SAP Concur

SAP Concur Solutions Outcome Whitepaper

The New Normal: Setting Organization Expectations Powered by Data

Let's Get Fiscal
The Importance of a Healthy Financial Process

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It’s a simple fact: the better we take care of our bodies, exercise, eat right, and get enough sleep, the more likely we are to maintain good health. In many ways, the same is true for financial management. The healthier the financial processes, the better the oversight, the stronger the compliance, and then the fewer inefficiencies weighing the organization down.

But, what does a healthy financial process look like? How do you know if your organization is in top form, or in need of some changes — STAT? How can you put a stop to unnecessary spend, without slowing down the business or saddling your staff with yet more manual steps and reviews? And, just as important, how can organizations maintain their operational well-being for the long term?

We asked some experts to weigh in and share their insights in this publication.

Start with an Operational Check-Up

If you go to the doctor for a physical, part of that assessment involves comparing your weight, heart rate, and bloodwork to peer-group averages and medical benchmarks.

Benchmarking is also the best way to evaluate the health of your financial processes.

"If any given part of your process is underperforming compared to your peers, that's an easy indication that it's unhealthy," explained Ryan Hamilton, Value Consultant at the SAP Concur Organization. "But, make sure you look at your outliers, too. You can have a healthy average but still have room for improvement when it comes to reducing outliers."

One classic example is the length of time it takes to process an expense.

"You might have the best average in the world, and think you're doing well," Hamilton said. "But, **if ten percent of your expenses take six times longer than average, that's a clear indication of a problem**."

According to Hamilton, it's important for organizations to take a deep dive into their financial processes and metrics to honestly evaluate performance.

"Typically, we find our clients are doing what we would expect — for around two-thirds of the metrics we help a client evaluate," Hamilton said. "The other third of the time we find organizations performing further outside of normal variance for a specific metric than they might expect. "

START WITH A SELF-EXAMINATION IN THESE AREAS:

Spend Metrics

- How much does an employee spend on an average meal?
- Do you have a policy in place regarding how much can be spent during a certain time period or per meal?
- What is the average cost of airfare?
- How much of your travel is booked online vs. with an agent?
- How much of the online booking is inside the booking tool that you offer employees versus somewhere else?
- Does your expense process drive your policies or is there a disconnect between what the technology does and what you wish it would do?

Cycle Times

- What is the average time to process expense reports?
- What is the average time to process invoices?
- What percentage of expense reports are outliers or take longer than 60 days to process?

System Configuration

- Does your configuration balance policy and control with speed and ease of use?
- Are there areas where this balance could be improved?
- Are you taking full advantage of its features to improve performance?

The more competitive the business landscape becomes, the more critical it becomes for organizations to continuously optimize their processes and operations beyond the basics.

Check Your Employees' Vital Signs to See How They're Spending Their Time

"An average organization simply looks at the broad strokes of managing T&E, like how much is being spent. **A best-in-class organization has folks who are not only auditing for regulatory compliance, but process compliance, financial performance and behavioral change over time**," Hamilton said. "Are we spending the amount of money we want to be spending? Are we meeting regulatory requirements? Are we accounting for this properly and as efficiently as possible? Those are the critical questions going forward."

In addition to the benchmarks, look at the user experience of everyone involved in each process.

"It's important for your users to have clarity around what to do and what their responsibilities are — particularly when there's an exception or problem," said Oren Geshuri, Specialist Master and Manager at Deloitte. "You're always going to have problems — a late payment or an issue or something out of the norm. If your people know the steps they need to take to solve the problem without being left in a black hole of ambiguity, then, that's a good start."

That user knowledge typically means that the organization has well-documented processes - including step-by-step guides, desktop procedures, and workflows. So, if someone isn't sure exactly what to do, he or she has a quick resource to guide the response.

However, that documentation doesn't guarantee the health of those processes.

"If you have good documentation, even the most outdated process can have a good user feel," Geshuri said. "You have to be able to look at the process and identify if it's simply 'workable,' or if it has actually been optimized. Maybe your users know what steps to perform, but do you have inefficiencies in that process that waste time and brainpower?"

GET A PULSE ON YOUR CURRENT STATE:

- How many expense report approvers and back office auditors and/or processors are involved in the process?
- How much time does each step of the approval and accounting process take?
- How do these numbers compare to industry averages?
- How complex is the workflow?
- How often is there rework based on report rejections or conditional approvals?
- What percentage of time is focused on the tactical, not the strategic?
- What percentage of time do process owners and back office staff spend tactically executing on the process as opposed critically analyzing and making strategic improvements?
- Are there monthly or quarterly bottlenecks?

Talk to the people actually doing the work every day. Their input is critical to a successful optimization effort, and may be your greatest resource for what needs to change.

Guard Against the Subtle Sources of Budgetary Bleeding

Having a healthy financial process means being vigilant enough to reduce the unnecessary spend that can quietly drain budgets, $20, $50, $100 at a time — often going undetected until it's too late.

So, what exactly should you be looking for?

1) NON-OPTIMIZED SPEND

"I hear the word 'fraud' bandied around a lot and have seen industry estimates that around five percent of expenses are in some way fraudulent. I have to say, I believe that is an overestimation from what I've found," Hamilton said. "If you look at fraud as a true, intentional misrepresentation of the money spent, and an attempt to pass that misrepresentation through the system to essentially steal from the company, we don't find much of that at all."

What is more common — and often presents a greater financial risk — is non-optimized spend.

So, what does that mean?

Let's say that a salesperson needs to book a trip. So, she calls her company's travel agency to book a flight and uses a corporate card to pay for it. Nothing here is fraudulent, or even non-compliant. However, it is very much non-optimized spend.

"It costs more to travel, because there's a fee on top of the booking, which wouldn't have incurred had she booked online," Hamilton said. "She's also more likely to be matched with a more expensive ticket. We find that the average domestic ticket is around $40 more expensive when it's done via phone, through an agency."

No one has broken any rules. But there is money that has been spent unnecessarily — *and that can add up*.

The same is true for wasteful spend that isn't technically out of compliance, but isn't really necessary or all that valuable at all. For example, unapproved or miscategorized "learning and development" that's really nothing more than a boondoggle, or the top-of-the-line computer monitor that does qualify as office supply for a home office, but comes at a price that's well beyond average costs and is much more than what the employee's needs to perform his or her job.

2) EXCESSIVE MEALS AND ENTERTAINMENT SPEND

"If an organization's meal benchmark is high, we're certainly going to look for outliers - that one rogue individual who spends $20,000 a year on lavish entertainment. But, that's not where we are going to find most of our savings," Hamilton explained. "If that company's average meal cost is $20, and the industry average is $18, they'll see significant savings if they can get their employees to spend less on dinner."

Again, it's not a compliance issue, and it seems small. But those small changes have the potential to **make a big impact, without causing a lot of pain**.

3) RESOURCE-HEAVY PROCESS DESIGN

The third area of waste is often found in the design of the process itself.

"**Look at how many expense reports the average processor is touching**, what percent of receipts they are looking at, and how many are flagged as an exception. Then, of those, how many get reworked before they are ultimately approved, and how many are just sent through?" Hamilton said. "You want to look at the way your system is set up and determine whether all of those touch points are actually adding value along the way, or if they exist just because they exist."

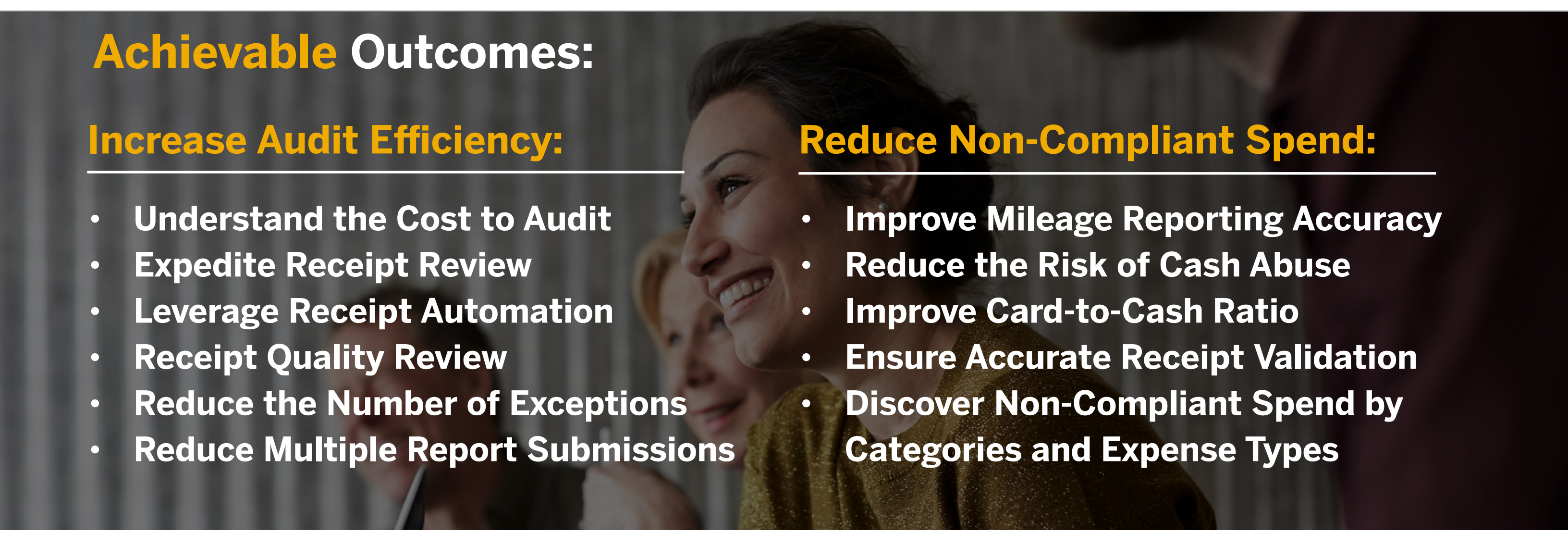
Most organizations discover that they can optimize their process and reduce the amount of resources it takes to execute on a process without compromising the level of compliance they achieve.

"It's also important to identify if you are asking users to make complicated decisions versus automating those decisions," Hamilton said.

For example, internal and external entertainment are taxed differently. Whereas taking a group of employees to dinner while travelling for business might be one hundred percent deductible, if a client is present that expense is likely only fifty percent deductible, if that's a business client, that expense is only fifty percent deductible.

"**How often do you have your users pick between expense types to manage accounting or policy differences versus having your system automate that choice?**" Hamilton said. "That can be a big driver of efficiency, as well."

This goes beyond tax status to include things like choosing between very similar expense types to manage different spend limits and manually filling out any accounting information like cost center. Fully utilizing technology to automate those complex decisions can make your organization more compliant, more efficient, and reduce the resources needed for and the intensity of your audit process.



Achievable Outcomes:

Increase Audit Efficiency:

- **Understand the Cost to Audit**
- **Expedite Receipt Review**
- **Leverage Receipt Automation**
- **Receipt Quality Review**
- **Reduce the Number of Exceptions**
- **Reduce Multiple Report Submissions**

Reduce Non-Compliant Spend:

- **Improve Mileage Reporting Accuracy**
- **Reduce the Risk of Cash Abuse**
- **Improve Card-to-Cash Ratio**
- **Ensure Accurate Receipt Validation**
- **Discover Non-Compliant Spend by Categories and Expense Types**

Focus Your Audit on the Heavy Lifting

Most organizations have some sort of audit process tied to their expense process, in the form of internal staff or an outsourced firm physically reviewing the expense submissions; Artificial Intelligence and machine learning-enabled technology reviewing the submissions; or a combination of the two.

Our experts agree that it is far more efficient to **move this review to the front of the process** before it hits the approver's inbox or the AP department's workflow. The more you can automate the process, the more benefits you'll see, in terms of efficiency, accuracy, and the opportunity for your human staff to spend more of their time on higher-value work.

"If you have human beings auditing 100 percent of your expense reports, you're not only inefficient, but you have serious trust issues," Geshuri said. "**Wouldn't you rather have your compliance team take a step back and spend more of their time looking at trends**, and comparing trends season-to-season, or region-to-region? Instead of only focusing on specific items, you often get more bang from your buck by looking at the aggregate. "

Geshuri recommends being more strategic about where you're applying a 100 percent audit. Instead of auditing everyone, target specific groups where you have the potential to make the greatest impact.

These include:

NEW HIRES

"New hires don't know your rules yet. So, audit everything they do for the first sixty to ninety days — whatever the probation period is at your company," Geshuri said. "It's the perfect opportunity to condition them to make good, compliant choices, so you shape those behaviors upfront."

Once they pass that milestone date, you can reduce the audit frequency, unless there have been repeat issues, or they had very little spend activity those first 90 days.

EMPLOYEES ONBOARDING THROUGH ACQUISITION OR MERGER

Mergers and acquisitions (M&A) are a big part of the business landscape, with a new group of employees adjusting to new cultures, processes, and policies.

"When you have an acquired company absorbed into an M&A situation, these people are basically new hires to that organization, so, you'll want to focus on them," Geshuri said.

In the case of a merger, when all employees are learning a new, hybrid policy that doesn't mirror what either company had in place before, audits can help everyone in the company more quickly adjust to — and begin adhering to — the policy changes.

SPECIFIC DEPARTMENTS, REGIONS, OR GROUPS

If you have specific departments or locations that consistently have a high volume of spend or have had a tendency to go rogue with the policy, it makes sense to put those areas under greater scrutiny. The same holds true for any area that might have expenditures that require regulatory or government compliance.

Apply the 80/20 rule, and although automated audits across the board make sense, focus your humans on the 20 percent where that level of oversight is really warranted.

Help Your Vendors Get in Shape

You can have the healthiest, leanest processes in the world, but if your vendors still insist on submitting paper invoices, and receiving paper checks, you're not going to achieve the performance you're seeking.

"You always have the looming thing behind you that says, 'I'll take my business elsewhere,' but if they're a sole source supplier or a great vendor in every other way, you may want to partner with them instead of sending down an edict," Geshuri said. "Talk to them and explain how it will benefit you both if they adopt specific processes or implement this software to modernize their accounting operation."

In some cases, companies actually help their smaller vendors offset those costs because the change will be so beneficial.

"Sometimes, organizations are so concerned about saving money, when the focus should be around improving value," Geshuri said. "If a vendor process is costing you time and energy, instead of leaving that relationship, give them the help and motivation they need."

Don't immediately write off those good vendors with less-than-ideal invoicing processes, but don't simply accept that you need to add steps to accommodate them, either — particularly if those extra steps are impacting productivity and operating costs.

> "One of the myths around compliance is that it is a one-way street. You have to have a **feedback mechanism** that tells you how well your employees are informed on what it is they are supposed to do or how to do it. If you're constantly having to monitor people because they're doing things wrong, **that's not a problem with your people. That's a problem with you** — the language in your policy, how it is conveyed or the feasibility of what you're asking them to do."
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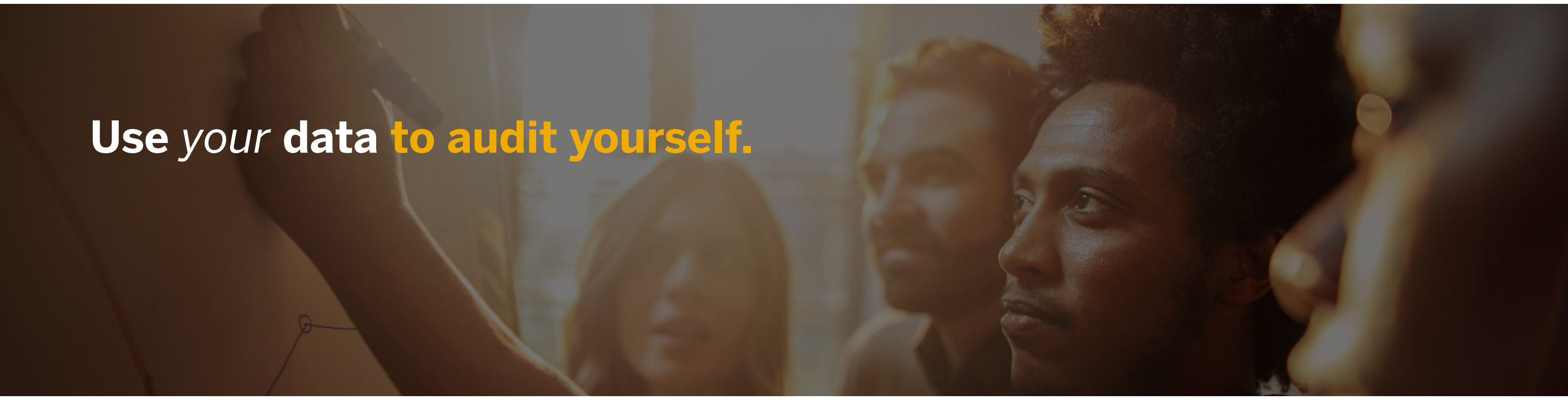
> Oren Geshuri, Specialist Master, Deloitte



Recognize that Maintaining Healthy Processes Takes an Ongoing Commitment

Ensuring you have a healthy financial process is not a once-and-done endeavor. It is an ongoing commitment that begins with an honest assessment of where you are right now, compared to where you want to be.

TO GET ON THE ROAD TO FISCAL FITNESS:

- Benchmark your performance against your peers, looking not only at your averages, but the outliers.
- Make sure you have a policy objective in mind when you attempt to change employee behavior and communicate that objective — as well as the "why" behind it.
- Assess how your finance team is spending their time, and how those processes could be improved through automation.
- Focus your audit on areas and target groups where you will see the greatest value.
- Fully utilize the configurations in your technology solution to ensure compliance, reduce error, and support behavioral change.
- Work with your suppliers and vendors to reduce or eliminate paper-based processes.
- Continually benchmark, assess, and review your operation to ensure optimal health as your company scales and grows.

For more information on how SAP Concur solutions can support your creation of a healthy financial process, visit us online or contact your account team.

Why Deloitte for SAP Concur?

No matter where you are in your transformation journey, Deloitte's worldwide team brings a complete set of capabilities plus industry-specific SAP experience — all to help you quickly deliver results that matter for your business. Learn more at **www.deloitte.com/sap**.

Let's Talk

Find out how Deloitte can help you reimagine everything with SAP Concur and other SAP solutions — so you can rapidly transform the picture for T&E and support the "built to evolve" Kinetic Enterprise. Contact us to schedule a demo, get more insights, or discuss a specific challenge your organization is facing.

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