

Creating **Certainty** in Uncertain Times

A Simple Equation for Thriving No Matter What



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As the old adage goes, the only constant is change. That change can be initiated by careful planning and thoughtful action, or it can appear unexpectedly as the result of forces beyond our control. When the unexpected happens, earlier investments in strategic preparations can help your organization mitigate its impacts and stay resilient in times of challenge.



The fact is, we deal with uncertainty every day. Opportunity or challenge could be right around the corner. No matter what is happening in your world, or the greater world, taking time to ensure your operations are running efficiently just makes good business sense. This is no less true when times are good, and it might be easy to lose sight of the fundamentals that help drive success. These flush periods provide an excellent opportunity to review systems and processes that can help unearth areas for improvement.

This exercise is no less relevant in times of challenge, which must always be anticipated. Unknowns are growing, particularly in our interconnected, global reality. Circumstances previously thought to be a world away, or another industry's problem may now be everyone's concern as they ripple through economies, supply chains, even neighborhoods. Smaller businesses are not immune from these global pressures. In fact, they may be even more exposed than their larger counterparts and struggle harder to weather downturns.

Fortunately, businesses have the power to harness both good and bad circumstances. There are steps you can take right now, no matter what the conditions. The key is to create your own stability. By establishing a solid operational foundation, you can boost your organization's health, allowing you

to climb higher in good times and endure in the more challenging ones. In doing so, you steady not just the future of your business, but that of your employees, customers, business partners, and community.

While you can't control everything, the good news is you don't have to in order to mitigate the effects of uncertainty. In fact, the equation for success is remarkably simple. Focus on just two common areas of your business and you can help maintain a healthy bottom line.



**Control Company Spend +
Improve Compliance =
Increased Stability**

The even better news is there are lots of levers you can pull to address spend control and compliance. Some involve reviewing and updating policies and processes, while others use technology to help small and medium-sized businesses gain the same advantages as even the largest enterprise. And they don't need to be pulled all at once. Employ all, or some, or consider scaling your approach depending on your needs and resources. Even small, incremental steps can have a big impact.

The Real Cost of Company Spending

Company spending is such a ubiquitous part of business that keeping track of it all can be a challenge. Think about your own organization or team. Can you say with confidence you know where and how every dollar is being spent? Consider employee travel and expenses. Compared with some other purchases it might be easy to discount these expenditures as not amounting to much, but that would be a mistake. In actuality, employee spend is often a company's largest cost after payroll.

In contrast, accounts payable is typically a well-known category of business spend. But do you know everything you should about every payment you make to your vendors? Understanding not just when, how and how much you are paying, but also the time and cost spent collecting and analyzing that information can help optimize this mission-critical process. An audit can help you further control costs and even save money by allowing you to take advantage of vendor incentives like early payment.

New ways to spend have freed employees to get business done better and faster, and this is a positive advancement. But those ever-increasing spending channels have also contributed to a lack of accurate, current, and visible information about vast amounts of company dollars. This, in turn, can negatively impact everything from budgets to decision making, all of which affect the stability of your organization.



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Four Steps to Controlling Company Spend

1. Consolidate All Employee Spend in One Place
2. Manage Faithfully to a Budget
3. Review and Refine Your Invoice Process
4. Mine Your Spend Data for Hidden Insights

Four Steps to Controlling Company Spend

1. CONSOLIDATE ALL EMPLOYEE SPEND IN ONE PLACE

Think about the myriad of ways your employees spend – through travel suppliers and travel management companies (TMCs), personal and company credit cards, vendors, even their favorite ride-hailing apps. Furthermore, employees can spend anywhere – at home, in the office, or while traveling. You want to be sure to capture every bit of that data when and where it happens.

Collecting employee spend information is a great start, but it's only part of the formula. Once captured, that data should live in a single repository, accessible by everyone who can use the information to inform decision making. For maximum efficiency, the system should easily accept data from different sources and properly collate and display the details.

HOW THIS CREATES STABILITY:

As another old adage goes, you have to see it to control it. Having all of your spend data in one place fosters better decision making throughout your organization. When you democratize information, you arm everyone in your business with the tools to protect and properly manage company resources. And don't forget the value all that historical data can lend to future planning and forecasting.



Collecting information close to the source also helps ensure that data is accurate and timely. Delayed or incorrect data is as bad, if not worse, than no data at all. Minimizing the steps and touches between spend and reporting reduces errors and latency in information.

2. MANAGE FAITHFULLY TO A BUDGET

Every year companies and their individual departments go through the painstaking exercise of creating budgets to help guide spending for the next 12 months. So why is it that we so often spend more – or less – than we've been allocated? One reason might be that while companies see the value in budget planning, they don't always follow up with similar effort in managing those budgets.

A budget number is really just that, a number. It's the spend against that number that makes a budget valuable. To get the most out of your budget all associated costs should be assigned as soon as dollars are requested or spent. Timeliness is key. If there's a lag in posting that information you won't have an accurate picture of how much budget is available at any given time, which renders the budget useless. Capturing expenses in their entirety will further improve accuracy.

HOW THIS CREATES STABILITY:

Some of the reasons for keeping to a budget are apparent. The most obvious is that it discourages overspending. But there are less intuitive benefits as well, such as reducing underspend. Think back to that arduous budget planning process. There were likely strategies for the money that was requested and allocated. Not spending it could mean some opportunities were not pursued, which in turn could leave business objectives unmet.



And what about next year's budget? Have you ever just added 10% to the current budget and hoped that would be adequate? If so, how did you justify that amount? Think of how much easier and more precise requesting money for next year would be if you knew exactly what was spent this year and on what.

Lastly, staying within budget provides agility to manage uncertainty – good or bad. Knowing how much money is in the so-called pot can help you mitigate negative circumstances or allow you to take advantage of unforeseen opportunity. In both instances, you are ensuring resources are available when and if you need them.

3. REVIEW AND REFINE YOUR INVOICE PROCESS

Paying vendors is a regular—and costly—activity for any business, both in terms of the hard dollars spent on goods and services, and the soft dollars (which may be costing you more than you think) to manage the multi-step requisition and payment process. Giving this critical workflow a thorough once-over can help expose areas of weakness and cost saving opportunities.

To do this effectively, you'll want to scrutinize your entire system end to end, from the first step of purchase order creation through to vendor payment. In particular, pay attention to common – and error-prone pieces – such as invoice matching, PO's, and goods received. When it comes to reconciliation, you want to make sure you got what you paid for before sending payment.

Along with reviewing the process, this is a great time to double-check rules for things like routing and exceptions. Do approvers have what they need to make accurate and timely decisions? If there are discrepancies is there a clear path for resolving them? Lastly, give your AP / finance manager the proper tools and information to help them provide oversight and ensure accountability across the entire process.

HOW THIS CREATES STABILITY:

Vendor payments likely account for a large portion of your business expenses, and chances are your vendor eco-system has grown over the years. With a lot of moving parts, multiple touchpoints, and time between order and delivery, leaks in the system are not uncommon. Plugging those leaks with good process and practice can improve an integral part of your operations.



For instance, consider the difference it would make if you were paying all your vendors at the best time to optimize cash flow. Imagine the stability that could provide. Fine-tuning this process can even help you take advantage of perks such as early discounts to save your business money or reduce volume of payments altogether.

4. MINE YOUR SPEND DATA FOR HIDDEN INSIGHTS

A final key to controlling your spend is to really understand it and then put that information to work for you. Analysis should be conducted regularly throughout the business, from financial leadership on down. Track spending by category, vendor, cost center, team, employee – whatever makes the most sense for your business or individual departments. Different teams are likely to look at different things, so having flexibility in how people can view and manipulate spend data is key.

HOW THIS CREATES STABILITY:

Having comprehensive, timely, and available spend information provides almost boundless opportunity to answer questions about your business, from the simple to the complex. If yours is like most organizations, you want to know how you can run better. Devote some time to looking at trends, inconsistencies, and opportunities for when and how you spend money, and it will yield dividends.



Now that you've got some ideas for controlling spend let's talk about the second part of the equation – compliance.

Compliance Doesn't Have to be a Dirty Word

When you think of compliance what comes to mind? Chances are it's not a rosy picture. The very word evokes draconian images of snarling dogs heeling to authoritative task masters. The reality is, of course, far less sinister. In society, laws provide a framework for everyone to function and thrive individually while serving the common good. A business is no different. It is a collective of people who must likewise operate together to meet shared objectives. Rules and standards help guide everyone in those efforts.

Compliance pertains to both the individuals of an organization, and the organization itself. Employees are asked to adhere to certain rules about how they spend the company's resources. The company, in turn, has its own set of policies necessary to meet legal and regulatory requirements. Compliance is not an employee concern, or a business concern. It's everybody's and your policies should reflect that.



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A woman with short brown hair, wearing a blue turtleneck sweater, is looking down at a black smartphone she is holding in her right hand. The background is a blurred office environment with glass partitions and a lamp.

Three Steps to Improve Compliance

1. Reframe the Concept in Positive Terms
2. Communicate a Clear Policy and Make Adherence Easy
3. Audit Employee Spending

Three Steps to Improve Compliance

1. REFRAME THE CONCEPT IN POSITIVE TERMS

Since your employees are at the heart of policy it is important to consider how they think and feel about compliance. You have probably heard a lot about employee experience lately. How your employees interact with your company – from the physical space to the systems in which they operate -- can have significant impact on how well they support the business. Expense policy is one of the many things they will evaluate and respond to, positively or negatively.

To help ensure a positive response, consider having a cultural revolution in terms of how your employees view spending policies. They may know the rules, but do they know why they exist? Make the purpose of your compliance policy clear, not just the rules themselves. They're not there to spy on your employees, nor do you assume your workers are up to no good. Policies are there to assist and streamline spending decisions. They take the guesswork out of expenses, so employees don't have to stress over making potentially incorrect, even if unintentional, choices. Policies are there to help. Make sure your employees know that.

HOW THIS CREATES STABILITY:

Thinking first about your employees is an essential step in helping them to follow your policies. People are generally more successful when the purpose of what they are doing is clear. They are less likely to make their own interpretations, which can lead to policies being seen more as a general guide rather than explicit instructions. Open communication about why they are being asked to do certain things will foster greater trust and understanding.



2. COMMUNICATE A CLEAR POLICY AND MAKE ADHERENCE EASY

Many companies think once they have documented their expense policies the work is done. That would be a mistake. While the rules to guide your employees on spending company funds are an essential element of compliance, they are only a piece of the puzzle.

The first thing to confirm is, are your policies comprehensive? To answer that question, you need to understand all the places where employees are spending and on what so that policies address all scenarios, such as offline travel bookings, mileage and use of personal credit cards.

Once your policies are complete you will want to make sure they are properly communicated. To do this effectively think about how to meet employees when and where they are spending. Don't expect employees to remember every detail of your policy on their own. Instead, make sure when an employee is filling out an expense report, they have access to spending policies then and there, so they can request reimbursements within proper guidelines.

Lastly, you want to create processes that are easy to comply with for both requesters and approvers. To reduce complexity, dissect the steps in your expense process, and even the form itself. Is it easy to fill out? Do employees have to attach physical receipts? What happens if a receipt is missing? How does an approver respond to inconsistencies? Remember, every time something is uncertain, the potential for non-compliance becomes that much greater.

HOW THIS CREATES STABILITY:

If policies are not clear or aren't accessible, employees will be left to figure things out for themselves. Sending out the guidelines on January 1 and thinking they will still be top of mind months later places an unrealistic burden on employees. This can lead to guesswork, which makes compliance virtually impossible. Guessing causes errors, costly delays, and employee frustration to name just a few problems.



When you identify each step in your expense process you may be surprised by just how complicated it is for both submitters and approvers. Remember, much of non-compliance is the result of innocent mistakes, not intentional fraud. The company has as much a role here as do employees. If policies and how to apply them are understood, it makes it much more likely people will adhere to the rules.

3. AUDIT EMPLOYEE SPENDING

While having expense policies that are easy to understand and follow gets you significantly closer to ongoing compliance, it's likely exceptions will still arise. And even small or innocent mistakes can add up. In order to catch these outliers, you will want to conduct regular and consistent audits of employee expenses.

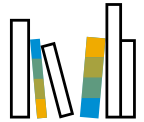
Start by determining what percentage of reports you want to audit. While this can be influenced by a number of factors, including resources and perceived risk, a minimum of 10% is advised. Anything lower could prove to be ineffective in providing an accurate picture of compliance throughout your organization.

Next, you will want to decide what types of information to review and how often. Again, this is dependent on your business needs and objectives, but here are some things to consider:

- Ensure there are receipts for all expenses that require them
- Verify the receipt matches the line item details (i.e. type, vendor, payment method, etc.)
- Validate expense classifications
- Review expenses marked 'miscellaneous'
- Double-check cash expenses
- Identify any expenses that should be treated as taxable income
- Identify items that were expensed that should have gone through your procurement process
- Maintain a list of employees who should always, or never, be audited

HOW THIS CREATES STABILITY:

Audits are one of the most effective ways to reduce a company's risk, which in turn creates greater stability. Businesses often associate audits with potential fraud. While this possibility should not be ignored, audits can shine light onto so much more. For instance, they can help your business comply with tax policy and regulations, where missteps can lead to fines or worse. Not to mention, regular scrutiny into your expenses can help identify where overspending is occurring.



Audits are also an excellent way to verify the effectiveness of your policies. If you have a high number of non-compliant expenses audits can help root out the cause, particularly if you see similar mistakes across multiple expense reports. Is it your system? Lack of policy understanding? Lost paperwork? By identifying the cause, you can help improve the process for better compliance and employee satisfaction.

The Red Thread

The red thread refers to a constant and underlying theme, something that runs through all the parts and binds them together. There is a red thread in our equation of controlling costs and improving compliance to yield greater stability. Something that ties all the pieces together and makes them inherently more effective.

That red thread is automation.

Automation is the “killer app” for small and mid-sized firms. It has countless inherent values that can be realized by any type of organization. It increases the efficiency of virtually any task or process, which in turn lowers costs and frees up labor for higher-value activities. Automation applies consistency and oversight to help enforce policies and reduce errors. And it effortlessly compiles and collates massive amounts of data to shine light on every part of your business.

As you think about ways to control your costs and improve compliance, consider systems that automate some or all of your workflow to reap its many benefits. With automation you can interconnect all parts of your organization – HR, IT, Travel – to leverage the power of automation throughout your organization.

IN SUMMARY

No matter where you are on your automation journey, there’s always another step you can take to manage spend and increase compliance. By ensuring your organization’s stability, you will be better able to navigate all the situations your business might encounter. Whether it’s to take advantage of unforeseen opportunities, face difficult trials, or more likely both, you can feel confident your organization is prepared whatever comes your way.

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