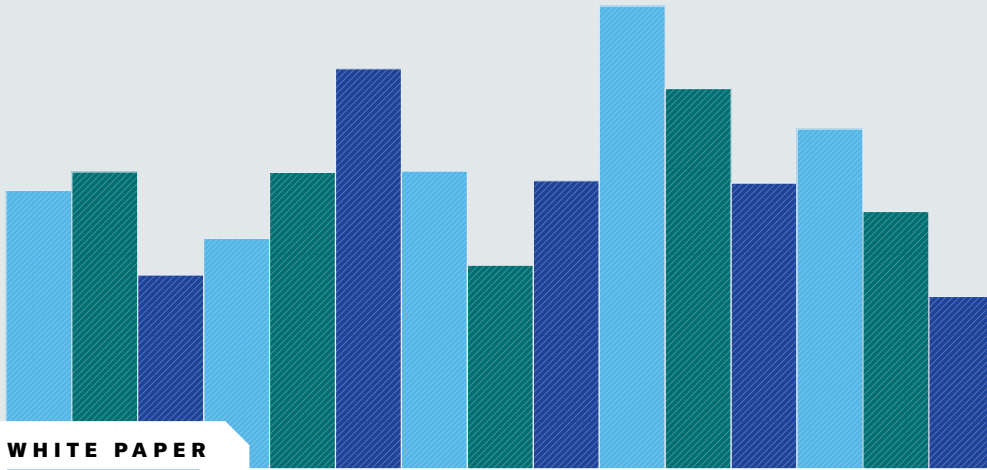




**Harvard
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ANALYTIC SERVICES



WHITE PAPER

Automation and the Future of Mid-Market Corporate Travel



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Business travel has rebounded. However, the reasons for travel have evolved with the advent of remote and hybrid work models. While client meetings, conferences and industry events still necessitate travel, internal meetings with colleagues are also contributing to this trend. As a result, we're seeing more pressure put on managing travel and expense (T&E) than ever before.

Unfortunately, many middle market businesses still rely on manual processes and spreadsheets for managing T&E. These methods often result in poor visibility into overall spend and lengthy reimbursement cycles. As business travel continues to increase, the need for more efficient solutions becomes crucial.

T&E management has undergone significant changes in the past few years, largely driven by advancements in technology and shifts in business practices. As growing organizations embrace digital transformation, traditional paper-based and manual processes have been replaced by digital alternatives. This includes the use of expense management software, mobile apps, virtual payments and cloud-based platforms that automate expense reporting, approval, and reimbursement processes.

Tools that enable direct connections with travel suppliers are streamlining the booking process, reducing costs, and providing greater control and visibility over travel management processes. End-to-end expense and travel management platforms can help organizations manage overall spending and employee travel and generate savings through one cohesive system. And incorporating the management of your corporate card program into this unified platform can significantly boost expense management effectiveness, making it an invaluable tool for your organization.

However, the adoption of these comprehensive solutions is not without challenges. The rise of hybrid and remote work has led many companies to revise their travel policies. Also, concerns about implementation costs, technology complications, and potential job losses due to automation may deter some organizations from adopting these platforms.


Despite these challenges, the benefits of corporate T&E management automation far outweigh the costs. A comprehensive platform can take the administrative burden off employees, make accounting departments more productive and provide real-time visibility into spend. It can also help manage cash flow, monitor employee purchases, and integrate travel and expense data into HR and accounting systems.

This whitepaper examines the growing trend towards automation in corporate T&E management and how it can help businesses navigate the complexities of disparate information systems, improve visibility into spending, enforce travel policies and shorten reimbursement cycles. I hope that reading it will provide valuable insights that your organization can include as part of its payments strategy.



Dan Skaggs
Head of Product
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Automation and the Future of Mid-Market Corporate Travel



With the cost of business travel soaring, mid-market companies are looking for ways to reduce the time, effort, and money they spend on travel while earning rewards. For example, some businesses lack centralized travel management mandates, leading to wide variations in booking methods. Others lack consistency in how expense reports are completed, approved, and administered. At many firms, finance departments use spreadsheets to support manual travel and expense (T&E) processes, including expense management, reimbursements, and approvals. Manual methods and inconsistent policies result in poor visibility into corporate spending, sporadic enforcement of travel policies, and lengthy reimbursement cycles for employee purchases.


Organizations that have outgrown their current travel solutions are looking for modern alternatives beyond traditional corporate card and expense management applications. They want unified solutions that allow them to easily track travel spending across departments, such as reimbursements to employees and payments to vendors. Finance and travel management professionals want integrated payment, expense, and travel-booking solutions that don't require multiple logins and subscriptions. These needs have become more pronounced as travel costs increase: 84% of travel buyers surveyed by the Global Business Travel Association (GBTA) said their business travel spending increased during 2023, and 33% said the increases were significant.¹

HIGHLIGHTS

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Finance and travel management professionals want integrated payment, expense, and travel-booking **solutions that don't require multiple logins and subscriptions.**

With an end-to-end expense, card, and travel management platform, organizations can **gain control of their overall spending, manage employee travel, and generate savings through one cohesive system.**



According to Jonathan Kletzel, a partner in PwC’s U.S. transportation and logistics consulting practice, in the realms of corporate cards, travel-booking, and T&E management, several new and emerging technology solutions have arisen to meet the needs of mid-market companies. One such solution is the development of corporate booking tools that enable direct connections with travel suppliers. By eliminating intermediaries in the booking process, these tools streamline and enhance the efficiency of booking business travel. “These tools not only save time and reduce costs but also provide organizations with greater control and visibility over their travel management processes,” he says. “Workflow automation ensures that travel requests, approvals, and reimbursements follow a standardized and efficient process.”

With an end-to-end expense, card, and travel management platform, organizations can gain control of their overall spending, manage employee travel, and generate savings through one cohesive system. These platforms can work with current accounting applications to map expense data to the general ledger while syncing with commercial cards and issuing virtual cards for specific purposes. Accounting teams gain greater visibility into card purchases and can set up automated workflows for creating and approving expense reports. As employees make reservations, the system provides negotiated rates on flights and hotels, and employees can earn points and incentives for booking these and other items with preferred travel partners.

This Harvard Business Review Analytic Services report will reveal the opportunities and challenges that organizations face as they evaluate and implement these unified card, expense, and travel management solutions. It will examine prevailing business travel trends and present a case for automating corporate travel with a state-of-the-art artificial intelligence (AI)-driven travel-booking platform.

ReExamining Travel Policies

The need for unified travel solutions is growing with the rise of business travel, which has picked up steadily since the pandemic. According to the GBTA poll,² most travel buyers report increases in bookings for 2023 and expect this year-over-year growth trend to continue. “Based on our January 2024 poll, we find that nearly 60% of travel buyers expect increased business travel activity in the year ahead,” confirms Suzanne Neufang, CEO of Washington, D.C.-based GBTA. “However, our poll results also acknowledge potential challenges posed by rising costs, economic uncertainty, and travel disruptions.”

According to Neufang, the rise of hybrid and remote work has significantly impacted business travel. Nearly half the travel buyers and suppliers surveyed say their companies are revising their company travel policies to accommodate



“Based on our January 2024 poll, we find that nearly 60% of travel buyers expect increased business travel activity in the year ahead. However, our poll results also acknowledge potential challenges posed by rising costs, economic uncertainty, and travel disruptions,” says Suzanne Neufang, CEO of GBTA.

this shift, with a focus on travel purpose, frequency, and permitted expenses. “More than one-fourth of the buyers we surveyed reported higher expenses as a result of these hybrid models,” she adds.

Traveling for sales meetings and industry events remains a top priority, Neufang adds, with internal meetings gaining traction. “In 2024 and beyond, I think we’ll see companies continue to monitor and adjust based on how remote and hybrid work shapes business travel programs and how and why people are traveling for work,” she notes.

As business travel returns to its pre-pandemic levels, there is a compelling argument to be made for automation. Robert Kugel, a chartered financial analyst and executive director of software research at Stamford, Conn.-based technology research and advisory firm Information Services Group, says a unified solution takes the administrative burden off the backs of employees while making accounting departments more productive. “Especially when a substantial number of workers are traveling and submitting expense reports, a unified platform provides real-time visibility into spending, with less effort than integrating multiple applications,” he says. “It also reduces the effort required to monitor and enforce volume discount arrangements.”

Kugel says the best travel-booking platforms integrate controls and workflows into one unified environment that simplifies card management, expense reporting, and travel booking. On the front end, these platforms include a convenient app for booking travel on a phone or computer, similar to what users would experience with Expedia, Tripadvisor, Orbitz, Kayak, and other popular travel-booking services. On the back end, these booking tools share data and orchestrate handoffs among critical business functions such



as expense management, travel management, and accounts payable. Program administrators can set controls to restrict purchases to specific vendors in specific categories. This allows them to avoid noncompliant spending, enforce per diem limits, and enable cost-effective T&E management. Access to real-time travel and expense data gives the finance team greater control over travel budgets and makes it easier to control employee purchases.

Breaking Down Barriers

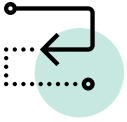
Establishing a unified platform doesn’t just help with the day-to-day aspects of booking and managing travel. It also provides better visibility into cash flow. “If it takes a month or two to tally all your travel expenses, it’s impossible to get a read on what you have to pay, what you owe, and how that affects other financial outlays,” says Kevin Permenter, research director of financial applications at International Data Corp. (IDC), a Needham, Mass.-based market research firm. “Because of that, it’s tough to make decisions about hiring, about corporate acquisitions, about R&D spending, and many other monetary decisions.”

It’s also stressful for employees, who may be on the hook for thousands of dollars in expenses. “If you have a slow reimbursement cycle or there are any discrepancies in an expense report, they may not get their money back for weeks or even months,” Permenter adds. “That’s a drag on employee morale and can even lead to excessive turnover.”

A unified platform with integrated card program management allows the finance or accounting team to create, manage, and track employer-issued credit cards within the platform. It also allows for automatic synchronization and reconciliation of spending and may include corporate card functions that allow the accounting team to create, manage, and track employer-issued credit cards, as well as to automatically sync and reconcile spending. Program administrators can easily manage cash flow, monitor employee purchases, and integrate travel and expense data into HR and accounting systems. Insights derived from this data allow them to negotiate favorable contracts with vendors and establish beneficial corporate policies for the workforce.

As employees book travel, the platform provides negotiated rates on flights and hotels. As they incur expenses and upload receipts, the transactions are automatically categorized. Some card programs also reward employees who keep their expenses under budget by giving them points or other incentives. Meanwhile, accounting teams have full visibility into all active cards. Automated workflows guide the creation, submission, and approval of expense reports in compliance with travel-booking policies.

“Employee compliance stems from a good user experience,” says Seth Borko, a director at Skift Research, a news site that provides market research, competitive intelligence, and marketing services to the travel industry. “It’s compliance via a carrot instead of compliance via a stick. The big complaint that we hear [from employers] is that there is a lot of slippage—that



“Employee compliance stems from a good user experience. It’s compliance via a carrot instead of compliance via a stick. The big complaint that we hear [from employers] is that there is a lot of slippage—that is, people who are supposed to be utilizing negotiated discount rates but who are booking travel on their own because they hate the user experience,” says Seth Borko, a director at Skift Research.

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IDC’s Permenter agrees that compliance, or adherence to policy, begins with offering users a modern, digital experience. He particularly touts systems that offer virtual cards that can be set up to enforce preapproved spending rules, vendors, and travel contracts. “Your company can set spending limits, restrict usage to certain vendors or locations, and potentially eliminate expense reports for approved purchases,” he explains. “Whether you are buying a coffee or getting an Uber or booking a hotel, you never have to submit an expense report.”

Integration is the key: a modern front-end travel management experience must be seamlessly connected with the back-end T&E process. According to Beate Hausmann, global purchase-to-pay advisory practice lead at The Hackett Group, a consulting firm based in Miami, Fla., that’s the hurdle that many midsize companies have yet to surmount. “Large companies have already established these links, but we see a different story at midsized organizations,” Hausmann says, noting that these companies may have basic travel functionality separate from their credit card and T&E solutions, perhaps with solutions for specific tasks like VAT reclaim and AI-powered auditing.

By implementing a unified system, these firms can enforce their travel policies as employees book their travel, rather than after the fact. “You have greater control and visibility if you use an end-to-end solution because the front-end spend goes directly into the T&E processing and reporting,”

she continues, which makes things easier up the approval chain. “When travel purchases are scrutinized and approved up front, managers don’t need to approve as many expense reports,” Hausmann points out.

Infusing Artificial Intelligence

A modern employee experience not only includes virtual cards and intuitive mobile applications but also intelligent algorithms that guide the travel-booking process and incentivize employees to optimize itineraries. For instance, if multiple employees from the same department are attending the same event, an AI-enabled system might notice the pattern and suggest a group booking. Similarly, the system could recognize a situation where several employees are flying to the same city at different times, highlighting an opportunity to consolidate car rentals by coordinating arrival schedules.

At an organizational level, AI can automatically categorize expenses, identify anomalies, and enforce spending controls. “An expense may be out of range in terms of the location, the vendor, the time, the person—all kinds of combinations can be quickly attributed to an outlier,” says Ash Noah, managing director of CGMA Learning, Education and Development at the American Institute of Certified Public Accountants (AICPA), a trade group based in Washington, D.C. “Machine learning streamlines expense processing by isolating clusters and classifying purchases, ultimately reducing errors and saving time. Human workers don’t have to go through a list of items and then classify them because the machine helps with identifying these anomalies.”

Noah makes a distinction between preventive controls, which enforce corporate policies before an expense is incurred, and detective controls, which identify anomalies and violations after they are reported. For example, the system can flag reservations that don’t use a preapproved hotel chain or airline, as well as remind employees about corporate travel policies, such as a 21-day booking requirement for flight reservations.

In some cases, intelligent chatbots are standing by to assist and, if necessary, intervene in these situations. For example, if an employee is planning to take five people out to dinner, the chatbot can advise them on spending limits and even recommend local dining options that fit the needs of the group. This real-time guidance empowers employees to make informed decisions within policy guidelines while simultaneously preventing costly errors and minimizing the risk of fraud.

Generative AI (gen AI) technology adds another dimension of specificity by learning from an organization’s internal travel policies and documents. By training the system on a company’s travel contracts and agreements, organizations



can create a customized system that understands their unique rules and regulations, leading to more accurate recommendations.

“For some time you have been able to ask a chatbot specific questions, but now, with the advent of large language models, they are becoming much more accurate and effective,” Noah adds. “Older generation chatbots didn’t have the capability to explain the context, but now, with generative AI, they’re able to contextualize the situation and provide better answers.”

A gen AI module can also identify patterns that help a company tighten up contracts with suppliers. “As a company grows, it may find that different business units have negotiated different payment terms,” Permenter says. “For example, some units may ask for payment on the first of the month, and others on the fifteenth. A large language model can spot these discrepancies and harmonize the terms to smooth out cash flow.”

According to Hackett’s Hausmann, in addition to personalized travel recommendations from a chatbot, AI is infiltrating the travel domain with AI-powered auditing tools, real-time translation services, and risk assessment/mitigation related to employee well-being and duty of care—the latter being especially important when employees travel to areas affected by wars, natural disasters, health emergencies, and security threats. “Within the realm of T&E, we’re seeing AI trip planners that help employees using chat or natural language tools,” she says. “In terms of gen AI, most of the organizations are evaluating a business case or

experimenting with pilot solutions, but they haven’t rolled it out broadly yet.”

Borko of Skift concurs with Hausmann’s assessment. “I don’t think that the most advanced platforms are at the stage where they can take the human out of the loop,” he says. “I think it’s more like they’re doing a better job of bringing in the data, connecting silos, and offering tools that can plug into those silos.”

Here again, careful technology integration is the key. When done properly, a unified platform connects all the constituents who travel or play a role in its execution. In the back office, this includes the program administrators who manage and create cards, the accounting personnel who record and report on travel expenditures, and the finance execs who monitor spending and policy adherence. On the front lines, these integrated solutions encompass the travelers who book travel and capture their expenses, the managers who set up and enforce corporate policies, and the line-of-business managers who approve expenses and reimbursements.

Finally, these solutions can assist with financial adherence, such as generating, sending, and receiving invoices in specific digital formats, as mandated in some domiciles. While some setup is required, Permenter points out that these real-time transactions allow finance departments to adhere to tax regulations at the point of sale. “You’re not auditing after the fact,” he explains. “You’re doing this in real time, so you’re spotting any compliance violations before the transaction has been completed.”

Quantifying Performance

According to two of Hackett's benchmark reports, finance teams that replace standard business processes with automated, digitized T&E processes significantly outperform companies that don't deploy these solutions. For example, top-performing organizations can process 3.9 times as many expense reports per full-time employee while achieving processing accuracy that is 4.5 times greater. Overall processing cost as a percentage of travel spending is 2.7 times less for T&E teams that have completed these digital transformations.³ "When we look at efficiency and effectiveness metrics around purchase-to-pay and T&E processing, there is a big gap between top performers and the peer group," says Hausmann.

To achieve top performance in T&E or purchase-to-pay, companies need to not only acquire the right technology but also adopt the right service delivery model, Hausmann adds. "If you don't have the right governance model and the right policies in place for managing T&E from an end-to-end perspective, then the best technology will only get you so far."

The AICPA's Noah says finance teams are often in a strategic position to provide visibility and strategic guidance for driving this type of organization-wide transformation. But CFOs need to equip their team with the right capabilities, which often means morphing from a traditional "scorekeeper" role into leaders and advisers who understand the factors of a successful implementation. Noah advocates for an agile methodology, which may require a new way of thinking for finance professionals. "Instead of embarking on a linear transformation process, the agile methodology is circular," he explains. "You deliver a minimum viable product or prototype. Then you test, you learn, and you adjust until your prototype becomes closer and closer to final delivery."

Following this agile approach allows an implementation team to make steady, incremental improvements on the way to the ultimate solution. "The agile approach can mean a big paradigm shift for finance professionals, who are conditioned to think in a very linear, sequential way," Noah adds. "But ultimately this allows for a much better final product."

Despite the obvious benefits, some organizations hesitate to adopt unified card, expense, and travel management platforms due to concerns about implementation costs, technology complications, or a perceived threat that automation will eliminate jobs.

"Organizations may be reluctant to invest in new technology and software, especially if they are uncertain about the ROI and the potential benefits it will bring," PwC's Kletzel admits. "Another obstacle is a concern about staffing and the ability to manage these automated solutions. Managers may question whether they have the necessary skills on their teams to handle the transition and ongoing management."

Stakeholders who have already spent heavily on technology for enterprise resource planning (ERP), for example, may



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question the need for yet another software solution. "Most midsize companies already pay for an ERP system, so they have to ask themselves, 'Can I get by with the basic T&E functionality that this system already provides and augment it with people and time and energy to get me the rest of the way, or do I try to achieve greater automation to make up for those manual tasks?'" Permenter says.

Keys to a Successful Implementation

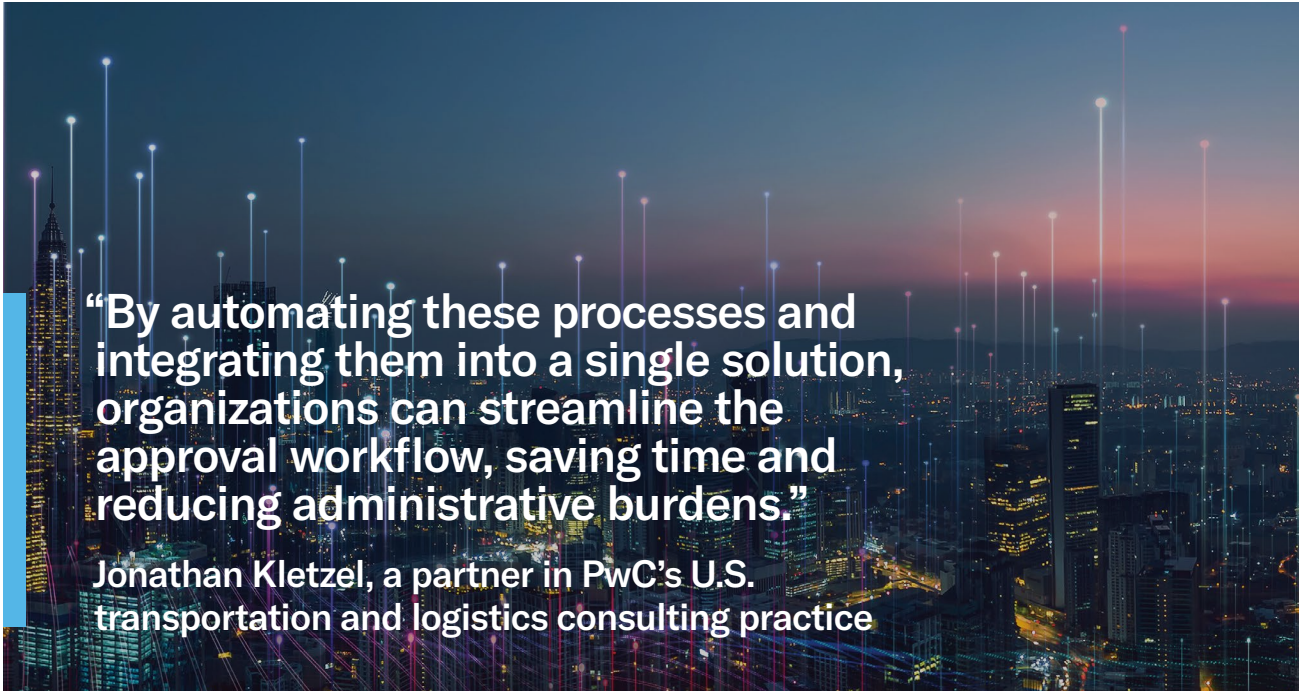
Experts provide the following guidance to overcome common objections and reap the benefits of a unified system:

Get a true read on ROI. To help gauge the return on these investments, Noah suggests that CFOs don't look just at quantitative returns, such as reduced travel spending, but also at qualitative ones, such as greater efficiency for accounting teams and a better experience for employees. "What are the impacts on your finance operation and how does it improve your business processes?" he asks. "How can [a new solution] serve internal customers in new ways? These are essential questions that CFOs should seek to answer."

Rethink old business processes. Hausmann emphasizes the importance of scrutinizing the entire service delivery model, saying, "The mistake a lot of companies make is they assume that technology will solve their problems, when in fact they also need to improve their T&E processes including governance, information management, and service design. Make sure you fix every part of the end-to-end process and also listen to what employees care about." For example, if sustainability is important to your workforce, the travel policies should reflect this preference in the types of travel you incentivize.

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Corral the potential savings. “There’s a lot of unmanaged travel—people booking trips with their own credit cards and then submitting expenses for reimbursement,” Borko says. “The big ROI comes from keeping travelers in compliance with your policies and your budget so you can instantly detect when somebody is going rogue and encourage people to use your negotiated vendor rates, like at preferred hotel chains. If you can save a hundred dollars per night across 10,000 hotel stays, that’s a big advantage.”

Seek executive sponsorship. Advocates of unified travel and expense management solutions should be prepared to take their arguments to the executive suite. “The six most expensive words in managing T&E are ‘We’ve always done it this way,’” Kugel of Information Services Group says. “Breaking that inertia requires an understanding of the direct and opportunity costs of staying with an old-school approach. This is hard to do because the drag on productivity is largely invisible and, in my experience, there may be limited understanding of the potential cost and time savings, improved spend visibility, and more effective expense control that can be achieved with this technology.”

Conclusion

With an end-to-end card, expense, and travel management system, organizations can gain control of their corporate travel spending, manage travel more cohesively, and even generate savings—all on one unified platform. Kletzel reiterates that a unified platform makes it easier for employees to make travel arrangements while complying with company policies, especially when the platform is integrated with a company’s existing accounting systems to map expense data to the general ledger. “A unified platform eliminates the need for preapprovals for travel and may eliminate manual expense reports,” he says. “By automating these processes and integrating them into a single solution, organizations can streamline the approval workflow, saving time and reducing administrative burdens.”

As for the future of corporate travel management, Kugel says, “Anyone who doesn’t have an executive assistant is eagerly awaiting the day when AI will flawlessly take care of their travel arrangements and expense reports. That’s probably a few years off. In the meantime, the current generation of T&E systems can eliminate frictions and overhead in every category of indirect spending while enabling greater control over how much is spent, where, and for what purpose.”

Endnotes

- 1 GBTA Business Travel Industry Outlook Poll, January 31, 2024.
- 2 GBTA, Outlook Poll.
- 3 The Hackett Group 2023 Finance Functional Benchmark and The Hackett Group 2020 T&E Performance Study.



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