SAFEGUARDING TRAVEL CULTURE THROUGH DATA-DRIVEN INSIGHTS

Organizations across the world understand the need for employee travel, which is why the global business travel market is estimated to be worth about $1.5 billion. While sales leaders know that face-to-face meetings can have a major positive impact for building vital relationships, the value of doing so has traditionally been hard to quantify. In an economic downturn, this can make it difficult to justify travel and expense (T&E) spend.

When organizations are looking at cost-cutting measures, the travel budget can be seen by the finance department as an easy target for eliminating spend. If there is no direct numerical evidence that links expense spend to tangible business outcomes, it can be hard to argue for growing or even maintaining travel spend levels when other budgets are being slashed. This typically involves a blanket budget reduction; everybody gets their budget cut by 25%, for example. Once a recession bites and sales inevitably fall, it's difficult to pinpoint if any drop-off in sales is due to the broader economic climate or to internal factors such as reduced T&E spend. Without this data, the cycle will likely repeat during further cost-cutting measures.

Expert opinions differ about the potential timing and scale of the next recession. What is clear, however, is that the next recession will arrive at some point, and history shows that it is overdue. How can companies make smarter decisions about how and where to deploy T&E spend more strategically? Is it possible to accurately allocate budgets in a manner that will enable them to maintain sales, while avoiding unnecessary spend?

This report from Harvard Business Review Analytic Services does an excellent job of taking an analytical look at this challenge. It uses data and expert insight from across the travel industry to address some of the problems faced by finance and sales executives. It then offers insightful, strategic, and practical advice that business leaders can use to improve business outcomes for their own organization.

Businesses have traditionally viewed T&E as a cost center, and as such, it has often been one of the first casualties of corporate budget cuts. By viewing travel spend in a more analytical manner, it becomes easier to see the return on investment (ROI). This in turn helps preserve the budgets, which are necessary to maintain strong sales.

I encourage anybody whose organization has a travel budget to read this report. It could help you better insulate your organization when the next recession inevitably strikes.

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When the Great Recession of 2008 hit, businesses worldwide responded quickly with sweeping cuts and drastic policies targeting T&E budgets. Business travel slowed, client dinners were de-emphasized, and customer outings diminished.

Businesses acknowledged that in-person meetings were the most effective way to sell new business, according to a 2009 Harvard Business Review Analytic Services report,[1] and yet, 69% of businesses reduced their overall travel budgets. Organizations also admitted to selecting cheaper airlines and tickets (57%), restricting the frequency of travel (57%), and selecting cheaper accommodations (51%). FIGURE 1

"When money gets tight and you need to shoot the bottom line, most companies cut travel budgets," says Mahendra Gupta, professor of accounting and management at Washington University's Olin Business School. "But recessions are a time when you must invest in travel to make sure you're holding the hands of your customers and maintaining those relationships."

As talk of the next recession picks up, experts agree that businesses must act more strategically. In place of blanket cuts to T&E spending, organizations should work to identify smart cost savings, pinpoint growth opportunities, and uncover new revenue streams.

Key to these measures is T&E management software, a group of tools that use automation and analytics—ideally in combination with artificial intelligence (AI) and machine learning (ML)—to give businesses greater visibility into how budgets are spent, enabling them to make smarter decisions and remain strong during critical times.
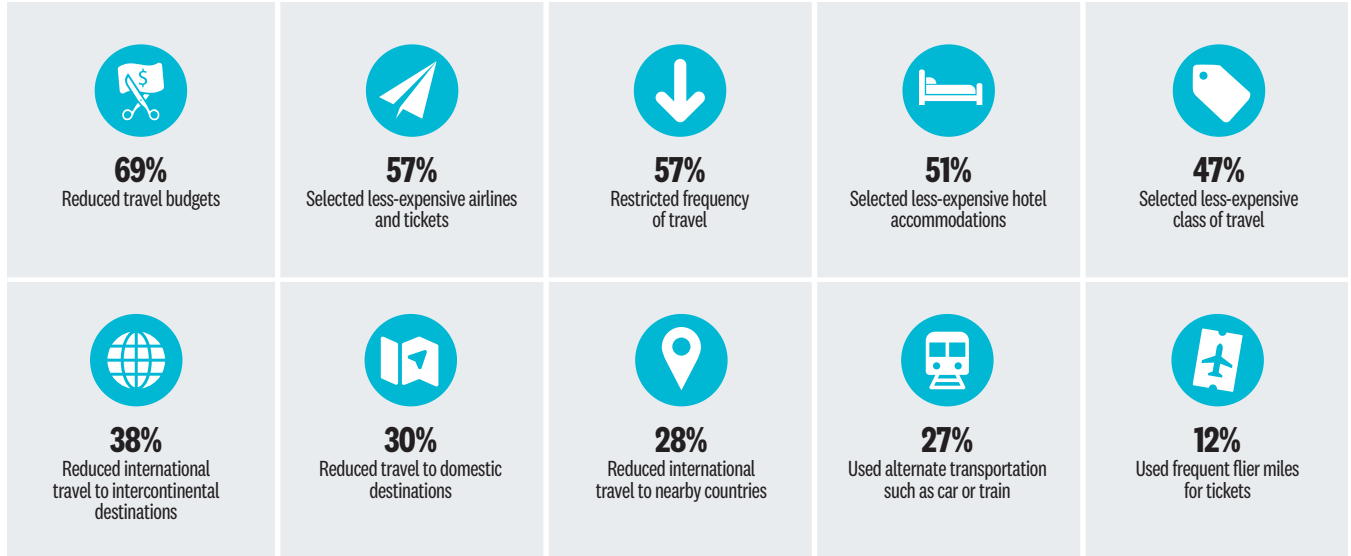
HIGHLIGHTS

- A strong corporate travel culture is linked to business performance, yet T&E spending is commonly cut when times are tough.

- T&E management software uses automation and analytics to give businesses greater visibility into how budgets are spent, enabling them to make smarter decisions.

- AI and ML features in T&E tools help businesses uncover the ROI of T&E spending.

FIGURE 1

CUTTING THE CHASE

Once the Great Recession hit, travel culture within organizations became an afterthought and was ripe for cost reductions.

69%
Reduced travel budgets

57%
Selected less-expensive airlines and tickets

57%
Restricted frequency of travel

51%
Selected less-expensive hotel accommodations

47%
Selected less-expensive class of travel

38%
Reduced international travel to intercontinental destinations

30%
Reduced travel to domestic destinations

28%
Reduced international travel to nearby countries

27%
Used alternate transportation such as car or train

12%
Used frequent flier miles for tickets

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, 2009

Why Corporate Travel Culture Matters

A vast majority of organizations agree that corporate travel isn't frivolous spending. In fact, 77% closely link the strength of their travel culture to their business performance, according to a 2019 survey by Harvard Business Review Analytic Services and travel management company Egencia.

But what constitutes a strong travel culture? Sixty-eight percent of respondents report that above all, it's treating travel as a strategic investment that adds business value and not as a cost that needs to be contained. It also means providing access to corporate travel tools that are easy to use (43%) and a flexible policy that permits unrestricted travel in order to support the business (42%). FIGURE 2

While a strong corporate travel culture is key for the business and its employees, travel directly benefits customer relationships, too. Organizations say that the biggest external benefits include building closer relationships with key customers (62%), better collaboration with key partners and suppliers (55%), and an increased understanding of customer needs (51%). FIGURE 3

In prioritizing these relationships through travel, organizations easily preserve—and even have the potential to improve—the bottom line, Gupta says. "As competition continues to grow in every area, it becomes more critical that companies understand the customer, their needs, and how best to serve them. You can't take customer relationships for granted; when that happens, they find another provider."

The Problem with T&E Spending

Businesses have traditionally viewed T&E budgets as a cost center, so lavish outings and impromptu travel are easy targets to cut when the purse strings tighten. After all, identifying the ROI of travel just isn't easy.

ROI is especially ambiguous because travel may not have an immediate effect. Say a potential customer gives a sales team the choice to either fly to their headquarters for a pitch or to conduct it via teleconference. They

opt to travel but lose the business. Why such an outcome? That answer isn't always clear; perhaps it's because another sales team met with the customer first and they had a connection. Or maybe it boiled down to the cost or the product offering. Three years later, though, the sales team pitches the company again—this time via teleconference—and wins their business. Do they connect that first trip to ultimately scoring the deal?

The ROI of expensive dinners and customer outings is equally ambiguous; while sales executives view these expenses as necessary to maintain an invaluable connection with a client, in tough times, the organization's finance department sees an opportunity for cost savings that directly hit the bottom line.

Will Tate, partner and CPA at Goldspring Consulting, says these examples illustrate why it's so alluring to slash T&E budgets in times of need. "The ROI of this spending is very elusive and is truly the Holy Grail of travel management," he asserts. "But if you're tracking these expenses with spreadsheets and paper receipts, you're just not going to find those deep-level insights or obscure connections that reveal T&E's true value."

The Role of Expense Management Software
The T&E software market is booming as more businesses make the move from paper-based expense reporting to smarter software solutions. IDC expects the worldwide T&E management software market to reach $3.1 billion by 2023 and have a compound annual growth rate of 9.5%.

"Businesses are being asked to tighten budgets. They're trying to save money and cut costs, but they're also looking to optimize and streamline," says Kevin Permenter, research manager at IDC. "They want to be more judicious about which expenses are approved and how to get the most return from their T&E investment."

FIGURE 2

DEFINING A POSITIVE TRAVEL CULTURE
Instilling a strong corporate travel culture directly impacts business performance.

Treating travel as a strategic investment that adds business value rather than a cost to be minimized
68%

Providing a suite of corporate travel tools/technologies that are effective and easy to use
43%

Having a flexible travel policy (e.g., being able to travel any distance at any time to any location to support the business)
42%

Providing appropriate funding for corporate travel
30%

Clearly understanding marketing the strategic business value of corporate travel
26%

Having executive/buy-in support for corporate travel
19%

Including and understanding geographic diversity (e.g., having curiosity about and inclusion of cultures in regions outside the organization's own)
19%

Organization provides cultural training (such as meeting protocol, local customs, local regulations, emotional intelligence, etc.)
7%

Organization provides language tutoring
1%

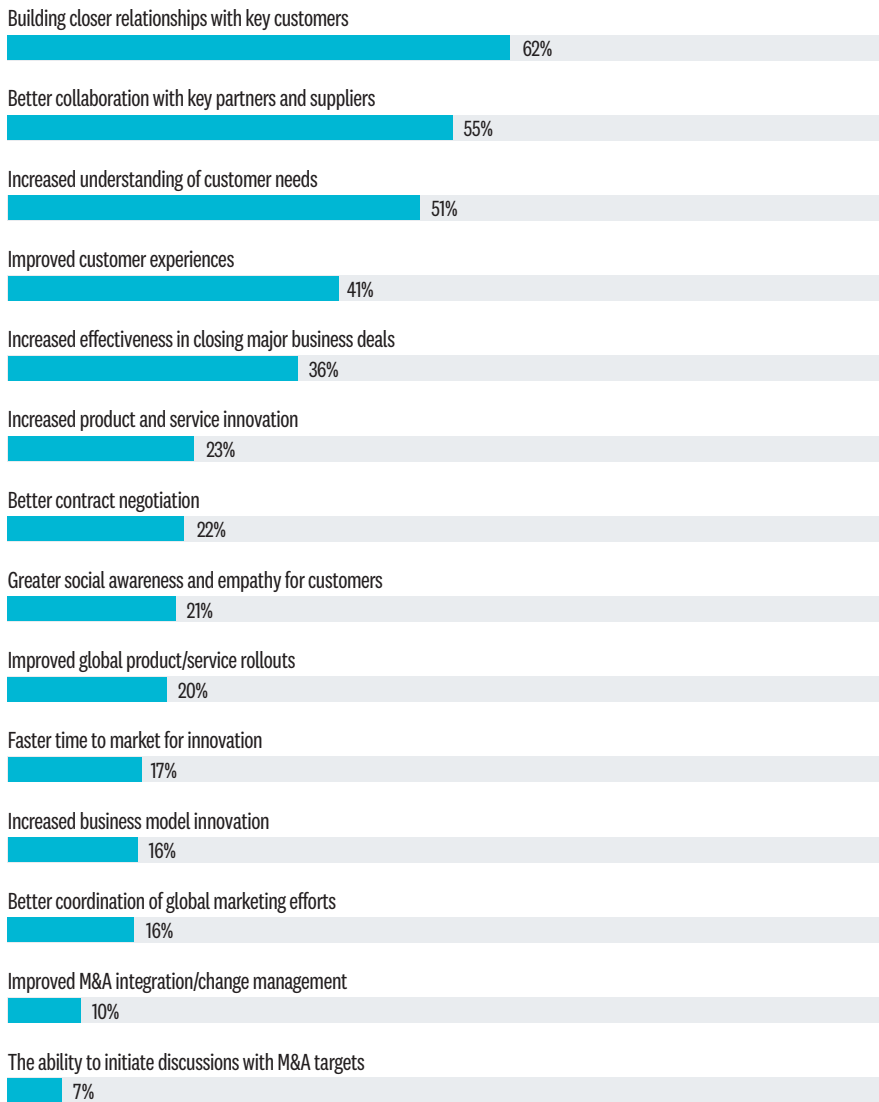SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, 2019

"YOU CAN'T TAKE CUSTOMER RELATIONSHIPS FOR GRANTED; WHEN THAT HAPPENS, THEY FIND ANOTHER PROVIDER," MAHENDRA GUPTA, WASHINGTON UNIVERSITY'S OLIN BUSINESS SCHOOL.

FIGURE 3

THE BENEFITS OF TRAVEL

A strong corporate travel culture directly affects customer relationships.

Building closer relationships with key customers
62%

Better collaboration with key partners and suppliers
55%

Increased understanding of customer needs
51%

Improved customer experiences
41%

Increased effectiveness in closing major business deals
36%

Increased product and service innovation
23%

Better contract negotiation
22%

Greater social awareness and empathy for customers
21%

Improved global product/service rollouts
20%

Faster time to market for innovation
17%

Increased business model innovation
16%

Better coordination of global marketing efforts
16%

Improved M&A integration/change management
10%

The ability to initiate discussions with M&A targets
7%

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, 2019

CUMBERSOME APPROVAL PROCESSES ARE BEING AUTOMATICALLY STREAMLINED THROUGH PRESET RULES AND GUIDELINES.

T&E expense management software tackles these tasks through analytics and automation, resolving the pain points of multiple constituents: business travelers, travel managers, and accounting heads.

Organizations are using analytics to detect fraud and rogue spending. According to an Association of Certified Fraud Examiners report,[2] expense reimbursement fraud accounts for 21% of fraud in small businesses and 11% in large businesses. But if an employee remits the same receipt twice, expense management software can now flag it for further review. Or if a traveler expenses something outside company policy, such as a bottle of wine at dinner, the system notifies designated approvers.

Another way organizations use analytics is to save money through corporate benefit programs, Washington University's Gupta says. "When you think of T&E as a revenue stream, this technology allows you to work your cost centers into revenue centers through rebates and discounts," he notes.

For example, an organization may discover through analytics that it spent $3 million on accommodations at a particular hotel chain. Businesses can use that data to negotiate special corporate discounts, saving on travel in the next year.

Automation in T&E expense management systems is changing the game for businesses, too. Cumbersome approval processes are being automatically streamlined through preset rules and guidelines, enabling both the traveler and the approver to spend more time on high-value activities.

"There are opportunities to automate nearly every aspect of the T&E workflow, from pre-booking authorizations through to the expense approval and payment process," IDC's Permenter says.

Travel managers and accounting heads can set automatic pre-authorizations that allow leeway in booking travel,

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SOME ORGANIZATIONS ARE UNCOVERING THE ROI OF T&E SPENDING THROUGH AI AND ML.

for example. If an employee selects a flight outside the company's preferred airline because it's more convenient—but more expensive—the system may automatically approve it so long as those stipulations have been pre-authorized.

Automation simplifies the expense reimbursement process for travelers, too. Outdated processes require employees to collect, save, and photocopy receipts to receive remittance. Some forward-looking vendors are leveraging AI to automatically populate and submit the expense report to the organization, Permenter says.

"Not only is this a benefit for the user, it's a benefit for the organization," he says. "A poor process or user experience can drive away very talented sales and consulting employees who travel a lot. Using a tool that simplifies headaches can be the difference between keeping talent and losing them."

The AI and ML Difference
Some organizations are uncovering the ROI of T&E spending through AI and ML—features that some expense management systems now incorporate, Goldspring's Tate says. By connecting CRMs, procurement, and HR systems, for example, businesses can generate a single, online view of their travel and other expenses to make more intelligent decisions.

"AI and ML look for those deep-level insights and obscure connections that we as humans can't pull out," Tate explains. "That's the stuff that tells us

different parts of the story."

If a customer requested a meeting in their London office, for example, AI and ML may make it easier to determine who to send and when to send them. The data's insights may tell you that Mary is the best salesperson to send based on her history of closing deals with midsize customers in that region. Travel data might determine that the cheapest time to fly is in three weeks. Or the system may recommend that because this customer is on the third tier and unlikely to renew, it's best to plan the meeting via teleconference instead.

"You can't do this with spreadsheets, nor can you do it with even traditional, non-AI-, non-ML-assisted systems," Permenter says. "You've got to have the analytics, reporting capabilities, KPIs [key performance indicators], and APIs [application programming interfaces]to look into your systems to drive strategic thinking and make better decisions."

Other uses of AI and ML include uncovering cost savings. When an employee books accommodations, the system may determine that—based on the last 20 people to visit New York City—your best option is Boutique Hotel A. Not only is it close to the client, but also its rate is cheaper, and it received great reviews from other employees.

Some organizations are even gamifying the experience, Permenter says. Travelers who select the cheaper flights, subcompact rental cars, and second-tier accommodations that the system identifies are awarded points that they can cash in for rewards.

"The reason you need a sophisticated T&E system is because for all this to work, it needs to happen in real time," he says. "No one will choose a cheaper flight if they have to invest a lot of time to hunt for it—but if it's presented to them instantly, they will."

Where to Begin
As the T&E software market grows, so do the options available to businesses. Consider these five best practices to find the best fit for your organization.

"A POOR PROCESS OR USER EXPERIENCE CAN DRIVE AWAY VERY TALENTED SALES AND CONSULTING EMPLOYEES WHO TRAVEL A LOT. USING A TOOL THAT SIMPLIFIES HEADACHES CAN BE THE DIFFERENCE BETWEEN KEEPING TALENT AND LOSING THEM." KEVIN PERMENTER, RESEARCH MANAGER, IDC

ENSURE THAT THE SOFTWARE YOU SELECT INCLUDES MOBILE ACCESS, GUPTA ADVISES.

IDENTIFY THE PROBLEM

Whether it's an overtaxed management team that deserves a streamlined process or a mandate to cut back on spending, determine first what issues you need to solve. Then, list your priorities and consider solutions that address them directly.

"These systems have tons of bells and whistles, but you'll probably only use 10% to 20% of its functionality," says Hal Polley, managing director and head of strategic finance at Accordion Partners. "Focus on that 10% to 20% and find a system that does what you need really well."

CHOOSE MOBILE

Ensure that the software you select includes mobile access, Gupta advises. "It needs to work 24/7, because today's travelers are independent—they want to book travel on the go, automatically upload receipts, and file expense reports when they're at the airport. Waiting until they're in the office is time wasted."

DETAILED INPUT MATTERS

For the most detailed insights— particularly when incorporating AI and ML—solutions should support entering multiple data points, Polley says. When travelers submit expenses for a client visit, for example, they should note who the client is, the size of the client, and whether they closed the deal as well as the breakdown of their charges, adds Tate.

"Ideally, the system will parse and itemize every charge on the bill automatically. You see the room charge, taxes, minibar charges— everything. That's the smartest way," he says. "Some tools will do that, but many won't. You'll have to strike a balance between how rich you want the data and how much extra work you're willing to ask the employee to do."

CONSIDER THE USER EXPERIENCE

Ask for demonstrations with real-world data to see the product in practice, Permenter advises. Consider systems with drag-and-drop features that make road warriors' lives easier. If the tools are cumbersome, employees will resist adopting them.

"You want system engagement. You don't want employees circumventing your processes by booking travel on popular sites, and you don't want salespeople wasting valuable time with antiquated processes," he says.

PLAN FOR CHANGE MANAGEMENT

Any new system demands a change in user behavior, which is painful, Permenter continues. Develop training sessions, videos, webinars, or a combination of the three to teach users how the new system works, review expectations, and answer questions.

"You've made an investment in the technology, and you need to make an investment in the people who will use it as well," he says.

While travel and entertainment budgets have traditionally been considered a cost center, expense management systems are changing that. Through analytics, automation, and deep insights from AI and ML, businesses are unearthing cost savings and identifying opportunities for growth.

"Businesses should strive to operate as efficiently as possible, regardless of the economic climate," Polley says. "If they have insight into things like what their spend is driving, which customers are profitable, and how to spend smartly, you know very accurately what moves you need to make when times get tough."
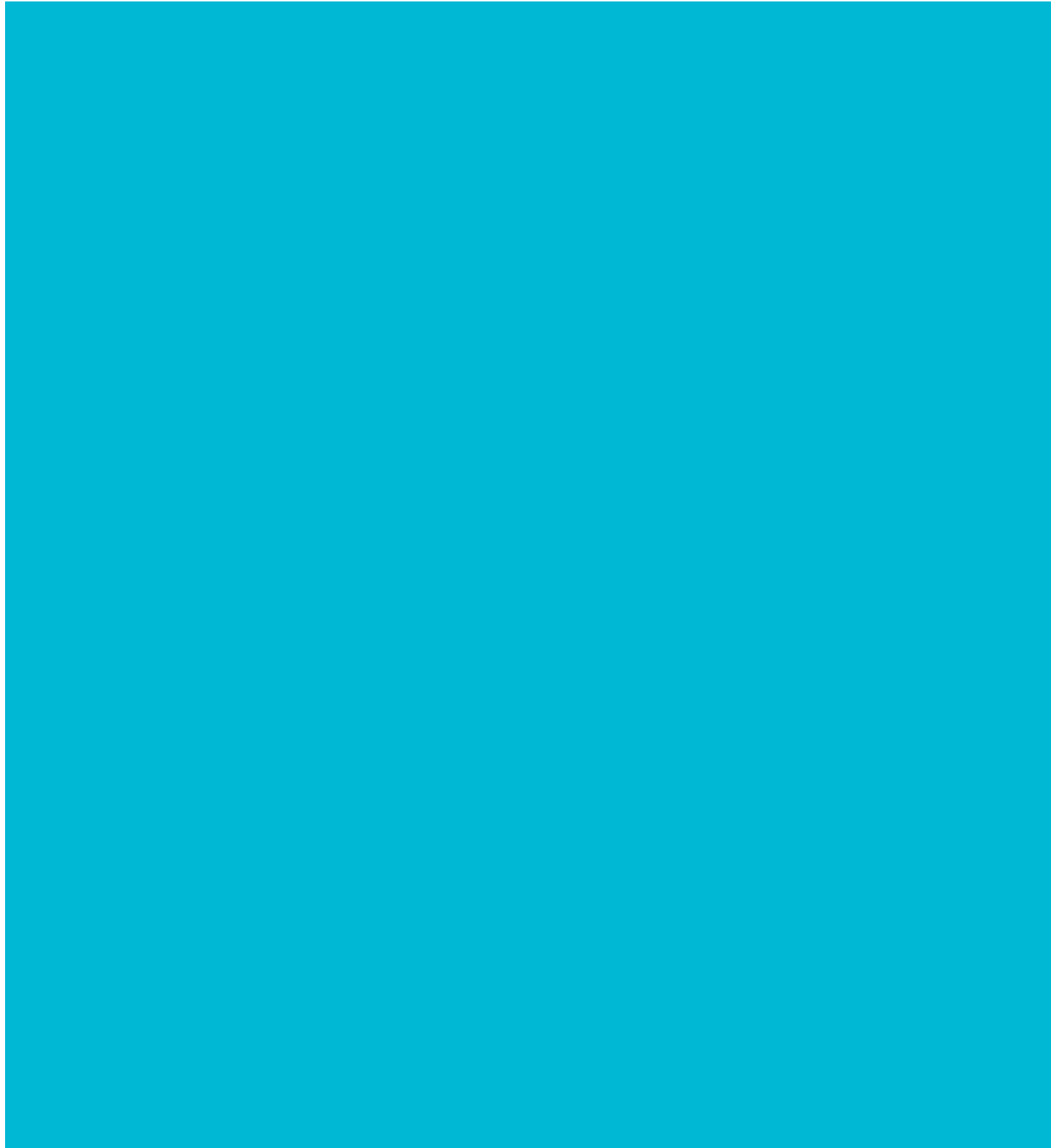
ENDNOTES

1   https://hbr.org/resources/pdfs/comm/british-airways/hbras_ba_report_web.pdf
2   https://s3-us-west-2.amazonaws.com/acfepublic/2018-report-to-the-nations.pdf