



Enterprise Travel and Expense Software Maturity Model

Examining the Evolution of Software Adoption
Within Larger Business's Organizations

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Navigating This Presentation

Click on titles or page numbers below to navigate to each.

Travel and Expense Application Adoption Maturity Model.....	3
Legacy Applications.....	4
COVID-19 and the Impact On Legacy Applications.....	5
Automated Point Solutions.....	6
COVID-19 and the Impact On Automation.....	7
Connected Platform Ecosystem.....	8

COVID-19 and the Impact On Ecosystem	9
Integrated Application Suites.....	10
COVID-19 and the Impact On Integrated Suites	11
Intelligent/Predictive Processes.....	12
Pandemic Demands More Artificial Intelligence and Machine Learning.....	13
About the Analyst.....	14

Travel and Expense Application Adoption Maturity Model



Legacy Applications

Legacy on-premises “dinosaur enterprise applications” – those systems that are monolithic, cumbersome, overly customized and staid - lack intuitive features and intelligence. These applications often must be augmented by spreadsheets to move and combine data sets.

Technology: Monolithic applications; on-premises deployment; highly customized; long update cycles; dated look and feel.

Cultural elements: Ad hoc; reactive; manual.

Business challenges: Risk of untimely expenses resulting in inaccurate accruals; reporting and taxable implications to both employee and organization.

CFO's perspective: The legacy financial technology currently in place hinders any efforts to be agile and flexible. Legacy solutions prevent FP&A and budget teams from moving at the new speed of business.

Benefits of moving to the next stage: Reduce risks exposure associated with non-compliant spend and reporting by minimizing manual manipulation of data.

50%

of enterprise survey respondents still using legacy applications worldwide



Source: IDC 2021 SaaSPath Survey

COVID-19 and the Impact On Legacy Applications

The large shift to remote/hybrid work impacted payment channels. Employee spend became a more business-critical source for expenses that were traditionally centrally purchased. Legacy systems slow down or stop reimbursement of employee spend, reducing the effectiveness and experience of the workforce.

36%

of survey respondents plan to increase their financial technology spending by more than 10%.

53%

of survey respondents are set to increase their spend on finance-related technology.

KEY TAKEAWAY FOR THE OFFICE OF THE CFO:

CFOs found themselves burdened with slow moving, disparate legacy systems that must be augmented by either additional FTEs or supplemental spreadsheets.

Source: IDC 2020 Worldwide C-Suite (CXO) Survey

Automated Point Solutions

Point solutions are built to manage one task/workflow in a relatively unconnected fashion. These point solutions lack intelligent features to drive automation; instead, relying on rule-based automation patterns for travel and expense management. Employees can use automated processes for travel and expense (T&E) provided by cloud point solutions.

Technology: Specialized point solutions built around specific workflows i.e., accounts payable, treasury.

Cultural elements: Siloed; disconnected; lack of communication.

Business challenges: Linking disparate pools of spend data is a manual effort that is prone to errors, limits controls and reduces accuracy of reporting. Siloed systems increase need for staff to manually enter data points, increasing error and reducing overall employee experience and productivity.

CFO's perspective: Point solutions work best in a segmented financial environment. The downside is they can often limit the flow of information which hinders the ability for CFOs to effectively communicate financial metrics.

Benefits of moving to the next stage: The visibility into spend data is improved with the adoption of a connected spend management platform as disparate pools of spend data can be combined. The connected platform simplifies the spend management process to improve employee experience, while increasing productivity and compliance.

83%
of enterprise
respondents are willing
to pay a premium
for automation
technology.

Source: IDC 2021 SaaSPath Survey

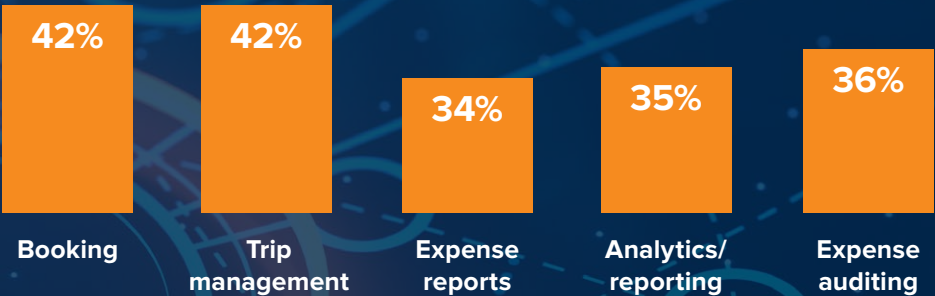
COVID-19 and the Impact On Automation

The adoption of automation technologies has accelerated. Importantly, the shift toward automation has also included a shift away from older, more cumbersome, rule-based automation to intelligent automation driven by machine learning. Automation will have its biggest impact in data heavy areas like travel booking and trip management where the number of steps and data sources necessitate more advanced automation.

40%

of respondents who answered “In response to COVID-19, we have expanded our resiliency plans to support the unique requirements of a pandemic – e.g., automation. And we are expanding our initiatives further to ensure we can respond to forward business disruptions and restore our business operations.”

PERCENT OF SURVEY RESPONDENTS USING RULE-BASED AUTOMATION FOR THE FOLLOWING:



Source: IDC 2021 SaaSPath Survey
Source: IDC 2020 Worldwide C-Suite (CXO) Survey

Connected Platform Ecosystem

Back-office point solutions for travel and expense are connected via APIs to systems of record and to an ecosystem of third-party applications.

Technology: Point solutions connected via APIs share information. These systems can also be connected to outside partners forming an ecosystem around the point solution(s), enabling Information flows among systems; users must move from system to system to gather disparate information.

Cultural elements: Tedious; data gathering prone to errors.

Business challenges: Fragmented spending channels and new expense categories (such as home office supplies, PPE, etc.) create more complexity for managing employee spend. A lack of process and compliance guidance may open the door to wasteful spending, budget overruns, and even fraud, which can bring potential legal and financial penalties and reputational damage.

CFO's perspective: The office of the CFO has become a hub for business operations enabling collaboration with suppliers, partners and customers.

Benefits of moving to the next stage: Business leaders can get a complete view of key issues such as financial health and business resiliency. By connecting business applications with budget tracking and pre-approval functions, organizations can proactively control spend before it happens and reduce non-compliant spend. With analytics and reporting tools support, business leaders can use accumulated data to drive policy changes and configurations to enhance compliance.

42%
of respondents
describe their financial
applications digital
transformation as
disconnected.

Source: IDC 2021 SaaSPath Survey

COVID-19 and the Impact On Ecosystem

For many end-user customers, the first stop when selecting additional tools to extend functionality in ecosystems is with their financial applications. There is an opportunity for application vendors to add value to their solutions, thereby increasing the “stickiness” of their products. However, to fully harness the power of the ecosystem, vendors must consider the depth and breadth of the ecosystem and deliver to users a curated experience. For example, during the pandemic, essential applications included those for duty of care; auditing and VAT tax. When taken together, a well curated ecosystem is a major differentiator for financial applications vendors.



80%

of enterprises will overhaul relationships with suppliers, providers, and partners to better execute digital strategies for ubiquitous deployment of resources and for autonomous IT operations by 2024.

Source: IDC FutureScape: Worldwide IT Industry 2021 Predictions, October 2020

Integrated Application Suites

These applications are connected to a specific workflow or business process. For example, a holistic view of working capital requires tying together aspects of T&E, corporate card, ERP/financial system, CRM, and meeting management - an area where integrated suites can flourish. Integrated suites are made possible via the growth in cloud-native microservices-driven software architecture.

Technology: Microservices structure allows IT teams to recombine different elements of applications around a specific task.

Cultural elements: Enables the CFO to have a more holistic view of spend and risk exposure.

Business challenges: Integrated process can become stagnant without continuous feedback from AI and ML. Lack of intelligence to continue optimizing program performance slows down business growth and inhibits an organization's ability to respond to major business disruptions.

CFO perspective: The pandemic changed the game for CFOs in many ways. Simply put, the CFO is being asked to do more (be more strategic) and do it all at a faster pace. As a result, the demand for a unified view of financial data is essential for the CFO to be agile and flexible which are key aspects of the "new normal."

Benefits of moving to the next stage: Streamline and scale the end-to-end employee spend management process to support finance transformation. With intelligent and predictive processes, finance team can leverage intelligent technology to reduce processing time (e.g., improve audit efficiency or maximize VAT reclaim, etc.), improve organization agility, and establish business resilience.



59%

of respondents cited a preference for integrated suites vs. "best of breed."

Source: IDC 2021 SaaSPath Survey

COVID-19 and the Impact On Integrated Suites

According to results from the IDC SaaSPath 2020 survey, 75% of financial application users prefer their functional application to be part of an integrated software suite, versus only 9% who prefer best-of-breed applications. The larger the company size, the greater the preference for suites, which is logical because smaller companies typically do not have needs which are intricate enough to justify the expense of a suite. In effect, larger companies historically have suites due to operational complexity.

KEY CONVERGENCE POINTS OF FINANCIAL APPLICATIONS:

- Order to Cash
- Report to Report
- Spend Management

81%

of finance leaders are willing to pay more for cloud-native architecture featuring microservices and containers.

Intelligent/Predictive Processes

This stage of maturity takes the platform ecosystem approach a step further. By utilizing cognitive capabilities, employee spend management systems provide predictive services that mitigate unplanned or needless expenses and forecast future invoices before they happen. This is a big shift when compared to most businesses today, that are not able to analyze their spend until months after the fact. Organizations at this stage gain more insights, make advanced and continuous improvement, and establish business resilience. In short, this stage opens the door to virtual assistants, predictive T&E budgeting and planning, machine learning-based fraud detection, perhaps the elimination of the expense report altogether.

84%

of enterprise respondents willing to pay a premium for AI/ML technology.

Technology: Embedded intelligence within the business workflows is required in enterprise applications to unleash the full power of artificial intelligence.

Cultural elements: LOB gaining more insight; increased focus on value adding activities.

CFO's perspective Technology: Embedded intelligence within the business workflows is required in enterprise applications to unleash the full power of artificial intelligence.

Business outcomes: Finance transformation as CFOs leverage forward-looking predictive insights and data for better strategic decisions across the organization. Harnessing intelligent automation increases business agility, establish resilience, and keep organizations ahead of the competition.

Source: IDC 2021 SaaSPath Survey

Pandemic Demands More Artificial Intelligence and Machine Learning

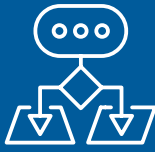
According to a recent survey, Artificial Intelligence (AI) is profound and is impacting businesses and organizations across industries. Early adopters report 39% improvement in customer experience (CX) and 33% improvement in employee efficiency and accelerated innovation with roll-out of AI solutions. This is a double-digit surge in improvement of business outcomes when compared to 2019.

ENTERPRISE AI/ML USE CASES



Structured Machine Learning (ML)

Recently, companies have turned to structured machine learning to speed up/streamline key reconciliation, auditing, matching, cash management, and discounting.



Workflow Automation

Spend management vendors must work to embed intelligence within the order to cash workflows to unleash the full power of AI.



Virtual Assistant

A virtual assistant can be used to augment and even automate many lower-level tasks — freeing up valuable financial organizational resources to focus on higher-level strategic tasks.



Fraud Detection

Shift in spend patterns and behavior require shifts in audit strategy. Implementing policy changes to accommodate new work environments pose new challenges to controls and reporting.

Source: 2020 Worldwide Artificial Intelligence Applications Market Shares: Adoption Accelerated by Global Pandemic Disruption

About the Analyst



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As a research director, Kevin M. Permenter provides insights and analysis across multiple Fintech market segments including accounting, revenue management, corporate tax, accounts payable, accounts receivable, treasury and enterprise payment management. Kevin leads qualitative research efforts which drive a series of technology buyer-focused documents including Marketscapes, buyer perspectives, Peerscapes and end-user surveys. He also leads several quantitative research efforts within financial applications that feed key technology supplier-focused documents like Market Shares, Market Forecast, Market Glance, Market Analysis Perspectives. Kevin's research includes a particular emphasis on the interplay, challenges, and trends driving financial application deployment and its role in the evolution of the complex financial technology ecosystem.

[More about Kevin Permenter](#)

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