Expense Management for a New Decade

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Executive Summary

Expense management has reached a pinnacle of strategic importance and criticality as companies continue to rely on global business travel to bolster their bottom-line growth, improve supplier and customer relationships, and compete within a worldwide marketplace. Our research for this report has found that 41% of organizations perceive expense management as a function that is just as critical as other internal departments. Another 39% saw the function rise in prominence over the last year. With nearly 7% of the average company's budget allocated to corporate business travel, companies will leverage a robust array of new approaches, strategies and solutions to advance the management of business travel expenses and drive true value out of this classic set of corporate processes.

Best-in-Class Performance

This 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: compliance to corporate policies concerning Travel and Entertainment (T&E); and the 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:

- 83% lower expense-processing costs than all other companies
- 43% higher rate of corporate travel policy compliance

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics, including:

- 40% higher likelihood to utilize expense management solutions
- 35% higher likelihood to report regularly on policy compliance

Required Actions

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

- Turn to new technology solutions, such as cloud-based expense management and mobile expense management applications, to support greater program initiatives
- Leverage expense data analytics / reporting to budget, forecast and plan for the future
- Integrate corporate card solutions with existing expense management systems

How Does Your Performance Compare to the Best-in-Class?

- Compare your processes
- Receive a free, personal PDF scorecard
- Benefit from custom recommendations to improve your performance, based on the research

Take the Assessment

Receive Your Free Scorecard

"For our company, expense management efficiency is one of our overall corporate objectives."

~ VP of Procurement, North American Insurance Enterprise

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Chapter One:
Benchmarking the Best-in-Class

Corporate business travel has been a long-term necessity in the greater scheme of organizational growth. Business travel is linked to effective customer development, supplier relationships and maintaining a corporate presence on the global stage. In fact, expenses related to Travel and Entertainment (T&E) comprise over 7% of the average company's overall budget, forcing enterprises across the world to manage these expenses in a manner that is consistent with bottom-line growth. It is with this notion in mind that companies continue their strategic approach towards expense management as we move into a new decade, leveraging new strategies and new solutions to drive value out of their expense management programs.

Business Context

The February 2010 *State of Expense Management* study found that companies were beginning to think strategically in regards to their expense management processes. That mindset has galloped into fruition as companies in 2011 indicate that expense management has become just as critical as other internal functions within the greater organization (Figure 1).

Figure 1: Criticality of Expense Management over the Past 12 Months

- Dropped lower in criticality
- Moderate criticality
- Risen in prominence
- Just as critical as other internal functions
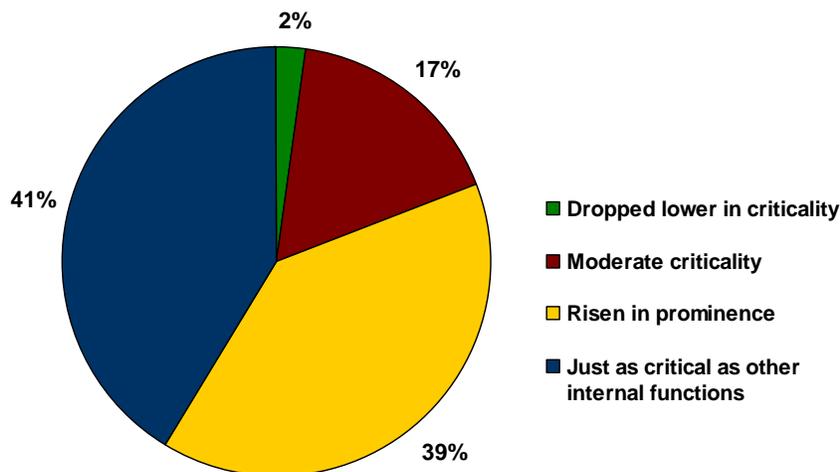
Source: Aberdeen Group, February 2011

The thoughts and ideas presented last year have been fully realized: expense management can now join the ranks of strategic sourcing, operations, sales, and finance as a powerful horse in the race for corporate growth and performance. Forty-one percent (41%) of organization see expense management as a critical internal function, with another nearly 40% tracking this function's rise in prominence over the last 12 months.

Fast Facts

√ 7% of the average company's budget is spent on expenses related to travel and entertainment

√ 41% of companies believe expense management is just as critical a function as other programs within the organization

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Expense management, when managed in a strategic and efficient manner, has significant cost and operational benefits that can be perceived as high-value in the greater scope of organizational objectives. Every organization experiences a wide range of business travelers, all spanning the globe with corporate development in mind via customer meetings, industry events and relevant conferences. On the back-end of this quest are the processes and functions to manage the related travel and entertainment expenses that support this corporate growth. Strategic and efficient management of expenses, including streamlined methods of expense-processing, approvals and reimbursement, can help drive down the costs of processing expenses and help improve employee satisfaction.
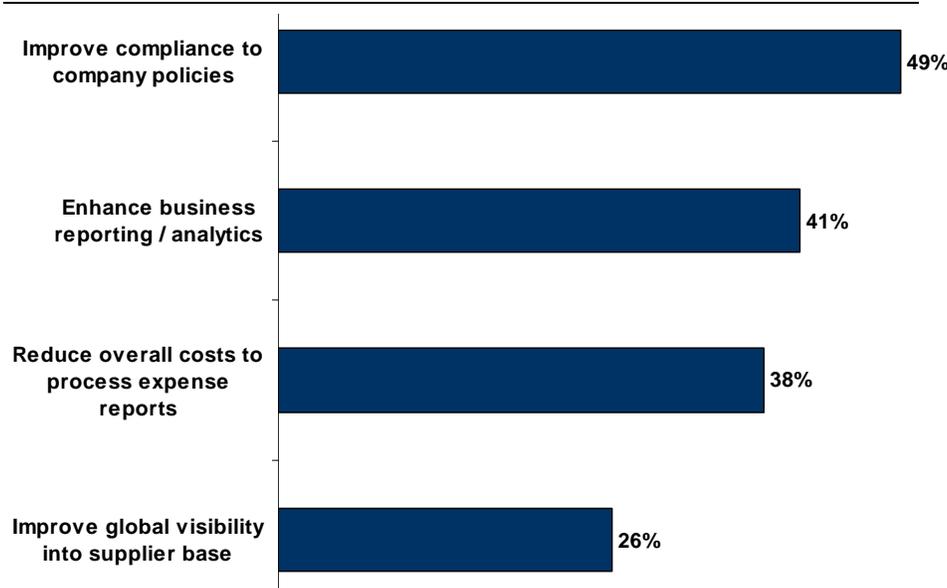
Pressures: Compliance and Analytics Enhancement

Compliance is often considered a keystone in many procurement, finance and sourcing-related ventures and programs. In the expense management arena, compliance to corporate policies concerning T&E can help keep costs for travel at a manageable pace by having business travelers adhere to pre-negotiated agreements with major travel suppliers, such as airlines, hotels and car rental firms. It is no shock, then, to see that the improvement of compliance to company policies (49%) is the top pressure faced by companies within their expense management programs (Figure 2).

"Expense management is an inclusive part of our internal business processes and metrics; we are currently restructuring and formalizing [this function] across our enterprise."

~ Director of Operations, North American Distributor

Figure 2: Top Expense Management Pressures

Improve compliance to company policies — 49%
Enhance business reporting / analytics — 41%
Reduce overall costs to process expense reports — 38%
Improve global visibility into supplier base — 26%

Source: Aberdeen Group, February 2011

With a new decade of expense management comes a fresh approach to this complex arena of corporate spending, and the second-most reported pressure, the enhancement of business reporting and analytics (41%), proves that in order to *think* strategically about expense management, companies must have visibility into expense data in order to *act* strategically. Proactive

budgeting, planning and forecasting via data reporting and analytics allows organizations to gain intelligence on expense spending and utilize that information to not only augment efforts within this function, but also align expense management strategies with greater organizational goals and objectives.

The Maturity Class Framework

Aberdeen used the following two key performance metrics to distinguish the Best-in-Class from Industry Average and Laggard organizations: compliance to corporate policies concerning T&E, and the cost to process a single expense report (including costs for processes regarding accounting, auditing, report / review / approval time, etc.).

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	▪ 87% compliance to corporate policies concerning Travel and Entertainment (T&E) ▪ $7.17 cost to process a single expense report
Industry Average: **Middle 50%** of aggregate performance scorers	▪ 77% compliance to corporate policies concerning Travel and Entertainment (T&E) ▪ $29.38 cost to process a single expense report
Laggard: **Bottom 30%** of aggregate performance scorers	▪ 50% compliance to corporate policies concerning Travel and Entertainment (T&E) ▪ $41.12 cost to process a single expense report

Source: Aberdeen Group, February 2011

Best-in-Class expense management dictates superior performance on two major fronts: compliance to corporate policies and expense-processing cost, as both key metrics have a direct link to operational growth and performance. With thousands of expense reports processed each month by the average organization, even a small reduction of just a few dollars per expense report can deliver serious cost containment results.

Corporate travel policy compliance presents the modern organization with a consistent battle; business travelers must adhere to travel, lodging and meal guidelines in order for the greater company to stay on budget. However, as indicated in Table 1, enterprises in the Industry Average (77%) and Laggard (50%) maturity classes are actively falling behind in the compliance game by failing to successfully enforce their corporate travel policies and allowing business travelers to wreak financial havoc while on the road.

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The Best-in-Class PACE Model

The effective resolution of the three-tiered set of pressures (compliance, cost, and visibility) of proper expense management dictates the necessary strategies, internal capabilities, technology enablers and solutions as detailed in the Best-in-Class PACE Framework in Table 2.

Table 2: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
▪ Improve compliance, cost and visibility issues regarding corporate expenses	▪ Automate key portions of the modern expense management program ▪ Create and enforce corporate travel policies	▪ Real-time visibility into expense spending against budgets ▪ Ability to identify savings opportunities in expense spend data ▪ Real-time data analytics and reporting ▪ Executive support for initiatives to improve expense management	▪ End-to-end expense management solutions (on-premise and cloud-based) ▪ Mobile expense management applications ▪ Automated expense auditing ▪ Automated data analytics and reporting tool (business intelligence) ▪ Corporate card (and expense management / corporate card integration) ▪ Online travel-booking system ▪ Integrated travel and expense management automation

Source: Aberdeen Group, February 2011

Best-in-Class Strategies: Automation, Enforcement and Alignment

The next decade of expense management requires a multi-pronged approach to effectively drive down expense-processing costs and improve compliance to corporate policies concerning T&E. Best-in-Class companies have elicited the advantages of three major strategies in their pursuit of efficient expense management (Figure 3).

Figure 3: Best-in-Class Expense Management Strategies

Source: Aberdeen Group, February 2011
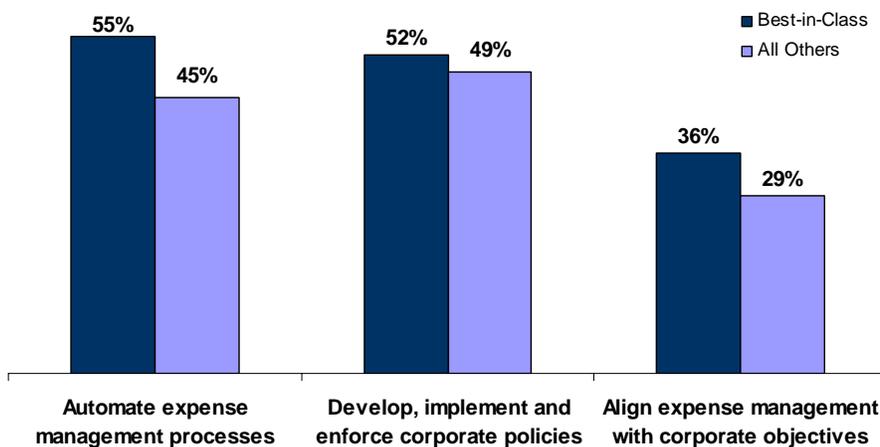
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The automation of expense management processes (55%) is the proper first step of the Best-in-Class expense management program. Automation can deliver a set of quick and repeatable processes to not only streamline the expense-processing cycle (creation, submission, approval and reimbursement), but also provide the greater organization with the necessary features and functionalities to supplement future programmatic planning with expense data and spend intelligence.

Best-in-Class companies are actively developing, implementing and enforcing corporate travel policies (52%), a strategic set of actions that allows them to push business travelers towards adhering to company agreements with major airlines and hotels, as well as reasonable costs for meals while on the road.

Top-performing organizations have also aligned expense management with overall corporate objectives (36%), a page taken directly from the playbook of the Chief Procurement Officer (*The CPO's Agenda for a New Decade*, September 2010). With expense management entering a new decade as a critical internal function it is only appropriate that the main goals of this program are aligned with those of the greater organization to fully maximize the value and benefits of effective expense management.

Aberdeen Insights — Strategy: Expense-Auditing

Travel policy compliance is the top concern in enterprises today in managing their array of business travel expenses. Expense-auditing is a major tool for identifying instances of non-compliant expenses and employee-driven expense fraud. Aberdeen research has found that, on average, only 30% of all expenses are audited on a regular basis at the typical organization, leaving a vast majority of expenses to be reimbursed and paid without a deep-dive into their details.

Best-in-Class companies are 44% more likely than all other organizations to institute a formal expense-auditing team, a factor which surely contributes to their superior level of travel policy compliance. A formal expense-auditing team can exhibit the following capabilities and distinctions:

- Regular reports on exemptions
- Follow-up and investigation of non-compliant and fraud-related issues
- Verification and auditing of receipts
- Ensuring proper tax classifications for all expenses

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Chapter Two:
Benchmarking Requirements for Success

Expense management propulsion into the corporate strategic arena has resulted in a new wave of programmatic approaches in managing this complex spend category. Modern organizations now have a battalion of viable options at their disposal, including mobile expense management applications, on-premise and cloud-based end-to-end expense management solutions, and the utilization of robust data analytics and reporting functionalities. Combined, these capabilities and technologies can help companies effectively manage their corporate expenses and continue to drive value out of the expense management function for years to come.

Case Study — Expense Management Transformation

U.S. Foodservice is a large North American-based foodservice distributor that, over the last three years, has undergone an expense management transformation. In early 2008, all of their expense management processes (expense creation, submission, approval, auditing and reimbursement) were manual and paper-based, resulting in a six-to-eight week period between expense submission and reimbursement. After rolling out a travel-booking solution in 2008 and an expense management solution in 2009, the company immediately began to see benefits.

"More employees were using the automated travel-booking system," said Jennifer Steinke, Manager of Corporate Travel and Expense, stating that they were successfully be able to reduce their expense-processing cycle time to less than 10 days. "We were able to reduce costs as more employees utilized the system, as well as executing a more efficient expense-auditing process." The company was also able to reduce headcount in the travel and expense division and realign those FTEs to other accounting functions.

One aspect of the expense management transformation is the company's newfound reliance on mobile expense management applications. "We realized that many of our employees were active with their mobile devices and smartphones," said Steinke. "The simplest and easiest thing to do was roll out the mobile expense management application. We said, 'Here's a tool you can use that's part of the overall managed program.'" Employees are able to digitally attach receipts to expense reports and manage their itineraries, while managers can easily view and approve expenses while on the road.

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)

Fast Facts

√ Best-in-Class companies are 78% more likely than all other organizations to leverage mobile expense management applications

√ Best-in-Class organizations are 40% more likely than all other enterprises to utilize expense management solutions

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	Documented path of approval for expenses		
	88%	79%	62%
	Documented processes for submission of expense reports		
	86%	73%	67%
Organization	Collaborative development of corporate travel policies		
	52%	40%	38%
Knowledge	Visibility into aggregate T&E spending across the company		
	61%	41%	30%
	Regular reporting on expense spending by category		
	57%	49%	40%
Technology	Expense management technology solutions / tools in place:		
	▪ 87% expense management solution (on-premise and cloud-based) ▪ 86% automated expense reimbursement ▪ 70% commercial card / expense management integration ▪ 57% automated data analytics ▪ 25% mobile expense management application	▪ 62% expense management solution (on-premise and cloud-based) ▪ 68% automated expense reimbursement ▪ 54% commercial card / expense management integration ▪ 37% automated data analytics ▪ 7% mobile expense management application	▪ 42% expense management solution (on-premise and cloud-based) ▪ 64% automated expense reimbursement ▪ 50% commercial card / expense management integration ▪ 29% automated data analytics ▪ 4% mobile expense management application
Performance	Expense management performance-tracking capabilities:		
	▪ 74% regular audits of expense reports ▪ 45% regular reporting on policy compliance	▪ 58% regular audits of expense reports ▪ 30% regular reporting on policy compliance	▪ 44% regular audits of expense reports ▪ 29% regular reporting on policy compliance

Source: Aberdeen Group, February 2011

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Capabilities and Enablers

Based on the Competitive Framework in Table 3, Aberdeen has discovered that Best-in-Class companies have exhibited a wide range of process, organizational, knowledge management and performance management capabilities within their respective expense management programs. These top-performing companies have also leveraged specific technology solutions and enablers to enhance the processes within their expense management programs.

Process Management: Paths of Submission and Approval

Much like the initial stages of the accounts payable process (invoice receipt and approval workflow), the preliminary phases of the expense management process are integral components that push a single expense report through the expense management system in an efficient and timely manner. Documented processes for submission and documented paths of approval for expenses ensure that reports are created and submitted correctly and are viewed and approved by the proper managers and directors. Best-in-Class enterprises are nearly 20% more likely than all other organizations to have these process capabilities in place.

Organizational Management: Collaborative Policy Development

Collaboration has risen as a top strategy in the procurement arena, as the free-sharing of information between key stakeholders is crucial in gaining intelligence on internal processes and procedures and how they are linked to organizational growth. In the expense management world, collaborative development of corporate travel policies (in place at 26% more Best-in-Class companies than all others) ensures that each business department (sales, finance, operations, HR, etc.) is aware of the guidelines and measures of travel policies and are able to communicate these policies to their respective employees.

Knowledge Management: Visibility and Reporting

Visibility has long been heralded by Aberdeen Group research as a core competency for organizations executing efficient spend management. Visibility into aggregate T&E and expense spending presents executives and other key stakeholders with the necessary view into all spending on expenses across the organization, and in some cases this allows near real-time access to spending against existing budgets. Best-in-Class companies are 38% more likely than all other organizations to have this capability in place.

Regular reporting on expense spending by category can assist companies in gaining intelligence over which specific areas (airfare, lodging, transportation, etc.) of business travel are in need of consolidation. This knowledge management capability also aids the sourcing team in narrowing a list of major suppliers that are in need of new negotiations as a means of driving

savings on major areas of travel and expense spending. Top-performing enterprises are 20% more likely than all others to regularly report on expense spending by category.
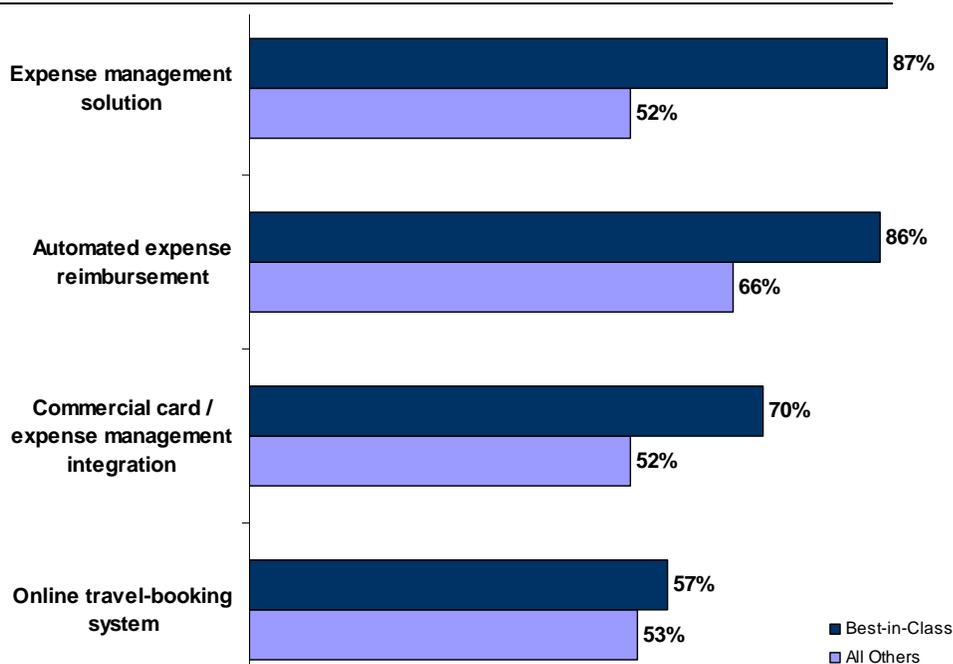
Performance Management: Compliance-Tracking

Compliance has become the top concern in the organizational pursuit of effective expense management. Regular reporting on travel policy compliance, in place in 35% more Best-in-Class companies than all other organizations, ensures that all expenses are in line with pre-communicated travel guidelines and policies. Regular reporting can identify instances of non-compliant travel and help curb this negative behavior in future instances.

Top-performing organizations are also conducting regular audits of expense reports to pinpoint areas of non-compliance, flag expenses for potential fraud, and ensure that all corporate expenses meet the proper tax requirements. Best-in-Class organizations are 31% more likely than all others to have this performance management capability in place.

Technology Utilization

Best-in-Class companies have supplemented their expense management programs with the utilization of key technology solutions, as indicated in Figure 4.

Figure 4: Best-in-Class Technology Utilization

Category	Best-in-Class	All Others
Expense management solution	87%	52%
Automated expense reimbursement	86%	66%
Commercial card / expense management integration	70%	52%
Online travel-booking system	57%	53%

Source: Aberdeen Group, February 2011

Best-in-Class companies have readily-leveraged expense management technology enablers to support their overall expense management efforts:

- Expense management solutions automate the end-to-end processes of expense management, from online travel-booking to expense report creation, submission, approval and reimbursement. These solutions have helped companies reduce their expense-processing costs by over 46% and have contributed to a 15% higher rate of policy compliance than companies not currently utilizing an expense management solution. Best-in-Class companies are 40% more likely than all other enterprises to leverage expense management solutions.

- Expense reimbursement is one of the final few phases of the modern expense management process. After approval of an expense, it is then scheduled for reimbursement to the employee. Automated expense reimbursement quickens this phase and allows for higher employee satisfaction due to a faster payment on business expenses. Best-in-Class companies are 23% more likely than all others to automate this step of expense management.

- Corporate card and expense management integration is a relatively newer strategy utilized by companies to institute a truly holistic expense management process by streamlining the entire expense-to-reimbursement cycle. Working in unison, these two systems present the enterprise with an automated system that can drive down expense-processing costs, reimbursement lengths and provide global visibility into expense spending. Best-in-Class enterprises are 26% more likely than their peers to leverage corporate card and expense management integration. (An expanded discussion of this system is included at the end of this chapter.)

> "Our organization prefers cloud-based expense management technology, mainly due to the lower costs associated with this type of solution and the easy accessibility."
>
> ~ Procurement Director, Large North American Company

New Decade, New Approach, New Solutions

Internal business functions change in scope and criticality as the years go by, forcing executives and corporate personnel to identify the necessary strategies and solutions managing these processes in an effort to continuously drive business value. Expense management for a new decade translates into a similar scenario, and companies across the globe are looking to a swath of new approaches and solutions to manage their business expenses.

Cloud Expense Management

In a momentum shift towards on-demand technology, "the cloud" has now enveloped the spend management world, presenting stability and real-time access to information. Best-in-Class companies are nearly 40% more likely than all other companies to leverage cloud-based expense management solutions. Organizations that have leveraged cloud expense management technology have experienced:
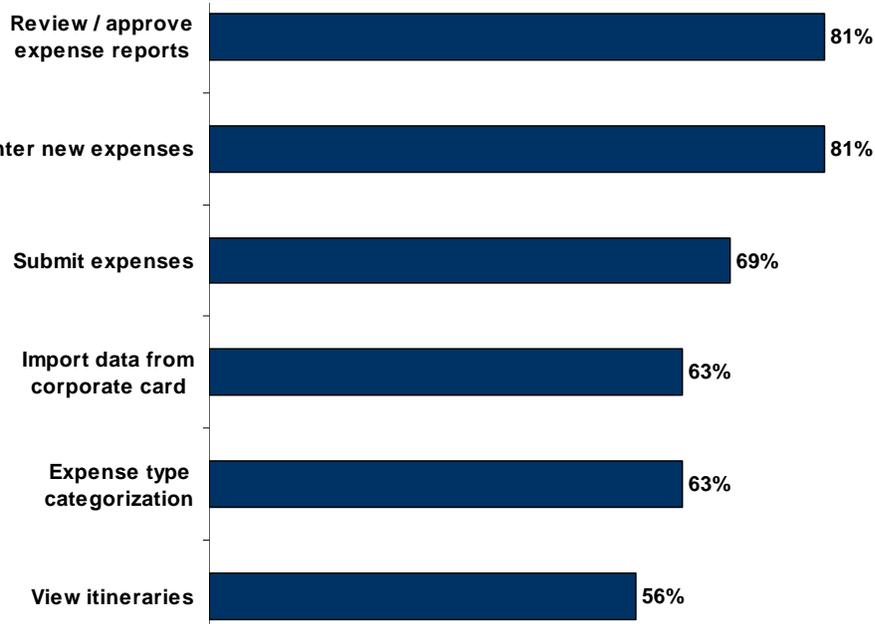
- 50% lower expense-processing costs than companies not currently leveraging cloud-based expense management solutions

- 28% lower in expense approval times

- 27% lower employee expense report creation times

Cloud expense management offers a single engine for all expense management activity, including expense creation, submission, approval and reimbursement, and presents these processes in an on-demand setting, allowing for all approving managers / directors to access the system to not only push along expenses in the workflow, but also extract and analyze expense data at will for detailed reports into budgets and spending.

Mobile Expense Management

Smartphones are a common tool for the modern employee for both business and personal use. A fresh approach to expense management puts control in the hands of the traveling businessperson, and mobile expense management applications (via smartphones) allow a traveler all of the functionalities of their company's expense management solution at their fingertips. Figure 5 details the expense management aspects that are currently managed via mobile applications.

Figure 5: Aspects Managed Via Mobile Expense Management Applications

Aspect	Percentage
Review / approve expense reports	81%
Enter new expenses	81%
Submit expenses	69%
Import data from corporate card	63%
Expense type categorization	63%
View itineraries	56%

Source: Aberdeen Group, February 2011

"Mobile expense management technology is used in the approval process of our program to speed up expense report approvals."

~ CEO, Small Asia / Pacific Enterprise
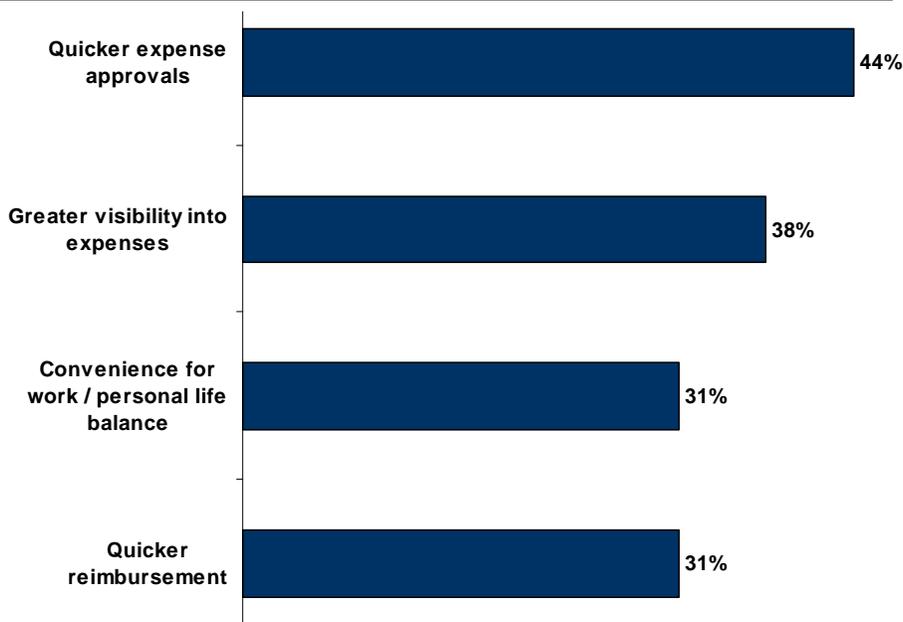
Mobile expense management applications allow executives to review / approve expenses (81%), as well as allow business travelers to enter new expenses (81%), submit reports (69%), and view itineraries (56%), all while

on the road, boosting productivity and creating efficiencies within the greater expense management program. Best-in-Class companies are 78% more likely than all other organizations to leverage mobile expense management applications. Users of mobile expense management applications have reduced their expense-processing costs by 65% and reimbursed expenses at a 40% rate than companies not currently leveraging mobile expense management applications. Figure 6 details the additional benefits of utilizing these mobile applications.

**Figure 6: Benefits of Mobile Expense Management Applications**

Source: Aberdeen Group, February 2011

Mobile expense management applications bring a multi-tiered advantage to the organization, such as quicker expense report approvals (44%), greater visibility into expenses (38%) and quicker reimbursements (31%). Convenience (31%) is a soft performance advantage that speaks to the user-friendly ability of mobile solutions and the simplification of expense management.

Data Analytics and Reporting

Data analytics and reporting have long been a critical component of the procurement and sourcing world; the advent of such tools as spend analysis and business intelligence have given corporate leaders real-time access to detailed spend management information as a means of filling the sourcing pipeline and identifying savings opportunities. Strategic expense management in a new decade dictates that organizations enhance their data analytics capabilities to gain intelligence on expense spending and accurately plan for the future (Figure 7).

Figure 7: Expense Management Data Analytics and Business Intelligence Aspects
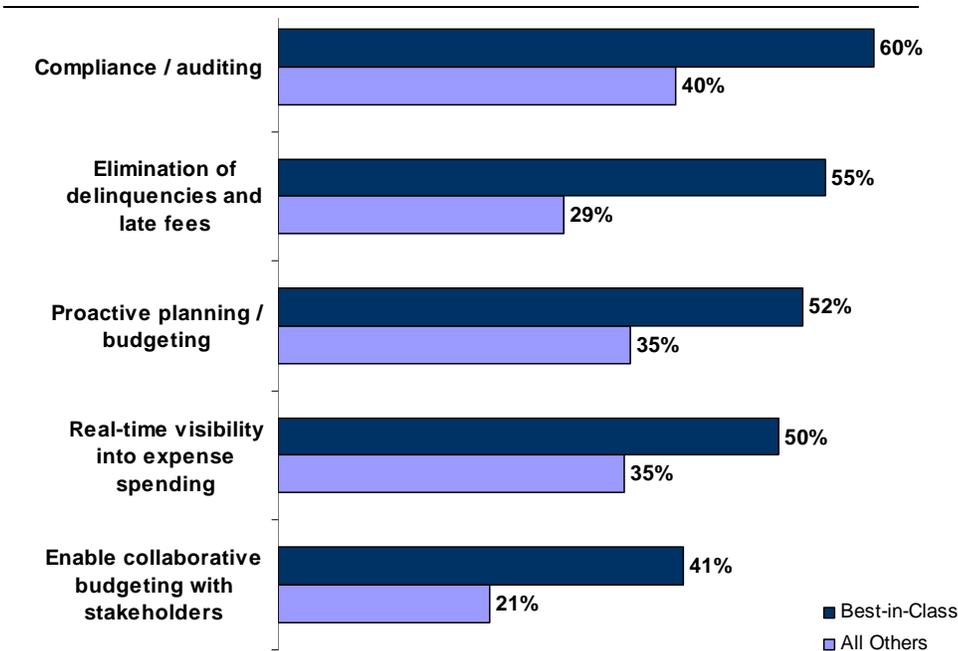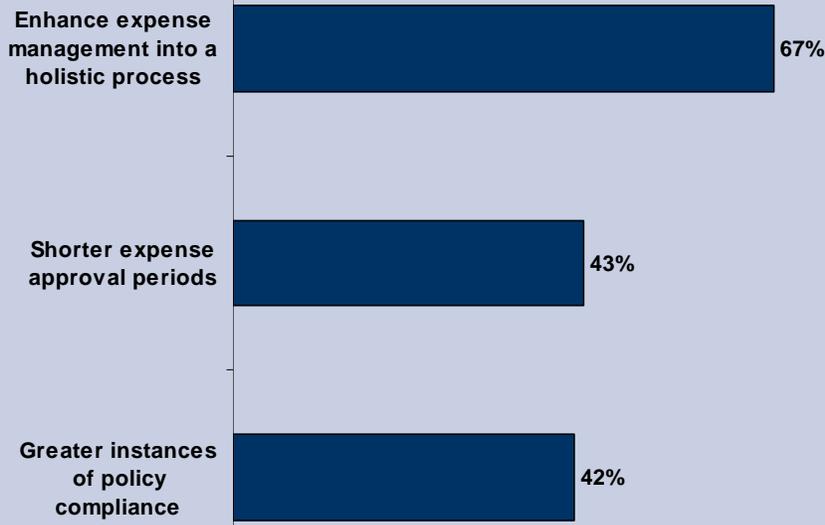

Source: Aberdeen Group, February 2011

Best-in-Class companies are enhancing their expense management programs with analytics capabilities for compliance and auditing (60%) and eliminating late fees (55%). However, it is the proactive planning / budgeting (52%) and collaborative budgeting (41%) aspects that speak to the strategic value of expense management. Data analytics to plan and budget for the future support the criticality of the expense management function; Best-in-Class companies have utilized expense data analysis and business intelligence capabilities to identify historical budget overflows, instances of non-compliance, and opportunities for savings and consolidation with key suppliers. Travel budgets are often sensitive in nature, and real-time visibility into current expenses against budget puts the CFO (and other key executives) in a prime position to effectively plan for the future.

Aberdeen Insights — Technology: Integration

Strategic expense management necessitates a holistic, end-to-end process for all business travel expenses. Corporate card and expense management integration presents the modern organization with two systems that can transform expense management into a truly streamlined process by allowing system users to pre-populate their expense reports, complete expenses in a quicker manner, and be reimbursed faster than direct deposit or by paper checks. Figure 8 details the percentage of respondents that have benefitted from leveraging an integrated corporate card and expense management system.

Figure 8: Percentage of Companies that have Benefitted from Corporate Card / Expense Management Integration

Category	Percentage
Enhance expense management into a holistic process	67%
Shorter expense approval periods	43%
Greater instances of policy compliance	42%

Source: Aberdeen Group, February 2011

In addition to the holistic expense management transformation (67%, Figure 1) and shorter approval periods (43%), corporate card and expense management integration have also resulted in greater instances of travel policy compliance (42%).

Chapter Three:
Required Actions

Expense management has been catapulted into a strategic realm, and in a new decade that necessitates robust capabilities and efficient processes, companies must follow the Best-in-Class lead and look to the recommendations below for action to drive true value out of their expense management programs.

Laggard Steps to Success

- **Develop visibility into T&E expense spending**. Visibility is often considered a cornerstone for current intelligence and future planning and forecasting. Laggard companies should develop procedures to gain visibility into their expense spending and utilize that information in the proactive planning. Best-in-Class companies are nearly 50% more likely than Laggards to have this competency in place.

- **Report regularly on travel policy compliance**. Corporate policy compliance is the true measure of the efficiency of a company's expense management program; instances of non-compliant travel can have dire effects on business travel costs. Laggard companies must regularly report on this metric to avoid the financial detriments that arise with non-compliant travel, lodging and meals. Top-performers are 36% more likely than Laggards to report regularly on travel policy compliance.

- **Conduct regular reports on expense spending by specific category**. Strategic expense management requires intricate knowledge of the arena, and regular reporting on expense spending by category (airfare, lodging, meals, etc.) can help the sourcing team spur negotiations with key suppliers and drive cost savings around the T&E category. This aspect can also give the C-level suite a deep view into where significant dollars are spent on business travel. Best-in-Class companies are nearly 30% more likely than Laggards to conduct this type of reporting.

Industry Average Steps to Success

- **Leverage mobile expense management applications to support greater expense management initiatives**. Mobile expense management puts power in the hands of business travelers and allows them to create and submit expenses while on the road. Executives can also peer into their current expenses and approve reports that are awaiting review. Best-in-Class companies are 72% more likely to leverage these mobile applications than Industry Average organizations.

- **Execute proactive budgeting and planning for the expense management category**. A new era of expense management calls for high-priority attention on data analytics and reporting around the expense category. Executives must dig deep into their expense data as a means of budgeting and planning for the future; this aspect can help improve financial forecasts and give organizational leaders a clear view into this significant portion of the corporate budget. Top-performers are 25% more likely than Industry Average organizations to include this analytical capability within their expense management programs.

- **Utilize cloud-based expense management solutions to streamline the end-to-end processes within the expense management function**. Cloud technology has made its way into the expense management arena and Best-in-Class companies (40% higher usage than Industry Average organizations) are actively utilizing these on-demand solutions to cut expense-processing costs, improve compliance to corporate travel policies, and speed up approval processes. Cloud expense management solutions also enable a variety of data analytics and reporting tools and can assist in bringing efficient expense management into the new decade.

Best-in-Class Steps to Success

- **Benchmark expense spending against industry / sector peers**. Only 17% of Best-in-Class companies are currently undertaking this type of benchmarking. To enhance overall expense management intelligence, top-performing organizations should benchmark their specific levels of expense spending (airfare, lodging, meals, etc.) against similar organizations to identify areas of overspending or waste.

- **Subject expense data to deep analytics in order to identify savings opportunities**. Although Best-in-Class companies are currently driving superior levels of performance across the scope of expense management (costs and compliance), there is still room for improvement in other arenas. Only 34% of Best-in-Class enterprises are currently performing deep analysis on their expense data to identify opportunities for savings. These top-performers should take an extra step during data analysis and identify areas of spend consolidation. This information can be leveraged by the strategic sourcing team to negotiate favorable deals with major airlines and hotels.

"We plan to increase the strategic value of the expense management process. Some within our organization don't understand the value of the process, and others understand and feel they are doing it. It is our goal to add increased value to our company from expense management."

~ EVP, Large Financial Services Firm

Aberdeen Insights — Summary

A new age of expense management comes with the newfound pressure to manage this complex category in an extremely efficient and strategic manner. With expense management now just as critical as other key internal functions, companies must not only continue their focus on managing corporate expenses but also leverage a range of new solutions and new approaches to drive true value out of the expense management category.

Data analytics and reporting must be a component of the modern expense management program; the intelligence gleaned from analytical efforts can assist in future forecasting, budgeting and planning and help give executives a sharp view into expense spending against existing budgets. This new approach fits well with the alignment of expense management with greater corporate objectives and ensures that program execs will leverage expense data reports to continually improve policy compliance (the top pressure faced by companies today).

New technology also plays a role in the new decade of expense management, with cloud-based expense management solutions and mobile expense management applications providing companies with robust program support to enhance data analytics, improve policy compliance, drive down expense-processing costs, and improve visibility into all expense spending. Cloud technology consolidates all expense activity into a single, on-demand platform and provides real-time access to valuable expense spend data. Mobile expense management applications have risen as a viable tool that puts expense management processes directly in the hands of business travelers while on the road.

Appendix A:
Research Methodology

Between January and February 2011, Aberdeen examined the use, the experiences, and the intentions of more than 175 enterprises in regards to their expense management programs, processes and strategies.

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: director (26%); manager (23%); C-level (14%); VP (10%); EVP / SVP (3%); and others.

- *Department / function:* The research sample included respondents from the following departments or functions: procurement, supply chain, or logistics (22%); finance (19%); IT (6%); corporate management (6%); operations (5%); marketing (3%); and others.

- *Industry:* The research sample included respondents from the following industries: financial services (14%); information technology (11%); utilities (9%); software (7%); computer equipment (4%); telecommunications (3%); manufacturing (3%); education (2%); and 25 others..

- *Geography:* The majority of respondents (67%) were from North America. Remaining respondents were from the EMEA (23%), Asia / Pacific (6%), and South / Central America (4%) regions.

- *Company size:* Thirty-four percent (34%) 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 32% of respondents were from small businesses (annual revenues of $50 million or less).

- *Headcount:* Fifty-four percent (54%) of respondents were from large enterprises (headcount greater than 1,000 employees); 23% were from midsize enterprises (headcount between 100 and 999 employees); and 23% 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
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: **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) **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) **Capabilities —** the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing) **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)

Source: Aberdeen Group, February 2011

Table 5: The Competitive Framework Key

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

Source: Aberdeen Group, February 2011

Table 6: Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
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.

Source: Aberdeen Group, February 2011

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Appendix B:
Related Aberdeen Research

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

- *The State of Travel and Entertainment (T&E) Expense Management*; February 2010

- *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, Driving Performance*; September 2008

- *T&E Expense Management: Leveraging Data to Drive Performance*; April, 2008

- *Travel and Procurement: The Convergence*; October 2007

- Expense Management Automation; February 2007

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

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