- *Headcount:* Sixty-two percent (62%) of respondents were from large enterprises (headcount greater than 1,000 employees); 21% were from midsize enterprises (headcount between 100 and 999 employees); and 17% of respondents were from small businesses (headcount between 1 and 99 employees).

Study Focus

Responding executives completed an online survey that included questions designed to determine the following:

- √ The degree to which expense management is deployed in their retail operations and the financial implications of the technology
- √ The structure and effectiveness of existing expense management implementations
- √ Current and planned use of expense management to aid operational and promotional activities
- √ The benefits, if any, that have been derived from expense management initiatives

The study aimed to identify emerging best practices for expense management, and to provide a framework by which readers could assess their own management capabilities.

Table 4: The PACE Framework Key

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p>Pressures — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p>Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p>Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p>Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, February 2010

Table 5: The Competitive Framework Key

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p>Best-in-Class (20%) — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p>Industry Average (50%) — Practices that represent the average or norm, and result in average industry performance.</p> <p>Laggards (30%) — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p>Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p>Organization — How is your company currently organized to manage and optimize this particular process?</p> <p>Knowledge — What visibility do you have into key data and intelligence required to manage this process?</p> <p>Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p>Performance — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, February 2010

Table 6: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, February 2010

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [*Travel and Entertainment Expense Management Automation: Reduce Costs, Improve Control*](#); June 2009
- [*The CFO's View of Procurement: Work in Progress*](#); November 2009
- [*Savings Road Trip: Travel and Procurement Collaboration*](#); February 2009
- [*Managing the T&E Lifecycle: Integrating Processes to Drive Performance*](#); September 2008
- [*T&E Expense Management: Leveraging Data to Drive Performance*](#); April, 2008
- [*Travel and Procurement: The Convergence*](#); October 2007
- [*Expense Management Automation: Process Efficiency, Greater Visibility*](#); February 2007

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

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Since 1988, Aberdeen's research has been helping corporations worldwide become Best-in-Class. Having benchmarked the performance of more than 644,000 companies, Aberdeen is uniquely positioned to provide organizations with the facts that matter — the facts that enable companies to get ahead and drive results. That's why our research is relied on by more than 2.2 million readers in over 40 countries, 90% of the Fortune 1,000, and 93% of the Technology 500.

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