

# Adapting to New Realities

COVID-19 Forces Finance Teams to Rethink Inefficient Processes and Systems

2020 Expense Management Report



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# Introduction

*While 99% of finance teams experienced at least one challenge due to COVID-19, teams of all sizes demonstrated adaptability.*

This is our second annual expense management report. Like last year, we wanted a better understanding of how finance teams use their time, their expense management processes, and their priorities for the next six months.

**Of course, in 2020, we couldn't ignore the dramatically different economic and social environment we're all experiencing as a result of the COVID-19 pandemic,** so we included a few questions about how finance teams specifically have been addressing new challenges and opportunities. **We weren't surprised to hear that 99% of respondents said their finance teams experienced at least one challenge due to COVID.**

**The dramatic move to remote work and the urgent need to reassess financial resources have illuminated inefficiencies in existing workflows and processes.**

And while the drastic decline in travel over the last few months means fewer expense reports to process, finance teams have had to refocus their attention on analyzing spend, identifying opportunities for cost savings, and figuring out where they stand on revenue and expenses.

**The good news out of our research is that finance teams are highly adaptable.**

While most respondents cited numerous challenges at the onset of the COVID-19 outbreak, most of them have subsided six months in.

Anecdotally, we've heard from finance teams that they want to use this time to figure out more efficient ways to work due to distributed workforces, the need to manage financial resources more closely, or having fewer resources available for time-consuming, manual work.

Our research bears this out—**91% of respondents said they plan to invest in at least one technology initiative in response to COVID.** On average, companies plan to take on 3.5 initiatives, ranging from upgrading legacy software to digitizing and improving manual invoice and expense processes.

I hope you find the information in this report helpful and encouraging as you think about your own finance operations in the coming months.

— Naveen Singh, Center CEO



# How Finance Teams Use Their Time

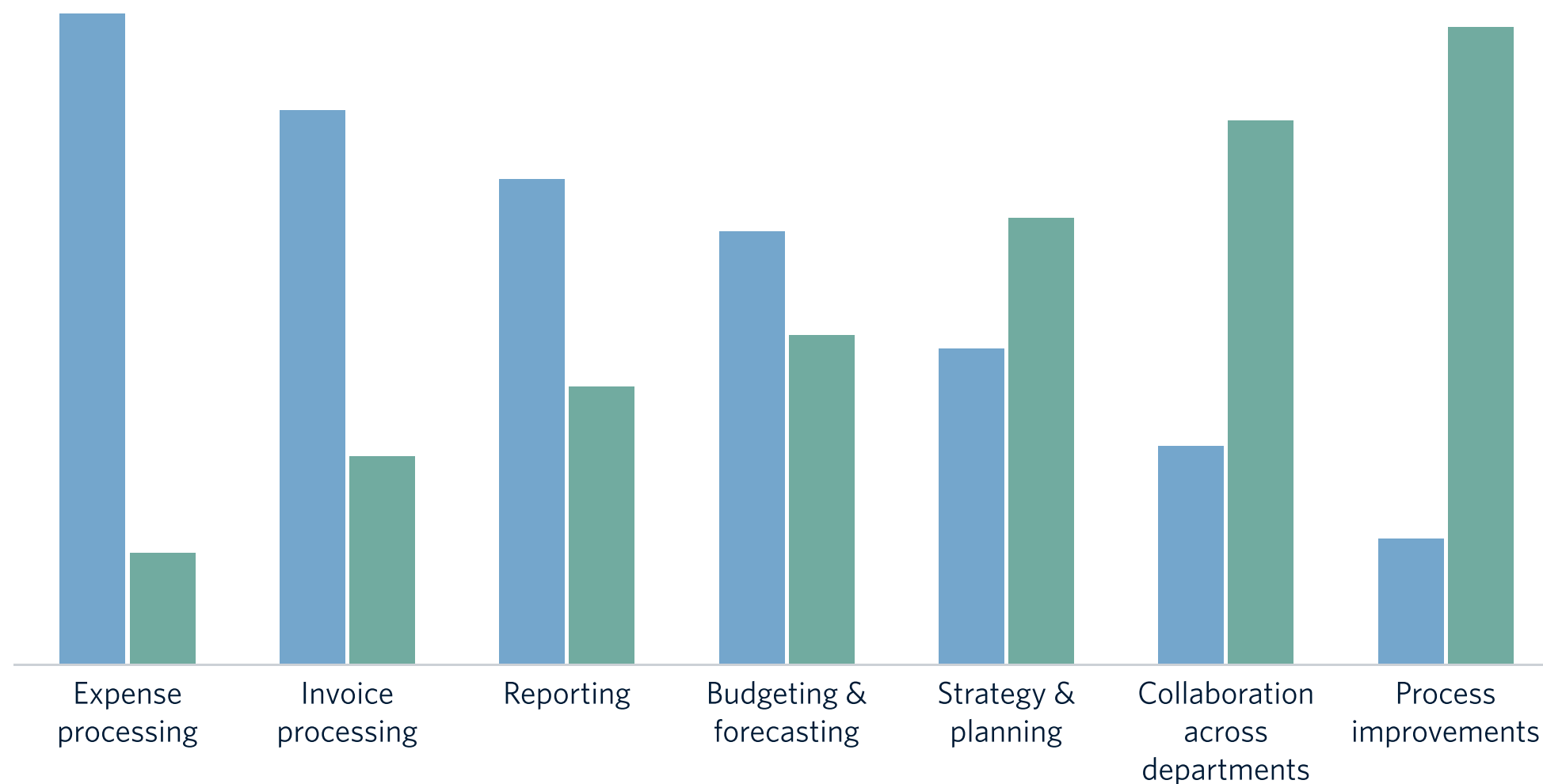


# The Cost of Operational Tasks

*Less time for strategy, collaboration, and process improvements*

Which one activity currently takes up most of your time?  
What's one activity you wish you could spend more time on?

● Spend most of my time here ● Wish I could spend more time here



We asked finance teams what single activity takes up most of their time and where they would allocate more time if possible.

Routine, highly manual, often paper-based activities like invoice processing and expense management take up most of their time today, while they'd like more time for process improvements, cross-department collaboration, and strategy and planning.

Expense processing and invoice processing were the top two activities for finance teams in both 2019 and 2020.

**Reporting moved up to third place in 2020. The increased time spent on reporting could be attributed to COVID and the economic downturn as organizations required more reports at more frequent intervals to inform decisions.**

## TO THE POINT

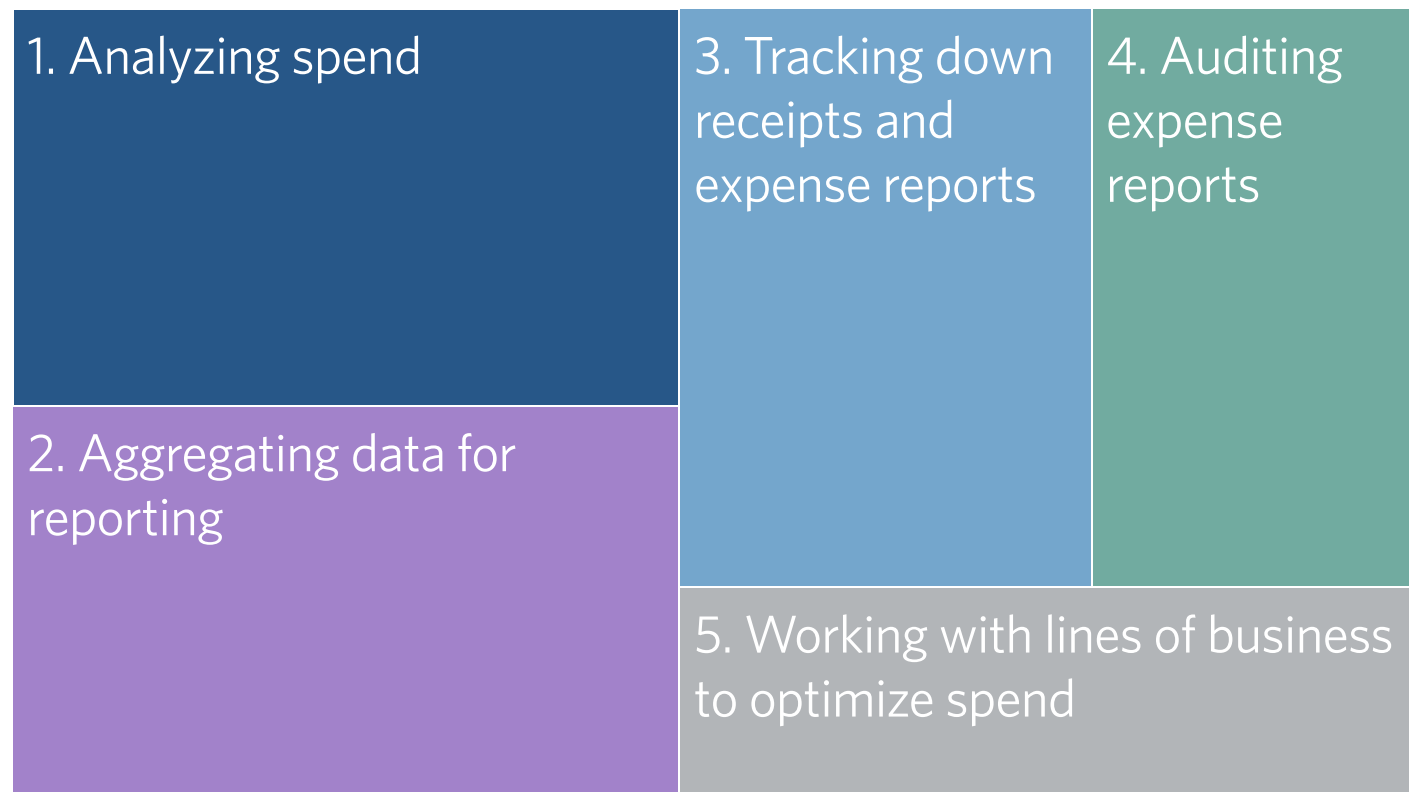
Day-to-day operational work often keeps finance teams from the critical strategic, collaborative, and process improvement work their organizations need them to do, now more than ever.



# Less Travel = Less Time Spent Tracking Receipts

*In 2020, finance teams are focusing more time on analyzing spend and pulling together reports*

Which expense management tasks take the most time each month? (Rank most to least)



In our 2019 Spend Management Report, "Tracking down receipts and expense reports" was the top-ranked activity, cited by 46% of respondents. **That number dropped by half to 23% this year.** This year's top-ranked activity was "Analyzing spend."

**With travel dramatically cut, fewer employee expense reports, and a challenging economic environment, we weren't surprised to see that "Analyzing spend" moved from fourth place to the top position this year.**

"Aggregating data for reporting" stayed in second place this year, while "Auditing expense reports" moved into fourth. We added a fifth option this year, "Working with lines of business to optimize spend," which was ranked last.

## TO THE POINT

Spending less time tracking down receipts and expense reports should be good news: finance teams have more time for gathering and analyzing data. The question will be whether this is a sustainable shift or an anomaly due to reduced travel in a COVID world.

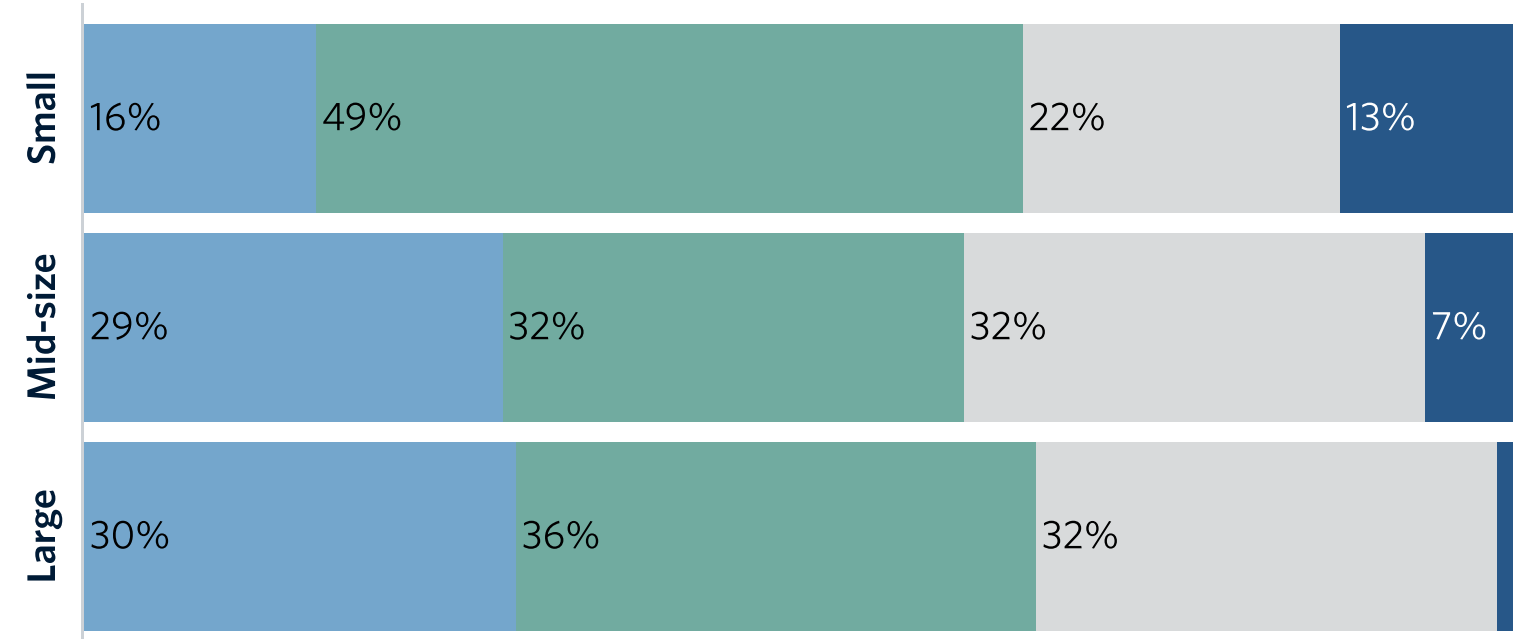
# Current Expense and Audit Processes

# Spreadsheets Remain Integral Expense Management Tool for Most

What tools do you use to manage travel, entertainment, procurement, and other employee expenses such as software?



Expense management tools vary by company size:



Spreadsheets are the most commonly used tool for expense management in 68% of companies of all sizes, whether used alone or in combination with expense management software. **Just 25% of respondents use only expense management software**, while 7% still track expenses with paper.

## Spreadsheets Stay in the Mix

28% of respondents use **a combination of spreadsheets and expense management software** to manage their expense process.

Spreadsheets are prone to errors and lack automated workflows, which can cause a host of other problems (see [next page](#) for the ripple effects of using spreadsheets for expense management).

Small companies are more likely to use spreadsheets than their mid-size and large counterparts. **Here's how we defined company size for this survey:**



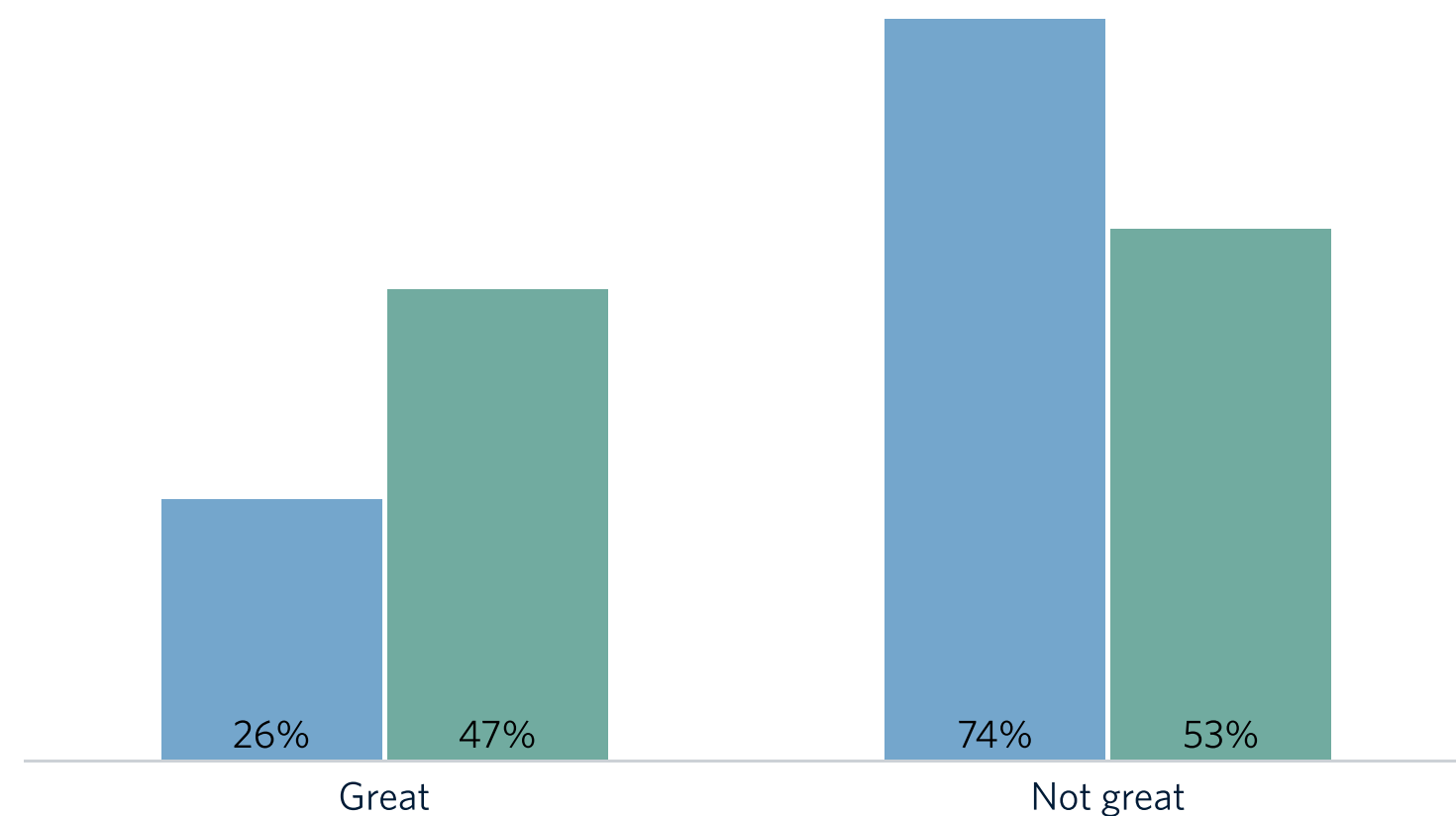


# The Hidden Costs of Using Spreadsheets

*Spreadsheets are flexible, ubiquitous, and cheap—it's no wonder so many organizations use them. Beyond errors and manual workflows, there are ripple effects of using them for expense management.*

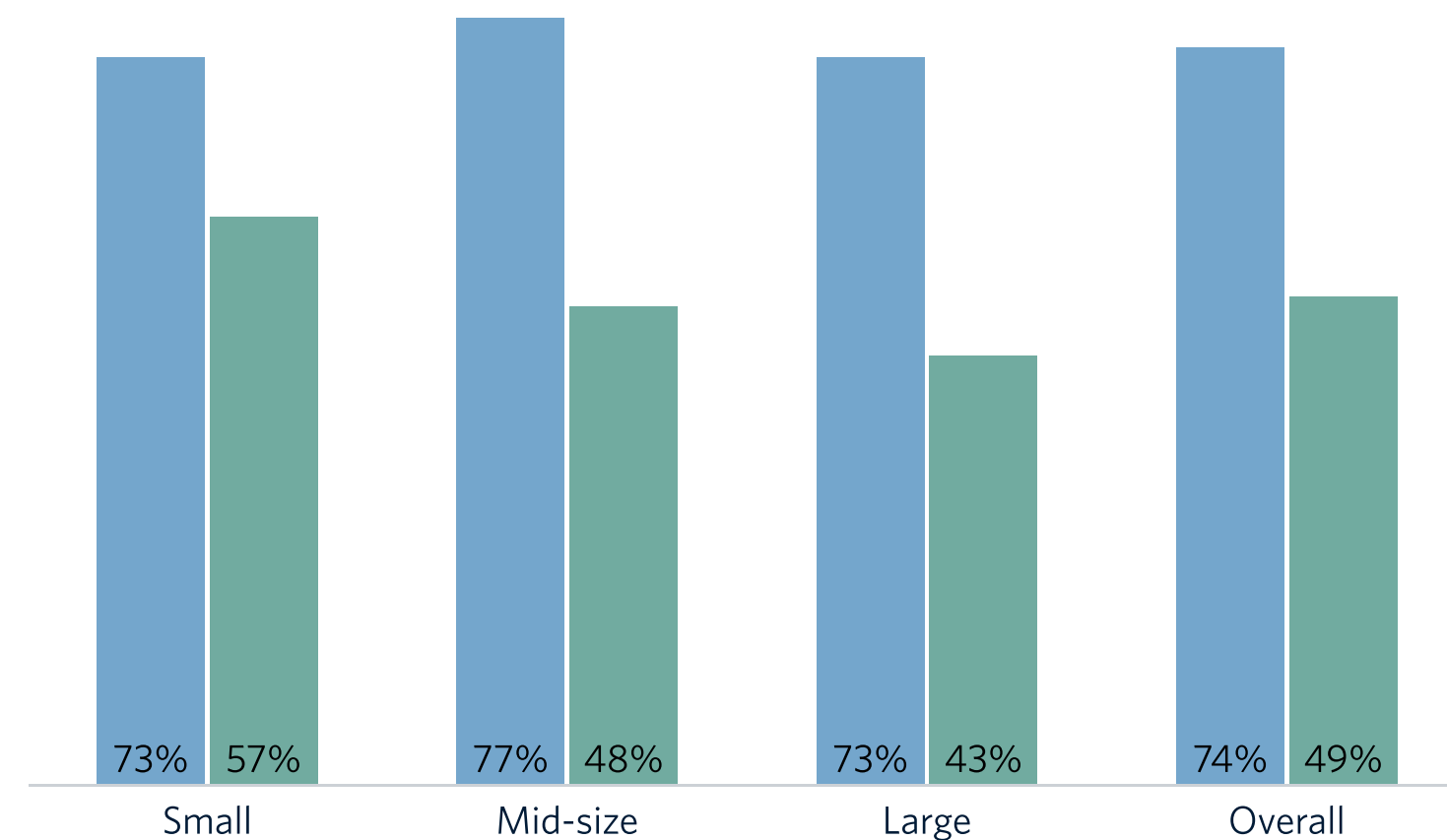
Companies who use spreadsheets are 48% less likely to say the month-end close process was "Great" ([see page 14](#)).

● Using spreadsheets ● Not using spreadsheets



Companies of all sizes who use spreadsheets are 25% more likely to say they plan to improve expense processes ([see page 21](#)).

● Using spreadsheets ● Not using spreadsheets



# The Status Quo Continues, For Now

*More than 80% know expense management needs work, but only 7% say it needs fixing ASAP*

We asked respondents how they felt about the expense management process. Like last year, the majority said it needs work, but only 7% said the problem was "Unmanageable and needs fixing ASAP." That said, **organizations' expense management processes aren't as robust as they thought: fewer respondents said the process is "Smooth sailing" compared to last year.**

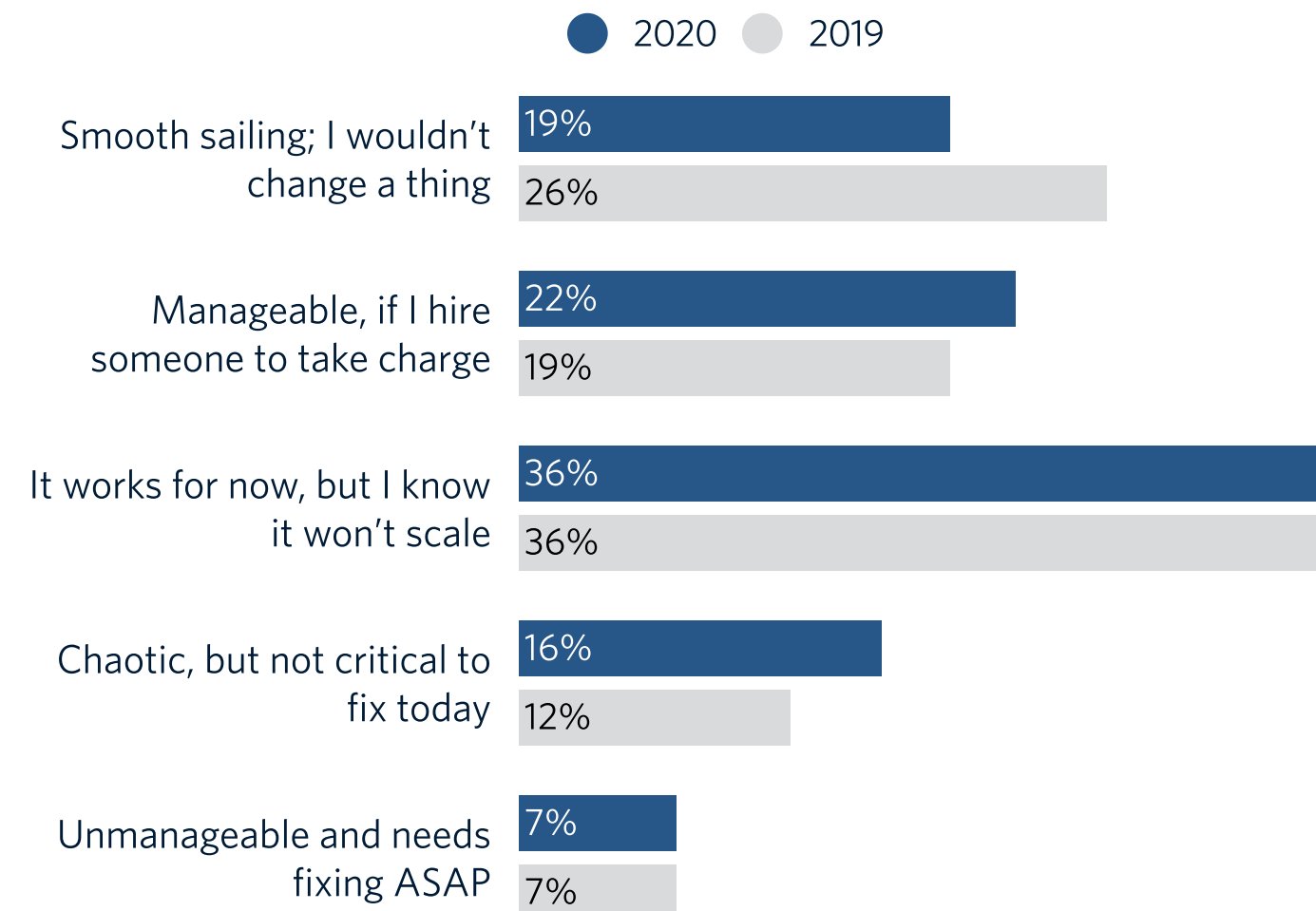
When we break down responses by job title, Controllers were more likely than their counterparts to say that the process is "Unmanageable and needs fixing ASAP," which is understandable given that their teams are usually directly responsible for expense tracking.



## TO THE POINT

We noted last year "a general complacency around expense management," given that while most people were dissatisfied with the process, few felt the need to take action. **Perhaps the changes brought by COVID-19 have revealed weaknesses in the expense management process.** While still only 7% say it needs fixing right away, elsewhere in our survey, respondents said they plan to take on technology initiatives, including improving expense management, in response to challenges they faced.

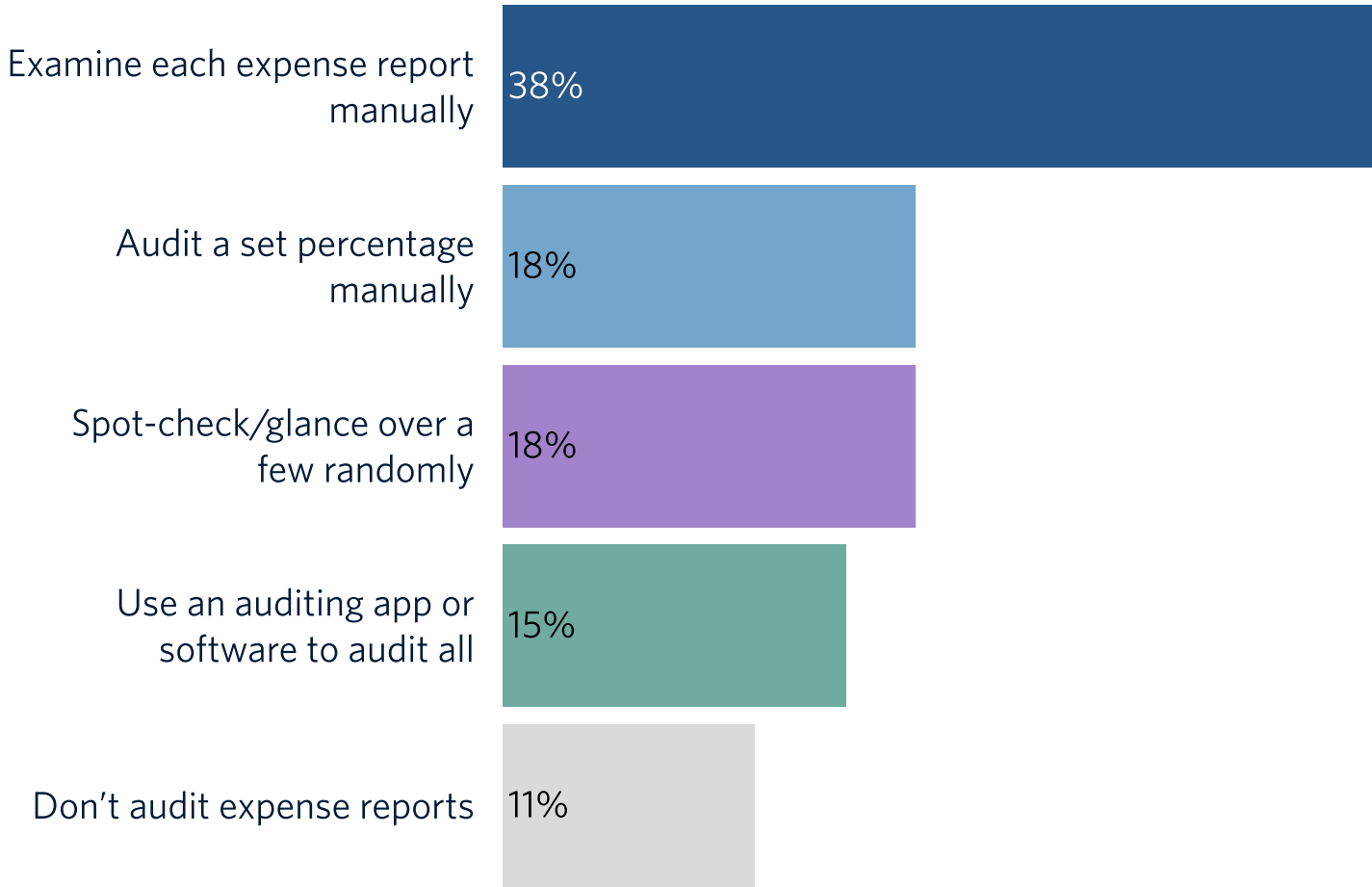
Which best describes your current expense management process?



# Automated Expense Auditing is the Exception

*83% of those who audit expense reports do so manually*

Which best describes your approach to auditing expense reports?



We asked finance professionals to tell us about their auditing process. Just 11% don't audit expense reports at all. Of the 89% who audit expense reports, most do so manually. **Only 15% use software to automate audits.**

Slightly more respondents this year say they are auditing some or all expense reports (89% this year vs. 86% last year), but the number using auditing software decreased in 2020 from 20% to 15%.

Smaller companies are more likely to audit each report manually (43% compared to 34% of mid-size and large companies). Larger companies are more likely to use software (21% vs. 8% of small and 16% of mid-size companies).

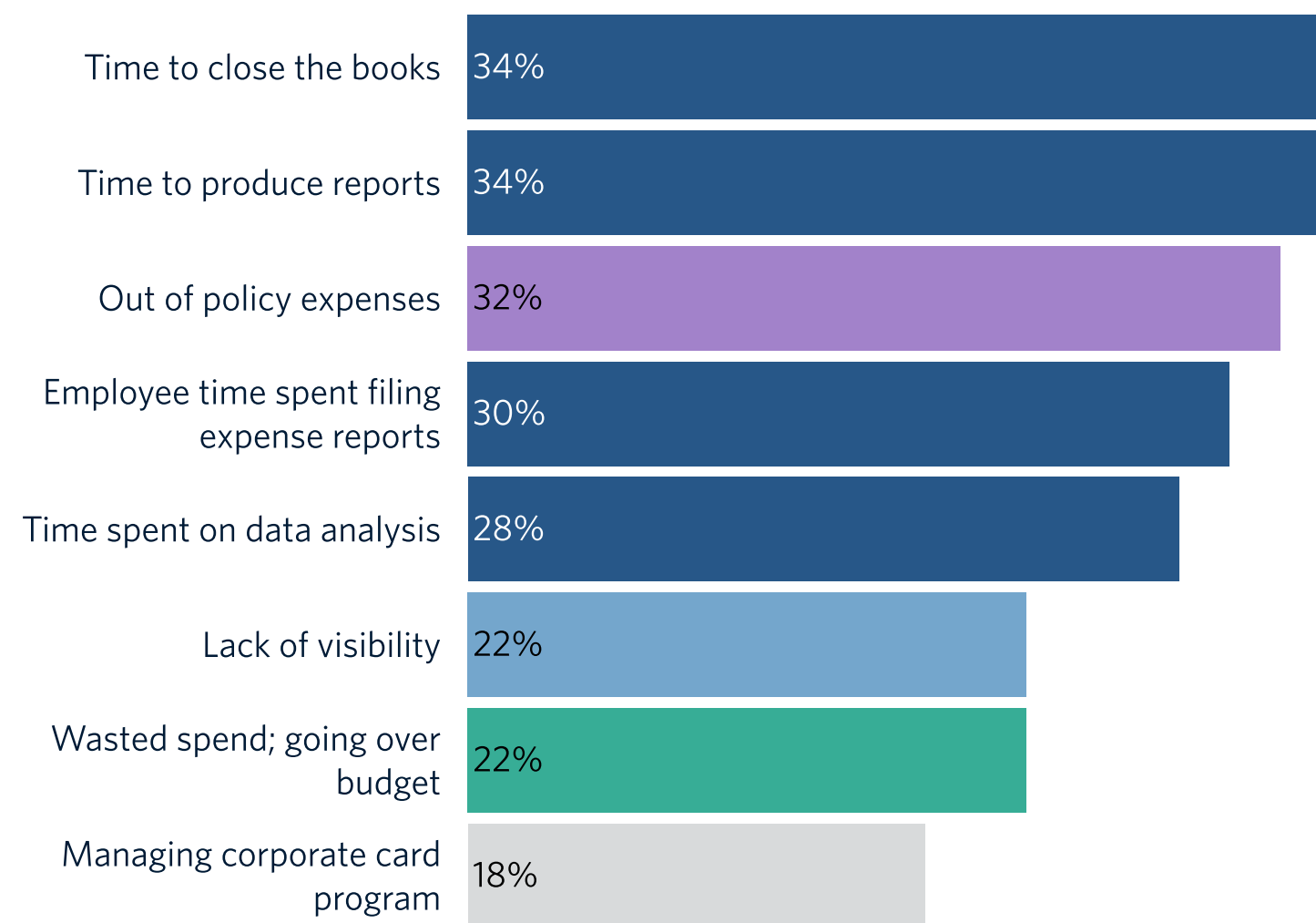
**> TO THE POINT**

Even though it's time consuming, most finance teams believe **it's important to audit expense reports as a way to ensure both policy compliance and accounting accuracy.** The traditional batch-based expense report can make manual auditing challenging since reviewers have to sort many different transactions. Auditing software that automatically reviews every expense can help, but it's often a costly add-on that few companies use.

# Time Is the Top Frustration With Expense Processing

*From filling out expense reports to closing the books, producing reports, and analyzing data, expense processing takes too much time*

What are your biggest frustrations in the spend and expense management process? (Select up to 3)



We asked finance professionals what their biggest frustrations were with the spend and expense management process. **Four out of the top five related to the time required to close the books, analyze data, and produce reports.** The other top frustration was around out of policy expenses. While the order differed slightly from 2019, these reflect the same frustrations overall.

We saw slight differences in response by company size. Large companies were more frustrated by out of policy expenses than their smaller counterparts. Mid-size companies were more frustrated by time to close the books.

There were also some clear differences by role. **CFOs and Controllers cited more frustration with out of policy expenses** (39% vs. 32% overall) **and lack of visibility** (27% vs. 22% overall).



## TO THE POINT

The time involved in the expense management process is the biggest source of frustration—whether organizations use expense management software, spreadsheets, or some combination. Technology should help streamline those processes by automating routine activities, improving reporting, and decreasing the effort involved in closing the books.



# Month-End Close

# Better Month-End Closes Are Needed

*Two-thirds of respondents say the month-end close process could be improved*

Which of these statements best describes your feeling about the month-end process at your company?

- Great: We close the books quickly and information is readily available
- Acceptable, but there's room for improvement
- Unacceptable: We need to improve our month-end close process



● Great ● Room for Improvement ● Unacceptable



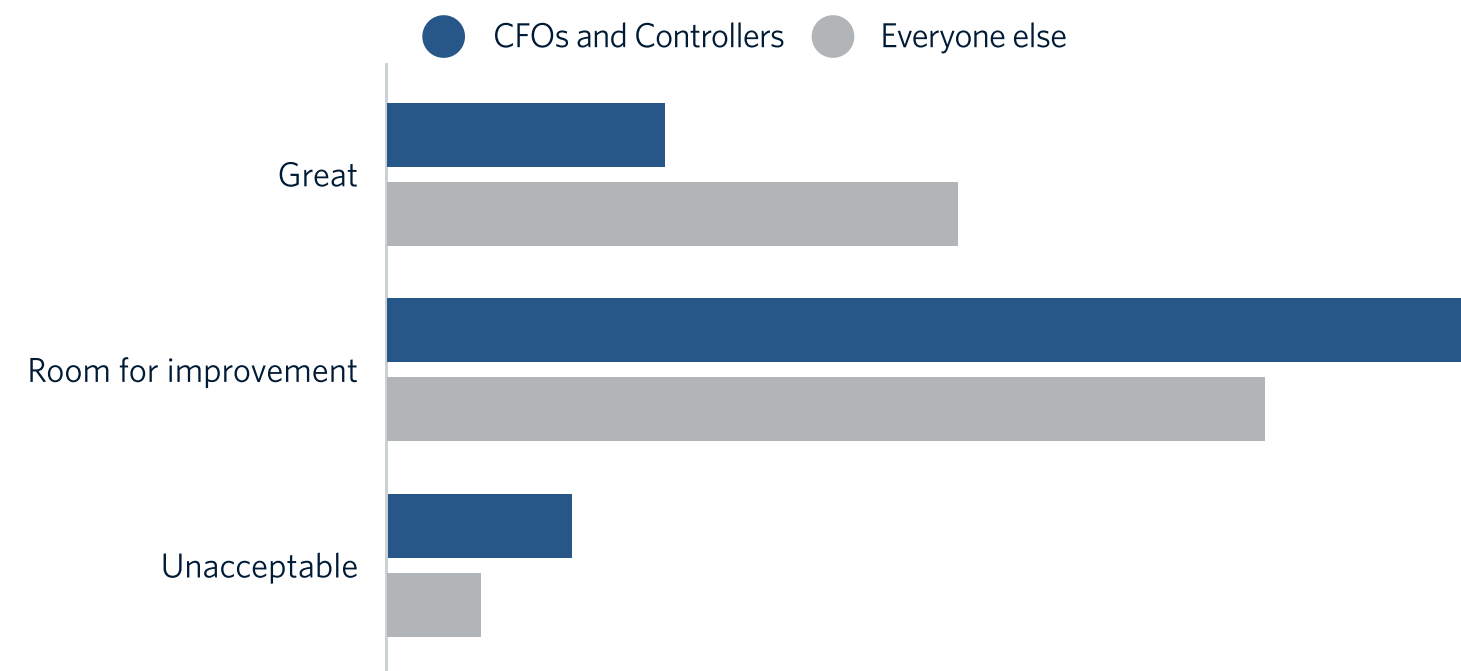
## TO THE POINT

Month-end close is a critical responsibility for finance teams, and the faster and more efficiently they can close the books, the faster they can review results and build forecasts or adjust plans for the next few months. **Timely, accurate data and efficient processes are always important, but even more so in times of economic uncertainty.** An added challenge this year, for many, was the first time closing the books remotely, which may have revealed operational inefficiencies.

Last year, we asked how long it takes to close the books. This year, given the change in processes and the impact of working from home, we asked finance teams their sentiment about the process in general.

One-third selected "Great;" 66% said "Room for improvement," and 7% said month-end close was "Unacceptable."

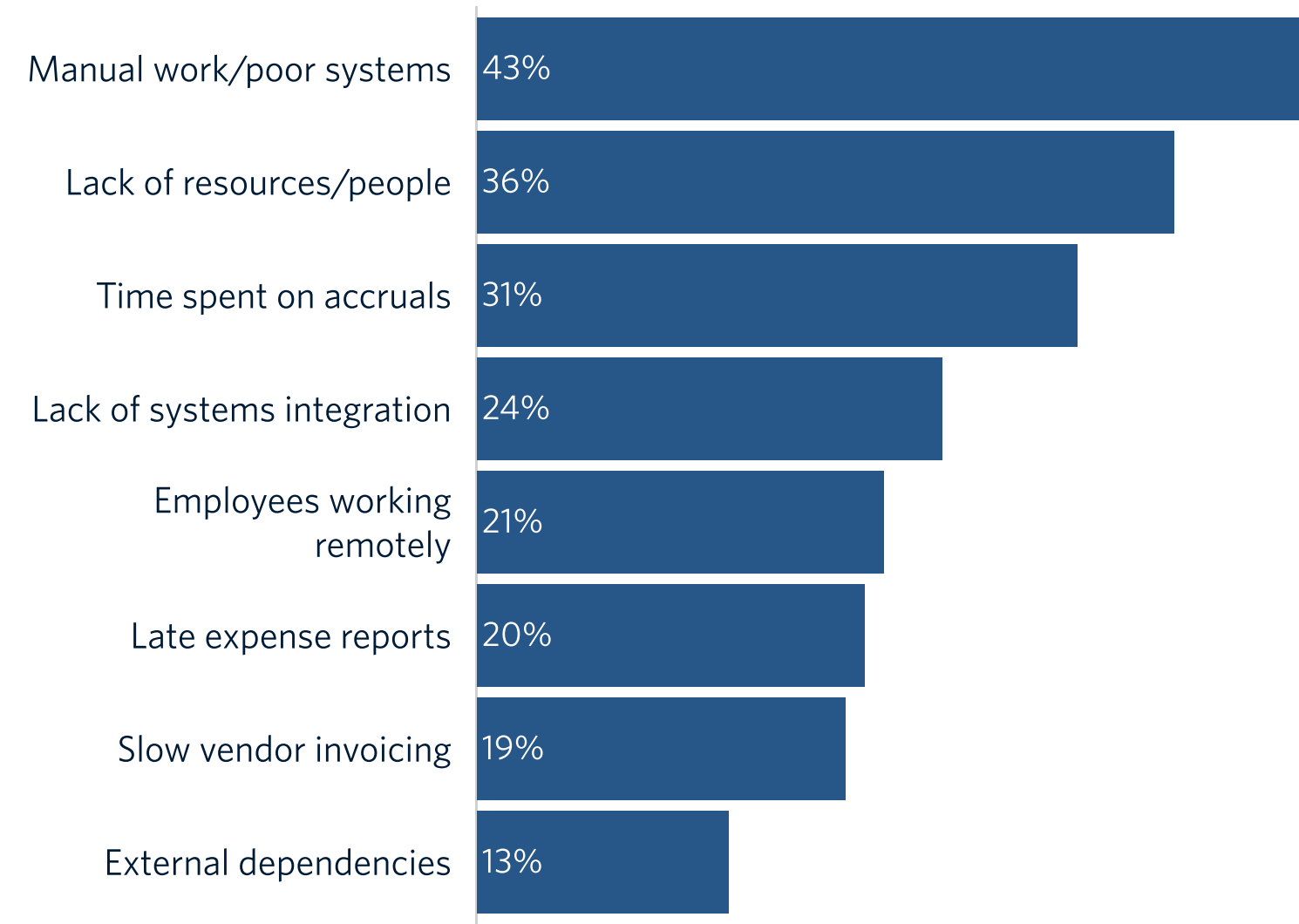
Responses were similar across company size, but there were variations when you compare by title. **CFOs and controllers were more likely than other respondents (82% vs 66% overall) to say the process needs improvement:**



# How Can Month-End Close Be Improved?

*Manual work, poor systems, and lack of resources contribute to month-end close problems*

For respondents who said the month-end close needs work, which of these factors contribute to the problem? (Select all that apply)



We asked those who said month-end close could be improved what factors contribute to the problem. The top answers were manual work, poor systems, lack of resources, and time spent on accruals.

Mid-size companies were most likely to say the top issue was time spent on accruals (46% compared to only 25% of small and 29% of large companies). Large companies were more likely than their smaller counterparts to choose lack of systems integration as a problem.

## TO THE POINT

Respondents believe they can improve month-end close by focusing on reducing manual work, improving systems, making better use of resources, and reducing accruals. In the past, the answer may have been as simple as hiring extra help in accounting. **However, with constraints on budgets and hiring, organizations are going to have to find other strategies to improve month-end close beyond just hiring more people.** Organizations will need to automate routine processes and find more efficient systems to help take the burden off resources that are already strained.



An aerial, high-angle photograph of a city at night, viewed from a boat on the water. The city lights are reflected on the rippling surface of the water, creating a shimmering effect. The word "Priorities" is overlaid in the center of the image.

# Priorities



# Improving Processes, Forecasting Accuracy, and Audits Remain Priorities for Finance Teams

What are your top priorities for the next 6 months?  
(Select all that apply)



**The top priorities cited for 2020 remain the same as 2019's priorities:**

1. Streamlining current accounting processes (42%)
2. Increasing planning and forecasting accuracy (37%)
3. Improving audit and controls (34%)

In 2020, systems/automation implementation rose two spots to #5, and fundraising rose three spots to #6.

Large companies were more likely to cite streamlining current accounting processes (51%) than small and mid-size companies (35%). They were also more likely to select improving audit and controls (46%) vs. small and mid-size (26%).

Mid-size companies were more likely to select increase planning and forecasting accuracy (51%), compared to small (24%) and large companies (40%).

## TO THE POINT

Finance teams spend the majority of their time tracking expenses and invoices, managing accruals, and closing the books. They recognize the need to improve these operational processes, and while in some areas of this survey, they've indicated that some inefficiencies are tolerable ([see page 10](#)), the challenges created by COVID-19 increase the urgency to improve systems ([see next section](#)).

# COVID-19 Impacts and Challenges



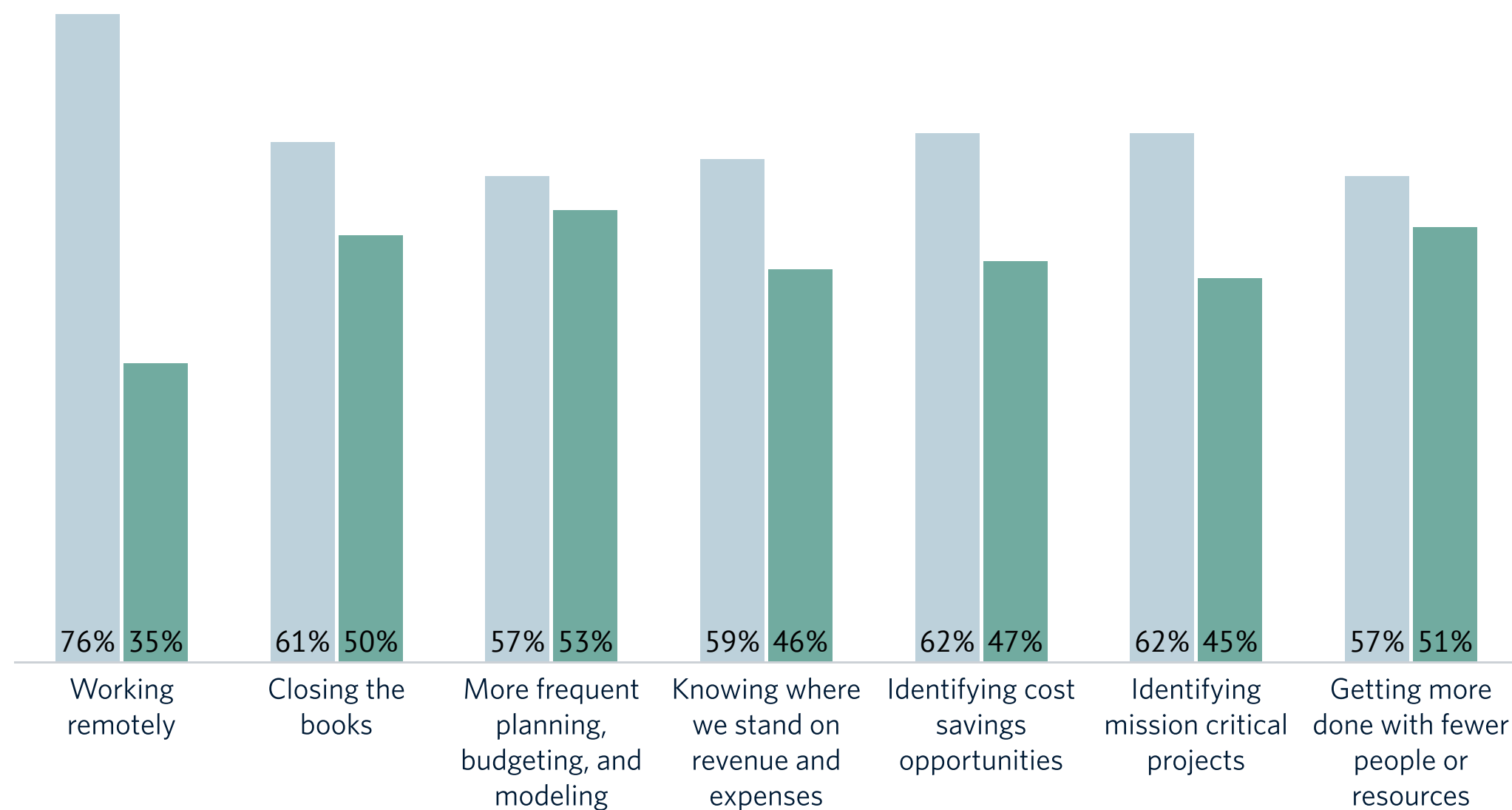
# COVID-19 Forced Finance Teams to React and Adapt

*99% of respondents reported facing at least one challenge due to the pandemic and economic downturn*

What were the biggest challenges faced by your finance team at the onset of COVID-19?

What are the biggest challenges today? (Select all that apply)

● At the onset of COVID-19 ● Today



Almost every respondent (99%) reported experiencing **at least one challenge due to COVID**. 93% experienced challenges at the onset of COVID. 85% continue to experience challenges today. Of the 7% who didn't face a challenge initially, 87% are facing at least one challenge today.

**Working remotely was far and away the biggest challenge** at the onset, faced by 76% of all respondents. Large companies felt the pain more than small and mid-size companies (77% large, 62% all others).

Fortunately, by the time of our survey, respondents felt less challenged on all counts. **In the most dramatic shift, only 35% said working remotely was still a challenge.** Other categories saw less dramatic shifts. Getting more done with fewer people or resources only dropped to 51% vs. 57% at the onset.

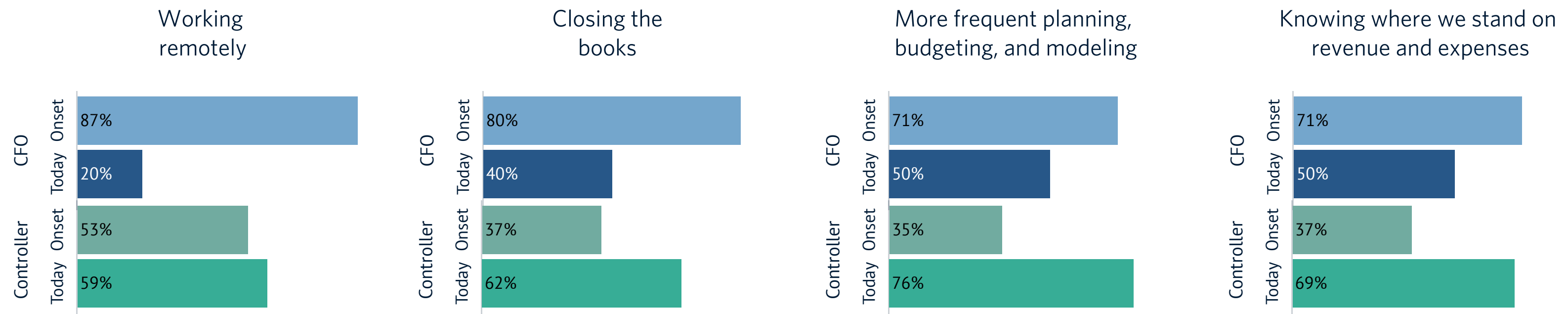
# While CFOs Cited More Challenges at the Onset of COVID, Controllers Feel Them More Acutely Today

Comparing responses by role to the question about the impact of COVID on finance teams revealed some interesting differences in perception. **CFOs and Controllers had different responses**, both in terms of initial challenges and those felt today.

For example, 87% of CFOs cited “Working remotely” as an initial challenge, dropping to 20% today, while 53% of Controllers said it was a challenge at the onset, compared to 59% who say it’s a challenge today.

Controllers also reported ongoing challenges in “Closing the books,” “More frequent planning, budgeting, and modeling,” and “Knowing where we stand on revenue and expenses,” whereas their CFO counterparts reported fewer challenges in those areas today compared to the onset of COVID.

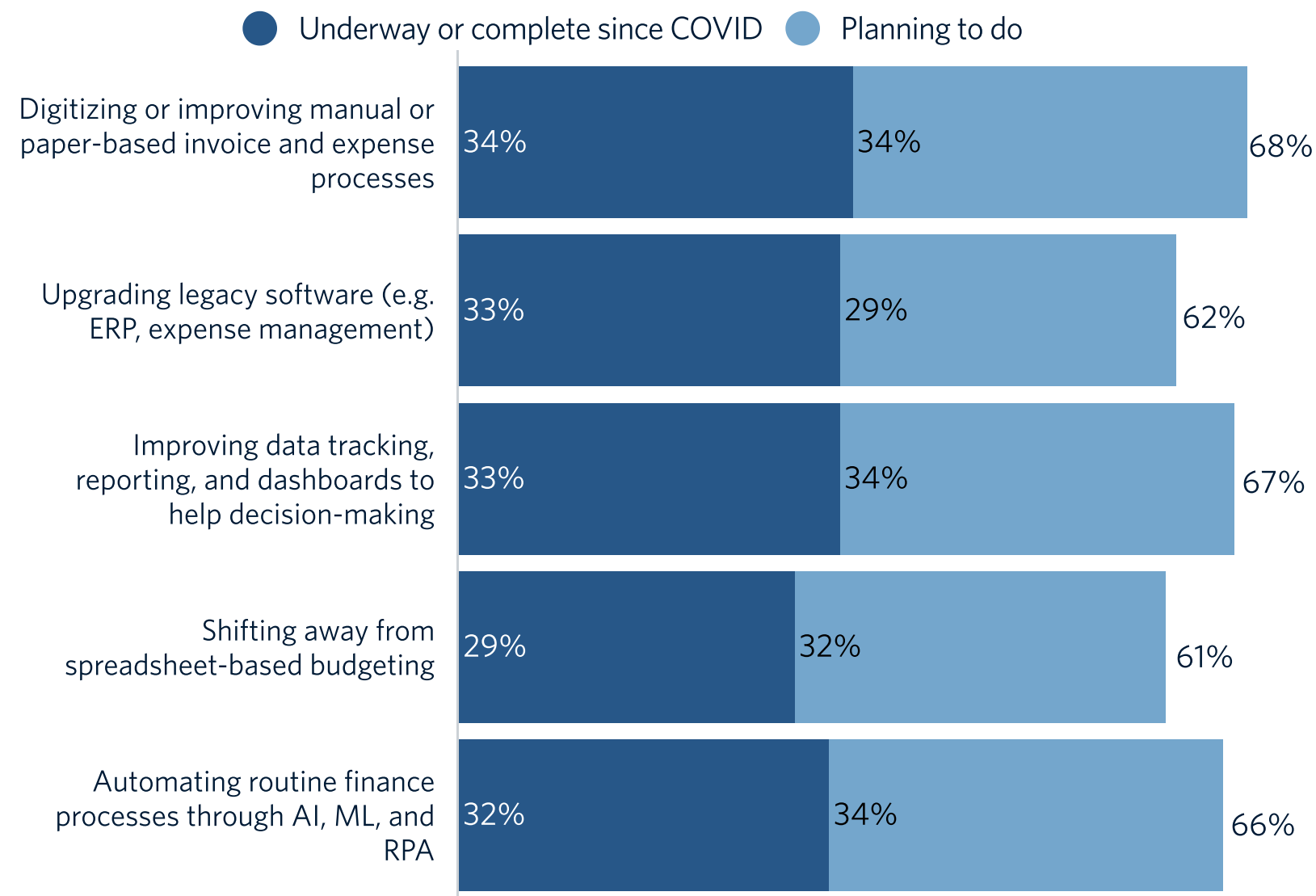
The difference could be that while both roles were involved in responding to COVID, **Controllers have ongoing responsibility for day-to-day operations, and may feel the continuing impact more acutely as a result.**





# Finance Teams Look to Technology to Alleviate Operational Challenges

What initiatives has your finance team started or are you planning to start in response to issues caused by COVID-19? (Select all that apply)



Given the challenges faced by finance teams, including fewer resources, working remotely, and needing to find cost savings, **91% of those surveyed said their organizations plan to take on at least one technology initiative** in response to COVID. The majority (84%) have more than one initiative planned or underway, and **on average, companies have 3.5 initiatives planned.**

For large companies, top initiatives include “Improving data tracking, reporting, and dashboards to help decision-making” and “Shifting away from spreadsheet-based budgeting.”

For mid-size companies, top initiatives include “Automating routine finance processes through AI, ML, and RPA” and “Upgrading legacy software (e.g., ERP, expense management).”

The highest priority for small companies was “Digitizing paper or manual invoice and expense processes.”

## TO THE POINT

With the abrupt shift to working remotely, the pressure to contain costs, and resource constraints, finance teams are investing in technology initiatives to help automate time-consuming processes like managing expenses and invoices, as well as drive more insights to inform decision-making.

# Methodology and Conclusion

# Methodology and Respondents

What is your role?



● CFO ● Controller ● Accounting ● Other Finance ● CEO

The survey of over 200 professionals was conducted in August 2020. Respondents were selected for their involvement in finance functions in US-based companies of all sizes.

For the purposes of comparing based on company size, we asked respondents how many employees work at their companies. Small companies are defined as under 100 employees. Mid-size companies range from 100 to 499 employees, while large companies are over 500 employees.

How many employees does your company have?



● Small ● Mid-size ● Large

# Conclusion

**It's not an exaggeration to say that, since we conducted our last survey, almost everything has changed.** At the same time, many of the issues we found last year remain the same, including this: **expense management takes too much time**, preventing finance teams from the more important strategic work they need to do.

**COVID-19 created challenges for nearly every finance team and highlighted the urgent need to improve inefficient processes and workflows**, including expense management. The goal of improving these processes shouldn't just be about working more efficiently: **the goal should also be about better access to data so finance teams and organization leaders can make timely, informed decisions.**

Center addresses many of the issues raised in this report. Center is a complete corporate credit card and expense management solution that delivers real-time visibility and flexible spend controls to automate expense tracking. **Center simplifies expense processing for the entire company, saving time for employees, improving operations for the finance team, and delivering live insights for managers and executives.**



## About Center

Center helps organizations thrive by getting the most of every dollar—and hour—spent. With its integrated corporate card and expense software, Center uses real-time data to track spend as it happens for better visibility, live analytics, and cost savings.

Center is based in Bellevue, Washington. For more information on Center or to see a demo of real-time expensing, please visit [getcenter.com](https://getcenter.com).