

# Professionalizing Travel Management: Dealing with Compliance and Governance Issues...

*A procurement perspective...*

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# **Professionalizing Travel Management: Dealing with Compliance and Governance Issues...**

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**What is happening to business today...**

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## GM could sell Opel stake for zero gain

By John Reed in London and Daniel Schäfer in Frankfurt  
Published: April 19 2009 23:31 | Last updated: April 19 2009 23:31

**General Motors** is prepared to part with a controlling stake in Opel/Vauxhall for nothing but a pledge to invest directly in a new company formed from its European operations, according to two people familiar with its plans.

GM, which might file for bankruptcy in the US and is running short of cash in Europe, was talking to more than six financial and industrial groups about acquiring a stake in its regional arm, Fritz Henderson, the carmaker's chief executive, said last week. It wants potential buyers to give a firm indication of their interest over the next two to three weeks.

According to a person familiar with GM's thinking, an investor will be asked to pay at least €500m (\$652m) in equity but the carmaker will realise no financial gain as the money will be injected directly into Opel.

People close to GM say it is also prepared to unload Saab, its Swedish premium brand that filed for creditor protection in February and recently opened its books to outside investors, for as little as nothing in order to divest the brand.

GM has pledged €3bn in kind to a holding company comprising its European operations, of which Germany's Opel forms the

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**What is happening to business today...**

**Buyers drive world economic development...**

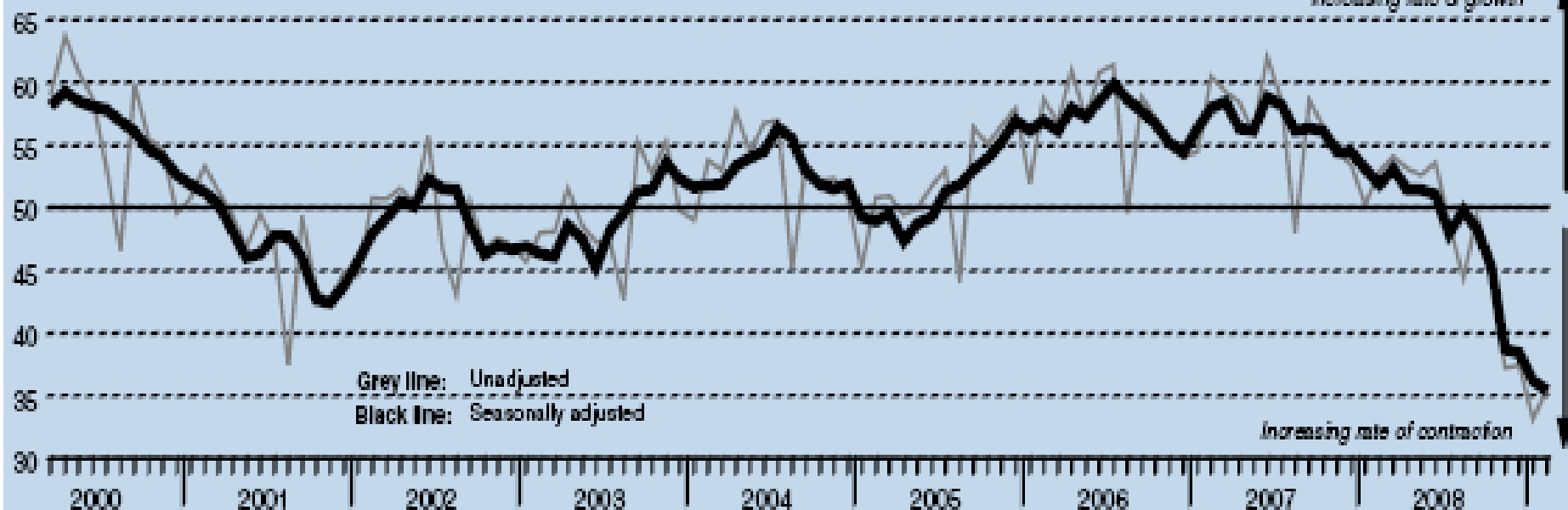
**Economic development can be explained by...**

***Purchasing Managers' Index (PMI)***

## NEVI Netherlands Purchasing Managers' Index (PMI®)

50 = no change on previous month

Increasing rate of growth



### Index Summary

(seasonally adjusted, 50 = no change on previous month)

	PMI	Output	New Orders	Export Orders	Backlogs of Work	Finished Goods Stock	Employment	Output Prices	Input Prices	Delivery Times	Quantity of Purchases	Stocks of Purchases
Dec'08	38.4	42.7	31.4	30.6	34.5	48.9	39.8	41.5	21.5	58.3	34.4	41.0
Jan'09	36.3	40.6	30.1	31.3	34.3	43.0	35.8	36.0	22.4	59.4	28.4	38.5
Feb	35.5	41.3	30.7	31.5	30.8	43.9	35.4	35.1	25.7	63.3	27.6	33.6

# What is happening to business today...

## Business priorities in economic downturn...

- **Traditional: COST-COST-COST...**
- **Current issues: CASH-CASH-CASH...**



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## Procurement is key to cutting travel costs

### American Express Business Travel reports survey results at ACTE event

By Susan Avery -- Purchasing, 5/19/2008 1:59:00 PM

Despite the uncertain economy, companies still want their employees to travel, and are, in fact, looking to procurement for help managing costs.

That's according to results of a new survey conducted by American Express Business Travel released today at the Association of Corporate Travel Executives global conference and corporate travel world in Washington, D.C.

"Given today's industry and economic dynamics, companies are seeking out strategies to take advantage of savings opportunities without sacrificing the effectiveness or scope of their travel programs," said Frank Schur, vice president of consulting for American Express Business Travel's Advisory Services in New York. "Travel is increasingly viewed as an investment, rather than a commodity to procure, and the partnerships and shared strategies created between procurement and travel departments are instrumental in maximizing the value of corporate travel and entertainment budgets."

According to results of the Second Annual Strategic Sourcing Procurement Practices survey, 83% of respondents expect their travelers to take the same or increase the number of trips this year as compared to last year. However, in the face of rising costs for both domestic and international trips, 62% of companies are looking to procurement activities to produce savings of 5% to 15% this year, with another 19% expecting even greater savings. Over the past year, 67% of survey respondents credit procurement activities with creating savings for their travel budgets.

American Express Business Travel estimates incremental cost savings can range between 11% and 33% of a company's total air spend.

Asked about the use of selected travel procurement practices, 53% of respondents indicate they are mandating use of preferred suppliers and 51% are applying demand management principles.

The majority of companies involve both procurement and travel departments in the selection of suppliers and more than half (53%) mandate use of these preferred travel suppliers by travelers. Another 51% actively manage demand of travel services.

Survey results also show meetings management is a focus for savings opportunities.

See: [With travel budgets tight and rates high, buyers keep costs in check in '08](#) and [For purchasing, the next strategic sourcing opportunity in travel is meetings management](#).

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## For purchasing, the next strategic sourcing opportunity in travel is meetings management

By Susan Avery -- *Purchasing*, 3/13/2008

At Genzyme Corp., Ray Mazzoleni counts corporate travel as one of his purchasing responsibilities. Under that umbrella falls meeting planning. For this spend category, Mazzoleni's role as corporate purchasing manager for services is to review agreements with hotel properties that the Cambridge, Mass.-based biotech firm contracts with for meetings and to select suppliers that provide meeting services for larger events the company holds.

"Our primary involvement is to check for risk and liability," he says. "We attach an addendum to the agreement that addresses such issues as cancellation. That's big for any company. You hear stories all the time about someone signing an agreement without reading and understanding the property's policy on this. It can be costly."

Mazzoleni is one of a growing number of purchasing professionals who now shares some responsibility for his company's annual meeting planning buy. Companies that hold meetings regularly to help generate revenue such as those with large sales staffs or extensive distribution networks have long involved purchasing in the buy. Other companies that have fewer large meetings—and perhaps many small meetings throughout the year—now are looking to purchasing for help with the buy.

Meeting planning has the attention of CPOs and other top managers at companies across the nation these days for several reasons: new availability of spend data (often generated by new technology tools), need for control over processes and risk mitigation (especially important for compliance with Sarbanes-Oxley requirements) and purchasing's growing involvement in—and success with—the travel buy.

Chris Wilkes, meetings management practice leader at American Express Business Travel Services in New York, hesitates to use the cliché "last frontier," but says that as more companies bring much of what they buy under control, "meetings really are the last area that are still unmanaged. It's come under scrutiny for that. It's such a large spend and companies need to understand it better."

Analyzing the spend. Not many companies have a clear understanding of the meeting spend, which varies by industry. Pharmaceutical companies, for example, hold large meetings or events to market their products and tend to have bigger spends than, say, manufacturing. For most companies, Wilkes estimates the spend to be "roughly equivalent to annual spending on air travel."

Tony Wagner, vice president of meetings and events, North America at Carlson Wagonlit Travel in Minneapolis, Minn., says a company can figure its meetings spend to be approximately 20–30% of its annual T&E (travel and entertainment) tab. As a definition for corporate meeting, he uses "more than 10 people traveling to a destination (or 10 room nights)." All told, the market for meetings in North America is approximately \$75 billion, he says, basing this estimate on figures from a recent study by PhoCusWright in Sherman, Conn., for all types of meetings and events.

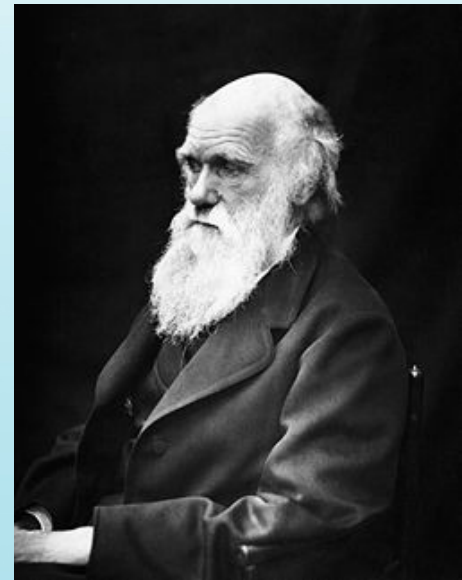
Involving purchasing in a spend this size provides untold benefits for a company. Industry experts say cost savings can range from 10–25%, which can be an enormous amount depending upon the company.

Still, a company should determine whether it's worth the effort to go after the savings. "If your analysis shows 85% of meetings are for fewer than 50 people and 65% are for fewer

# What is happening to business today...

## Darwin

**‘It is not the strongest or *the most* intelligent of the species to *survive*, it is the one *most adaptive* to change or *most* able to adapt to change, that survive’.**



# **The world of travel management today...**

## **The world of travel management today...**

### **Do you recognize this...?**

**As a result of the financial crisis a large, international specialty chemical company decided to initiate a global cost reduction program as a result of which...**

- **Suppliers were sent a letter to reduce sales prices with at least 10%...**
- **Travel cost, training cost and other expenditure were immediately frozen...senior executives were summoned NOT to fly business class...**

**Travel managers were instructed to cut travel and hotel costs with at least 10%...**

## **The world of travel management today...**

**Do you recognize this...?**

**In another large European chemical company travel management had arranged for corporate travel agreements with preferred airlines, hotel chains and car rental firms... to find out that only 30% of the company's executives were actually using these corporate agreements...**

**As a result projected cost savings and end of year bonuses were not realized...**

## **The world of travel management today...**

**Do you recognize this...?**

**In a medium sized food company, the process of claiming travel costs appeared to be exceptionally laborious and slow...leadtimes for obtaining permits for foreign travel were long and caused a lot of frustration...travel expenditure claim procedures were unnecessarily complex...individual managers needed to wait excessively long for getting their travel costs paid...**

**Credit cards were not considered any longer due to fraud problems in the past...**

# **The world of travel management today...**

## **Some conclusions...**

- **Companies need to tighten the belt...Travel Management needs to contribute its share...**
- **Travel cost could and should be reduced...**
- **However, a major problem is how to capture actual savings in Travel Management...key issues:**
  - How to leverage travel volumes...
  - How to prevent contract leakage...
  - How to reduce transaction costs...

## The world of travel management today...

### Some contemporary issues (examples)

- 1. How to deal as an individual company with the ever ongoing consolidation in travel markets...**
  - How to create a strong negotiating position?
  - How to develop a long term consistent travel policy?
- 2. Although travel managers create preferred deals with travel partners, these do not result in preferred treatment of business travellers...**
  - How to create such preferred treatment for your travellers?
  - How to align the interests of travel chain partners?
- 3. How to create effective 'buy in' and support from business managers:**
  - How to create transparency?
  - How to improve contract compliance?
- 4. How to reduce the complexity of travelmanagement:**
  - How to organize the P2P process?



**Many challenges for Travel Managers....**

**Key: developing travel policy + implementing travel policy + monitoring contract compliance + improving supplier performance...**

# **The changing agenda in travel management...**

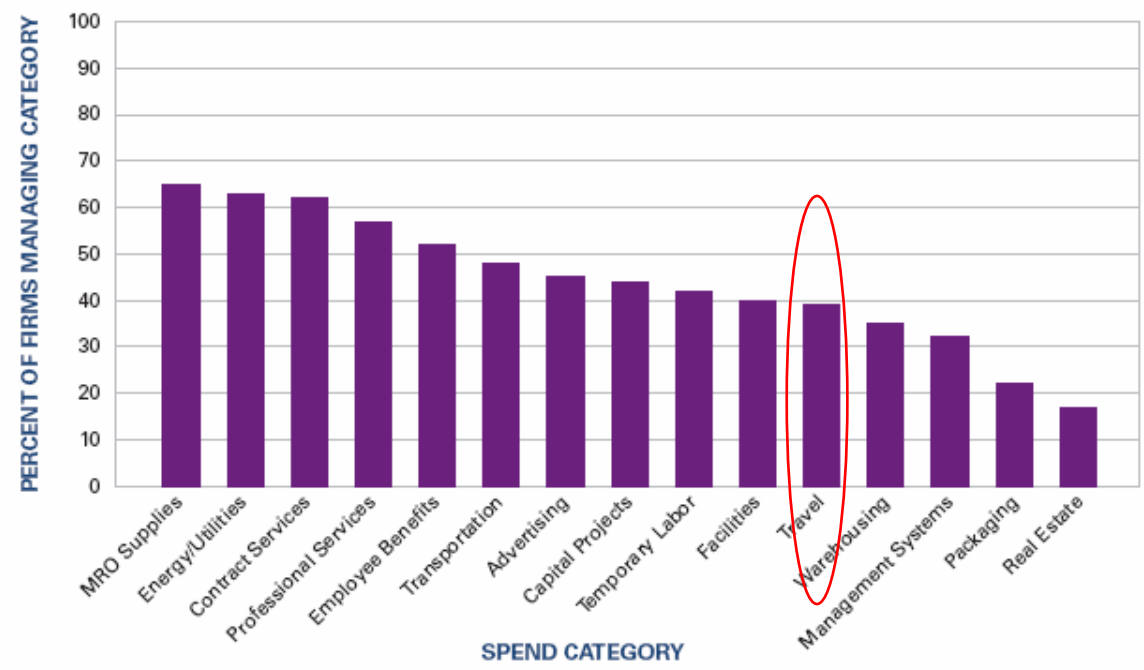


# The changing agenda in travel management...

Traditional agenda is changing...



FIGURE 2 PURCHASING/SUPPLY CONTROL OF INDIRECT SPEND CATEGORIES



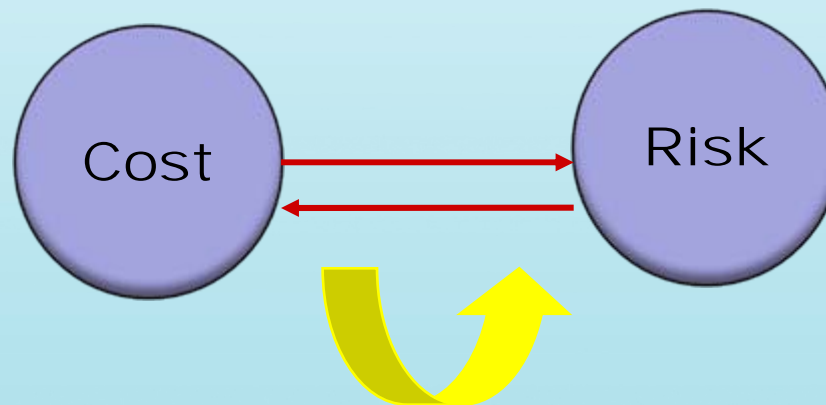
However, even though a category of spend may be managed by purchasing/supply, it is likely that much of it is not *fully* under control. This lack of control results from:

1. the relatively high amount of maverick spend that occurs in most companies, and
2. the difficulty in identifying indirect spend.

Source: CAPS (2003)

# The changing agenda in travel management...

Traditional agenda is changing...



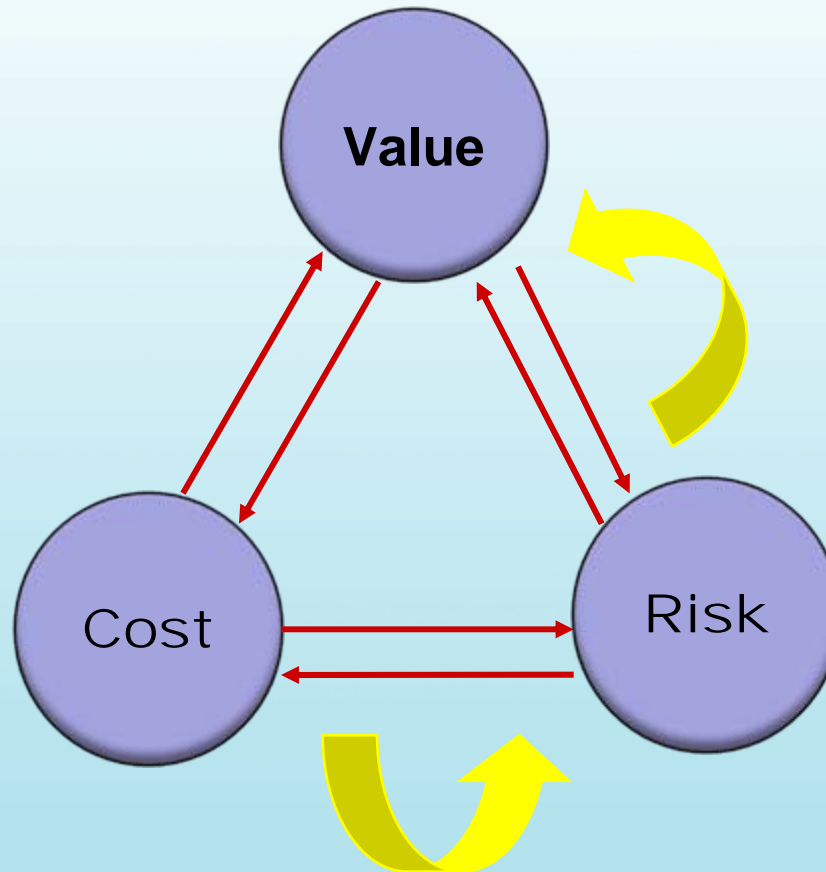


**Fig 1. Types of risk related to corporate travel**

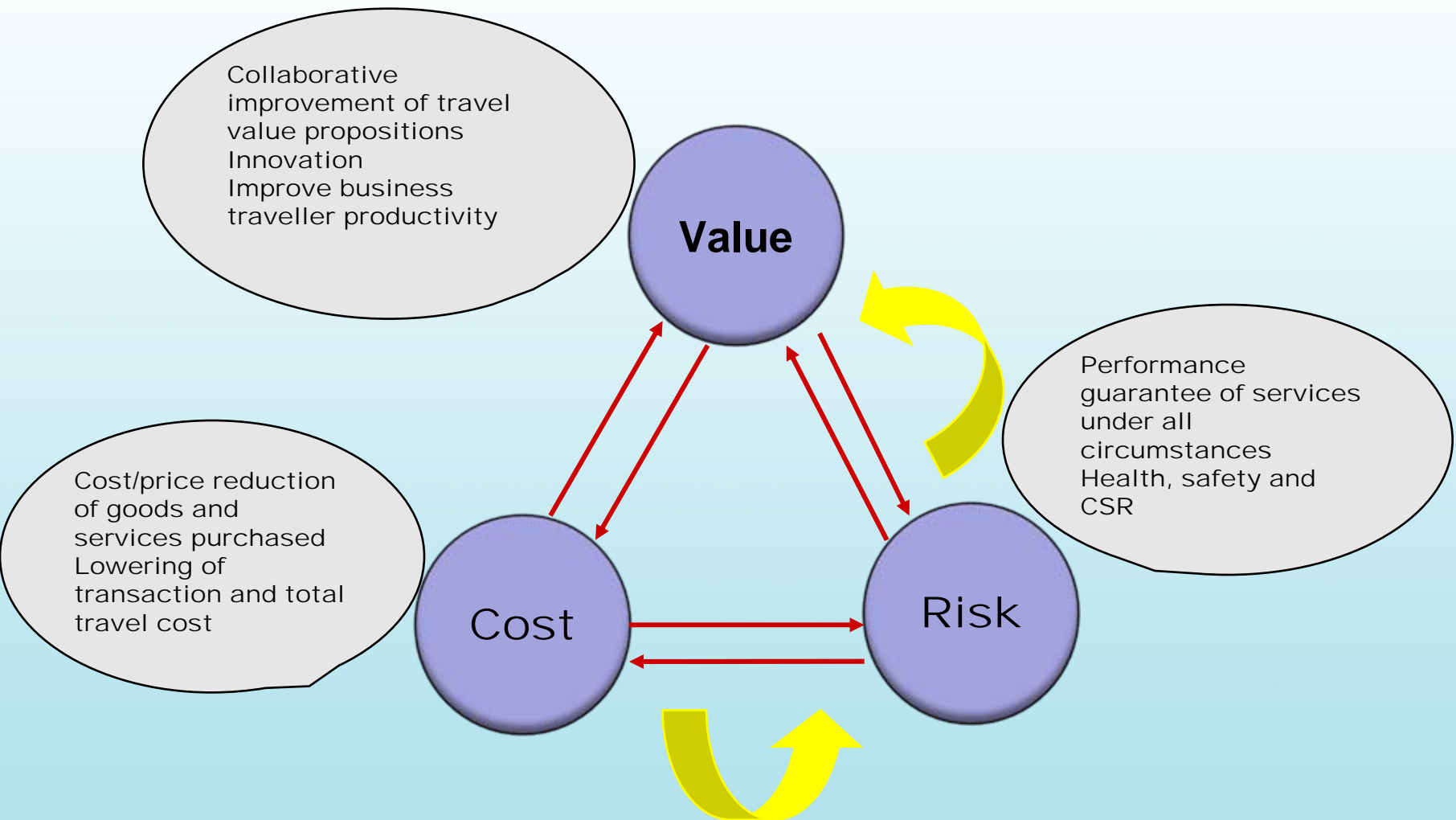
<b>Risk to personnel</b>	Security (crime/civil unrest) Security (terrorism) Safety Health (illness) Health (stress)
<b>Risk to reputation</b>	Failure in duty of care to employees Carbon footprint Misuse of travel expenses Unethical conduct by travelers
<b>Risk to data/equipment</b>	Protecting data carried by employees while traveling Protecting data collected about employee travel Lost, stolen or damaged baggage, equipment and personal items
<b>Legal risk</b>	Duty of care/health & safety legislation Data protection regulations Failure to comply with tax laws Illegal activity by travelers
<b>Financial risk</b>	Financial penalties of exposure to legal risk Misuse of travel expenses
<b>Risk to productivity/trip effectiveness</b>	Lost, stolen or damaged baggage, equipment and personal items Inadequate technology/support for travelers Failure to meet immigration requirements

# The changing agenda in travel management...

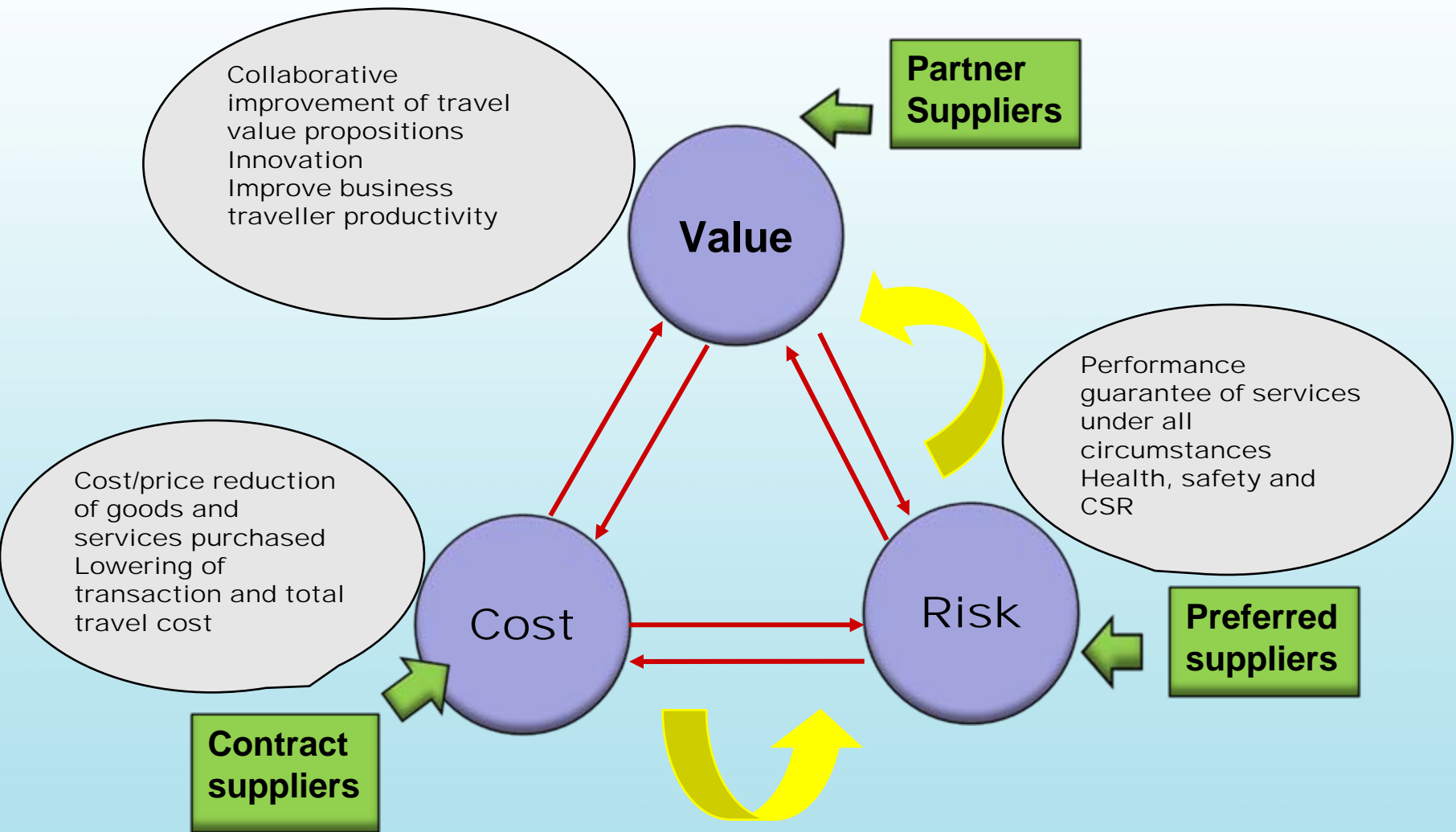
Traditional agenda is changing...



# The changing agenda in travel management...



# The changing agenda in travel management...

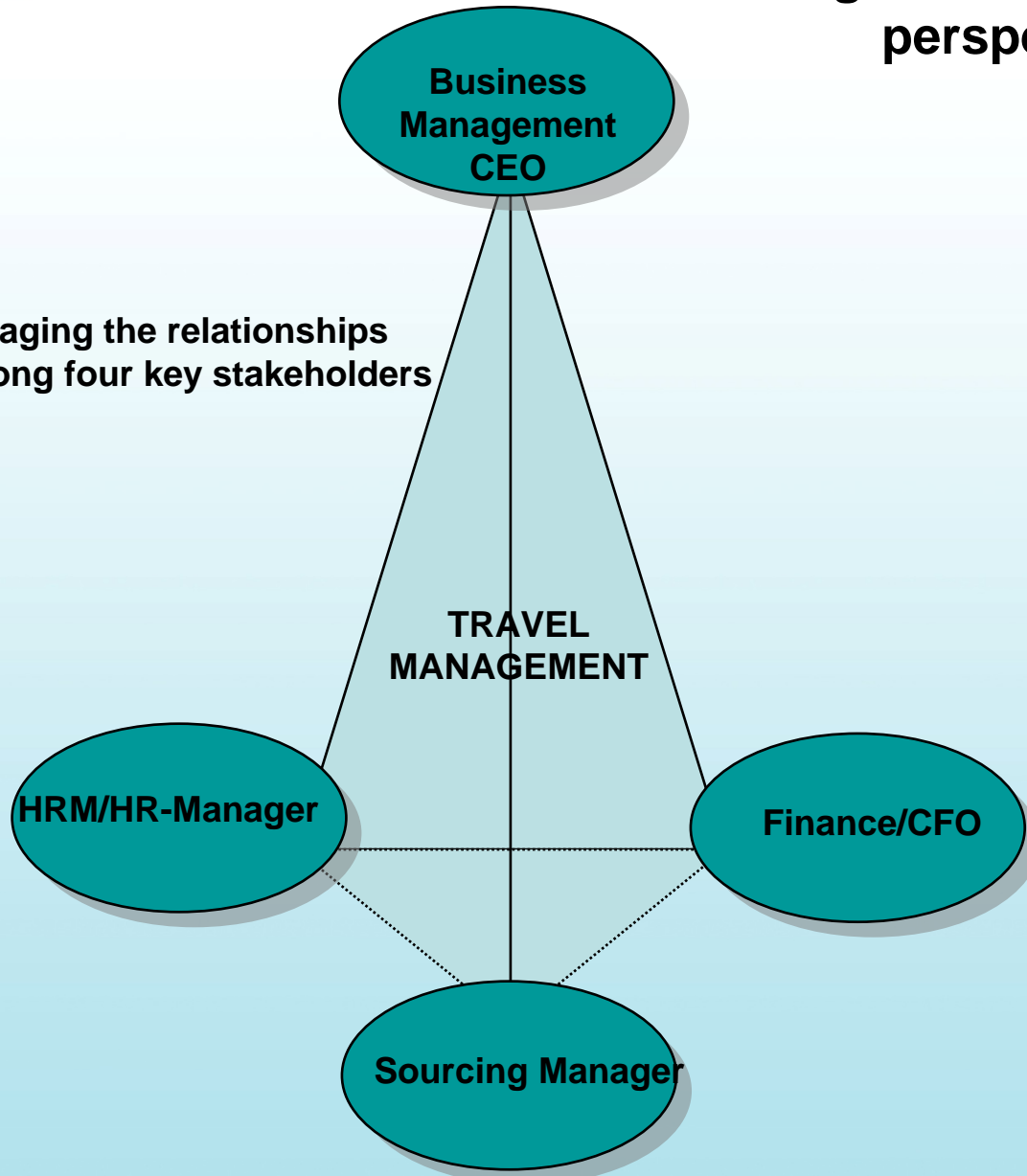


# **Professionalizing travel management: a procurement perspective...**



# Professionalizing travel management: a procurement perspective...

Managing the relationships among four key stakeholders



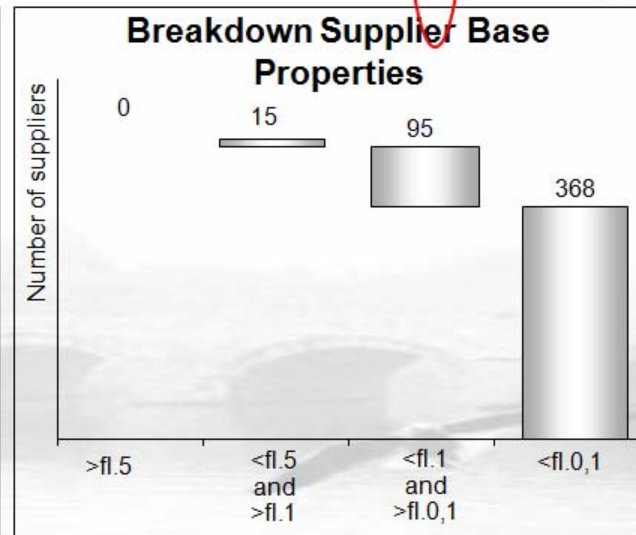
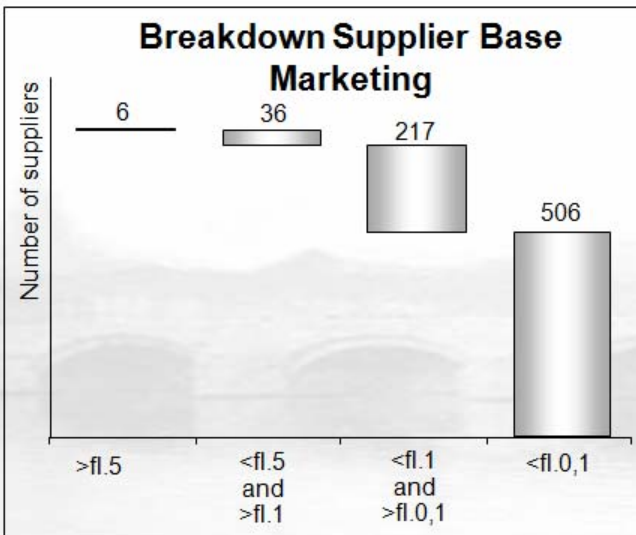
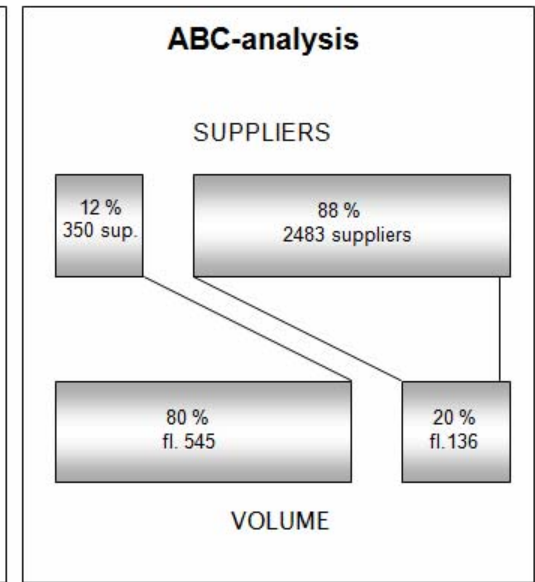
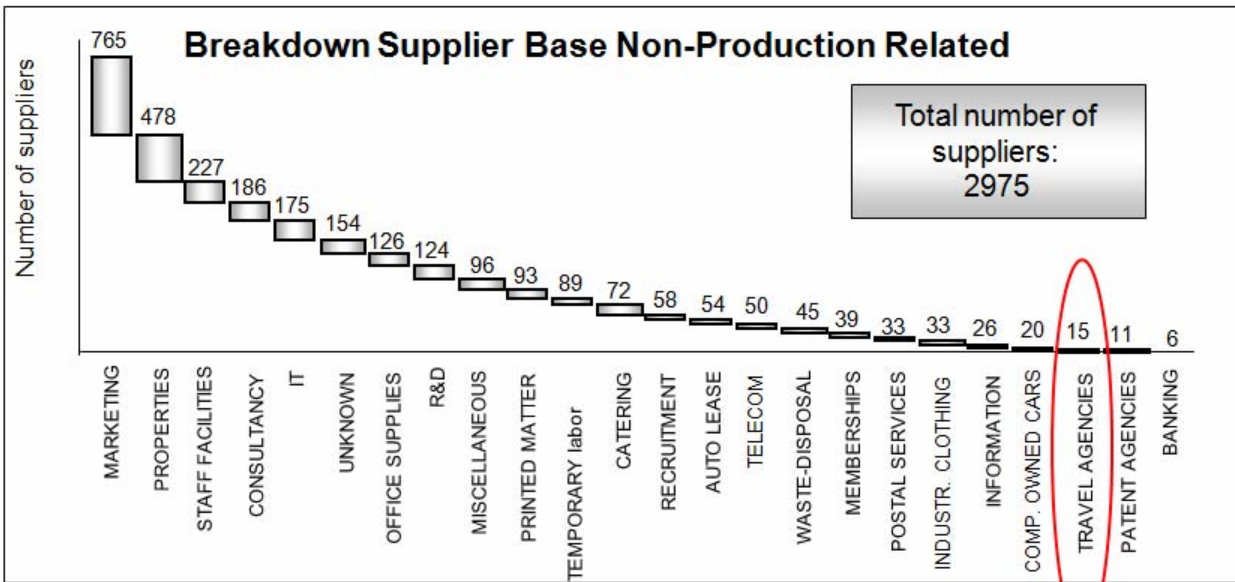
# Professionalizing travel management: a procurement perspective...

**Some suggestions...**

## **1. Make all travel management expenditure transparent:**

- Travel spend analysis per Business Unit or department
- Travel spend analysis per type of travel cost
- Travel spend analysis per provider/supplier
- Overview and analysis of travel management transactions and related cost

# Supplier Base Breakdown: Non-Production Related



**General Remarks:**

- Several suppliers deliver in more than one MainDomain, which influences the total number of suppliers in this chart;
- 12% of the suppliers (350 out of 2833) is responsible for 80% of total spend within the Non-Production Related MainDomains;
- The supplier base is highly fragmented, with many small suppliers.

# Professionalizing travel management: a procurement perspective...

Some suggestions...

## 1. Make all travel management expenditure transparent:

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- Travel spend analysis per type of travel cost
- Travel spend analysis per provider/supplier
- Overview and analysis of travel management transactions and related cost

## 2. Identify most important problems, bottlenecks and opportunities

- Business traveller is the focal point of analysis
- Assess business traveller satisfaction
- Analyse costs, risks and value propositions
- Analyse trends and developments in travel market
- Identify opportunities for improvement

**Start up a Corporate TM-Sourcing Team**

# **Professionalizing travel management: a procurement perspective...**

## **Evaluating cost savings potential...**

- **Number of present providers**
- **Dependence buyer versus provider**
- **Number of providers that was invited during last tender**
- **Scope of last tender**
- **Type of contract and age of contract**
- **Rate differences**
- **Degree of involvement Travel Management**

# Professionalizing travel management: a procurement perspective...

## Some suggestions...

### 1. **Make all travel management expenditure transparent:**

- Travel spend analysis per Business Unit or department
- Travel spend analysis per type of travel cost
- Travel spend analysis per provider/supplier
- Overview and analysis of travel management transactions and related cost

### 2. **Identify most important problems, bottlenecks and opportunities**

- Business traveller is the focal point of analysis
- Analyse costs, risks and value propositions
- Analyse trends and developments in travel market
- Identify opportunities for improvement

### 3. **Present your findings through a compact business case aimed at:**

- Service improvement business traveller
- Cost reduction
- Secure contract compliance
- Reduction of transaction cost (improving order2pay cycle))



# Professionalizing travel management: a procurement perspective...

-Airlines  
- Carrental  
-Hotels  
-- Insurance  
-- Etc.

## *Elements Business Case:*

- **Definition of Travel Management and subcategories**
- **Overview of present and future travel costs**
- **Most important stakeholders and decisionmakers**
- **Analysis of current supply base**
- **Definition of future business travel requirements and required value propositions from providers**
- **Important legal requirements affecting traveller health and safety**
- **Analysis of provider cost structure incl. logistics and administrative costs**
- **Estimate of cost savings potential**
- **Risk assessment**
- **Overview of what it will take to conduct and implement detailed sourcing plans**



# **Professionalizing travel management: a procurement perspective...**

**Some suggestions...**

- 4. Develop a sourcing plan for Travelmanagement (Airlines, Public transport, Insurance, Care rental, Hotels, Etc.)**



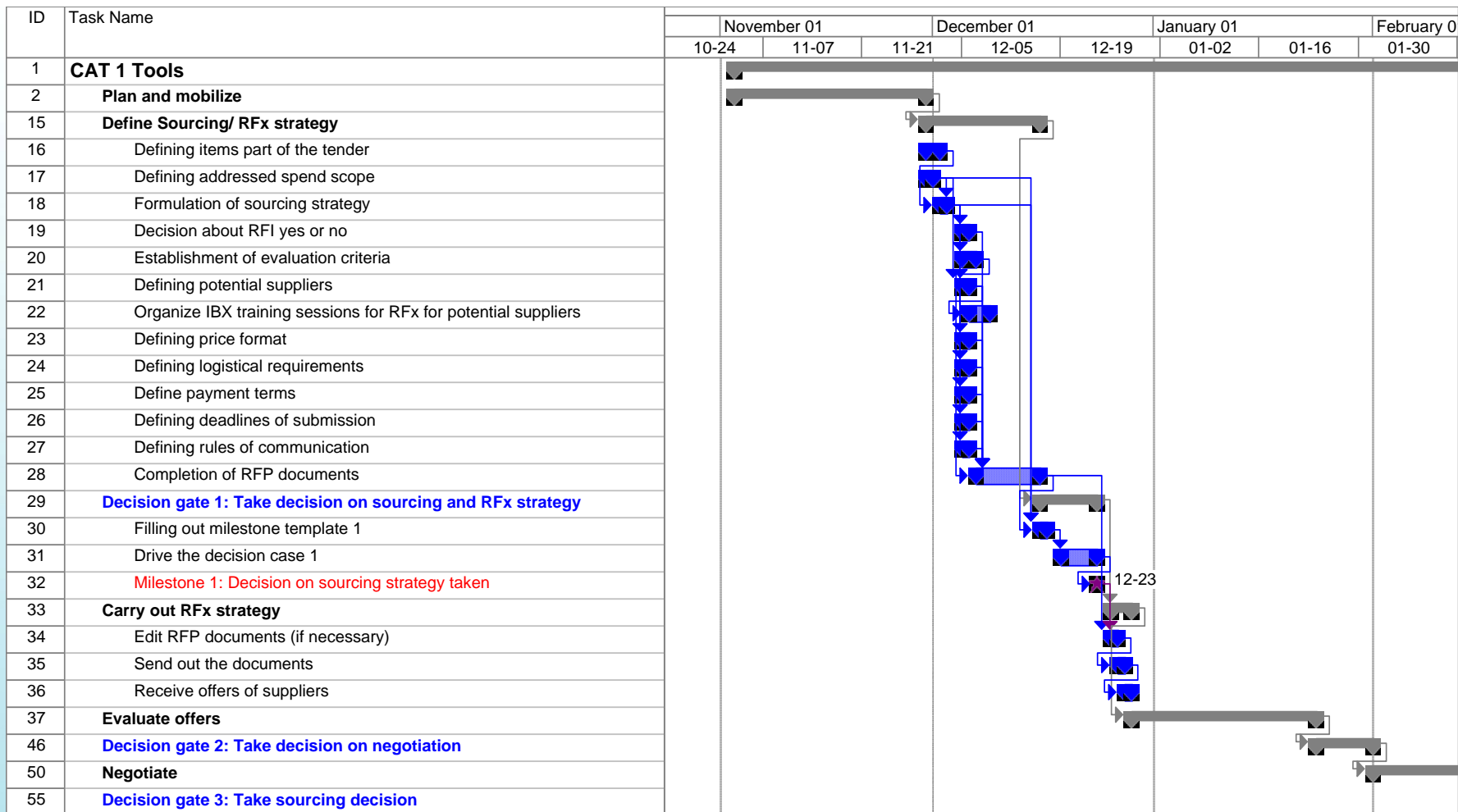


# **Professionalizing travel management: a procurement perspective...**

**Some suggestions...**

- 4. Develop a sourcing plan for Travelmanagement (Airlines, Public transport, Insurance, Car rental, Hotels, Etc.)**
- 5. Execute sourcing plan**

## Project Management Dashboard



# Professionalizing travel management: a procurement perspective...

Some suggestions....

4. **Develop a sourcing plan for Travelmanagement (Airlines, Public transport, Insurance, Care rental, Hotels, Etc.)**
5. **Execute sourcing plan**
6. **Prepare and negotiate a legal contractual agreement**
7. **Monitor contract compliance and supplier performance**
  - Set up Traveller Satisfaction Panel...
  - Team up regularly with key and partner providers...
  - Quantify provider performance...



# Professionalizing travel management: a procurement perspective...

## Some suggestions...

4. **Develop a sourcing plan for Travelmanagement (Airlines, Public transport, Insurance, Care rental, Hotels, Etc.)**
5. **Execute sourcing plan**
6. **Prepare and negotiate a legal contractual agreement**
7. **Monitor contract compliance and supplier performance**
  - Set up Traveller Satisfaction Panel...
  - Team up regularly with key and partner providers...
  - Quantify provider performance...
8. **Optimize internally order-to-pay process through portals and e-procurement solutions**
  - Identify 'trespassers'...
9. **Report to management...**
  - Through monthly reports
  - Through personal presentations
  - Walk-the-talk
10. **NEVER GIVE UP....! NEVER GO THIS ROUTE ON YOUR OWN! TEAM UP!**