



SAP Concur 

Expense Management in Times of Inflation: How to Improve Employee Experience

Cost-of-living in Europe is **rising to new heights.**

Employers are facing the challenge of remaining cost efficient in a **volatile economy**, while investing in the wellbeing of employees. This includes **ensuring financial processes** such as expenses are **stress free.**



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Foreword

A high level of employee satisfaction can benefit every area of a business, and every department has a role to play in increasing employee experience. As the cost-of-living crisis takes hold across Europe, financial processes and compensation are becoming increasingly scrutinised by employees who are concerned about their personal finances. For employers, this means supporting employees with easy expense processes, quick reimbursements, and up-to-date policies becomes an increasingly important element of employee satisfaction.

The majority (78%) of employees today strongly believe that their employers are responsible for their job satisfaction as well as personal wellbeing¹. To build upon this, SAP Concur wanted to understand how economic inflation was affecting these expectations, and what this specifically meant for expense policies and processes.

After surveying decision-makers and employees across Europe, results show that expense management is playing a critical role in bolstering employee satisfaction in the workplace throughout the cost-of-living crisis. Those businesses who can invest in easier processes to encourage employees to expense, increase expensing budgets as well as reimburse employees quickly will have the opportunity to cement employee loyalty.

However, the reality is that many businesses are also facing budget cuts of their own, making it less possible to support employees. As a result, there's valid concern for growing friction between employees and employers.

Perhaps one of the biggest areas of disagreement is the price of rising energy bills, which have collided with working from home policies, and call into question who should be responsible for household energy bills.

Notably, despite the benefit of flexibility, employees are keen to return to the office to make use of the business' energy. Meanwhile, businesses are now keen to keep employees at home to reduce energy consumption in the office. Being aware of such conflicting expectations is an important first step to find solutions that both parties are happy with, such as sharing the burden by including an energy allowance for those working from home.

Expense and invoice management systems have long had a reputation for being time-consuming and difficult to navigate, but they have often been accepted by employees despite flaws. However, financial pressure has exacerbated its inconvenience, which has had knock-on effect on employee satisfaction.

1 According to recent [research by Accenture](#).

For example, employees can't afford to spare their own money while they wait to be reimbursed. While some feel they're unable to go on business trips because expense budgets are not realistically aligned with current costs of travel.

Overall, on both sides of the fence there seems to be a sense that the way expense management is set up is inadequate for the challenges that businesses and employees face considering the increase to the cost of living. Employees are finding processes difficult, and the fear of making accidental, fraudulent mistakes is adding to tension in the workplace. Meanwhile, employers are under pressure to dedicate more time to hunting down these errors and checking for compliance.

In response there's a growing appetite for efficient and simple processes, predominantly driven by automation technologies. Already, businesses are beginning to reap the rewards of greater compliance and a user-friendly expense experience. However, many are yet to take full advantage as they grapple with gaining buy-in from key stakeholders and understand the user ROI.



Executive summary

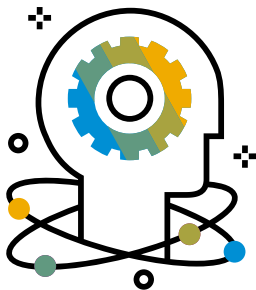
Cost of Living



Rising costs of living are putting huge strain on employee's personal finances. In turn, their expectations of employers are changing.

- 70% of respondents are concerned with how the increasing living costs are affecting their personal finances.
- 58% of employees are worrying that delayed reimbursements because of poor expense processes will affect their personal finances further.
- 36% of finance and HR decision-makers say that the current economic situation may result in more late payments to employees, which potentially puts employees in a difficult financial situation.
- 37% of finance and HR decision-makers believe that employees will become increasingly dissatisfied if expense policies aren't adjusted to account for inflation.

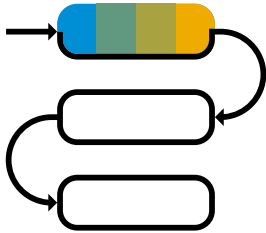
Attitude



There are significant worries over getting expense processes right, with some choosing to cover costs themselves to avoid getting in trouble for any mistakes.

- 49% worry that their manager will think badly of them if their expense claims are high.
 - 48% worry they might be accidentally committing fraud by making mistakes or expensing unauthorised purchases.
 - 58% worry about getting in trouble with their manager for filing expenses incorrectly.
 - 58% of HR and finance decision-makers say that employees are currently reclaiming or categorising expenses incorrectly while working in hybrid working environments.
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Process



Employees are finding expense processes difficult while employers feel there's room for greater efficiency. It signals an opportunity across the board to improve expense processes.

- 46% of employees say that the process of reclaiming expenses is so difficult or time consuming that they don't expense smaller amounts.
- 47% of employees feel they should be asked how to improve expense processes to simplify them.
- 51% of finance and HR decision-makers believe their current expense processes are too manual to work in a hybrid environment.
- 59% of finance and HR decision-makers expect to spend more time reviewing expenses to ensure they're compliant with policies.

AI and Automation



There's a clear space for AI and automation within the expense process. Those who have already implemented such technologies are reaping the benefits of better employee experience and efficiency. However, for most there's still some buy-in and education needed before a digital expense platform is considered.

- 50% of employees pinpoint automating the expense process as the best way to simplify.
- 55% of finance and HR decision-makers use AI to ensure all taxable employee benefits are compliant with government regulations.
- 62% have the right technology in place to easily make changes to their expense policy.
- 62% say that digital tools help to manage expenses more effectively across their organisation, making the process smoother for the finance team.

Rising costs of living

The cost-of-living crisis is widespread across Europe, especially in terms of the price of food and energy. As a result, money has become a primary concern for employers and employees, and potentially a sticking point within the workplace.

Understandably workers have begun to scrutinise their salaries as worries over personal finances grow. Seven out of ten employees are currently concerned about the impact of the cost-of-living on their personal money situation. It indicates that while employees may still prize other aspects of their job such as fulfilment and flexibility, they will have to put a stronger focus on financial compensation in the decision process of whether employees remain at a company or not. For 65% of the workforce, pay rises are considered key to boosting employee job satisfaction.

More than half of all employers have acted on employee concerns, with 57% of employees saying their employer understands the worries about the rising cost of living among their workforces. Within this number, employees in Italy (60%) are the most likely to feel that employers understand their financial situation amid the living cost crisis, while those in France, Benelux, and Spain (54%) were the least. Overall, half of employers have responded by compensating employees with a one-off payment.

However, there are limitations as to how much employers can afford to invest within the workforce as businesses are similarly feeling the pinch.



Some 45% of employees say that their employer is encouraging working from home to **save on office electricity and heating bills.**

Yet, 47% of employees are taking the same approach, aiming to spend more time in the office to **avoid consuming energy at home,** unless employers are willing to incorporate energy costs into expense claims.

Essentially, the location of employees may become a sensitive issue. Businesses looking to move employees to their homes may be seen as trying to shift costs onto individual employees unless expenses accommodate individual energy costs. Meanwhile, the volatile European economy is giving businesses no option but to cut costs otherwise they face cutting people from the workforce altogether.

Putting expenses to the test

Tighter personal budgets mean there's less room for cashflow, which is putting pressure on expense processes to be easy to complete and quick to reimburse. Failure to meet these employee needs here threatens to cause a disgruntled workforce, especially if salaries can't be raised in line with inflation.

With less disposable income, employees may not be able to wait as long for expenses to be reimbursed as they did before the pandemic. Currently 58% of employees are worrying about delayed reimbursements impacting their personal finances. These are valid concerns as more than a third (36%) of finance and HR decision-makers say that the current economic situation may cause late payments. In turn, some employees may not be able to cover rising living costs on time as a direct result of their employer's expensing processes.

Difficult expenses are also making employee personal finances increasingly unstable as they perturb employees from expensing on time, if at all. For instance, 46% of employees say that the expense process is so time consuming that they do not expense smaller amounts. Time and other demands such as saving receipts, are prompting the majority (58%) of the workforce to worry that they are losing out financially due to unclaimed expenses.

Feeling on the ground suggests that a change in expense processes may be necessary to support employees who are struggling to expense properly in financially straining times. It seems this may also be the case from the employer's perspective. Some 35% of finance and HR decision-makers blame the new hybrid working model as preventing employees from filing expenses prior to the cut-off date.

Expense policies should reflect the current market that businesses and employees are working in. As such it can be useful for employers to change policies during times of disruption in order to boost employee experience and bolster business resilience. Yet, despite this, few employers have begun to analyse the current environment and adjust expense policies accordingly.

37% % of HR and finance decision-makers say that employees could become more dissatisfied if they don't adjust their expense policy to account for inflation.



31% are increasing food allowance while on business travel, while 36% are decreasing it.



27% are increasing the allowance of private phone and internet bills for work purposes, while 37% are decreasing it



While cut-backs via expense policies may deliver short term budgetary, this approach may have the long lasting effect of decreasing employee satisfaction. In turn, this can cause employee loyalty to plummet, and businesses will incur the costs of recruitment and talent churn.

travel and safety standards. However, there are some significant regional differences within this, with most employees in Switzerland (74%), France (56%) and Denmark (50%) willing to reject travel plans based on travel expense budgets.

This dissatisfaction is already becoming evident, with 38% of employees overall saying wouldn't feel comfortable travelling for business if the budget is not high enough to maintain the usual company

Problematic processes

Aside from bringing a financial focus to the fore, the cost-of-living crisis has also created some concerns around job security. It has prompted employees to scrutinise their own performance and has created an increasing amount of awareness around existing expense processes. In turn, employees have an appetite to learn more about expense processes as well as input on how they could better succeed.

Employees were already struggling with challenging expense processes prior to the cost-of-living crisis. For example, categorising expenses incorrectly, losing receipts, and filing expenses late have long been common mistakes where business expenses are concerned. Now, employees fear that making a mistake may affect their long-term future.

Nearly half (49%) are employees worry that their managers will think badly of them if their expense claims are high, which suggests some employees may not be expensing all their business costs. Meanwhile 54% worry that they'll get in trouble with their manager if they file their expenses incorrectly – something 58% of HR and finance decision-makers claim employees are currently doing.

In addition, employees are so unsure of current expensing processes that nearly half (48%) fear that they're committing fraud unintentionally by making mistakes or unauthorised claims. Rounding up mileage fees, switching to cheaper business accommodation but expensing for original amount, or even making a simple typo are all common oversights that employees don't necessarily realise they've committed when expensing¹. Of course, this not only has the potential to jeopardise an employee's career but call the employer's reputation into question.

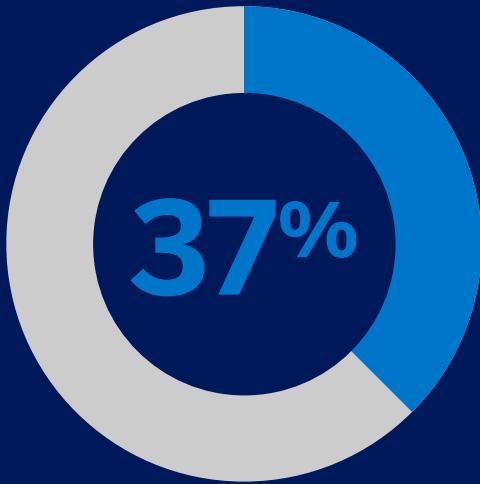
As employees are engaged with the expensing process (albeit with some trepidation), now may be an opportune moment for leaders to understand how the business can improve processes to benefit employee satisfaction as well as commercial goals by asking for their teams' views. Currently 79%

of employees say their business is conducting feedback initiatives to measure satisfaction, yet only 27% say this is happening on a frequent basis. This is an important activity for businesses who are looking to improve employee satisfaction by reducing workplace stress in ways other than financial support. For example, by talking to employees, employers are able to understand what training they can put in place, or workplace policies they can initiative to make employees feel more at ease with expenses.

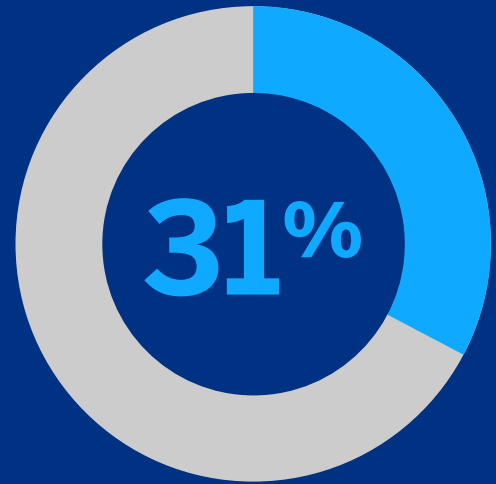
Employees are keen to contribute to decisions made on the expense process to a stronger degree. Some 47% say that they hope expense processes will be simplified based on their suggestions as a user. Within this, employees in the Nordics (50%) and DACH (50%) wanted to be involved the most, and those in Benelux (32%) and Italy (36%) the least.

Employers are preparing to deal with mistakes around the expensing process and many are beginning to ramp up the stringency of their auditing processes. However, this will consequently consume much more of the HR and finance team's time. This suggests that perhaps businesses would benefit from introducing processes that enable more intuitive expensing as well as faster and more accurate auditing.

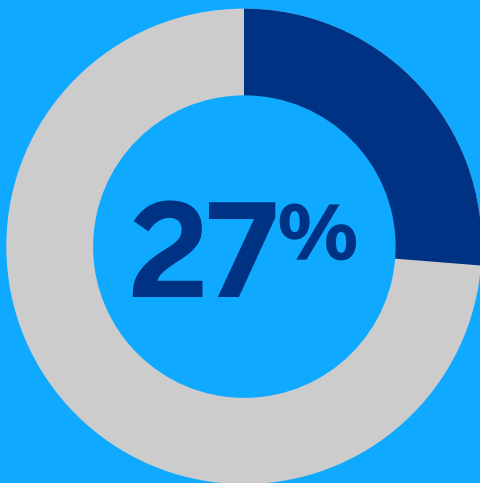
1 [Access report here.](#)



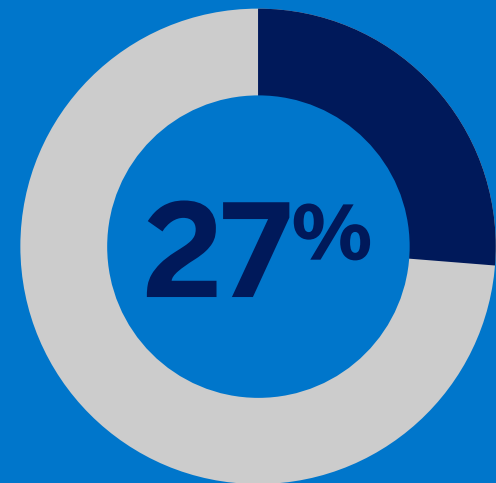
of HR and finance decision-makers expect to see employees claiming fraudulent expenses to counter the impact of the increased cost-of-living.



anticipate spending more time reviewing expenses to ensure they're compliant with their policies.



anticipate increasingly stringent audits on their expenses to ensure they're compliant with policies adjusted to reflect inflation.



believe their organisation is lacking real-time visibility into what's being spent and are concerned that they'll experience and unpleasant surprise once all expenses have been claimed.

Automation's helpful role

Employee concerns surrounding expense processes revolve around the pressure on employees to complete manual tasks they're not familiar with. Therefore, organisations may benefit from applying automation and AI to expense processes, in turn alleviating pressure on individuals and increasing employee satisfaction. Some businesses have already taken an automated approach and are reaping the benefits of efficiency, compliance, and good user experience. However, despite the evidence, concerns about value for money and lack of buy-in from stakeholders are hindering adoption for some.

There is an opportunity for automation within expense processes on both sides of the fence. On the ground, half (50%) of employees believe automation would simplify their efforts in claiming expenses. This number rises to 57% for employees in Finland and 55% for employees in Italy.

Meanwhile, 51% of finance and HR decision-makers agree they're relying too much on using manual processes for a hybrid working environment. Within this, medium-sized businesses are most likely to be feeling the strain of using manual processes, with 55% currently struggling with the issue. This number drops to 50% in large businesses (those with more than 1,000 employees). It decreases further to 45% in small businesses, which could be due to having fewer expenses or acceptance of greater manual admin work in small business culture.

It is evident that today's landscape has prompted a need for greater automation within expense processes from both employees and employers. However, actually deploying automation is still a challenge regardless of any consensus across the company. The main barrier stems from cost for 38% of finance and HR decision-makers. They currently deem digital expense management technology too expensive to be worth the business investment. This may be because 37% say their organisation is unable to see the full value in digital tools to measure and act on employee experience.

The benefits of digital expense management platforms, which include technologies such as automation, can be seen when we look at those who have already implemented the technology. These businesses have laid foundations that not only take the pressure from employees but enable employers to flex their policies based on developments in the market – without overhauling the whole system. This flexibility and ease contribute to a better employee experience.

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62% have the right technology in place to easily make changes to their expense policy.



62% say that digital tools help to manage expenses more effectively across their organisation, making the process smoother for the finance team.



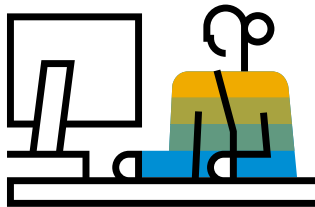
Conclusion

The future of expensing



The cost-of-living crisis is already putting immense pressure on the relationship between employees and their employers. Issues such as rate of pay in line with inflation and how hybrid working policies accommodate household energy bills will continue to consume attention across the workplace. How businesses respond to these issues will either elevate employee satisfaction and cement talent retention or create a breaking point in the employee and employer relationship, causing talent to churn.

A critical component of employee experience

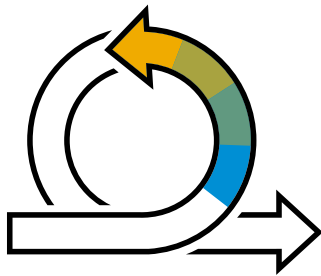


Expenses have an often-overlooked role in creating a positive employee experience, and this is something businesses should consider leaning into as the living cost crisis continues. For example, having an expense process that's intuitive and makes it easy to file a claim can go a long way in making employees feel appreciated and cared for.

Alternatively, clunky processes can feel like a deterrent laid out by the company to prevent employees taking full advantage of expense claims, causing them to perceive themselves as unimportant. Worry can also accompany this sense of neglect. Some employees are finding complex expense processes daunting, with worries of accidentally committing fraud, jeopardising their job security by doing something wrong, or not being able to afford the wait to be reimbursed.



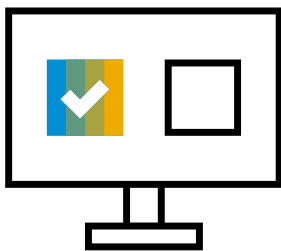
Increasing efficiency and decreasing costs



The evolving economic situation is aggravating the issue of inadequate and long expense processes. Businesses are eager to reduce inefficiencies within their operations because this improves time costs. Employees seem to feel similarly, with some feeling fed up at the current pace and ease of expensing processes. Overall, it appears employees and employers agree that expense processes need to change to adapt to the current climate.

However, increasing efficiency as well as employees' experience of expensing is by no means an easy alteration. Business leaders are frequently deliberating the best ways to improve processes and policies to support employees, while balancing the books.

Introducing intuitive expensing technology



Technology such as AI and automation has the capabilities to take some of the complexity and time out of the expensing. This combined with a culture of transparency and open communication can defuse tension and enable employees to navigate the expense process. It also helps finance and HR decision-makers to administer them.

Despite the benefits, many decision-makers are conscious of the significant barriers they have to overcome in order to deploy tools that can make the process less cumbersome and ambiguous. This includes a huge education piece on just how extensive the benefits of a digital expense platform can be. As awareness continues to grow, it's likely that more businesses will continue to implement technologies to create a more efficient and user friendly to suit the hybrid working world we now live in.

Methodology

SAP Concur commissioned Coleman Parkes to speak to 750 HR decision-makers, 750 finance decision-makers, and 2,500 employees who regularly travel for work across the UK, Spain, France, Italy, Belgium, the Netherlands, Germany, Austria, Switzerland, Denmark, Finland and Sweden to explore the challenges of expense management and its effects on employee experience against the backdrop of the increased cost of living crisis. The research was conducted in July/August 2022.



ABOUT SAP CONCUR

SAP® Concur® is the world's leading brand for integrated travel, expense, and invoice management solutions, driven by a relentless pursuit to simplify and automate these everyday processes. The highly-rated SAP® Concur® mobile app guides employees through business trips, charges are directly populated into expense reports, and invoice approvals are automated. By integrating near real-time data and using AI to analyze transactions, businesses can see what they're spending, improve compliance, and avoid possible blind spots in the budget. SAP Concur solutions help eliminate yesterday's tedious tasks, make today's work easier, and support businesses to run at their best.

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