Chief Executive Group | TravelBank

EXPENSE POLICIES IN THE AGE OF REMOTE WORK

Are You Risking Your Best Employees?

A CHIEF EXECUTIVE GROUP / TRAVELBANK RESEARCH REPORT

IN APRIL 2023, CHIEF EXECUTIVE GROUP AND TRAVELBANK TEAMED UP to survey 133 U.S. chief financial officers on how they're handling one of today's most nuanced business costs, employee expenses, in the age of remote work.

Here's what you need to know:

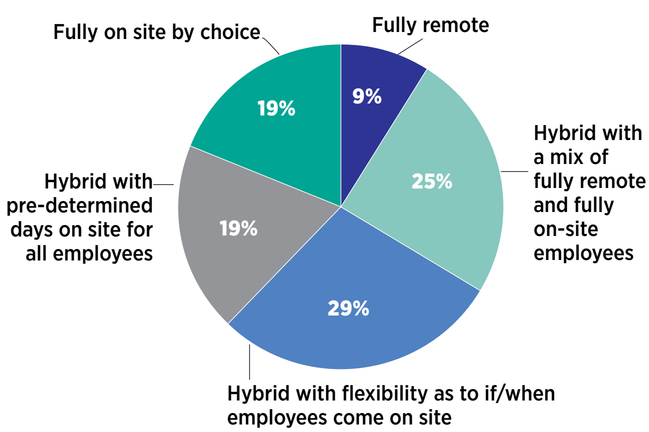
- Distributed workforces have become par for the course.
- For some organizations, remote work has contributed to an increase in expense reports being submitted.
- Nearly half of companies are missing out on the opportunity to optimize costs and improve the employee experience through an expense policy for remote work.

The Remote Workforce Expense Policy Gap

According to Chief Executive Group's April CEO Confidence Index—a monthly flash poll of hundreds of CEOs across the country—81 percent of U.S. companies are currently operating either fully remote or in a hybrid capacity. When Chief Executive Group and TravelBank asked CFOs, that same month, how this was impacting their volume of expense reports, nearly a third (30 percent) said their remote workforce had contributed to an increase in expense reports being submitted.

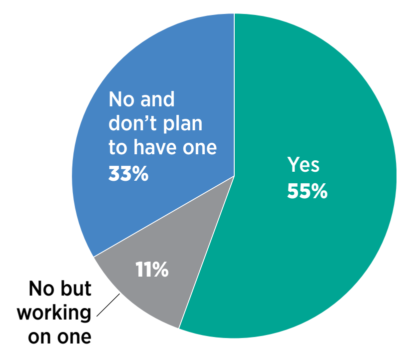
Yet, despite the significant proportion of companies that have adopted these new work models, 45 percent of the CFOs surveyed reported that they either do not yet have an expense policy for distributed workers or do not plan to have one at all.

2023 Work Models at U.S. Companies



Excludes those companies operating fully on site due to operational requirements.

Does your company have an expense policy for your remote/distributed workforce?



That may be an overlooked opportunity to optimize costs, enhance the employee experience and retain talent, say the experts at TravelBank. "Expense reports are doubling," said Duke Chung, CEO and co-founder of TravelBank, "because there's just so many remote employees submitting expenses now than there were pre-pandemic, yet many organizations are still figuring out how to update their expense policies to reflect this." They're missing a chance to support their employees and maximize productivity, at best, and leaving a gap for noncompliant spending, at worst.

Optimizing Cost Savings and Maximizing Productivity

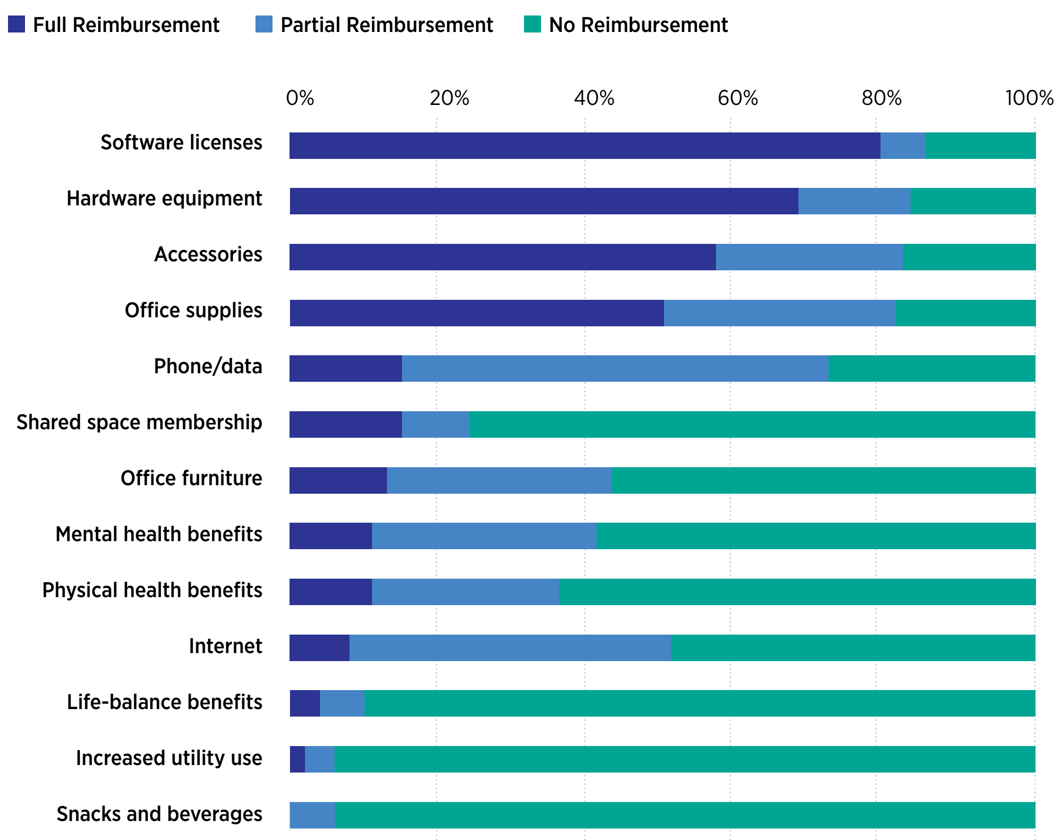
Research from Global Workplace Analytics showed a typical U.S. employer is realizing cost savings—to the tune of $11,000 per remote worker each year—by scaling back their physical footprint. In today's labor market, it's a great strategy to take a small percent of those savings and redistribute them to employees as benefits. Things like gym memberships are not only affordable and attractive, but they also help support mental and physical wellbeing among the workforce—and further demonstrate that leadership cares.

And while the issue of talent retention may sit with human resources, it's been increasingly landing on the CFO's desk, considering it can cost six to nine months of an employee's salary to find their replacement. Companies that want to remain competitive in the talent marketplace and invest in keeping the great employees they have are thinking about not only improving the expense reporting process, but also the allowed expenses based on what employees need to be productive while working remotely.

Yet, our survey found that only 43 percent of companies reimburse their employees for office furniture, such as ergonomic setups, and 51 percent provide financial support for the internet connectivity workers are needing to accomplish their work. "Every remote employee, every single month, is getting a bill for their internet," said Connor Lawrence, director of customer success at TravelBank. "But only half of companies represented in the survey reported reimbursing staff for that expense."

Overlooking these benefits is a missed opportunity to differentiate yourself beyond the usual incentives competitors offer, particularly in larger metropolitan hubs where in-office perks were common before the pandemic. "If you're trying to attract the type of skilled employees who used to be courted by places like Google or LinkedIn or Meta, where they had laundry service and endless snacks, there is a ton of pressure to replicate those competitive perks at home, in a remote workplace," Lawrence said.

What are other companies letting remote workers expense?



So, what items are your competitors allowing their employees to expense? Software licenses top the list—perhaps unsurprisingly—but not far behind is hardware equipment (83 percent), office supplies and accessories (81 percent), and phone and data usage (72 percent).

Beyond those more common expenses, companies have an opportunity to customize expensable items to meet their business goals, whether that is to optimize costs, maximize productivity, retain talent or build on company culture.

For now, what the data shows is a tendency for companies to only reimburse a fraction of the cost of some of the expenses, focusing on the actual employee spend rather than on the overall experience and culture as a strategy to retain talent.

Interestingly, the practice of reimbursing employees for expenses incurred as a result of working remotely, even part of the time, appears to be more prevalent at smaller companies. The same is true when looking at mental health, physical health and work-life balance benefits—most likely as a way to compete with larger peers who may be able to offer higher compensation levels and more robust health care packages that may cover benefits like gym membership.

For instance, 35 percent of companies with less than $25 million in annual revenues reported fully or partially reimbursing shared space membership/usage, versus none of the larger companies over $100 million in revenues. Even office furniture tipped the scales, with 65 percent of small companies offering reimbursement to employees, versus 30 percent of large companies.

Seizing the Opportunity

There's no doubt that companies today need to do more than offer competitive salaries to attract and retain the best talent. Those hoping to improve their recruiting and retention rates with a distributed work model would be wise to also consider their expense policy.

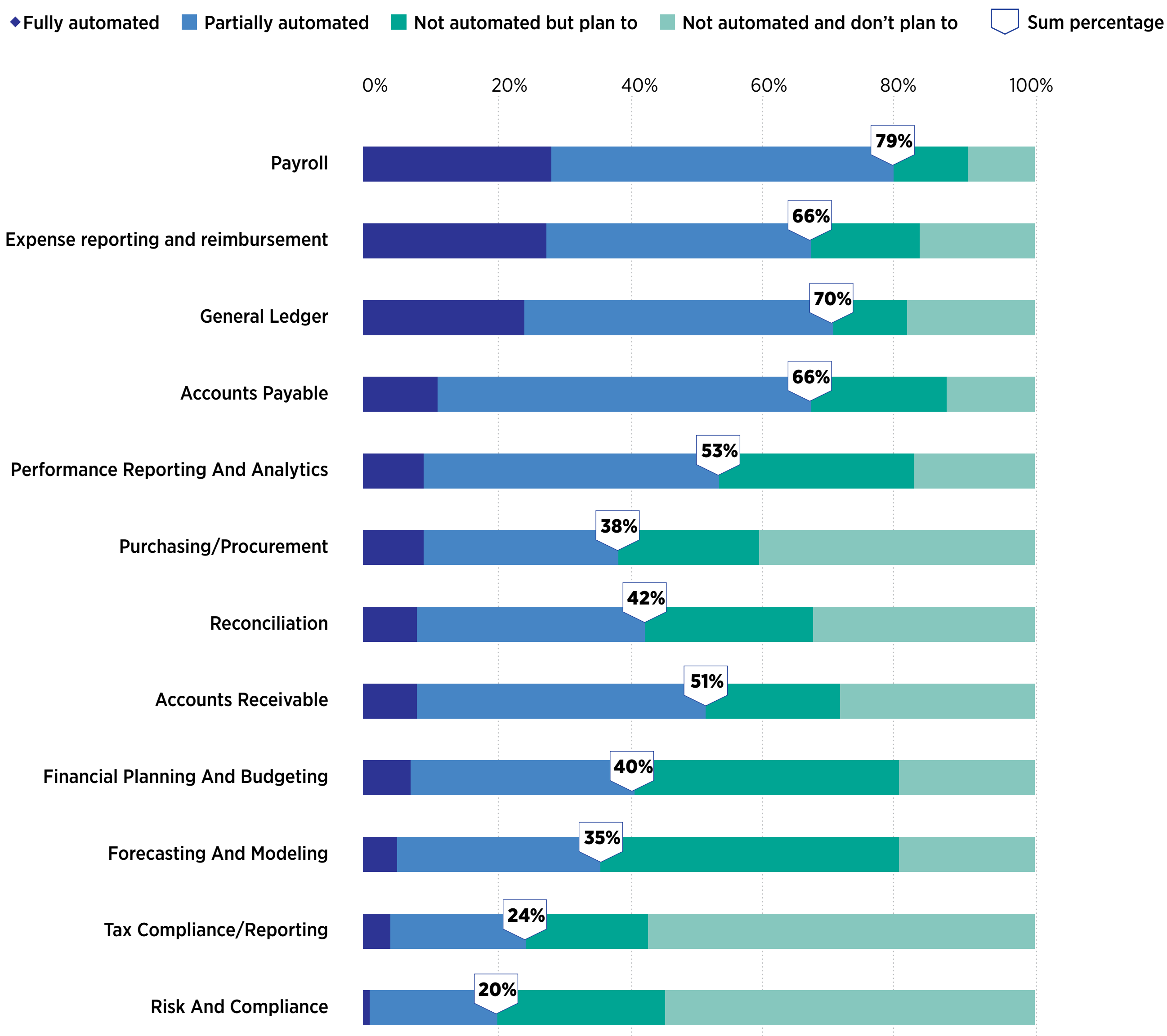
SOME CONSIDERATIONS FOR THOSE LOOKING TO PUT THEIR BEST FOOT FORWARD:

- **What savings are we realizing from a distributed work model that can be reinvested into our workforce?**
- **What expensable items can best support our talent strategy?**
- **What are our competitors offering—and how can we go a step further to stand out and differentiate ourselves?**
- **Who within the organization should be entitled to these benefits (e.g., fully remote, hybrid, managers, etc.)?**
- **How do we make the expense reporting process user-friendly—for both finance and employees?**
- **How do we calculate the ROI on these items, and how often should we reassess the policy?**

Once the policy has been drafted, the true measure of success is its adoption among employees, reduced expense errors, and growing compliance. Our survey found that two thirds of organizations have partially or fully automated their expense reporting and reimbursement process. Automation helps tackle each of these success measures through better efficiencies and controls.

There is still a lot of opportunity to reconcile the benefits the finance function can achieve with automation with those the company can reap from enhanced employee experience. You can read more about the state of automation within finance in Automation Finance: The Wins, the Hardships, and the Road Ahead.

The State of Automation in Finance



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