The Route to Success: Crafting Your Travel and Expense Policy

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Table of Contents

It might seem that writing a company T&E policy would be a simple enough undertaking. But developing policies that **your employees will actually use and follow** can be quite difficult.

Getting your Travel and Expense Policy Right

Evolving business landscapes and hybrid operating business models mean that today's corporate travel managers face many new challenges. The global pandemic has wreaked havoc on global economies and sectors, especially the global travel industry and the world of corporate travel.

Travel management and employee policies must now:

• Be flexible enough to provide real-time guidance for the ever-changing governmental and business health requirements for corporate travelers
• Address the increasing focus on business traveler safety and wellness
• Adopt and offer sustainability options
• Understand the travel community's overall sentiments

With all of these pressures, it's never been more important for travel and expense (T&E) management teams to take action. Fundamental to planning for that action is ensuring your T&E policies are up to date and in alignment with the ever-changing travel landscape.

Whether you're creating T&E polices for the first time or updating your current policies, you want to write a document that your teams will actually read, comprehend, appreciate, and follow.

This guide is designed to help you do that.

The **purpose of a T&E policy** is to define how employees are allowed to spend company money on business travel and other related expenses.

Fundamentals of a T&E Policy

The T&E policy is intended to provide guidance on employee spend, transparency of the types of spend, identify key suppliers for discounts, enforce violations of questionable spend, and help travelers enjoy their journeys.

Expenses include, but aren't limited to:

Transportation (airlines, rail, ground)

Lodging

Food and beverage

Business-related incidentals

Travel can be local, regional, domestic, or international.

Your T&E policy should cover all instances that will have a monetary impact when employees are conducting business on behalf of the company, so it's important to be thorough.

The first rule when developing a T&E policy is that one size does not fit all.

One size does not fit all

There is a very small chance that one company's T&E policy will be a perfect fit for another company. Every company is different. Your T&E policy should reflect your company with considerations such as:

• Company culture
• Risk tolerance
• Interpretation of requirements and regulations
• The need for exceptions
• Being authoritarian or permissive

Easy on the eyes

There's a temptation to want to write a novel when developing a policy. Employees are more likely to read and understand policy descriptions that are short and to the point:

• Keep copy to a minimum so that employees are likely to read it – Think CliffsNotes
• Provide a summary that gets to the heart of the matter
• Remember, you don't have to cover every single instance of expense in fine detail but give a clear view of the bigger picture instead

Keep it simple

Nothing is more frustrating than spending weeks or months writing a T&E policy that no one will read. So, what can you do? Keep it simple by thinking about what are the important details you'd like to see in a policy:

• Include a simple table of contents
• Compartmentalize into sections so people can easily find what they're looking for
• Use bullets points instead of long, drawn-out parables
• Write in short sentences rather than long paragraphs

Keep in mind that using complex language does not make the policy more authoritative – all it does is make people not want to read it.

Align and don't overreach

The first step you should take is to obtain alignment with your senior management and stakeholders. Your policies are often a direct reflection of your company culture:

- Does your senior management want a mandated environment or precisely the opposite?
- Do they want every expenditure type defined or broad guidelines under which employees can operate?
- What will the approval process be for expenses?

Once you have clear guidance then you can set the expectation and begin the development process.

Keep in mind there is often the tendency to overreach with T&E policies that try to create a 'command and control' environment, as opposed to one that fosters employee empowerment (allowing employees to make choices to best meet their business needs). Many companies tend to err on the side of not trusting their employees and over-focusing on what you are not allowed to do.

Don't punish the 95% of employees who always want to do the right thing for the actions of the 5% who want to take advantage of a situation.

Maintain your T&E policy

Every policy is a dynamic document and must keep up with the changing business landscape and company evolution:

- Review your policies with your key stakeholders at least once a year
- Update any policy changes into your booking and expense tools so that everything is aligned and, if automated, synchronized

The first step you should take is to **obtain alignment** with your senior management and stakeholders.

Ready, Set, Go

Define policy objectives and applicability

The T&E policy defines the standards and principles for business expense procurement and reimbursement. It's important for employees to see who the policy applies to:

• Set expectations and fairness across all levels of management
• If applicable, make employees aware of any specific additions needed in their country due to local regulations
• Mention that, on occasion, you may need to add temporary T&E guidelines – such as when there's an emergency. If that happens, separate travel-related directives will be issued to the relevant employees

Establish accountability

Remind readers they all share in the fiscal responsibility for the good of the company, and are entrusted to spend on its behalf, as well as being representative of the organization at all times:

• Explain that non-compliance with the company T&E policy can lead to legal and financial risks
• Be clear from the start that non-compliance by an employee could lead to disciplinary action, up to and including termination
• Provide links to other policies, such as your code of conduct or purchasing policies

Make sure employees know where they can find the policy. Who has responsibility for updating this policy, dating policy updates, and how those updates will be communicated to all employees are also things to consider.

Each section must be succinct, interesting, and relevant.

Table of Contents

Your T&E policy must provide clear guidance on where to find the different components that makeup the policy. What are the key categories under which you will write?

Whatever you decide, you need clear headings and the important details that roll out under each category.

Here's a recommended critical components list:

- [ ] Definitions – business trips, compliance, accountability, substitution of other policies
- [ ] Expense reporting fraud and consequences
- [ ] Corporate card program
- [ ] Preferred suppliers
- [ ] Risk management/travel emergency guidelines
- [ ] Acceptable travel booking methodologies – online, agency, supplier direct
- [ ] Travel approval processes, if applicable
- [ ] Acceptable types of travel - including airline, rail, classes of service and charter flights
- [ ] Acceptable accommodation and lodging types – classes of service
- [ ] Acceptable ground transportation – types and classes of service
- [ ] Personal car use, mileage
- [ ] Leisure and personal travel – define the rules for adding personal time onto a business trip
- [ ] Business entertainment
- [ ] Food and beverage – meal or per diem allowance guidelines
- [ ] Telecommunications and connectivity
- [ ] Expense reimbursement guidelines/authorization
- [ ] Expense submittal timeliness
- [ ] Receipt requirements
- [ ] Reimbursable and non-reimbursable expenses
- [ ] Country specific amendments

General **Considerations**

Great T&E policies must be aligned and they must clearly spell out all the guidelines and rules you expect employees to follow.

Consider stating guiding principles at the beginning. For example, "our culture is built upon a foundation of honesty, integrity, and trust and our guiding principle is that all employees should act in the best interest of the company at all times".

In addition, set clear expectations and responsibilities early on, including:

- Each employee has a responsibility to read, understand, and support the T&E policy, including any relevant local policy supplements
- We trust employees to use good business judgement when submitting company expenses
- Every expense has to stand the test of reasonableness and a manager's approval of an expense may be reversed if the company deems the expense excessive, inappropriate, or in conflict with the company code of conduct. If this is the case, the company may reject or deny the expense reimbursement
- The company uses a multi-tiered audit process to review all business-related expenses. Any fraudulent or inappropriate misuse of company funds or reporting will result in disciplinary action, including termination (subject to applicable laws)

In today's business landscape, employees must understand the legal requirements / implications from taxing authorities regarding where they are conducting business from and what they are expensing. Automation of VAT / GST tax programs are a vital element of a T&E program when doing business globally.

The bottom line is that expense automation can save your company money and increase your employee productivity.

Expense automation is a critical component

Best practices call for integrated T&E policies and processes in a digital format using automated tools. They go hand-in-hand, even if managed by separate organizations.

In addition, using digital travel management and expense management tools that will accommodate your policies within the software applications can help ensure your procure-to-pay programs are aligned and simplified for users. The use of automation doesn't guarantee employees will read and apply your policies, but when you build it into your tools, employees follow policies by default.

Using **artificial intelligence (AI) and machine learning (ML)** within the expense process:

• Allows for 100% auditing
• Helps reduce questionable spend and fraud, without relying on many human resources

Digital T&E processes can also help by improving:

• Employee productivity
• Speed of reimbursement, which is always an employee morale booster

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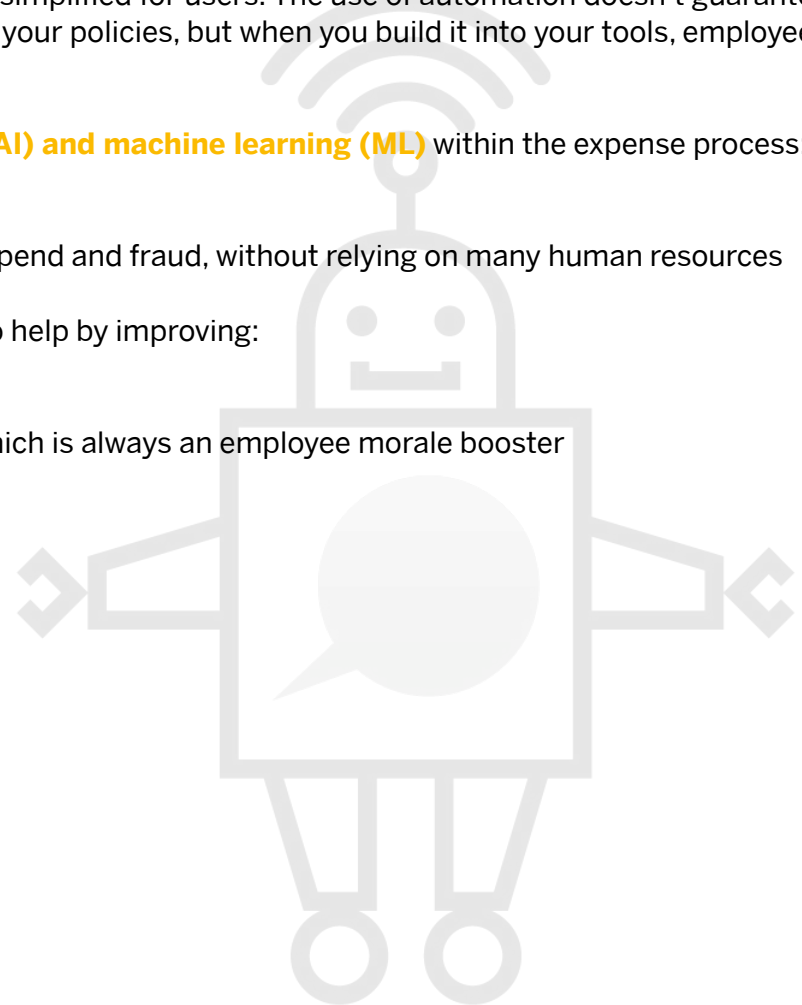
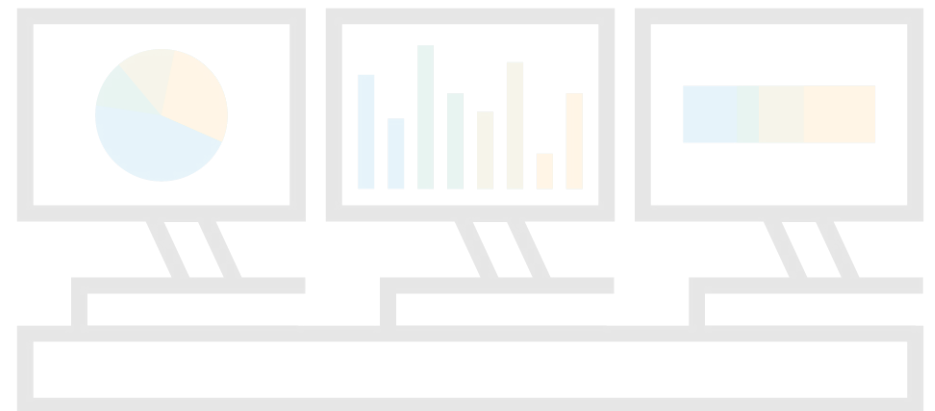It is **fundamentally important** to be able to provide overall company and detailed line-of-business reporting.

By the numbers

The best single source of travel and expense spend truth is your expense data. That's where you'll find all the spend that's not going onto corporate credit cards and any spend that's going to the supplier direct.

You simply cannot run an effective business model without timely accurate information. It provides insight as to:

• How well your T&E programs are doing
• Who your key suppliers are, and your average cost breakdowns
• Spend by company, organizations, and individuals across a myriad of areas, together with questionable spend, spend patterns, et cetera

Expense data is an **essential tool** for helping T&E management to become trusted advisors to the lines of business, as it helps budget owners better understand how their T&E budget is consumed.

Conclusion

When it comes to crafting your T&E policy:

• Define clear objectives and goals
• Focus on simplicity to help reduce employee friction points and improve the end user experience
• Make sure that employees know where they can have their questions answered
• End-to-end increased efficiency, employee productivity, ease of settlement, automating processes, and T&E data analytics should be your top drivers

Consider using fully integrated T&E software and make the most of existing mobile technology. An automated T&E solution that automatically populates charges from suppliers, credit card companies, common expense categories, and receipts such as business meal expenses, car rentals, dry cleaning, hotel rooms, and airfare can save employees time. It can also help to increase productivity by allowing them to focus on their core business purpose.

In addition, using an expense management solution, which has mobile device functionality and allows for the submission and approval of employee expenses via photographed receipts, is not only essential for business but is considered best in class.

Ultimately, a well-written T&E policy will help increase adoption over enforcement and improve employee morale.

Support Resources

Creating an expense policy can be a time-consuming process. Here are some recommended resources to help you.

E-books

These eBooks contain detailed tips (with examples) for policy making success:

How to Create Clear, Enforceable Policies that Improve Cash Flow

Build or Update Your Travel & Expense Policy - For small and medium sized businesses

Take it a step further with this guide which walks you through how to set up or improve an integrated travel and expense program.

On-demand videos

During this on-demand virtual event, our SAP® Concur® solutions experts answer questions on policy creation, compliance, and best practices.

These client admin training series webinars for small and medium sized businesses, cover it all – from best practices to tools you can use to creating expense policies that support positive change:
Enhance Your Travel & Expense Policy
How your Travel & Expense Policy Can Support Sustainability

Templates

Crafting a policy from scratch can be overwhelming but an expense policy template can help get you started:

Our Expense Policy Builder tool will help you create a customizable expense policy template in just a few clicks.

This document explains each section you should cover, suggested headers, and sample wording to copy or amend to reflect your company needs.

Blogs

This blog post shares top tips on how to become a trusted provider and advisor of travel and expense policy at your company

We're here to help ensure your policy and program fit your needs and to help you make the most of your T&E solution investment. Contact your SAP Concur representative when you're ready to explore crafting or enhancing your expense policy. Or visit us online at concur.com to learn more.