

# Taking Control of T&E Expenses

*How best-in-class companies are cutting waste and controlling spending.*

THE AVERAGE ENTERPRISE spends millions of dollars annually on travel and entertainment (T&E). Companies are increasingly paying greater attention to their expense management programs, especially as economic conditions tighten worldwide. Today's enterprises must assure that tight control is maintained while also improving financial reporting to meet regulatory and internal audit requirements.

New technologies and best practices are helping best-in-class companies take their expense management strategies to a new level and use T&E expense data to improve overall performance. According to AberdeenGroup's recently released report, "T&E Expense Management: Leveraging Data to Drive

Performance," best-in-class enterprises are focusing on managing their T&E policies and processes by effectively blending technology and strategy.

## Where Is T&E Spend Heading?

T&E expenditures are rising due to increased globalization and need for worldwide travel, as well as inflationary pressures. According to AberdeenGroup's report, companies averaged about \$12 million of spend in 2007, and 80 percent of enterprises indicated that their T&E spend has increased over the past year, resulting in a 14 percent change on average. Rising costs are the number-one factor influencing companies to improve their T&E management practices and systems, according to AberdeenGroup.

## Automation Reduces Costs, Enhances Compliance

Automating expense management processes allows enterprises to improve visibility, lower costs, and positively impact productivity. AberdeenGroup's research indicates that only approximately one-third of companies are fully automated. Close to 50 percent of the companies surveyed are still compiling reports from Microsoft Excel, Access, or other paper-based or home-grown data systems. The magnitude of the issue is substantial considering that millions of dollars of corporate spend are at stake.

Access to T&E data has proven to be a significant hurdle in achieving cost control and compliance for many companies. Compliance is a critical challenge and can be linked to data access

issues; i.e., you can't control what you can't see. But it is also important to note that a more strategic focus on integrating different T&E functions is underway. For example, many companies indicate that they have difficulty aligning travel booking with expense reports to get a true picture of costs and spending trends.

The key to success for most companies is to formally establish T&E policies and processes. While compliance is a critical measurement of success for T&E management and leads to the ability to drive savings and efficiencies, companies must support these efforts with the proper policies, processes and technology solutions to manage their T&E expenses.

Centralized management of T&E expenses supports better enforcement of compliance in that it allows companies to more effectively monitor the execution of the different activities involved in T&E management. Tactically, the various activities in the T&E expense management process tend to be managed on a day-to-day basis by different departments, such as finance, procurement, and corporate travel groups. It is therefore especially critical to employ a management and oversight structure to unify the leadership and activity around the different T&E processes.

## Achieving Best-in-Class Performance

To achieve best-in-class performance in their T&E expense management programs, AberdeenGroup recommends that companies take the following steps:

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- **Centralize the management** of T&E programs
- **Secure an executive sponsor** for travel management
- **Regularly communicate and educate employees** on corporate T&E policies and process
- **Use direct deposit** for all employee reimbursements
- **Improve utilization** of corporate cards
- **Leverage T&E expense and travel data** for compliance
- **Strategically source T&E categories**
- **Provide flexibility for end-users** that need online, on-demand, and offline access

By following these recommendations, companies will have more access to data and information. This will allow them to establish another best practice: more regular reviews and audits of their expense reports.

### Case Study: AstraZeneca Pharmaceuticals

AstraZeneca Pharmaceuticals LP, one of the world's top pharmaceutical firms, is committed to using its expense management system to drive organizational performance. Michael R. Herubin, expense reimbursement manager for AstraZeneca, has led a T&E expense initiative at the company for the past eight years. Herubin is responsible for more than 12,000 expense report users submitting over 170,000 reports annually.

"We feel that we have the three R's in place: the right strategy, the right people and tools, and the right management support to enable us to better manage our T&E spend," he says. "Our travel group is under global leadership, but we're segregated to three regions throughout the company. So, our global travel organization will work with the regional areas and develop a baseline travel policy that we will use as the fundamental building block. And in each region, we will

have an addendum to that base policy to support any unique regional needs."

AstraZeneca uses American Express corporate cards with an impressive 92 percent utilization rate, along with an expense management system from Infor. The winning combination has allowed the company

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to reduce processing costs, enforce policy, easily audit receipts and expenses, and produce detailed reports. An American Express online booking tool automatically charges travel to the corporate cards, which feed directly into the expense reporting system.

"Our travel spend in the U.S. last year was over \$60 million," says Herubin. "After payroll, T&E expense is the largest area of controllable spend for most companies. If you don't manage it correctly, you are going to lose control of expenses and risk non-compliance. It is just going to cost you money."

The foundation of AstraZeneca's T&E management is a formal, standardized policy across the organization. "We basically have one policy that dictates what everybody in the organization is going to do," says Herubin. "We continually educate employees about policy and communicate the importance of compliance."

Once policies are in place, companies can begin to utilize other strategies to manage their T&E spend, he says. "We have a list of preferred suppliers that we strategically

source to help us with our travel. Every year we look at who we use for air travel and motels and continually tweak the list to get the best deals."

The Infor expense management solution also provides the ability to audit expense reports. "We capture our expense reports electronically, which is great because it puts the receipts at a manager's fingertips in case they need to look at them," says Herubin. "I always say that the best safeguard against fraud is the fear of getting caught, so this is a great tool to have. The system also enables us to report and do a lot of data mining and slicing and dicing of data, which is essential if you are going to try for a high rate of compliance. We do a lot of back-end reporting using the Infor tool that helps us make sure people are staying in compliance."

Herubin points out that by using corporate cards in conjunction with a T&E management application, expense report fields are pre-populated with data from the card feed, saving time and reducing the potential for human error. "The user doesn't have to input that data, so that's less steps for them, and we know the numbers are correct," he observes. "It is also easier to populate expense reports because you have automatic drop downs to look up project codes or cost centers. It's a very efficient tool."

### About Infor

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