Taking Control of Spending

Critical Steps Toward Efficiency and Performance in the United States

October 2020

Bryan Ball
Vice President and Group Director
ERP, Supply Chain and GSM Practices

Sarah Gaffney
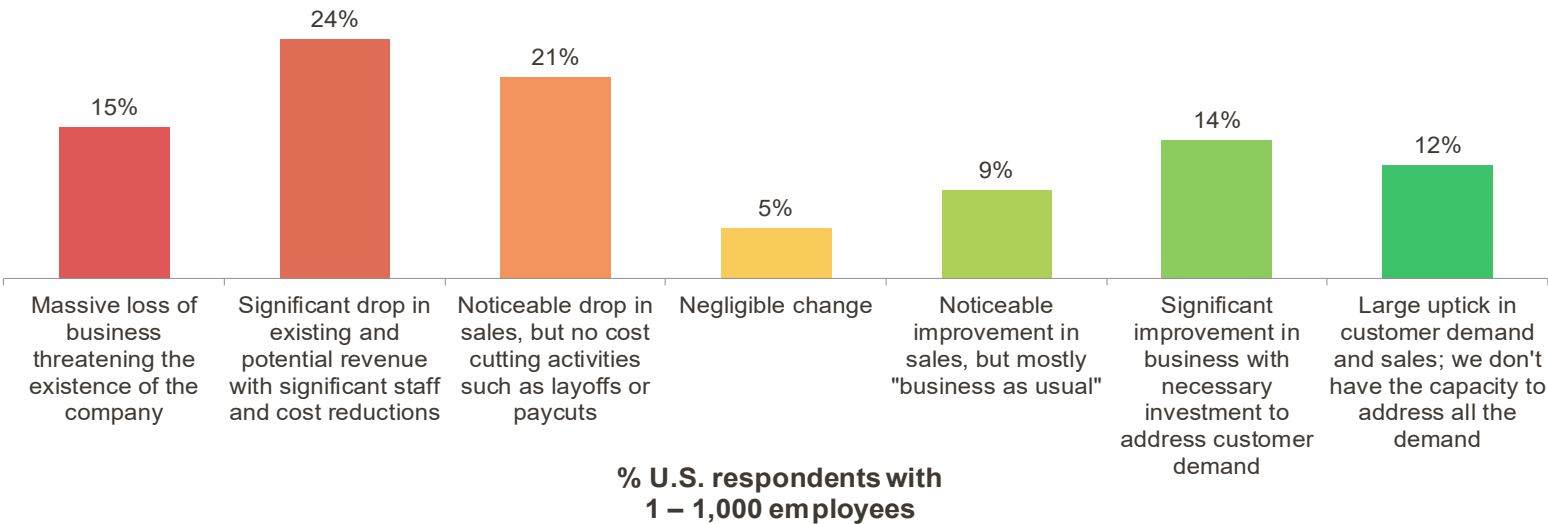Market Insight Analyst
Emerging Technologies

Joshua Moss
Market Insight Analyst
Emerging Technologies

ABERDEEN

The global pandemic has accelerated the need for businesses to digitally transform their operations. As a result, companies are reevaluating how they manage their spending. Top companies are automating tedious manual processes, increasing visibility into total spend, and investing in innovative tools to improve flexibility in a remote environment. These Best-in-Class businesses are seeing a significant increase in efficiency, which has helped them optimize performance and bounce back stronger during the current economic downturn.

Coping With a New Business Climate

The now standard remote work environment as a result of the COVID-19 pandemic demands that businesses not only digitally transform their operations but also maintain control over company spending. Cash flow, productivity, and overall efficiency and performance hinge on proper expense and invoice management. Aberdeen's recent expense and invoice management survey (see appendix, pg. 14) indicates how U.S.-based companies (1 - 1,000 employees) have fared throughout the pandemic and the impact it has had on their businesses as of September 2020 (Figure 1).

> **Best-in-Class U.S. companies are seeing:**
>
> **4.9x greater increase**
> in productivity over the past two years
>
> **46% fewer costs**
> to process an expense report
>
> **27% faster**
> time to receive and process vendor invoices
>
> **1.6x greater improvement**
> in employee satisfaction over the past two years

Figure 1: Struggling, Surviving, or Prospering?

% U.S. respondents with 1 – 1,000 employees

n = 78, Source: Aberdeen, September 2020

Responding organizations indicate a range of business conditions from near extinction in the most extreme cases, to recovering (where the majority of respondents fall), to growth and prosperity as their business improves. The level of resilience and growth will vary by company, industry, and even location — but Aberdeen research found that 70% of all companies are prepared to invest in technology as a measure to speed the recovery process. Table 1 indicates the pressures that are driving companies across the U.S. to improve their expense and invoice management processes.

70%

of companies are prepared to invest in technology to speed the recovery process.

Table 1: Top Pressures Driving Expense and Vendor Invoice Initiatives

Pressures to Improve Expense Management (U.S.)	Pressures to Improve Vendor Invoice Management (U.S.)
Need to reduce expense reimbursement time	Need to process higher volumes at current staff levels
Lack of visibility into spend and budget comparisons	Need to reduce manual errors, inaccurate entries, duplicate invoices
Need to eliminate manual workflows / approvals and paper-based processes	Need to improve remote capabilities for invoice capture, processing, approval, and payment

As many in the U.S. are still working remotely, the need to reduce expense reimbursement time, improve visibility, and optimize remote operations are high on the list of stressors to improve — explained by a potential shortage of cash during the economic downturn and the lack of control over remote spending. Improving visibility is key in invoice management for order-to-cash cycles as well as avoiding late payments and fees. Improving remote productivity is essential to processing higher volumes using current or reduced staffing. These challenges are driving behavior for businesses with fewer than 1,000 employees around the U.S.

Top Companies Find a Way to Execute and Perform

Learning how top companies are handling the effects of the pandemic and strategizing to address these market pressures provides a roadmap for companies to follow throughout their journey toward recovery. Table 2 shows Aberdeen's performance maturity matrix for managing company spend. The maturity level is defined by fact-based performance results reported by our survey respondents rather than a subjective evaluation (see appendix, pg. 14). The metrics chosen reflect performance in areas that are critical to meeting the challenges posed by the previous business challenges.

Table 2: U.S. Performance Maturity Matrix

Performance Metric	U.S. Best-in-Class (Top 20% in the U.S.)	U.S. All Others (Remaining 80% in the U.S.)
Average number of **days to approve an expense report**	**9.7 Days**	**12.9 Days**
Average **cost to process a single expense report**	**$30.61**	**$41.65**
% improvement in **cash-to-cash cycle** over the past 2 years	**36.7%**	**4.7%**
% improvement in **productivity** over the past 2 years	**38.9%**	**10.0%**

Performance by these maturity levels differentiates Best-in-Class U.S.-based companies with fewer than 1,000 employees from their competitors. Through the adoption of Best-in-Class capabilities and technology investments, All Others can similarly increase efficiency and optimize their performance.

## The Impact of Automating Expense / Invoice Operations

Doing more with less improves productivity as a matter of definition, so in this context, that means streamlining processes, eliminating unnecessary steps and delays, and automating wherever possible. As an example, the ability to easily audit expense reports leads to productivity and efficiency gains by ensuring accuracy and reducing the need to track down missing or incorrect information. Many companies may have a good start by automating the submission of the expense report, but an end-to-end approach from submission to approval and reimbursement is the key to reducing the total process time and associated costs. Automation of expenses that are traditionally hard to accurately capture, like mileage, is also critical for eliminating mistakes, potential fraud, and time-consuming, manual tasks.

Similarly, invoice processes can also be significantly impacted by automation and workflow optimization. Innovative tools for capturing invoices and converting paper documents to digital can streamline spend data collection. Invoice management solutions that allow for data enrichment to the invoice for better categorization and budgeting allocations save time by enabling enhanced intelligence to the invoice data.

Figure 2 shows the level of automation for all maturity levels across many of the key processes involved in expense and invoice management. The highest adoption for all maturity levels starts with automation of the expense report, and for many businesses with fewer than 1,000 employees, that's a significant step — particularly if they are starting from scratch and do not have access to a formal travel and expense (T&E) solution.

38%

of U.S. companies (1 – 1,000 employees) are actively working to automate key components of their expense report and vendor invoice management processes.

Figure 2: Process Automation for Managing Company Spend in the U.S.

% of U.S. respondents with 1 – 1,000 employees automating each process
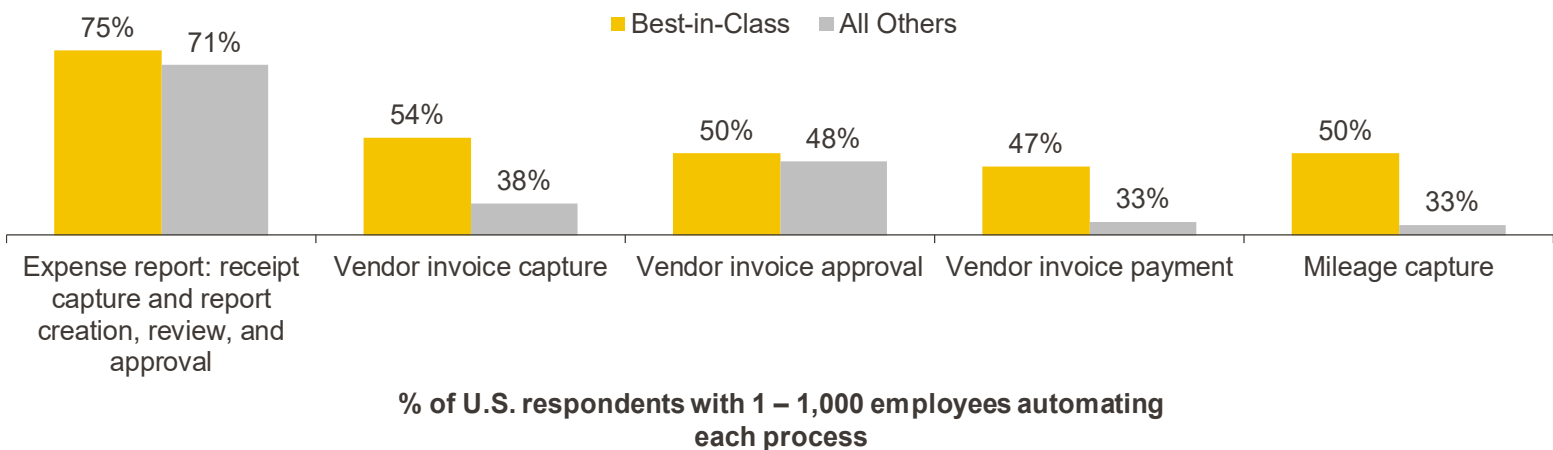
n = 78, Source: Aberdeen, September 2020

There is still room for improvement regarding process automation for expense and invoice management (Figure 2). However, Best-in-Class companies have an edge with automating expense report generation, receipt capture, and reimbursement as well as vendor invoice capture and payment. Moreover, there are other components involved in the end-to-end process that enable the automation of these steps, including:

▶ Mobile applications

▶ Automated mileage capture

Using mobile apps to capture receipts is a commonly implemented capability to minimize delays in the submission of receipts and expense reports. Best-in-Class companies are 37% more likely to utilize mobile apps designed for capturing expense receipts and submitting vendor invoices, and 44% more likely to utilize mobile apps designed for approving vendor invoices and expense reports remotely. Employing mobile apps in the submission and approval cycles for expense reports and invoices helps maintain business continuity when managing company spend, especially when employees are working remotely.

Automated mileage capture can make it easier for employees to record their travel expenses, as mileage traditionally does not include a receipt for tracking. Companies that leverage these innovative process enablers can enforce their spend policies by automatically building rejection criteria into the spend process rather than burdening managers with reviewing and catching out-of-policy spending. Continuity and automation across these steps for managing company spend improve the time-to-approval and lower processing costs for a Best-in-Class performance.

The U.S. Best-in-Class are:

37%

more likely to utilize mobile apps for making approvals and

44%

more likely to utilize mobile apps for capturing receipts and submitting invoices.

ABERDEEN

Key Technology Enablers Generate Opportunities

In addition to mobile technology and automated mileage capture, there are many other innovative technology tools that can augment functions of expense and invoice management. Best-in-Class companies are more likely to adopt systems with these technologies to aid them in improving their efficiency and accuracy (Figure 3).

Figure 3: Key Technology Enablers for U.S. Companies
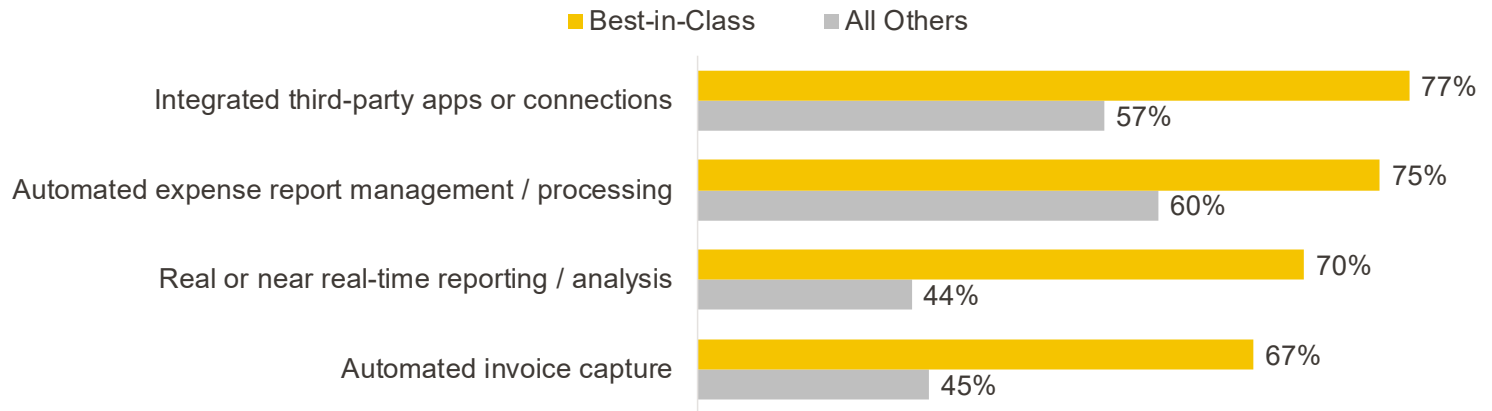
% of U.S. respondents with 1 – 1,000 employees using each technology to increase the efficiency of expense / invoice management processes

n = 78, Source: Aberdeen, September 2020

In the U.S., the Best-in-Class demonstrate that having near real-time reporting and analysis is critical to visibility — no surprises due to delayed processing — particularly with the current economic volatility at play. With many companies still working through recovery issues, cash management and visibility are critical concerns.

Companies with near real-time reporting are better equipped to:

▶ **Recognize changes in company spend.** Fluctuations in spending present a risk for going over budget or possible opportunity to address a critical problem. Greater visibility provides opportunities to restrict spending when necessary.

▶ **Prevent fraudulent spending.** Finance teams can be notified immediately of out-of-policy spending rather than waiting until approval stages.

▶ **Identify areas to decrease spending**. Visibility into detailed spend categories can help finance teams determine which items or services

to cut back on or which departmental budgets can be reduced to optimize cashflow.
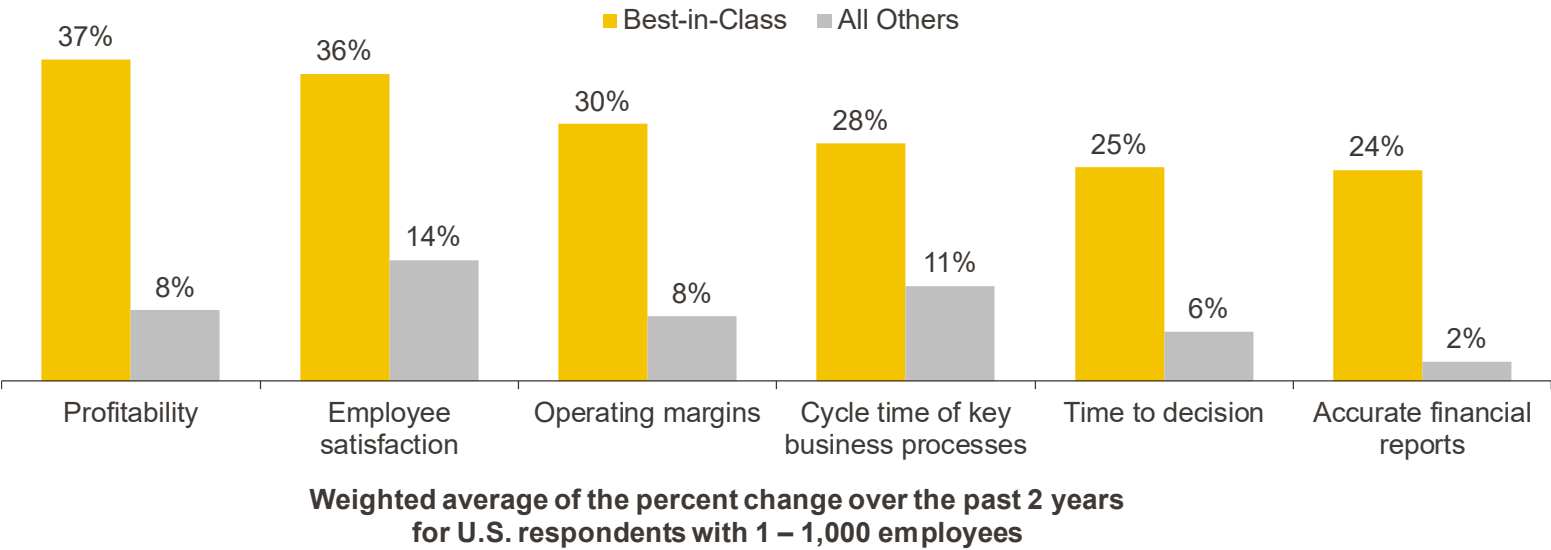
Integrated third-party apps and connections are also helpful in managing company spend. Best-in-Class companies are more likely to integrate their expense management solutions with other applications, such as payroll, accounts payable, and ERP to improve efficiency and accuracy. Without integration between financial applications that span the entirety of the expense and invoice management process, manually transitioning from one solution to the next is required, which is where end-to-end automation often breaks down. Integrating these systems ensures a seamless flow of information and a more complete view of company spending.

These technology enablers are beneficial for companies that are looking to streamline their expense management operations. Following in the footsteps of Best-in-Class companies and investing in systems with these innovative enablers lead to improvements in report accuracy, processing time, and overall profitability.

Actions and Investments Translate to Tangible Results

Figure 4 shows the significant advantage that companies with Best-in-Class performance have over their competition. As businesses in the U.S. with fewer than 1,000 employees cope with the economic shutdown, improvements in profitability, employee satisfaction, and operating margins are essential to ensure their financial security.

Systems Commonly Integrated with Expense Management Solutions

Payroll

▶ Best-in-Class: 50%

▶ All Others: 23%

Vendor Invoice Management

▶ Best-in-Class: 43%

▶ All Others: 39%

ERP

▶ Best-in-Class: 36%

▶ All Others: 12%

% of U.S. respondents

Figure 4: Business Outcomes for the U.S. Best-in-Class

Weighted average of the percent change over the past 2 years
for U.S. respondents with 1 – 1,000 employees

n = 78, Source: Aberdeen, September 2020

ABERDEEN

These metrics are a good indicator of the Best-in-Class' ability to manage and control their expenses. From a productivity improvement standpoint, the Best-in-Class have realized a 1.5x improvement in the cycle time of business processes and 3.2x improvement in time-to-decision. This speed advantage is reflected in organizational productivity and stems from the capabilities they have in place and the actions they have taken to make these improvements happen.

Accuracy in reporting is another key area for improvement, indicating the confidence that decision makers have in their results. Confidence eliminates wasted time on extra steps for verification, second guessing, and reporting rework. This confidence is also reflected by the boost in productivity, improvement in employee satisfaction, and represents the support for tools and solutions they have in place to manage their business.

As the U.S. continues to fight through the pandemic, companies should follow the practices of Best-in-Class companies to optimize their performance and prepare for future economic uncertainty. The journey to recovery and improving efficiency is different for different regions around the globe, but the actions of the U.S. Best-in-Class can be further examined and compared to results on a global scale. The second half of this brief will investigate the capabilities, enablers, and strategies in use by Best-in-Class companies around the world to reveal areas of success and areas in need of improvement for U.S. companies.

The U.S. Best-in-Class have realized:

3.2x

greater improvement in time-to-decision

1.5x

greater improvement in the cycle time of key business processes

Global Overview

The entire world has been shaken by the COVID-19 pandemic. To evaluate what has happened and plan for what might happen moving forward, it is important to understand global trends from a broader perspective. The global data provides a macro view of how best practices of expense and invoice management are helping companies around the globe bounce back, as some countries are doing better than others regarding their recovery.

The Business Impact of COVID-19 Across the World

Around the world, most companies (67%) have shown a noticeable to significant drop in revenue, with only 24% indicating an increase and 8% with negligible change. As companies needed to quickly adapt to the new business environment, with limited to no travel, they needed to find the best approach for expense and invoice management.

It seems that most companies are still playing catch up when it comes to digitally transforming their organizations (Table 3). Eliminating manual workflows and paper-based processes by investing in tools that support automation, integration, and innovation can bolster remote operations for finance teams and contribute to alleviating these market pressures.

> **Revenue Impact of COVID-19**
> *(% of Respondents)*
>
> ▶ **Noticeable to significant drop – 67%**
>
> ▶ **Negligible change – 8%**
>
> ▶ **Increase – 24%**

Table 3: Top Pressures Driving Expense and Vendor Invoice Initiatives

Pressures to Improve Expense Management (Global)	Pressures to Improve Vendor Invoice Management (Global)
Need to eliminate manual workflows / approvals and paper-based processes	Need to improve remote capabilities for invoice capture, processing, approval, and payment
Need to reduce expense reimbursement time	Need to reduce manual errors, inaccurate entries, duplicate invoices
Need to reduce expense-processing costs	Lack of visibility into consigned or vendor-managed inventory (VMI)
Lack of remote workforce productivity	Need to manage large, temporary changes in invoice volume (i.e., seasonal spikes)

In comparison to the top pressures around the world, U.S. companies have different priorities. Expense reimbursement time and visibility into budgets are top-of-mind for businesses in the U.S., but the global trends show automation and remote efficiency are the top stressors for other countries. This may be a result of the lengthy time-to-approval for U.S. Best-in-Class companies and U.S. companies as a whole. Narrowing focus from generally speeding up the reimbursement process to developing automated processes to optimize remote operations can help U.S. businesses channel their efforts to increase efficiency and achieve their goals for managing company spend.

Despite difficulties adjusting to the remote workplace, it is important to remember that not every company is struggling. Best-in-Class companies around the world are outperforming All Others in managing their company spend and ensuring their workforce is prepared to operate efficiently from home. By reviewing the capabilities, strategies, and technology enablers of Best-in-Class companies around the world, all companies can learn how to equip themselves for the future.

Global Best-in-Class Standards

Table 4 shows the performance maturity matrix for companies with fewer than 1,000 employees around the world. These companies have seen improvements in productivity, cash management, and expense processing efficiency that show significant advantages for the Global Best-in-Class.

Table 4: Global Performance Maturity Matrix

Performance Metric	Global Best-in-Class (Top 20% globally)	Global All Others (Remaining 80% globally)
Average number of **days to approve an expense report**	**6.8 Days**	**11.7 Days**
Average **cost to process a single expense report**	**$25.27**	**$36.98**
% improvement in **cash-to-cash cycle** over the past 2 years	**17.1%**	**2.1%**
% improvement in **productivity** over the past 2 years	**20.6%**	**3.5%**

All businesses can determine ways to increase efficiency and optimize their performance by comparing their capabilities and technology investments to those of the Best-in-Class.

Automation is Critical from a Global Perspective

The highest adoption for all maturity levels starts with automation of the expense report, and for many businesses with fewer than 1,000 employees, that's a significant step — particularly if they are starting from scratch and do not have access to a formal travel and expense (T&E) solution. Aberdeen's data shows that Global Best-in-Class companies are more likely to automate their expense and invoice operations than All Others (Figure 5).

Figure 5: Process Automation for Managing Company Spend

% of respondents with 1 – 1,000 employees automating
each process
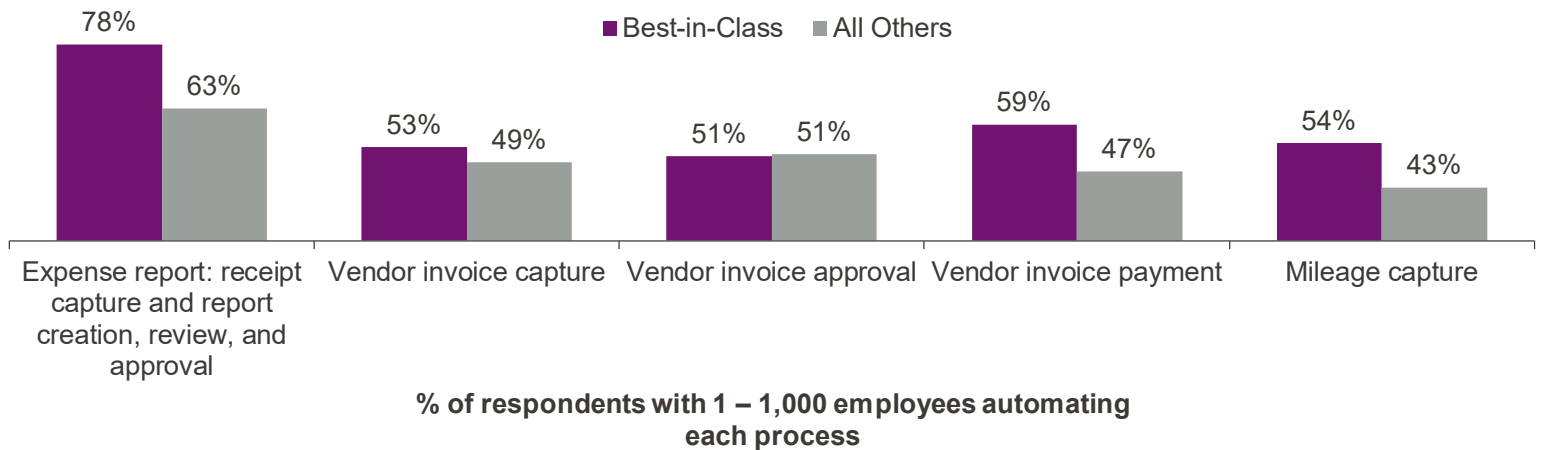
n = 490, Source: Aberdeen, September 2020

Automating these processes often involves investment in tools to establish an end-to-end process, including mobile receipt capture, automated mileage capture, and integration between expense and invoice management systems and other financial applications. Global Best-in-Class companies are 13% more likely than Global All Others to leverage mobile apps designed for making expense and vendor invoice approvals and 10% more likely to leverage mobile apps designed for capturing expense receipts and submitting invoices immediately after incurring them. Giving employees the ability to manage their company spend right from their phones provides flexibility for those working from home, reducing the need for employees to come into the office and handle paper-based documents.

U.S. companies are on track with their automation of expense and invoice management processes. Automation streamlines expense and invoice management workflows and processing and increases business efficiency and productivity regardless if staff are in or out of the office. Strengthening the automation of all steps of expense receipt and vendor invoice processing helps companies reduce their time-to-approval and processing costs.

In terms of process automation, every solution becomes even more critical from a global perspective. For the Best-in-Class, everything from capture to payment indicates a growing need for businesses to adopt intelligent solutions to manage their company spend. By leveraging technological solutions to connect spend data and create efficient workflows, organizations can push towards Best-in-Class results.

Commit to Digitization Through Mobile Devices

Like the tools that enable process automation, the deployment of additional technology enablers has continued to accelerate — creating an ecosystem for further digital integration. Around the world, the Best-in-Class have a 16%

Global Best-in-Class companies are:
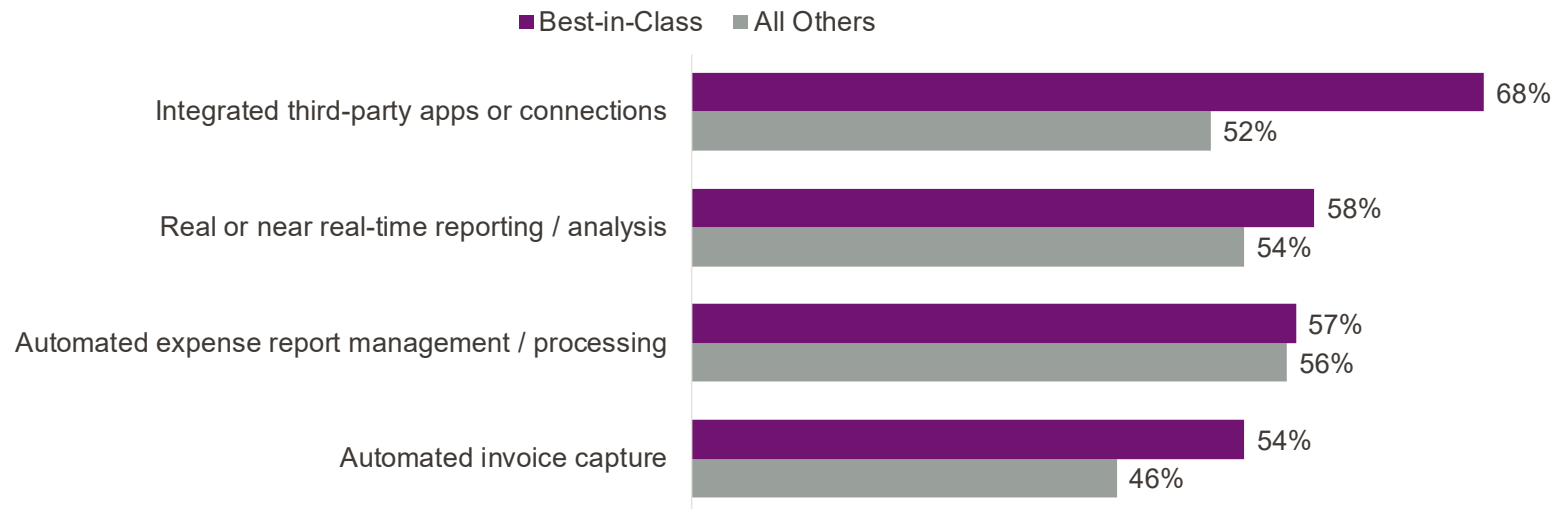
13%

more likely to leverage mobile apps for making approvals and

10%

more likely to leverage mobile apps for capturing receipts and submitting invoices.

margin over All Others in their adoption of integrated third-party apps or connections, which enables a chain-like effect for the capture of digitized expense and invoice management (Figure 6).

Figure 6: Key Technology Enablers for Expense / Invoice Management

■ Best-in-Class　■ All Others

Integrated third-party apps or connections — Best-in-Class: 68%, All Others: 52%
Real or near real-time reporting / analysis — Best-in-Class: 58%, All Others: 54%
Automated expense report management / processing — Best-in-Class: 57%, All Others: 56%
Automated invoice capture — Best-in-Class: 54%, All Others: 46%

% of respondents with 1 – 1,000 employees using each technology to increase the efficiency of expense / invoice management processes

n = 490, Source: Aberdeen, September 2020

Compared to the U.S. Best-in-Class, Global Best-in-Class companies are less likely to implement key technology enablers. The same general trend holds true in both samples; however, the U.S. Best-in-Class exceed their global counterparts. This could be explained by the extended work-from-home orders in the U.S. relative to other countries. With employees working remotely for a longer period of time, U.S. companies have had to adapt and invest in these enablers to improve efficiency in a remote environment.

As seen in Figure 6, the Best-in-Class are ahead in the race towards a digitized workforce, which not only yields significant advantages internally, but also puts the power in the hands of employees to manage tasks from their own devices. Implementing these Best-in-Class technologies aids all companies in their digital transformation journeys and ensure efficiency and performance optimize for a remote workforce.

Driving Results from Key Technological Investments

As demonstrated earlier in this report, investment in technologies that automate process and digitize the workforce yield significant business results from productivity to operating margins. These results for the global sample are displayed in Figure 7.

Systems Commonly Integrated with Expense Management Solutions
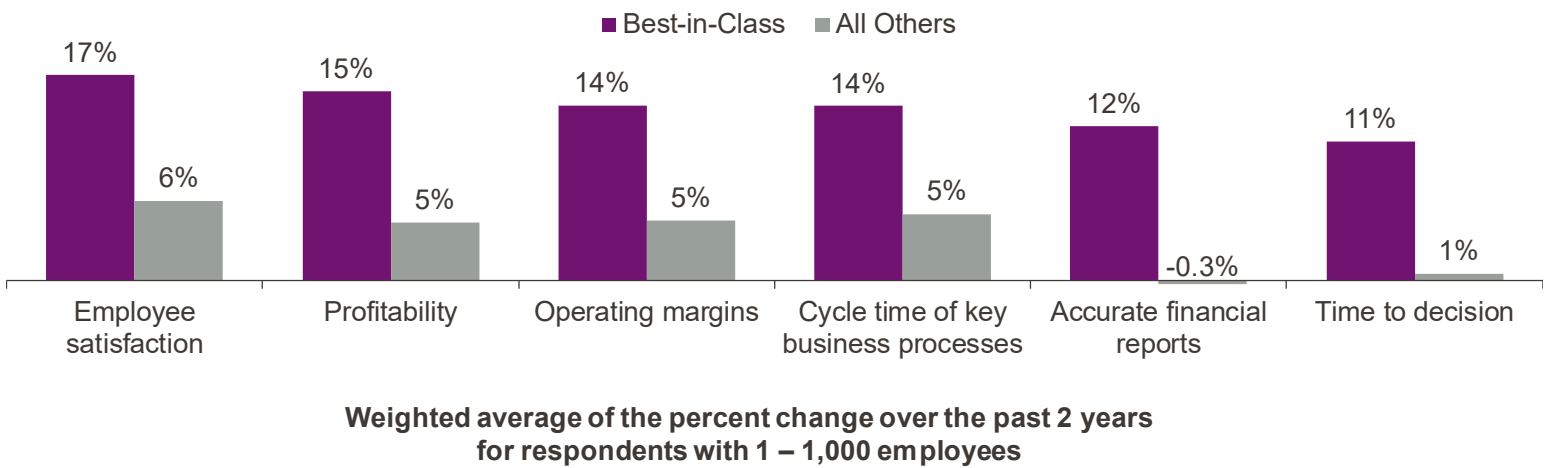
Payroll

▶ Best-in-Class: 42%

▶ All Others: 32%

Vendor Invoice Management

▶ Best-in-Class: 52%

▶ All Others: 40%

ERP

▶ Best-in-Class: 36%

▶ All Others: 20%

% of respondents

Figure 7: Business Outcomes for the Global Best-in-Class

Weighted average of the percent change over the past 2 years
for respondents with 1 – 1,000 employees

n = 490, Source: Aberdeen, September 2020

Strong performance in expense and invoice management is reflected throughout these results. The Best-in-Class in both the U.S. and globally are seeing tremendous impacts to all areas of their business, with the U.S. having higher improvements across the board. These KPIs highlight the importance of the need for intelligent solutions to manage company spend.

Conclusion

As the future remains unknown — whether that is due to a prolonged pandemic or other future disruptions — it is clear that all companies have the potential to recover and prepare themselves for growth and prosperity. As competition increases, it will be those companies that focus on automating processes and digitizing their workforce that will see sizable returns. For companies based in the United States, Aberdeen recommends following the direction and investment in expense and invoice management capabilities established by Best-in-Class companies, both in the U.S. and globally, to achieve superior results.

The journey toward global recovery requires that businesses in all countries work to build flexibility into their processes for managing company spend to fit the needs of the current remote workforce. Greater control over spending can help businesses with fewer than 1,000 employees determine areas to save costs as well as areas to invest in to promote recovery. Once organizations around the globe have worked through recovery with fortified expense and invoice management processes, the world will be more resilient and ready to take on whatever comes next.

U.S. – Global Comparison Takeaways

▶ U.S. companies have different priorities.

▶ U.S. companies are behind on their automation of expense and invoice management processes.

▶ The U.S. Best-in-Class are more likely to implement key technology enablers.

▶ The U.S. Best-in-Class are ahead in their performance for business metrics.

Appendix

Expense Management and Vendor Invoice Processing Survey (September 2020)	Aberdeen's survey that investigated the state of expense and vendor invoice management operations and how top companies are effectively managing their company spend.

- ▶ 600 respondents

- ▶ 6 countries: U.S., UK, Canada, France, Australia, Japan

- ▶ 27 industries

- ▶ Headcount 1-3000 (49%: 500-1000, 25%: 100-500)

- ▶ Target: Finance, IT, Procurement

P.A.C.E. Methodology Aberdeen's survey methodology to understand the pressures or challenges affecting certain business operations, the actions or steps companies are taking to address these pressures, and the capabilities and technologies top companies are utilizing to achieve superior results.

- ▶ **Pressures – What is causing organizations to think differently?** External and internal forces that impact an organization's market position, competitiveness, or business operations.

- ▶ **Actions – What strategies are they using to respond?** The strategic approaches that an organization takes in response to industry pressures.

- ▶ **Capabilities – Why are they achieving greater success?** The business capabilities required to execute corporate strategy.

- ▶ **Enablers – What technologies and services are enabling them to succeed?** The key technology solutions required to support the organization's business practices.

Best-in-Class Methodology The Aberdeen maturity class framework is comprised of three groups of survey respondents. This data is used to determine overall company performance. Classified by their self-reported performance across several key metrics, each respondent falls into one of three categories:

- ▶ **Best-in-Class**

  Top 20% of respondents based on performance

- ▶ **Industry Average**

  Middle 50% of respondents based on performance

- ▶ **Laggard**

  Bottom 30% of respondents based on performance

About Aberdeen

Since 1988, Aberdeen has published research that helps businesses worldwide improve their performance. Our analysts derive facts-based, vendor-neutral insights from a proprietary analytical framework that identifies Best-in-Class organizations from primary research conducted with industry practitioners. Aberdeen provides intent-based marketing and sales solutions that deliver performance improvements in advertising click-through rates and sales pipelines, resulting in a measurable ROI. Aberdeen is headquartered in Waltham, Massachusetts, USA.

18211