



**How expense management  
needs to shift gear to keep pace  
with post-COVID-19 workplaces**

# THE IMPACT OF COVID-19 REPRESENTS THE BIGGEST WORKPLACE TRANSFORMATION OF OUR LIFETIME

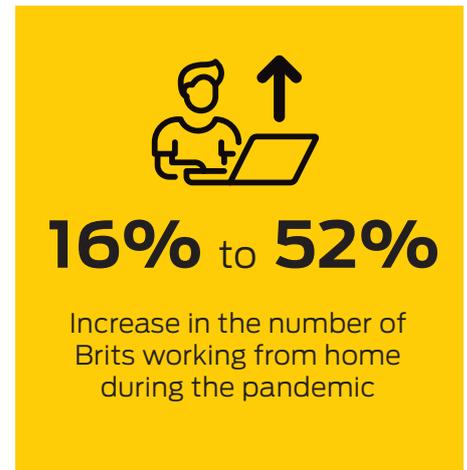
Traditional business models have been disrupted creating a new reality where the emphasis is on flexible home working, minimal personal contact and screen-driven relationships.

During the Covid-19 pandemic the number of Brits working from home has escalated from 16% to 52%<sup>1</sup>. Leaving many businesses questioning the need for expensive premises and centralised overheads.

## COVID-19 has confirmed the need for operational change.

From manufacturing and construction through to financial services and retail, it's clear that digital-first businesses have fared best during the pandemic. Already invested in key systems such as finance, HR and payroll in the cloud, they also have the connectivity in place to support employees, wherever they're based, to interact and keep them productive.

For those with centralised office-based infrastructures, the reality is very different. Many are struggling to maintain the basics such as controlling expenses and keeping track of cashflow.



## Businesses can no longer afford to ignore issues with expense management.

Even before COVID-19, 89% of finance departments were regularly facing expense process challenges - from time and effort overload to errors, delays and fraud.<sup>2</sup>

Changes to work practice in the wake of the pandemic has made the expense mix more fragmented and complex than ever. Businesses now need solutions to help them cope with connecting, protecting and empowering employees outside the office.

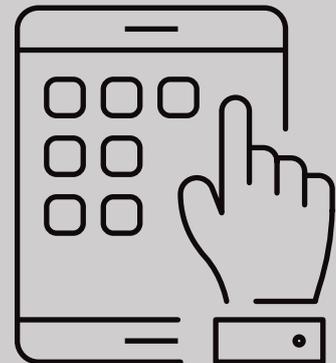
With companies already committing to new remote working policies, now is the time for accounts teams to restructure with digital solutions at the core and cut down on wasted time.



## THIS PAPER EXPLAINS WHY MODERN EXPENSE MANAGEMENT IS A CRITICAL TOOL TO HELP BUSINESSES BATTLE COVID-19 FALLOUT.

It provides an objective look at expenses and expense management systems, and explores:

- ✓ **how the COVID-19 pandemic has changed** the landscape across all businesses
- ✓ **what the new normal might look like**, and how companies can adapt their expense processes to combat behavioural and operational changes
- ✓ **why ditching slow, inefficient 'pay and reclaim' approaches**, for smarter, simpler, more streamlined electronic expense systems can help organisations on the road to recovery
- ✓ **how to meet post pandemic demands for remote expense management** and real-time spend data in order to optimise cash flow and forecasting



# THE PRE-COVID-19 LANDSCAPE

As we entered 2020, digital transformation was a clear strategic priority for 89%<sup>3</sup> of all companies. Yet while other operational processes were being transformed, expense management, for the most part, lagged behind.

Over 50%<sup>4</sup> of businesses acknowledged that their expense models didn't work well.

Almost half (43%) of companies<sup>5</sup> relied on paper-based manual expense processes, while 46% of companies still expect employees to pay up front for T&E using their own funds with 'pay and reclaim' policies.<sup>6</sup>

Many were unaware of the administrative burden that manual and fragmented systems were having on their staff or the impact on productivity. For example, each manual expense report takes at least 20 mins to process.<sup>7</sup>

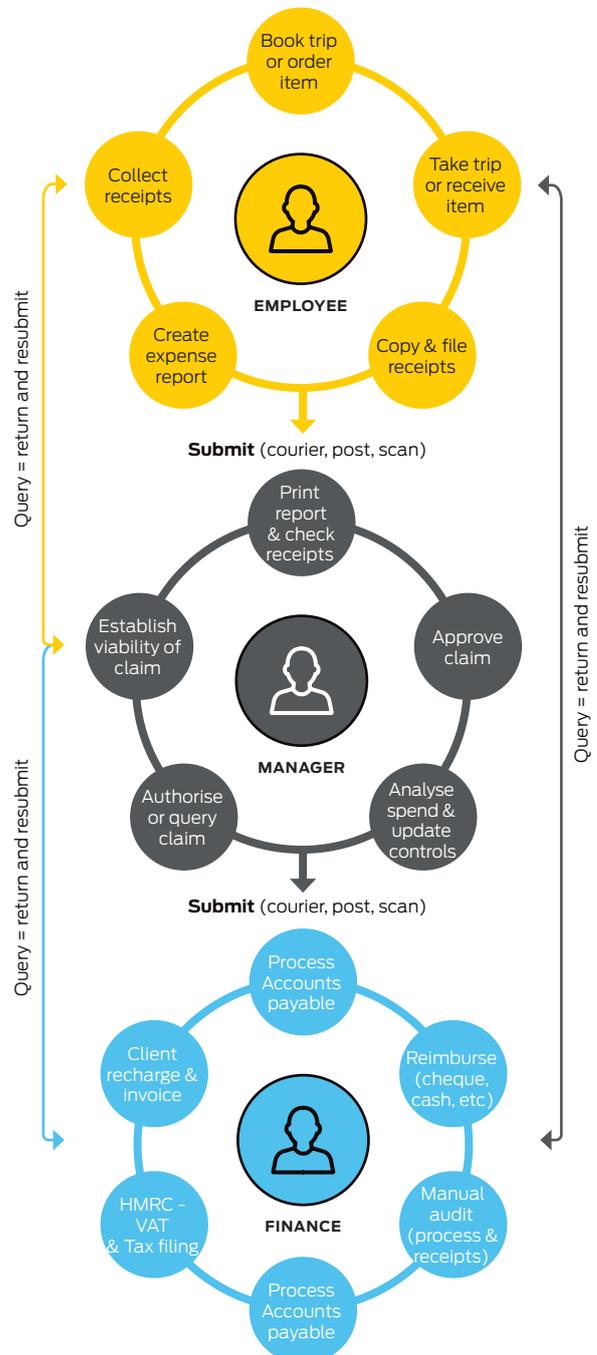
Outdated systems were also fuelling high levels of queries with as many as one in five (19%) of expense reports containing errors that sapped more time to resolve.<sup>8</sup>

Managers were being held accountable for spend but often lacked the tools to do anything about it. Almost three quarters (73%)<sup>9</sup> of companies had no automated process to flag out of policy expenses.

Paper-based processes were also impacting staff morale. Lost paper receipts were the #1 expense pain point for 53%<sup>10</sup> of staff. And slow reimbursement was regularly leaving them out of pocket, disgruntled and even seeking employment elsewhere.

Moreover, it was making real-time Opex visibility impossible, creating ramifications for cashflow and preventing pre-spend controls. Reporting was fraught with complexity, putting unnecessary pressure on tax filings and compliance. It was also increasing the opportunity for expense fraud.

Typical manual expenses process (Fig 1.):



**Manual processes were holding business back. Here's why:**

- Lots of complexity, duplication and potential for delays which leaves already financially stressed workers out of pocket
- Keeps teams locked in continual loops that sap time, effort and productivity
- Admin burden, reimbursement issues and reporting delays create friction between individuals and departments
- There is no proper analytics and information is fragmented and historic which can impact policy decisions
- No clear view of real-time spend or pre-spend control, negatively impacts planning and forecasting

**Reluctance to modernise**

Before COVID-19, there was no overriding urgency to change. Older businesses were reluctant to make new investment "it's always been this way so why change?" Often, they were held back by legacy IT systems that didn't integrate well and siloed departments that didn't interact.

Field workers and out of office staff were often unable to access centralised systems or lacked the necessary skills to use complex software tools.

Reliance on multiple supplier/stock payments - including trade accounts, different cards and payment terms for different goods, mix of cash, cheque, electronic reimbursements - meant they often didn't know where to begin.

The result is that businesses have been muddling through with processes that give them little overall control or real-time responsiveness. Post-COVID-19, the impact may cost them dear (See Fig. 2).

**Failure to modernise expenses will create issues for companies post-COVID-19 (Fig. 2)**



**Poor cash flow**

- Limited ability to forecast spending
- No cash to pay suppliers, staff or buy materials, tools, stock
- No buffer against bad debt



**Personal exposure**

- Physical risk from 'manual practices' - 'dirty' cash, forms, receipts
- Financial risk - poor cash flow means employees out of pocket for longer effectively bankrolling business



**Failure to compete**

- Supply chain delays compounded by poor cash flow
- Less to invest in business generating activities
- Staff unproductive and unmotivated, spending too long working out expenses
- Inability to keep or attract key workers



**Compliance issues**

- Errors in reporting may lead to a tax audit
- Failure to reclaim correct amount of VAT
- Expenses not submitted means paying too much tax
- Delays in reporting could lead to penalties

# EXPENSE CONTROL IS VITAL FOR CASH CRITICAL BUSINESSES

Many project-based businesses such as construction operate in periods of negative cashflow. The COVID-19 lockdown may have depleted their cash reserves, removing the buffers that help them manage their traditional business models.



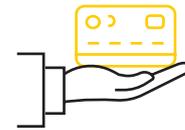
It's easy to see how poor expense monitoring and control could soon derail a project.



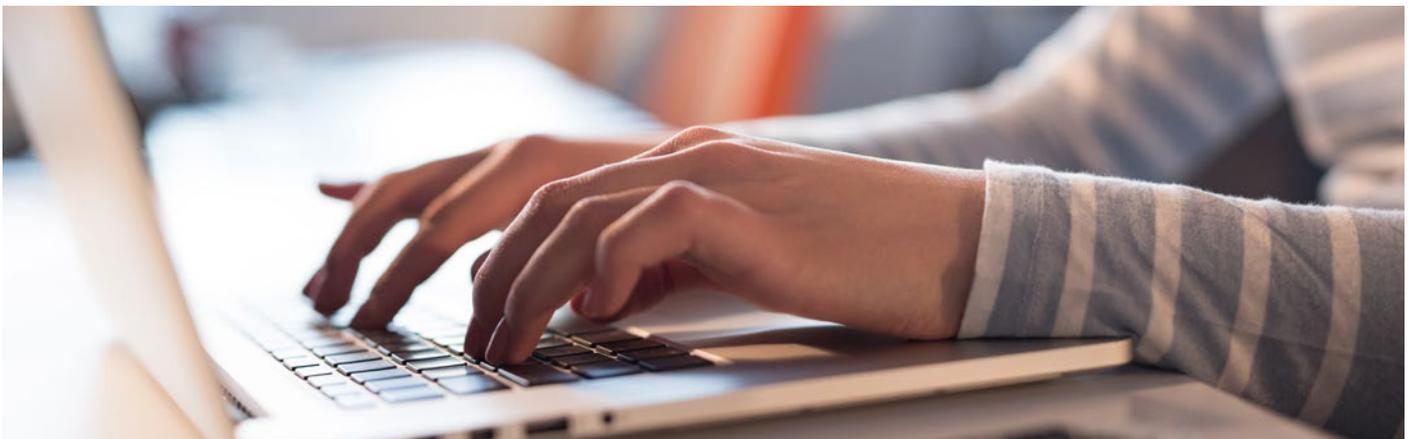
Spending too much too soon, or delays in payment can starve the business of cash and prevent them reaching a profitable completion.



To pay for staff and materials when cash is tight, many rely on expensive funding, credit or overdrafts. Debts soon mount up and can lead to financial difficulty.



There are better ways to mitigate the impact of constantly fluctuating cashflow. This includes invoice factoring or using an expense card solution that helps match 'cash out' with 'cash in' through interest free periods while also helping predict and control future 'cash out' flows when it comes to employee.



# PAVING THE WAY FOR THE ‘NEW NORMAL’ (POST-COVID-19)

**As many as 80%<sup>11</sup> of business leaders now recognise that employees are as productive or more productive while working remotely.**

Post-COVID-19, agile and flexible working has a sustainable future for businesses. A recent Gartner poll showed that 48%<sup>12</sup> of employees will likely work remotely at least part of the time after the pandemic has abated.



**48%** of employees will likely work remotely after the pandemic has abated

Offices still play an important role but over half (56%)<sup>13</sup> of business owners said they are planning to downsize to reduce overheads. In addition, some studies indicate that a third (32%)<sup>14</sup> of organisations are now replacing full-time employees with contingent workers as a cost-saving measure.

While we don't envisage all offices will close and everyone will work from home, what's clear is that the new normal will continue to include a mixture of working practices – flexible, remote, part-time and contracted. And on a much larger scale than ever before. That means policies, rules and manual expense processes will have to change.

Six ways we predict businesses will change post-COVID-19 and how this will reshape expense processes:

## 1 Offices will become decentralised

More remote and home working means employers will need to ensure workers have easy access to fast and efficient expense processes. They will have to remove friction and delays caused by disparate locations or from limited face to face interaction. Changes may include:

### Accelerated approvals

With employees coming together less frequently, digital solutions will be vital to enable rapid approval sequences across different physical locations or to introduce automated control systems.

### Smoother reimbursement

Pay and reclaims will take a back seat. Waiting for reimbursement could stir up big problems with staff that are still struggling to cope financially with COVID-19. And remote working is no excuse for having employees bankroll the business. Instead, pre-authorised expense cards (with customised caps and pre-spend controls) will help reduce stress, keep spend compliant and mean staff are never out of pocket.

### off-site workers should have access to mobile expense apps that allow them to capture receipts and upload claims by phone.

### Mobile empowerment

With most employees possessing smartphones, it makes sense that off-site workers should have access to mobile expense apps that allow them to capture receipts and upload claims by phone. These will also provide spending data faster, creating tighter cashflow control.

## 2 Risk mitigation will include ‘cleaner’ processes

Business are already avoiding handling cash and paperwork wherever possible due to social distancing and risk of passing on infection. They will continue to migrate to card-based payment solutions, especially those that allow e-commerce and contactless. Automated systems will also reduce risks while removing admin burden, freeing productivity and boosting wellbeing.

### 3 Agility will come from the cloud

Digitalisation is no longer a ‘nice-to-have’ but is now a strategic priority for 89% of all companies<sup>15</sup>. Without it, more than half (55%)<sup>16</sup> believe they’ll lose market share within a year.

**89%** of companies say digitalisation is now a strategic priority



Moving expenses into the cloud where policies and controls can be updated instantly ‘over the air’ will ensure employees are compliant, giving organisations the flexibility they need while markets remain in a state of flux.

### 4 Managers will insist on less interaction, more control

Reduced face-to-face interaction between employees and managers could disrupt expense authorisation, leading to frustration and bottlenecks. To keep things moving, managers will seek to simplify approval paths using customised controls and pre-spend authorisation to prevent illegitimate and unnecessary spend.

### 5 Decision makers will demand real-time data

COVID-19 has heightened the need for tighter fiscal management. Yet this cannot be achieved in an information vacuum. Moving beyond spreadsheets and batch-based expense reports, to digital expense systems with real-time data flows will help finance teams deliver more accurate operational visibility.

Knowing precisely how current circumstances are affecting KPIs at any given point is vital to anticipate and cope with dramatic shifts in cashflow.



### 6 Companies will have to look deeper to get smarter

Businesses will want to monitor and check their spend pipeline and be able to break down purchasing analytics by users, business units, and vendors in real-time. Expense dashboards will be key to tracking new trends, finding efficiency opportunities, preventing leaky spend and bolstering short- and long-term contingency.

### 7 Evidence will remain a prerequisite for compliance

To help businesses manage cash flow during the pandemic, HMRC has introduced many new initiatives including deferred VAT and tax payments, reduced VAT for hospitality; and exemptions relating to home or remote working.

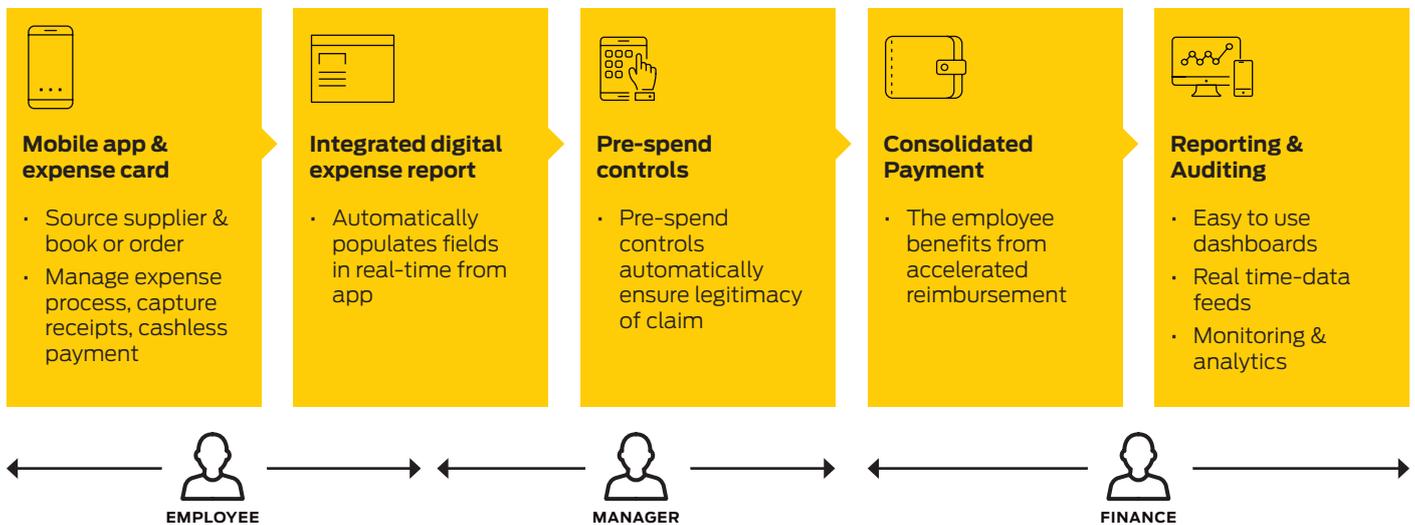
**Organisations will have to check guidance regularly and make sure all their expense records are up to date and clearly evidenced.**

Organisations will have to check guidance regularly and make sure all their expense records are up to date and clearly evidenced. Dedicated expense payment cards, mobile apps, digital authorisations and automated pre-spend checks can help them comply with new policies and make VAT and tax filing easier.

# PUTTING IN PLACE SYSTEMS TO FLOURISH IN A ‘NEW NORMAL’

- When asked how could COVID-19 positively impact their business a third (34%) of HR professionals<sup>17</sup> said it would enable them to “rethink assumptions about current business practices.”
- There is no longer a justifiable business case for paper-based manual expenses.
- Collecting receipts, stapling them to expense forms and submitting them monthly simply doesn’t cut-it in terms of productivity, cost control and employee safety.
- What finance, managers and employees need now are more agile, responsive and real-time expense management solutions. With simpler workflows, shorter decision paths and a lighter touch for less effort and fewer interactions.
- The right expense solution can mean businesses, particularly those with a high number of staff working in different locations, can flourish in the new post-COVID-19 world. Here’s an example of how this could look (Fig. 4):

End-to-end expense process (Fig. 4)



## Benefits:

- **A simple, easy to use seamless experience** can be delivered using the right payment and digital tools as part of an integrated expense platform.
- **Automatic processes accelerate reimbursement**, remove duplication and error and minimise risk of expense fraud.
- **One set of reconciled data** – in near real-time – gives at a glance reporting.
- **Pre-spend controls ensure all spend is legitimate**, avoids authorisation, query and resubmission loops and mitigates risk.
- **Accurate real-time reporting means smoother compliance** and audits and accurate (and timely) tax and VAT filing.

## HOW MIGRATION FROM A MANUAL EXPENSE SYSTEM TO A UNIFIED SOLUTION WILL HELP YOU FLOURISH:

### **It gives you the flexibility to respond to new situations as they arise.**

With an end-to-end system where all elements are integrated, you can more easily enforce and adapt your T&E policy.

### **In periods of economic uncertainty, it lets you control and monitor spend.**

With regular reports to show exactly how the company is doing and identifying where any spend leaks are occurring.

### **It helps you be more agile to cope with fluctuations in demand.**

By integrating expenses with the rest of your financial systems for accurate mapping and forecasting.

### **It also lets you analyse trends.**

And use to negotiate vendor discounts and improve your booking and expense systems as markets and relationships continue to evolve.



# THE NEXT STEPS

It's clear that with so much to gain, updating expense management is a strategic imperative for 2020. Here's a quick guide to help you embark on the transformation journey:

7-point plan to develop a post-COVID-19 expense management platform:

## 1 Evaluate your current expenses process and how it will fare in a post-COVID-19 world

Revisit assumptions about accessibility, timeframes and strategic contribution. Measure important KPIs and get proper feedback from all stakeholder groups.

## 2 Identify what expense 'policy and best practice' looks like in the 'new normal'

Understand the long-term impact of COVID-19 on your business and working practices. Establish how a new system would be expected to work. Define what you can (and want) to change and what you can't (e.g. Tax rules).

## 3 Explore expense solutions that can tackle these challenges and ensure that challenges are overcome

It's likely that COVID-19 will impact businesses for some time to come, so focus on systems that allow high levels of flexibility and control, and the ability to work remotely through mobile apps, cloud-based platforms and automated digital forms.



## 4 Determine the technologies required

Once you have developed your post-COVID-19 business and operational plan, you can then decide on the level of automation, integration, customisation and mobility you require, to build a more detailed expense management solution specification.

## 5 Create the post-COVID-19 business case

IT budgets are being re-evaluated as enterprises start to plot their post-pandemic recoveries. It is likely that projects will be viewed through a lens that focuses on savings, agility and resilience. The case for expense management is clear cut – improvements to cashflow, productivity and efficiency, faster reporting and greater control. But don't forget it also reduces stress and so will help boost post-COVID-19 morale.

## 6 Explore options, consolidate and collaborate

Find a solution or card partner that can help you explore the best options for departments and employees. Take stock of how your business is currently funding expenses. By reducing the payment methods to those that offer the best reach, rates and repayment periods, you can help streamline processes and policies across your business, while potentially saving on fees.

## 7 Deliver the solution

Even if staff are still working from home, make sure everyone has plenty of warning prior to implementation. And that they understand the changes you are making and why (a good Q&A helps). Implementation will be much easier if you have included key employees and influencers from across the business in the feedback and planning phase.



## CONCLUSION

Across the world businesses have been impacted dramatically by the pandemic. They have been forced into an unprecedented experiment with remote working, bans on travel, and disrupted logistics that have disconnected them from customers and markets. It has also flagged shortcomings in unwieldy legacy technology and operational environments that have been unable to keep pace with change.

If any good can come of this, then it is identifying what new best practice might look like. And how we can solve the operational challenges of today in a way that will make us more resilient in the future.

**It is very likely that we will never return to the pre-pandemic normal.**

Employees will insist on home working and mobile flexibility and question the need for unnecessary commutes and travel. They will demand fewer manual processes and accelerated roadmaps for apps, automation, speed and reliability.

The expense mix will continue to evolve as businesses increasingly seek to connect, protect, empower and reimburse employees away from the workplace.

**Businesses will have to figure out new ways to manage expense processes more efficiently and remotely.**

The days of collecting receipts, stapling them to expense forms and submitting them monthly has gone for good. What finance, managers and employees need now are more agile, responsive and real-time expense management solutions that support new, more mobile ways of working.

**To keep pace, in the post-COVID-19 world they will have to deliver a new type of expense experience that supports the 'new normal' by:**

- **Freeing employees from time-draining expense admin** to focus on revenue generation and the work that drives businesses forward
- **Offering light touch, streamlined reconciliation** that works from any location at any time
- **Automatically enforcing compliance** with built in policy and pre-spend controls
- **Providing deeper real-time insight and company-wide visibility** into expense spend to optimise cashflow control

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**At Allstar we have been serving businesses large and small for over 40 years**, helping them to reduce their business expense costs and admin, saving them time and money. We work across the UK, helping over 40,000 businesses with fuel and business administration and providing local support to cover their expense needs.

**Find out more about how effective expense management can help you cope in the post-pandemic world. Contact us today:**

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## About Allstar Business Solutions

Allstar Business Solutions is a leading UK business and fuel expenses card provider with over 40 years of industry experience. Allstar provides its customers with access to the UK's largest fuel card network. The Allstar fuel cards are accepted at most UK fuel sites, including at all major oil brands and low-cost supermarket sites.

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FLEETCOR Technologies, Inc. is a leading global provider of commercial payment solutions. The company helps businesses of all sizes better control, simplify and secure payment of their fuel, toll, lodging and general payables. With its proprietary payment networks, FLEETCOR Technologies, Inc. provides affiliated merchants with incremental sales and loyalty. FLEETCOR Technologies, Inc. serves businesses, partners and merchants in North America, Latin America, Europe and Australasia. For more information, visit [fleetcor.com](http://fleetcor.com).

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