

WHITEPAPER

TOP TRENDS IN EXPENSE REPORTING FOR 2021

The automation of expense reporting via web-based solutions is almost twenty-five years old as of 2021, and a lot has changed. What was once an erratic, not-quite-mature user experience has become a highly dependable, consistent, and even enjoyable way to complete an ongoing task that once ranked with a root canal for things to look forward to.

As in most tech innovations, outside forces continually exert the pressure to adapt or die. Once the iPhone set the standard for coolness and functionality in a device that can fit in your pocket, it was game over for things like dial-up access and browser-based plugins.

The market continues to be reshaped as the world adapts to changes following the Covid-19 pandemic. In addition, technology and a remote workforce continue to put demands on corporations and the solutions they deploy. User experience is paramount. Tight back-end integration is required. And the expectation for a certain look and feel means that "it don't mean a thing if it ain't got that swing."

As we look into 2021, here are the top three trends that will continue to make expense reporting swing:

1. IT'S NOT JUST ABOUT TRAVEL ANYMORE—COVID CHANGED THAT

Organizations commonly have travel policies. They range from “fly coach, sleep cheap, and no steak dinners” to thoughtful, detailed guides that consider a broad range of factors. In reaction to the COVID-19 pandemic, companies have hit the brakes hard on business travel. At the same time, the pandemic has forced employees out of their offices and into makeshift niches in their homes where they try to get some work done. These two developments have strained employee expense management in ways that caught many organizations unprepared. Expense policies for home-based workers tend not to be policies at all. Instead, you find a scattering of one-offs and special deals. To no one's surprise, an ad hoc approach to home expense reimbursement does not scale very well.

ADVICE FOR A HOME EXPENSE POLICY

Where to start? First, check with your accountant regarding the difference between reimbursements and supplemental compensation. For example, suppose an employee wants to paint the closet in which he is working orange to remind him of the fabric of his cubicle at work, and you agree to pay for the paint. We are not offering tax advice here, but very likely the IRS would consider the payment “compensation.” That means that you would have to run the reimbursement through payroll so that withholding is taken out.

Then you have to decide for what you are going to be responsible. The dynamic between employer and employee is quite different when the employee wants to work from home and when the employee is required to work from home. In the case of office closures, the employee has the advantage of having been “put upon,” never mind that the employer doesn't like the situation any better than the home worker. Percentages of utilities and internet access subscriptions, furniture, lighting, new paint—a plausible case can be made for a madhouse of subsidies. Be fair, but be firm. No environment improvements. No indirect cost sharing like for the electrical or water bill. And definitely no payment for the mortgage or rent! Establish a single fixed internet access subsidy, or if you wish, a general subsidy, and leave it at that.

The lockdown won't last forever. Already some jurisdictions are reopening. Many organizations are bringing workers back to the office on a part-time basis so that social distancing can be maintained. This adds another wrinkle to the requirements for a reimbursement policy, if you don't want to be paying a full-time subsidy for part-time remote work. It will be essential to integrate time tracking with expense reimbursement so that payments can be easily and accurately prorated.

When dealing with the work-from-home reimbursement challenge, think Clarity, Consistency, Simplicity, and Adaptability. But most of all, take the initiative to put a plan in place, or you may find yourself buying the orange paint.

2. NEW STAKEHOLDERS & NEW AUTHORIZATIONS MEANS CHANGE IN PURCHASING MIX BY EMPLOYEES

The pandemic changed the way many companies approach expense reporting. In one example, one of our customer's expense reporting changed literally overnight from a travel-spend-tracking tool to a home-office-provisioning system. Suddenly, there were new approvers, from IT to HR, and a host of new business rules to conceptualize and implement. More concerning was a new need for purchase authorizations. The customer could not have employees going out and buying whatever they thought they might need—lamps, carpets, their own choice of security software. DATABASICS Expense—along with our Support Team—took these urgent requirements in stride. As a result, the customer's expense reporting system has been an indispensable catalyst in enabling his organization's transition to a remote employee model.

HOW TO ACHIEVE BETTER POLICY

Policies are the "rules of the road" for running an efficient operation. From signs and traffic lights to speed limits, inspections, and cops, we need driving regulations to help us get to our destinations quickly and safely. Similarly, as team members in a work environment, we need structure to make sure we stay in our lane and reliably reach our goals. Policies provide that structure. Organizations that are successful in implementing policies strike a balance between a cop on every street corner and the open highway.

The automation of policies for expense management depends, of course, on software that is flexible enough to accommodate the range of policies you need. It should also enable segmentation, so the workforce only sees policies relevant to them.

In addition to flexibility, the policy "engine" of whatever software you're utilizing should be easy to work with. Experimenting with and fine-tuning policies is key to developing a control environment that is truly responsive to your organization's goals and culture. This process of adjustment and continuous improvement will not happen if IT is called in every time a rule needs to be tweaked.

Successful automation also depends on developing policies that serve your objectives. What really works is to take a top-down approach of identifying what behaviors you want to encourage and which you want to discourage. These become your policies. You then proceed from the broad objective of each policy to determining how you can measure and thereby automate it. There might be ten or even 100 rules for a given policy.

What you implement in your system to flag transactions for review or prevent employees from filing incomplete or erroneous reports are "indicators" or "applications" of policies. It's important to make this distinction between the rules in system and the policies that they support.

The point is that if the rules are linked back to a limited number of policies, you can readily see how well you are covering the range of activities associated some aspect of your operations, such as employee resource management or travel. Have we articulated policies everywhere we need to? Are the rules associated with those policies comprehensive, overburdensome, or scattershot? Taking the right approach to policy formulation can have a huge impact on your ability to evaluate and thereby engineer their effectiveness.

DATABASICS not only has the software to manage detailed rules at all levels of granularity, but it also has a team that will work with you to ensure you implement best practices for your policy coverage. With DATABASICS Time & Expense, policy management is almost self-driving.

IMPROVING YOUR APPROVAL PROCESS

Expense reports drive payroll and billing as well as project, workforce, and financial management – even strategy. It's important that they be complete, accurate, and compliant. To ensure quality, you need to invest in your approval process. Investment in approvals typically means some sort of automation, but also creating multi-layered, complex approval chains. The first is absolutely necessary. The second, counter-intuitively, is a really bad idea.

Here's why: as you add approvers, something called the "Bystander Effect" kicks in, along with an associated "Diffusion of Responsibility." Simply put, the ball gets dropped. According to the "Bystander Effect," as the size of a group grows, the likelihood that an individual will speak out about a problem or take action declines.

This phenomenon gained particular prominence with the murder of Kitty Genovese in 1964 on a New York City street. Scores of people in surrounding buildings heard her screams, but nobody came to her rescue because "nobody wanted to get involved." Psychologists discovered that there was more to it than that. It wasn't indifference that inhibited their response. It was the fact that they knew other people could hear her, so they were effectively "bystanders."

Psychologists also found that "redundancy of information" can have a compounding effect on being a bystander. If you assume everyone else knows what you know, you either conclude that someone has already done or will do something.

In the typical approval chain, approvers look for something to jump out at them. No specific check is their responsibility alone, except perhaps matching purchase receipts to line items. No one is any more accountable than anyone else. It's no surprise, then, that it's a field day for the "Bystander Effect" and "Diffusion of Responsibility." Everyone relies on everyone else for reviewing reports with the intended seriousness. As a result, the process actually is less effective than if reports were the responsibility of single individuals.

Still, a reliable approval process depends on more than eliminating overlapping activity. Additionally, you need:

1. **Clear, specific directions about what to look for.** Relying on "things jumping out at you" is no process at all. If the organization has trouble formulating directions, it's far worse for an approver who probably views the task as among the least favorite things he is called upon to do.
2. **Reasonable accommodation for the time a thorough review will take.** When a person is assigned approval responsibilities, that person should have the wherewithal to do the job properly. That means the person should not be so loaded with other tasks that approvals end up compromised.
3. **Assignment of responsibility to approvers who are not subject to reprisal by the submitter.** This is especially challenging when executive expenses have to be approved. Another example is when a "super star," who no one wants to irritate, is discovered to have reporting problems.
4. **A feedback loop for approvers so they can learn to be increasingly efficient.** The feedback loop is also critical to refining directions.
5. **Automation.** Automate as much as you can. Doing approvals right is tedious and time consuming. A system that can "flag" reports based on business rules can be invaluable, taking hours of work off the plate of an approver.

Remember, with approvals, more is definitely less. Approvals are an essential internal control for expense management, especially in 2021 as we adjust a post-pandemic world. Make sure your process can handle the job.

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3. INTEGRATION WITH TIME TRACKING

Today, there's no shortage of options for automating major business processes. Finding the best fit for your organization can be a painstaking, cumbersome task. One part of the evaluation, though, appears relatively easy. Even better, it is at the top of things you absolutely need. No, we are not talking about getting a good price—we are talking about usability.

After all, it does not matter what the capabilities of a system are if the user experience makes your people give up in frustration. Of course, most systems are not quite that bad, but too many waste users' time and try their patience.

Our approach is to simplify the experience of the end user by combining expense reporting with time tracking. At DATABASICS, making our time and expense tracking solutions easy to use has become something of an obsession. We continually work with our customers to streamline the user experience to be as clear and efficient as possible. And then we refine a little further.

This commitment has led us to broaden the context of usability from its usual focus on screen design and process flow. Actually, usability also depends highly upon integration. Time tracking and expense reporting work far better together for the user, so we have updated our platform to make this possible.

THE IMPORTANCE OF INTEGRATION

Integration is most critical to usability where apps significantly overlap in function and content. Both time tracking and expense reporting apps deal with employees recording what they do in the process of carrying out their duties: Time logs attendance and activities, while expense focuses on employees' spend associated with their work activities.

How does integration help? To give an example, both apps share something called "activity." Separate systems might have different labels and different codes for an "activity." Or one might be updated with a new code, while the other, on a different update cycle, might not have it yet. Not only is the user confused, but so is the approver. Accounting has to build a bridge between the codes in order to present customers with a unified bill or produce project cost reports. And the poor administrator for both systems (assuming there is a single team—even worse if they are separate) has to ensure that the two systems remain in sync. This doesn't even cover issues related to fielding calls from frustrated users. Eliminating confusion, error, work-arounds, wasted time, and stress is what usability is all about. This is what we have done for time and expense reporting.

FUNCTIONALITY AND USABILITY TOGETHER

Moving forward, it's clear that companies will be asked to do more with less. At the same time, they will be adapting to a hybrid workforce that includes both on-site and remote workers. In this environment, digital solutions must be accessible, usable, and accurate.

Simply put, functionality and usability need not be trade-offs. By bringing together our time tracking and expense reporting solutions, we are able to offer unmatched capability through a user experience that defines a new level of usability.

WHAT'S NEXT

Since automation first hit the market in 1996 for expense reporting, there have always been key drivers to innovation. The global pandemic wasn't one of those drivers of innovation that most would have predicted, but it has made a significant change in the way businesses operate going into 2021 and 2022.

Engineers know that a flexible foundation is key to building earthquake-resistant structures. Today's business environment has become like an earthquake zone – prone to tremors of disruptive competition and economic uncertainty. To protect your organization, you need to follow the guidance of the engineers and make sure your administrative systems have the flexibility to support you through the inevitable aftershocks.

When DATABASICS Time & Expense is implemented as a single system, customer reaction time to new challenges is drastically reduced. The user experience across the two applications is the same. This speeds deployment and eliminates the distraction and confusion of stylistic discrepancies between products of different vendors. With respect to administration, new project codes are added once instead of twice, and reconciliation of data shared between time and expense becomes unnecessary. Additionally, there is no longer a need to maintain redundant interfaces. If improving organizational responsiveness is a goal, time tracking and expense reporting are clearly Better Together.

In unstable times, flexibility may be the greatest strength. Make sure your time tracking and expense reporting systems can support your requirements even when things get a little shaky.



DATABASICS is driven to meet the most demanding time and expense management challenges for organizations throughout the world with a combination of deep expertise, next-gen technology and a focus on the unique needs of each customer. Powered by decades of experience, **DATABASICS** is in the business of solving time and expense problems with solutions that are the right choice for today and easily adapt to the uncertainties of tomorrow. Time and expense are better together, which is why **DATABASICS** addresses these two critical business processes with absolute ease in one solution.

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