

In tech-led pursuit of sound financial footing



Introduction

The global economy is expected to shrink or show stagnating growth in the near term as lingering effects of the COVID-19 pandemic continue to impact on the world's population and business environment. Estimates of the contraction in global GDP for 2020 range from 3.2% (the United Nations Department of Economic and Social Affairs) to 5% (the World Bank and International Monetary Fund). "The projected cumulative output losses during 2020 and 2021—nearly \$8.5trn—will wipe out nearly all output gains of the previous four years," according to the UN.

To identify key sentiments and trends in the approaches of executives managing this economic tsunami, SAP Concur commissioned a survey of 552 senior executives in 11 countries (Australia, China, India, Japan, Singapore, Brazil, Mexico, the US, France, Germany and the UK), which was conducted in June and July 2020. The respondents were drawn from the senior leadership ranks of the finance, IT/technology, management/strategy, and operations and risk functions at companies with at least 1,000 employees. (E) BrandConnect, a commercial arm of The Economist Group, fielded the survey.

This executive summary provides an analysis of trends identified by respondents and signals how organizations can better position themselves for the long term by strategically deploying technology that can help tighten control over spending.



Prolonged effects of covid-19 are a catalyst for long-term change towards smarter spending and decision-making

Eighty-eight percent of survey respondents agree that the pandemic will forever change how businesses operate, in line with the World Bank's assessment that it is "the largest economic shock the world has experienced in decades." Nearly 90% of senior executives surveyed said that the covid-19 outbreak has already affected all aspects of their organization, from supply chain to personnel. As the prolonged effects of covid-19 continue to mount, growing anecdotal evidence suggests some of the temporary adjustments global organizations executed to cope with the pandemic may be here for the long term.

Remote work, for instance, is reshaping cities such as San Francisco as more tech workers exchange skyline views for those of the great outdoors. And remote work is impacting corporate expenses, as well. SAP Concur tracks global spending of its clients and segments

it into 53 distinct categories such as airfare, car rental, lodging, Internet and training. SAP Concur data show that while total spending by clients dropped in the second quarter of 2020 (in part because of decreases in airfare and lodging), categories such as fees/dues and Internet/telecom grew incrementally during the same time period. More noteworthy, however, is that the category labeled "other", essentially a black box of spending, rose by 17% in the second quarter, and is continuing to grow. This signifies that organizations' visibility over spend has worsened as a result of the pandemic—and highlights the need for companies to update their expense categories to reflect work-from-home or employee safety line items, as well as to educate employees on appropriately categorizing expenses.

The Economist reported in April that the pandemic is liberating firms to experiment with radical new ideas and a faster pace of innovation, rewiring their entire approach to business. Property firms, for example, are hosting virtual tours on social media and buyers are responding, purchasing high-priced homes solely based on 3D viewings. Research firm AllianceBernstein characterizes covid-19 as a catalyst for long-term economic and societal change, writing: "The coronavirus pandemic appears to have accelerated several ongoing trends and could cause a reversal in others. These ramifications span the macroeconomic

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tides that drive asset values, the adoption of rising technologies, the operations of companies across a broad swathe of industries, and the direction of public policy and politics.”

It is clear, therefore, that uncertainty about the future will likely be a persistent feature of the post-covid world. In our survey, 93% of global executives agree that maintaining organizational agility is the only way to navigate uncertainty. One source of organizational agility is the financial breathing room that allows firms to respond to fast-changing market conditions and evolving customer requirements. In this light, organizations looking to better manage the crisis would do well to ensure they are operating on the soundest financial footing possible, which requires that they take stock of their spending patterns and policies.

As global consulting firm Boston Consulting Group put it in a May 2020 article: “Waiting for recovery is not an option. The uncertainties of the current moment make cost optimization an urgent priority for nearly every company.” And yet executives responding to our survey seem to be allowing cost control to slide to the bottom of their priority list; of the nineteen strategic priorities queried in the survey, cost control ranked fourteenth. This is understandable given the myriad challenges facing organizations today. But by deprioritizing cost control, executives may be letting the business stressors introduced by the pandemic cloud a clear-eyed view of the opportunities that cost control offers to advance agility. These include identifying possible sources of savings, enabling strategic spending and freeing up operating capital for top strategic priorities.

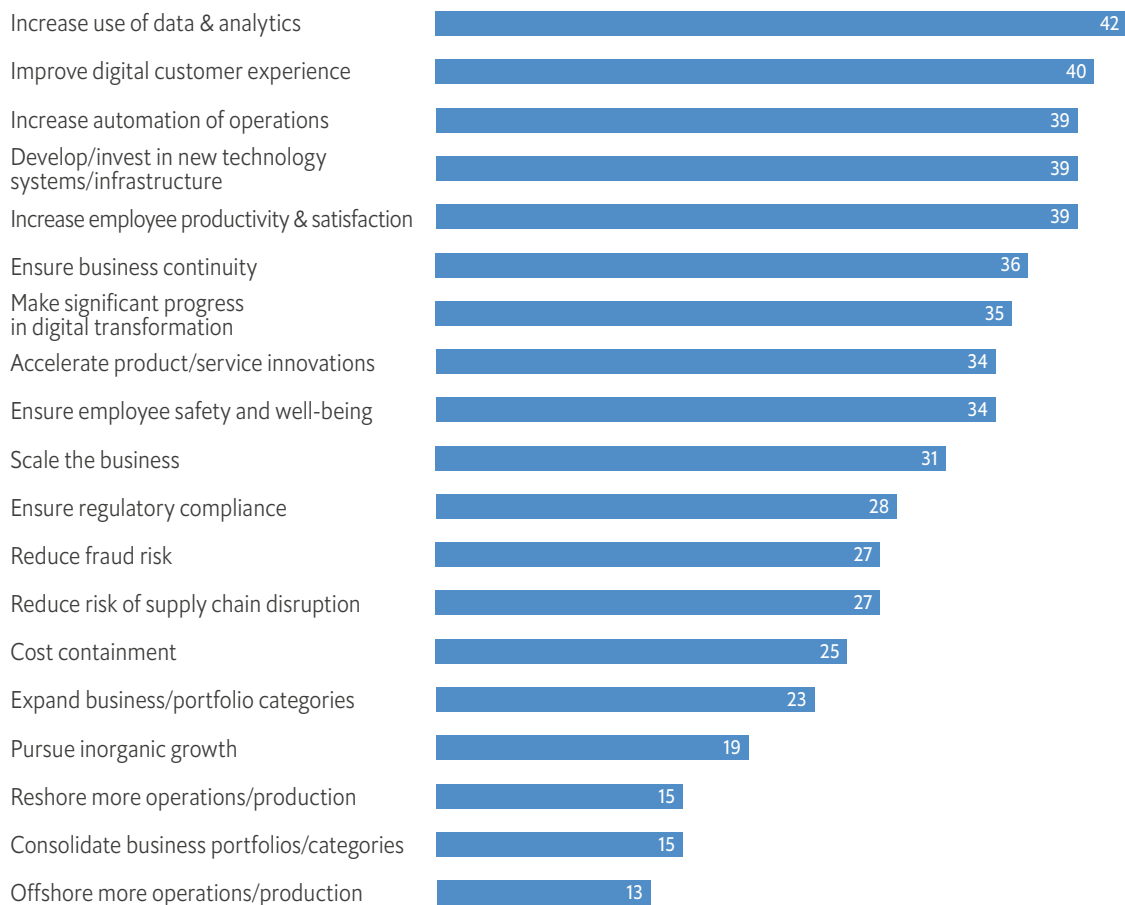
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In terms of the priorities that executives do have top of mind, they revolve heavily around the deployment of technology to deliver an increased use of data and analytics, improved digital customer experience and greater automation of operations. All of this is underpinned by additional investments in new technology systems (see Figure 1).

Figure 1: Top strategic priorities of survey respondents for the next 2-3 years

(% of respondents; respondents were asked to select all that apply)



The policies and technology to ensure smart spending require a collaboration between finance and IT

More than 80% of executives say that using outdated technology leaves their organizations at risk—a sentiment that's most likely intensified by the pandemic. The priorities of executives around digital transformation are both externally facing, such as improving the customer experience, and internally facing, such as increasing use of data analytics. This makes sense, as social distancing and lockdowns have forced organizations to strengthen their digital presence for customers, while overall economic uncertainty has deepened the need to equip the finance function with greater predictive and strategic tools. This ambition to accelerate investments in digital capabilities throughout the organization requires a partnership between the finance and IT departments.

Collaboration between the two functions is a best practice that strengthens and anchors the ability of an organization to better manage its priorities by improving visibility into spending and allowing finance to become more of a strategic player. Survey results show IT and finance executives both recognize the significance of the collaboration and are largely in agreement about it (see Figure 2). There is just one area where there's a slight misalignment: 94% of IT leaders believe they have adequate insight into the technology needs and priorities of the finance function, while slightly fewer (89%) of finance leaders feel that IT leaders have adequate insight.

Figure 2: Finance and IT partnership
(% of respondents answering "strongly agree" and "somewhat agree" based on function)



Expense management systems can boost business productivity and provide strategic insight into spending

As outlined above, the call to better manage corporate spending is only growing stronger during the pandemic. It highlights a need for tools such as sophisticated expense management systems, which can strengthen the ability of a company to better manage spending by delivering business outcomes in three areas: increased efficiency and productivity, greater visibility into spending and the hardwiring of processes that ensure adherence to spending policies (see Figure 3).

91%

of executives agree that technology-driven expense management systems are key to ensuring consistent application of policies and protocols across the business.



95%

of executives say that using real-time data analytics has helped their organizations ensure that spend and operations align with company goals.



Executives see today's sophisticated technologies as an avenue to achieve these desired business outcomes. Ninety-three percent of executives surveyed believe that with the technology available today, they should be using intelligence-driven automation to advance their Travel & Expense (T&E) operations specifically, for example.

Figure 3: The most important business outcomes executives expect from an automated T&E solution:

(% indicates frequency of selection for the business outcomes in each category; business outcomes in each category are listed in order from most to least frequently selected)

Efficiency & Productivity 91%	Visibility 84%	Process & Policy 68%
Greater business agility	Improved visibility into company spending	Reduced financial loss from fraud, noncompliant spending or regulatory fines
Increased business process efficiencies	Smarter, data-based decisions	Integrated systems to ensure company-wide consistency and compliance
Reduced operational costs	More accurate and timely reporting	Increased tax efficiencies
Freeing up time of staff to focus on more strategic tasks	Increased visibility to fulfill duty of care and ensure employee safety	
Improved employee experience		

Executives have high expectations around the ability of technology-driven expense management solutions to help manage spending. For the most part, those expectations are being met by their current solutions. Yet, given the rapid changes reshaping the business environment, even those executives who rate the overall ability of their T&E solutions to deliver on business outcomes as “excellent” or “very good” see areas for improvement.

One such area is efficiency and productivity. Although the overall category of efficiency and productivity is clearly a top expected business outcome, executives’ ratings of how their current solutions are delivering on the building blocks of that efficiency are not always high. This possibly indicates a desire to reconfigure their management solutions to address fresh realities and challenges. For example, only 66% of executives rate their current solution as “excellent” or “very good” at freeing up staff time to focus on more strategic tasks, putting it at the bottom of the list of performance indicators (see Figure 4). Two other key areas where performance is weaker are visibility into company spending and reducing operational costs, suggesting an opportunity for business leaders to explore how their expense management systems can deliver a higher level of sophisticated, intelligence-driven analysis that will truly allow them to manage spending in their organizations.

Figure 4: Executives’ rating of the performance of their organizations’ T&E solutions in realizing desired business outcomes
(% responding “excellent” or “very good”)



In conclusion

Eighty-four percent of executives surveyed say that it will be years until we understand the full impact of the pandemic. Given the havoc the crisis has wreaked on a human and economic scale, recovery will likely be slow and unique to organizations, industries and countries. One commonality, however, is that the economic fallout of the pandemic has raised the bar for organizations to not only track spending, but to ensure that tracking is delivering true visibility into spend. Visibility can then lead to identifying opportunities to increase productivity and efficiency, especially when accompanied by effective processes that

ensure that spending is aligned with company policies. As the survey reveals, executives are leaning heavily on technology to help achieve these goals, saying that emerging technologies such as cloud, artificial intelligence, machine learning, automation and robotics will be critical in achieving strategic priorities. Strategic expense management solutions that leverage these advanced technologies can not only help provide oversight into spending, but also deliver the insights that allow for better decision-making, consistency and clarity—a bit of certainty in these uncertain times.

Visit [SAP Concur](#) to learn how organizations better control costs and gain increased spend visibility during the pandemic.

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By integrating near real-time data and using AI to audit 100% of transactions, businesses can see exactly what they're spending without worrying about blind spots in the budget. SAP Concur solutions eliminate yesterday's tedious tasks, make today's work easier and help businesses run at their best every day. Learn more at concur.com or the SAP Concur [blog](#).

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LONDON

20 Cabot Square
London, E14 4QW
United Kingdom
Tel: (44.20) 7576 8000
Fax: (44.20) 7576 8500
Email: london@eiu.com

GENEVA

Rue de l'Athénée 32
1206 Geneva
Switzerland
Tel: (41) 22 566 2470
Fax: (41) 22 346 93 47
Email: geneva@eiu.com

NEW YORK

750 Third Avenue
5th Floor
New York, NY 10017
United States
Tel: (1.212) 554 0600
Fax: (1.212) 586 1181/2
Email: americas@eiu.com

DUBAI

Office 1301a
Aurora Tower
Dubai Media City
Dubai
Tel: (971) 4 433 4202
Fax: (971) 4 438 0224
Email: dubai@eiu.com

HONG KONG

1301 Cityplaza Four
12 Taikoo Wan Road
Taikoo Shing
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
Email: asia@eiu.com

SINGAPORE

8 Cross Street
#23-01 Manulife Tower
Singapore
048424
Tel: (65) 6534 5177
Fax: (65) 6534 5077
Email: asia@eiu.com