



Expense Management: The Top Ten Tips for Small Businesses

Andrew Bartolini,
Chief Research Officer
Ardent Partners
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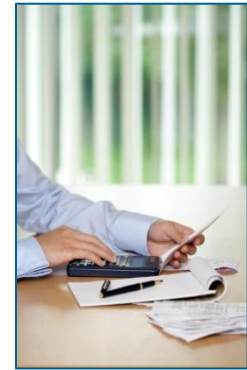


*The drive for revenue by small business owners and executives demands time, focus, and resources; so much so, that expense management often becomes a secondary concern. But, since business profit equals revenues minus expenses, how a company manages its expenses has a direct impact on its bottom line and warrants attention. **This research paper presents a list of the “Top Ten” tips for the management of small business expenses.***

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- **Tip #1: Establish a formal expense management policy today.** The first step to effective expense management is the establishment of a clearly-written and clearly-communicated set of policies and procedures regarding company spending. An expense policy helps companies control costs by establishing guidelines for employees on what is and what is not reimbursable, while also incorporating best practices and highlighting preferred vendors. The establishment of a policy also communicates a company focus on performance and profitability to employees and helps establish a business discipline that is missing in many small companies.
- **Tip #2: Make your expense policy a “living” document.** What worked for the company in its early years may now be outdated; policies that worked well for fifty employees may not scale to five hundred. Establishing a small “policy council” comprised of employees, executives, and expense report processors that meets on some regular basis (quarterly or semi-annually) to review and improve the policy will help to ensure that the expense policy always reflects the company’s size, spending behaviors, and general business operations. Regular policy reviews will also help the company stay abreast of tax and regulatory changes that should impact policy.
- **Tip #3: Centralize the expense management function.** A centralized point of control in the management and processing of expense reports can help track and monitor policy compliance and work proactively to ensure that policies are well-understood by all employees. Centralized functions typically see real benefits from process efficiency and help establish a platform where best practices can be developed, shared, and refined.
- **Tip #4: Automate the expense management process.** Small businesses, that deploy process automation tools for expense management, report significant gains in process efficiencies via speed, accuracy, and integration as well as employee satisfaction which can all translate into increased staff productivity. Improved compliance can be an additional benefit with the more dynamic solutions, that allow companies to embed their policies and best practices into the system to train employees and guide their behavior as needed. Expense management solutions can also provide real-time visibility into costs and cash liabilities to help improve cash management and company liquidity.





- **Tip #5: Distribute and use corporate credit cards.** Small businesses, particularly those that operate without a formal procurement department, need to gain control over and visibility into all company purchases. Corporate cards can be a powerful tool used in pursuit of that goal, while also streamlining the procurement process. Issuing cards for employees to use in the purchase and payment of all travel and other business-related items and services can provide a more consolidated view of company purchases and identify non-compliant transactions as well as opportunities for savings. Comparison shop card programs to determine the best rebate and user benefit programs.
- **Tip #6: Seek integration of systems and processes.** Automated expense management systems that can integrate with corporate card feeds and back-end transactional systems improve the speed and accuracy of expense management reporting, reimbursement, and client invoicing.
- **Tip #7: Develop a list of preferred suppliers or vendors.** The growth of the small business community in recent years has caused many large businesses (including airlines, hotels, office supplies and other retailers) to develop programs that target the small business customer. Aggregating company purchases with preferred suppliers can drive savings via volume discounts, capture rebates after surpassing certain spend thresholds, and derive a series of other benefits from customer loyalty programs.
- **Tip #8: Reimburse employees using electronic payments.** Manual, paper-based reimbursement checks can be costly and time-consuming and slow the time to reimbursement. Electronic payments can simplify and speed the reimbursement process in a cost effective manner, while improving employee satisfaction.
- **Tip #9: Develop expense management systems and processes that can serve a mobile workforce.** Geography is no longer the primary consideration as to who a company's employees are and where they perform their duties. Given the mobile workforce trends, a company's expense management systems and processes should be capable of supporting mobile workers.
- **Tip #10: Develop reporting and audit capabilities and standards.** Company-level reporting on expenses and compliance audits help ensure that the company is spending its money wisely and as planned. These tools can help companies identify savings opportunities with suppliers, improve overall policy compliance, and gain executive support for expense management initiatives.

Conclusion

The growth and management of top-line revenue are vital to a company's success and future, but profits and cash flow define its current state. When a company saves a dollar, it really does make a dollar, sometimes more. Having streamlined and effective expense management processes and systems can help companies navigate the present and realize its future.

ABOUT ARDENT PARTNERS

Ardent Partners is a Boston-based research and advisory firm focused on defining, advancing, and promoting the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Register for access to Ardent Partners research at www.ardentpartners.com.



ABOUT THE AUTHOR

Andrew Bartolini, Managing Partner and Chief Research Officer at Ardent Partners

Andrew is a globally-recognized expert in sourcing, procurement, accounts payable, and supply management. Andrew focuses his research and efforts on helping enterprises develop and execute strategies to achieve operational excellence within their procurement, finance, and travel departments. Andrew is also the publisher of [CPO Rising](http://www.cporising.com), the first independent media site written for and about Chief Procurement Officers and other supply management executives (www.cporising.com).

Advisor to global enterprises and leading solutions companies alike, Andrew is a sought-after presenter, having lectured and presented more than 90 times in seven different countries. Over the past five years, Andrew has benchmarked thousands of enterprises across all facets of their sourcing, procurement, and supply management operations and his research is currently part of the Supply Chain/Management curriculum at several US universities. He actively covers the technology marketplace and has been published or quoted in leading business publications including The Wall Street Journal, Business Week, Investor's Business Daily, and Fortune, as well as the major trade publications focused on supply management.

Prior to becoming an industry analyst, Andrew developed, packaged, deployed, and used supply management solutions on behalf of enterprises in the Global 2000 while working for Ariba and Commerce One. Additionally, his experience in strategic sourcing (where he managed sourcing projects totaling more than \$500 million in aggregate spend), business process transformation, and software implementation provides a 'real-world' context for his research and writing.

Andrew has been named a "Pro to Know" by Supply and Demand Chain Executive three times and holds a B.A. in Economics from The College of the Holy Cross and an M.B.A in Finance from Indiana University. He welcomes your comments at abartolini@ardentpartners.com or 617.752.1620.