

## Optimizing Travel-Expense Management in the Brazilian Corporate Environment

### Executive Summary

The Brazilian market is becoming increasingly global as Brazilian companies begin to expand and international firms begin conducting more business in Brazil to benefit from the thriving economy. Although this trend has helped Brazil become the world's sixth-largest economy, it is increasing the need for improvement in Brazilian companies' travel-expense management programs. Because travel is relatively expensive, companies need to identify the limitations of their current programs and make the changes necessary to automate their end-to-end expense management process, reduce costs, and improve compliance. By leveraging the knowledge and experience of a team of travel-expense management experts, Brazilian companies can optimize their travel-expense management programs to better compete, both globally and at home.

### Traditional Travel Management: An Overview

Travel management is not a new concept in Brazil. Most corporations and multi-nationals in Brazil already have travel-management programs and take advantage of negotiated rates with vendors. These companies are already leveraging the services and data that travel-management companies (TMCs) provide.

Traditionally TMCs provide clients with:

- **Corporate rate negotiation** with air carriers, hotels, and rental car vendors to ensure the lowest rates possible.
- **Travel-booking tools** to make reservations that ensure compliance with the corporate travel policy.

Integrating the two offerings adds value by creating a feedback loop. The more consistently employees use a booking tool, the more thorough travel data (for air, hotel, and car vendors) will be. With better travel data, TMCs and procurement teams will have more negotiating power with vendors. Many corporate travel programs already take advantage of this in their travel-spend management strategies.

Figure 1: Traditional Travel Management



But imagine the savings a company could realize if it enhanced this travel-spend data to get even more from its vendors, monitor expense behavior of employees, and manage corporate risk. This is possible with travel-expense management.

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Travel is relatively expensive in Brazil. As the sixth largest economy in the world, companies need to identify limitations of their current programs by reducing costs and improving compliance to better compete globally and at home.

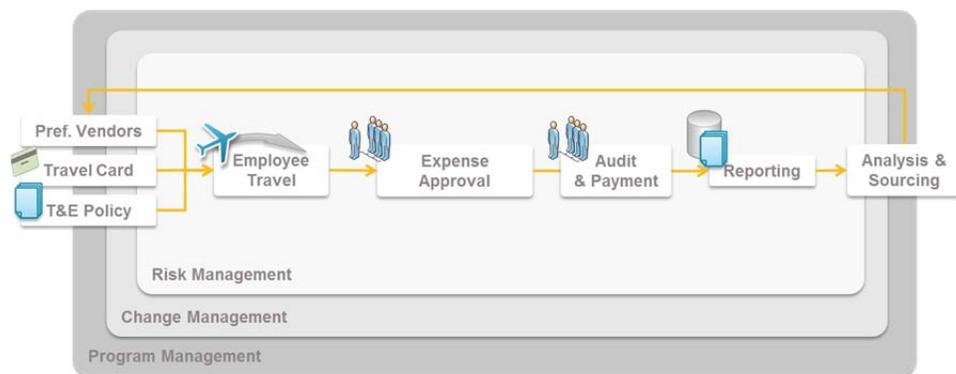
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## Travel-Expense Management

Travel expenses typically represent the second-highest controllable corporate annual expense, and travel bookings through TMCs are only part of the picture. A mature travel-expense management strategy includes many elements: buying travel, traveling, travel reimbursement, processing and analyzing travel spend, and using the data gathered during the cycle to buy future travel more efficiently. The Aberdeen Group reports that nearly 70% of organizations globally view travel-expense management as a strategic function. In 2012, 58% of these companies indicated they plan to improve their expense-management processes<sup>1</sup>. These companies have realized that viewing the entire travel and expense program as an integrated system enables their organizations to better control travel spend and save money.

**Figure 2** depicts the integrated system and each category of travel-expense management. Within each category are multiple sub-processes. Many Brazilian companies are taking a more holistic view of travel and expense, attacking some of these sub-processes with strategic projects. Entire projects, for example, can be built around automating expense report submission or auditing expense reports to eliminate fraud.

Figure 2: End-to-End Travel Expense Management



## Brazilian Market Landscape

Brazil's economy is thriving. Currently, Brazil is the world's sixth-largest economy by nominal GDP, and is one of the fastest-growing major economies in the world with an average annual GDP growth rate of over 5%. Brazil's GDP has been growing at an average rate of 5% each year since 1996.

Business travel in Brazil is a way of life. Companies around the world are doing more business in Brazil, and Brazilian companies are doing more business in other parts of the world. This has led to a new local paradigm: business is being developed globally, but global and multi-national companies' processes and procedures related to travel-expense management are lagging.

## Execution of Travel-Expense Management for Brazilian Companies

Often, Brazilian companies' large-scale travel and expense implementations are U.S.-centric. In some cases, Brazilian affiliates and others have been able to take advantage of U.S. systems and incorporate their more-efficient processes and negotiated rates. However, in many cases, this has hurt Brazilian affiliates because the U.S.-based project team does not take the time necessary to understand unique country-specific requirements, system limitations, cultural

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Brazilian companies are unique. In order to be successful with large-scale travel and expense implementations, implementation partners need to understand country-specific requirements, cultural differences, and supplier impacts.

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<sup>1</sup> The Aberdeen Group: "T&E Expense Management: The Best in Class Pillars of Next Generation Expense Management" by Christopher J. Dwyer. March 2012.

differences, and supplier impacts.

Today, more and more multi-national companies are moving or expanding their operations into emerging markets like Brazil. In turn, Brazilian affiliates (and others) who have learned from these global implementations are beginning to develop their own travel-expense management initiatives. Companies in Brazil that recognize the limitations of their current travel and expense processes will be able to implement today's leading travel-expense management best practices and technologies. Using a team of travel and expense experts with the experience to perform this type of implementation can greatly speed the process.

## Addressing Challenges in the Brazilian Market

### User-Friendly Compliance

The complex nature of global, regional, and local travel, and the expense policies used by Brazilian companies make it difficult for employees to understand and consistently comply with policies. Clearer and simpler policies, paired with training and change management, allow employees to abide by those rules more easily. Implementing tools that embrace and proactively enforce those policies will increase employee compliance and significantly reduce risk.

To implement user-friendly compliance, a team of experienced travel-expense management experts will:

- Work to ensure that travel and expense policies are understandable
- Ensure that employees get adequate tools and support
- Leverage technology investments and configuration to prompt employees when they are not compliant and encourage timely expense-report submission

### Prevent and Detect

In Brazil, most business travel transactions are cash based. Cash is difficult to track, monitor, and reconcile, resulting in more potential for fraudulent activity. Eliminating all fraud is nearly impossible, but smart risk-management strategies focus on decreasing fraud risk and detecting potential abuses. Some of these strategies include:

1. **Thwarting fraud starts with travelers.** Brazilian companies can limit out-of-pocket expenses and cash transactions by issuing corporate travel cards or creating central billing accounts, reducing the potential for abuse by centralizing all charges for easier audit.
2. **Managing managers.** Use technology to enforce approval authorities, authorized spending limits, and apply predefined approval routing procedures to mitigate fraud exposure.
3. **Systematically audit employees.** Leverage your IT infrastructure to audit your employees from point of expense entry to management approval to payment.
4. **Escalate when necessary.** Use expense system and credit card data to expose questionable and fraudulent behavior, flag the activity, and escalate it for review.

### Unburden the Back-office

Technology can create unexpected efficiencies in back-office operations. A manual expense report takes at least twice the effort to create, submit, and approve as an electronic expense report. A fully integrated web-based and wirelessly accessible system can:

- **Eliminate paper pushing.** Employees can submit expenses and receipt images

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Brazilian companies don't have to open themselves up to fraud, even though business travel expenses in Brazil are typically cash-based. Work on a smart risk-management strategy to decrease your companies' risk and proactively detect potential abuses.

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electronically. That data can feed into the general ledger automatically, with no interaction from the back-office except to review, reject, or approve.

- **Eliminate the middleman.** Automated approval workflows can remove the back office as the middleman in completing expense reports, chasing down receipts, and tracking down managers for their approval.
- **Eliminate routine updates.** Manually updating employee demographic information, cost centers, and account codes is arduous and complicated, and can involve multiple departments (e.g., accounting, accounts payable, human resources). Bridging ERP systems, HR systems, and T&E systems can automate the synchronization of business data and allow back-office staff to focus on their transactional duties.

### Automated and Accurate Accounting

Experience has shown that Brazilian companies struggle to populate their general ledgers (GL) with accurate accounting data.

The table below depicts some of the most common problems with finance-system automation and/or accounting in Brazilian companies. Companies that implement travel-expense management solutions can proactively mitigate these issues, simultaneously creating employee efficiency and return on investment.

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Finance departments in Brazil struggle to populate their GLs with accurate accounting data. Deploy strategies to mitigate common issues (depicted in table to right) and create employee efficiency and ROI.

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Accounting Challenges in Brazilian Corporations Today	Proactive Mitigation by Travel-Expense Management Implementation
1. Postings to the GL system are incorrect.	Companies can perform detailed mappings of expense types to company accounting hierarchy (e.g., company, cost center, department, business unit, expense account code). Thorough testing and financial scenarios are created to ensure all automated postings are correct.
2. Expense documentation submission is inconsistent and noncompliant with corporate policy. Today, most employees do not collect the correct documentation when submitting expenses. The back office does not typically realize this until after the employee has been paid.	Documentation can be uploaded easily into your expense system by smartphone, tablet, email, or directly through the online application. Images of documentation can then be submitted with the employee’s expense report for approval by the employee’s manager. The back office will also have access to these images to confirm proper submission prior to paying the employee.
3. Limited or no automation of tax liabilities or deductions exists in client financial systems. Back-office employees spend countless hours accumulating data and documentation for monthly, quarterly, and annual reporting.	Front-end systems can enforce data required for tax liabilities (e.g., CJN, invoice #, etc.), interfaces can be customized to perform reporting logic, and reports can be created using data entered in the expense system to facilitate company regulatory reporting.
4. Too much time is spent by back-office employees keying in manual expense entries to the financial system.	Expense systems typically generate accounting “extracts” that can be mapped and inserted directly into the GL system and/or other downstream systems. The company realizes efficiency through time saved while eliminating manual data-entry errors.
5. Inefficient processes and manual efforts result in late and/or inaccurate reimbursements to employees.	Rules can be defined for integrated automatic clearing house (ACH) reimbursements. Employees or credit card

Accounting Challenges in Brazilian Corporations Today	Proactive Mitigation by Travel-Expense Management Implementation
	vendors can be paid in an average of 48-72 hours or less.
6. Brazilian employees frequently travel to other Latin American countries, the U.S., the EU, and Asia, using different currencies along the way. This results in many issues with multiple currencies and conversions.	Expense systems typically interface directly with standard exchange-rate services. Employees can input expenses in the currency in which the expense was incurred, and the expense can be automatically converted to the employee's reimbursement currency. The expense posting can be recorded in the GL standard currency (e.g., reais).

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With the right tools and strategy, companies can make travel expense data more transparent and easier to predict, so they can respond and plan strategically.

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### Reporting

Brazilian companies' ability to report on spend data across all travel-expense categories (e.g. taxi, meals) is typically very limited. These companies usually only have air, hotel, and car rental data, as a result of their relationships with TMCs. This presents an opportunity for these companies to begin reporting their own expense data and performing their own travel spend-data analyses.

The travel industry, rates, vendors, regulations, travel destinations, and employee travel behavior are in constant flux. With the right tools and strategy, companies can use data to make the trends and activities more transparent and easier to predict, so they can respond and plan strategically. For example, pairing expense data with travel-booking data becomes incredibly powerful during sourcing negotiations. Furthermore, reporting through trend analysis can expose potential fraud or compliance issues not previously identified.

### Benefits of a Custom Solution: Acquis Consulting Group Can Help

Experience shows that the greatest travel-expense management pressures Brazilian companies face today are related to:

- 1) Compliance with corporate travel and expense policies
- 2) Fraud reduction
- 3) More accurate and automated accounting
- 4) Enhanced business analytics and reporting – using expense-management data to make more strategic decisions for the enterprise

A custom, tailored solution built for your company can effectively address these pressures.

**Acquis Consulting has 15 years** of global travel and expense-management experience and can help develop a custom travel-expense management solution for your company.

Through **Advisory Services, Program Management and Implementation Services, and Business Intelligence and Reporting Services** in the following four areas of travel and expense management, Brazilian companies can alleviate pressures and save money with their expense-management program:

#### T&E Diagnostics:

Acquis Consulting has developed a propriety method to evaluate, benchmark, and make recommendations tailored to your corporate T&E landscape.

### T&E Tool Selection and Implementation:

We offer services for requirements analysis, vendor tool selection and negotiations, project planning and management, and full-life cycle T&E project implementation.

### Corporate Card Implementation:

Acquis can help implement a Corporate Credit Card Program. Acquis offers services for requirements and analysis, vendor selection and negotiation, accounting set up, and ongoing vendor management.

### Strategic Sourcing:

We help optimize your company's purchasing capabilities. Our services include data analysis, RFP and vendor selection, implementation, and ongoing vendor management.

### How much can you save?

35%	<b>Nascent T&amp;E Management Program:</b> company has limited development of controls and policies. Manual expense reporting processes and review.
25%	<b>Young T&amp;E Management Program:</b> company has some controls and policies established, but employees are not compliant. Manual expense reporting processes and review.
15%	<b>Established T&amp;E Management Program:</b> company has established controls and policies. About 70% of employees are compliant with policies and procedures. Manual expense reporting processes and review.
10%	<b>Mature T&amp;E Management Program:</b> company has mature controls and policies. Employees are about 90% compliant with policies and procedures. Company is likely using an integrated online expense management tool

## About Acquis Consulting Group

Acquis Consulting Group is a management consulting firm specializing in strategy and implementation. Based in New York City, Acquis helps ambitious organizations solve business challenges that enable sustainable growth and healthy efficiency.

Acquis Consulting Group's experience in mobility stems from its roots in corporate travel, which has grown into meetings management and virtual collaboration strategy. This coupled with Acquis's expertise in project management, systems selection and integration, cost reduction, expense management, and change management, make us uniquely qualified to assist with organizations' mobility strategies. Please contact us to discuss any questions you may have about this article or to discuss your company's specific needs or concerns.

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