

Corporate Spend

Playbook

July 2021

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Acknowledgment

The Corporate Spend Playbook was done in collaboration with Airbase, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

What's Inside

Businesses of all sizes and across all sectors are facing a dire need to streamline their payments operations. The widespread usage of inefficient legacy practices, such as relying on siloed spend management systems and paper-based manual processes, is putting cash flow at risk, stunting growth potential and preventing real-time visibility into their payment flows. This could keep them from obtaining the information they need to make informed financial decisions.

Many businesses are struggling to mitigate these inefficiencies in one key area: corporate spending. Optimizing corporate spending can be particularly challenging to businesses with 1,000 or fewer employees, which often operate on tighter budgets and have less room for error than their larger counterparts. Many larger enterprises have long had access to spend management solutions that automate and optimize their corporate spend operations, but the high costs and infrastructural demands of such solutions often render them inaccessible to businesses that need them most.

Companies are therefore left grappling with highly complex corporate spend ecosystems in which they are using many siloed management solutions at various touch points throughout their accounts payable (AP) processes. Such a piecemeal approach often makes it difficult for payment decision-makers to fully determine a company's cash flow position. This approach can even exacerbate the inefficiencies it is supposed to alleviate — a

greater likelihood now that a significant share of businesses are partially or fully reliant on remote workforces.

The Corporate Spend Playbook series, a PYMNTS and Airbase collaboration, will offer an overview of the current corporate spend management ecosystem and the technologies that market players are moving to adopt. The series will provide actionable insights into the payment-related challenges that businesses have been struggling to tame for years, made even more daunting amid the rise of the remote workforce. It will also examine how siloed corporate spend management systems aggravate these challenges and call for platform-based, single-interface solutions to simplify and ease payments decision-makers' day-to-day workflows.

Across the spend management ecosystem

Businesses' cash flow management practices have radically and in some ways permanently changed over the past 16 months. Widespread cash flow shortages have made efficient cash flow management more critical than ever, but the shift from working at a centralized location to reliance on a remote or hybrid workforce is looking increasingly permanent for many firms. Forty-four percent of the employees who have switched to working from home since the pandemic began want to keep working remotely, and more companies are planning to let them do so. This means

that businesses' AP and spend management systems must be able to accommodate a digital-first workforce in the future.

Most organizations are ill-equipped to handle these changes, at least in the short run. One-third of businesses still use legacy methods to process their expenses, such as paper, spreadsheets or rudimentary, in-house digital systems. Such subpar solutions often cause longer-than-necessary processing times, and

the general lack of transparency they offer can make it almost impossible for payments decision-makers to gauge their financial standing at any given time. These inefficiencies reveal that companies need to upgrade their legacy AP methods to adapt to this rapidly evolving ecosystem or be left behind.

A large share of businesses are working to meet these challenges, however, and they are investing in a wide array of digital technologies to future-proof their spend management operations. Thirty-nine percent of businesses are planning to adopt virtual cards in the next year, for example, and 48 percent are already in the process of automating their AP processes to some degree. This new innovation-forward business environment presents a massive opportunity for companies to implement spend management solutions that can not only prepare them for a post-pandemic world but also alleviate the silo-related problems that have plagued them for decades.

For more on these stories and other recent spend management ecosystem headlines, read the Playbook's News and Trends section (p. 10).

Formstack leverages automated spend management approach to boost efficiency

Many businesses still rely on fragmented and highly error-prone spend management processes that can make it difficult to scale their businesses as they grow. This may be on the brink of changing, however, as the transition



to a remote and integrated workforce has many companies rethinking their approaches and preparing to innovate. In this month's Feature Story (p. 7), Matt Gard, vice president of accounting and compliance at [Formstack](#), discusses how the workplace productivity platform has been able to leverage automated spend management and AP innovations to streamline its payments operations.

Deep Dive: How adopting digital innovations can help firms overcome spend management silos

Businesses have long struggled with a fundamental lack of unity in their spend management systems. Most use a mix of manual and digital spend management solutions, which can make it difficult to track cash flow and make informed decisions. Even companies that mostly use digital methods tend to tap various systems in different areas of their AP processes, resulting in further fragmentation. This month's Deep Dive (p. 14) explores how the global health crisis is driving a wave of AP innovation and how businesses can tap into this opportunity to free themselves from silos once and for all.



5 FIVE FAST FACTS

Barriers

Businesses have commonly put their AP and spend management innovations on hold because they have prioritized other investments and made do with legacy systems.

Innovation

Businesses are adopting an innovate-or-die attitude in their pursuit of AP and spend management solutions.

Cross-Border

More than one-third of cross-border U.S. firms intend to implement spend management innovations in the next three years.

Travel


Business travel is beginning to pick up again as the economy reopens, foreshadowing an increase in business travel expenditures.


Funding

SaaS corporate spending management solution provider Airbase recently received \$60 million in a Series B funding round.

Feature Story

HOW SPEND MANAGEMENT
AUTOMATION POWERED
FORMSTACK'S DIGITAL
TRANSITION



 formstack

Spend management and AP processes have historically been mired in paper-based, manual methods. Different departments are left to set their own rules when collecting, processing and approving payments, which can include employee travel expenses, card processing fees, software subscriptions or other costs. The result is a complex and deeply fragmented ecosystem that has little transparency and contains duplicative processes that make it difficult for cash flow managers and budget owners to know exact details that may be critical.

The post-March 2020 transition to a remote workforce made many of these frustrations worse. Different departments were suddenly left without a central location, exacerbating siloing issues that had existed for years and further eroding transparency. Many businesses therefore found themselves rebuilding their spend management processes from scratch — an arduous task but one that also holds great opportunity.

PYMNTS interviewed Matt Gard, vice president of accounting and compliance at [Formstack](#), a self-described “workplace productivity platform,” to discuss how digital expense and AP innovations can help support businesses’ broader financial and payments operations as they transition to remote or hybrid workforces and the advantages these systems can provide by improving upon legacy, paper-based expense workflows.

A smoother transition

Formstack was ahead of the curve on moving to a remote workforce, according to Gard. The company began its transition to a remote and hybrid team eight years ago, with anywhere from 60 percent to 70 percent of its workforce working remotely by March 2020. Streamlining AP and expense processes with digital technology was a part of that transition, but automating these workflows also yielded many other benefits.

Automation reduces the risk of human error that goes along with managing these processes manually or with a series of tools that must be reconciled. Clearly this risk compounds as an organization grows and adds unnecessary friction to that growth.

“Depending on how big the organization is, you can have a lot of hands and several individuals working on similar tasks, and just making sure that we can limit the interaction between the departments and then also [trying] to limit the [risk of] human error” was a big benefit of that digital transition, Gard said. This not only allowed Formstack to manage its payments flows more efficiently but also ultimately smoothed the transition to a remote-only workforce when the pandemic struck.

“In the beginning of 2020, we were already in the process of replacing our credit card processing flows and a portion of our AP systems and [consolidating] that as much as we could into one system outside of our general ledger,” he said.

Automating these processes ultimately allowed the company to save anywhere from two to four days in its accounting review process and freed up its financial professionals' schedules to focus on more pressing matters.

Gard explained that Formstack's transition to an automated spend management system did more than give the organization a more holistic way of managing its expenses. It also helped make its workers' everyday lives far easier and more manageable by reducing the time and attention employees and their managers needed to devote to expense approval.

Streamlining the day-to-day and beyond

Formstack's current system includes automated expense reimbursement, for instance, as it allows employees to submit expense requests through their phones, tablets or computers. Requests are then approved or denied in real time.

"You can make those approvals right through your phone with the app that we have, so it can really work from anywhere, and as long as [a request] fits within the [general] constraints of the budget rules ... [our app] gives them the freedom to get their job done," he said.

This means that the system can automatically review and approve team members' expenses, giving them real-time access to the funds. It also means that employees need not worry

about spending out of pocket and then hoping to be reimbursed for company expenses after the fact.

The benefits that Formstack has enjoyed from adopting an automated system have also inspired the company to automate new payments flows. The next category to add to this integration is travel expenses, which are planned for implementation in the latter half of 2021 — just in time for a much-anticipated uptick in business travel.

"The travel reimbursement process is the only one that ... sits outside our current flow, and figuring out how to add controls around that [and] bringing everything into one workflow or one or two systems is a high priority for us right now," Gard said, signaling that the business will be adding a new touch point to its broader spend management ecosystem in the near future.

Formstack's continuing journey to evolve its spend management and AP systems illustrates the power that automation can have to improve payments efficiencies. New automation tools and digital payment systems open the possibilities for a significant improvement for a company's financial operations. Streamlining the whole spend management process — from approval workflows to automatic booking of transactions to the general ledger — into one system with consistent processes can help ensure that remote organization run efficiently.

News & Trends

RETHINKING CORPORATE SPENDING

One-third of businesses still process expense claims with pen and paper

Businesses are struggling to adjust to the changes that have swept across the payments industry over the past year. Many are either ill-equipped to rein in their corporate spending inefficiencies or entirely unaware of the financial toll that such inefficiencies can take on their businesses. One-third of organizations still process expense claims using manual methods, such as with pen and paper or via spreadsheet, for example. These legacy systems are partly to blame for the fact that 33 percent of firms take a week or longer to reimburse their employees' expenses, leaving workers to wait all the while. Paper-based processes are also highly error-prone and difficult to track, and issues such as lost receipts and late claim submissions only exacerbate these systems' shortcomings. These inefficiencies add time and costs to the spend management process, resulting in 35 percent of all finance managers saying that they do not know the real cost of processing a single expense claim.

A mounting need to improve upon these manual systems' inefficiencies is emerging as companies struggle to overcome their cash flow troubles, especially after 2020 dealt a harsh blow to many organizations' bottom lines. Forty-nine percent of financial managers

reviewed their supplier payments' terms in the past year to reduce costs, for example. Their desire to update their systems is understandable, as roughly 40 percent expect duty-of-care and regulatory costs to increase due to the pandemic.

Business travel ramps up, driving demand for virtual corporate cards

Business travel is beginning to recover from a yearlong standstill, with employees taking to the skies and roads to conduct business in person once more. One industry source reported a 13 percent uptick in business travel activity since the first week of January, and another confirmed that it expected corporate travel sales to recover 50 percent by the end of 2021. This is good news for the travel and accommodations sectors and a strong indicator of economic recovery, but it could cause headaches for financial decision-makers tasked with managing employees' day-to-day business spending. More professionals in the air and on the road means cash flow managers must take more variables into account when examining their businesses' budgets and reviewing and approving employees' travel expenses. This increase in volume can easily overwhelm businesses that use manual spend management practices, intensifying their need to adopt digital alternatives that can

help them aggregate their spending-related data in one place.

Businesses look to tighten travel spending related to ongoing health concerns

Increased spending is not the only factor making business travel especially challenging for companies in the current climate: Health and duty-of-care concerns are also important considerations. Various geographic locations have different risks of infection, and it costs time and money for businesses to grant employees the testing, vaccination and other requirements needed to travel safely and in accordance with relevant mandates. There is also the risk that employees might use corporate spending solutions to purchase products that fall outside their companies' travel policies. One-quarter of businesses say that almost half of their employees' hotel and car rental bookings are out of policy. It follows that 40 percent of travel managers plan to tighten their organizations' travel policies in light of ongoing health concerns, and 50 percent cite increasing their cost savings as their chief strategic priority in the years ahead.

Remote workforce presents new spend management challenges

Companies' recent shifts toward enabling hybrid or remote workforces stand to have a long-term impact on businesses' corporate spend management practices. Forty-four per-

cent of U.S. workers who have gone remote since last March would prefer to keep working from home even after pandemic-related restrictions are lifted. A growing cohort of the nation's leading businesses — including Citigroup, Google and Target — are planning to allow some of their workers to operate remotely in the future as well. It is thus becoming more and more apparent that corporate spend management solutions must be able to accommodate the emerging hybrid professional ecosystem, and this means doing more with less in-person interaction and overcoming several key frictions of legacy systems.

SPEND MANAGEMENT INVESTMENTS FOR LONG-TERM GAINS

Airbase raises \$60M in Series B funding round

Financial managers' intensifying need to alleviate their businesses' spend management inefficiencies is spurring a quiet but steady digital revolution in spend management solutions, with businesses like software-as-a-service (SaaS) spend management solution provider Airbase drawing increased attention from institutional investors. Airbase announced on June 8 that it had raised \$60 million during



a Menlo Ventures-led Series B funding round at a \$600 million valuation.

The venture capital firm issued a statement confirming that its interest in Airbase lies in the firm's holistic approach to integrated spend management software solutions, which it sees as key to overcoming many of the frictions plaguing the corporate spend management ecosystem. A lack of real-time insight into cash flow is chief among these frictions, as poor transparency can keep managers guessing until the end of each quarter about whether their teams spent above or below their budgets. Menlo Ventures also confirmed that Airbase's vision to alleviate this and other key spend management frictions made it the choice candidate for investment.

US businesses are working to expand their digital payments ecosystems

The holistic approach to spend management is particularly important for U.S. businesses, given their much broader trend toward digitizing their business-to-business (B2B) payments ecosystems. Many companies are still leveraging paper-based B2B payments at least somewhat, but firms are trying to change that. Forty-eight percent and 51 percent of firms now say they are in the process of **automating** their AP and accounts receivable (AR) operations, respectively, and 46 percent intend to automate or further automate them in the next 12 months. Virtual cards are also on many businesses' technology wish lists, with

39 percent of firms predicting that their usage of virtual cards will increase in the next year.

These types of digital payments innovations have helped drive a 4.1 percent year-over-year increase in overall technology spending in 2021, which equates to roughly \$25 billion more spent on digital innovation marketwide. Corporate spending solutions that can work in tandem with these firms' increasingly digital payments ecosystems are a key part of ensuring that businesses' payments operations function at maximum efficiency.

Global SaaS spend management software market on track to reach \$1B by 2027

Businesses' new needs for digital payment and expense options are rapidly boosting the global demand for software-based spend management solutions. This growth will likely continue long after they recover from the recent economic turmoil. Research suggests that the global spend management software market will expand at a compound annual growth rate (CAGR) of roughly 20 percent between 2020 and 2027, when it is expected to reach a final valuation of \$1 billion.

These trends indicate that more organizations around the globe are going all in on spend management innovation. It is therefore clear that businesses will need to implement SaaS spending systems of their own to make their

payments operations more durable and withstand challenges from competitors.

37 percent of cross-border US firms plan to adopt spend management tools in near future

Businesses typically struggle to manage multiple aspects of their AP operations, and these tasks can be even more difficult for cross-border companies. Transacting internationally means dealing with fluctuating foreign exchange rates, innumerable regulatory requirements and sluggish processing speeds, and these issues can lead to slower payments and greater uncertainty during an already complex undertaking. Many international businesses headquartered in the U.S. and the United Kingdom are therefore implementing cross-border innovations to help streamline the process, with spend management and expense controls topping their priority lists. Thirty-seven percent of U.S. businesses that transact across borders plan to adopt more spend management and expense control innovations over the next three years, and the figure is as high as 38 percent among businesses generating \$100 million to \$500 million in annual sales.

Deep Dive

WHY NOW IS THE TIME FOR SMBs TO OVERCOME OUTDATED SPEND MANAGEMENT PRACTICES

Tracking the inflow and outflow of cash may be a business fundamental, but the process has nevertheless frustrated financial professionals for years. Companies have historically used several systems to submit, approve, track and pay for their expenses. The lack of overarching systems for compiling and communicating this information has resulted in a sea of spend management silos that have made it almost impossible for businesses to figure out how much money they owe in any given moment.

This may finally be about to change, however. Organizations of all sectors and sizes are determining which digital innovations they need to future-proof their businesses as the pandemic abates. This is presenting an unprecedented chance for them to refurbish their legacy operations, and modernizing their spend management practices is often one of their top priorities. This month's Deep Dive examines the shortcomings of spend management silos and details how the pandemic has created a new, marketwide initiative to adopt digital tools that can help companies overcome them.

The longstanding silo problem

Manual processes have long been the standard in B2B payments and corporate spend management. Many companies have typically

required employees to fill out and submit paper forms and checks so that they could retroactively approve business-related expenses. Transactions with business partners have likewise been loaded with manual workflows involving paper invoices and checks. Keeping tabs on the multitude of forms and files is difficult as it is, but the fact that they are easily lost, misfiled or filled out incorrectly can make manual workflows even more challenging and costly. One-third of businesses still manage their expenses in this manner, so it stands to reason that roughly the same portion of financial decision-makers say they cannot quantify the real cost of processing a single expense claim.

Digitizing these paper-based processes can help rein in these methods' inefficiencies. Using computers and algorithms to track these types of claims, invoices and other forms can reduce the risk of human error, address the cumbersome nature of filing manually and provide real-time insight into cash flow status. Many businesses understand these benefits and are planning to invest in digital AP innovation. Thirty-nine percent of firms are expected to adopt virtual cards in the next year, and 48 percent are currently in the process of automating their AP operations.

Even digitization may not be enough to solve the silo issue, however. Many businesses have already begun using digital solutions to man-

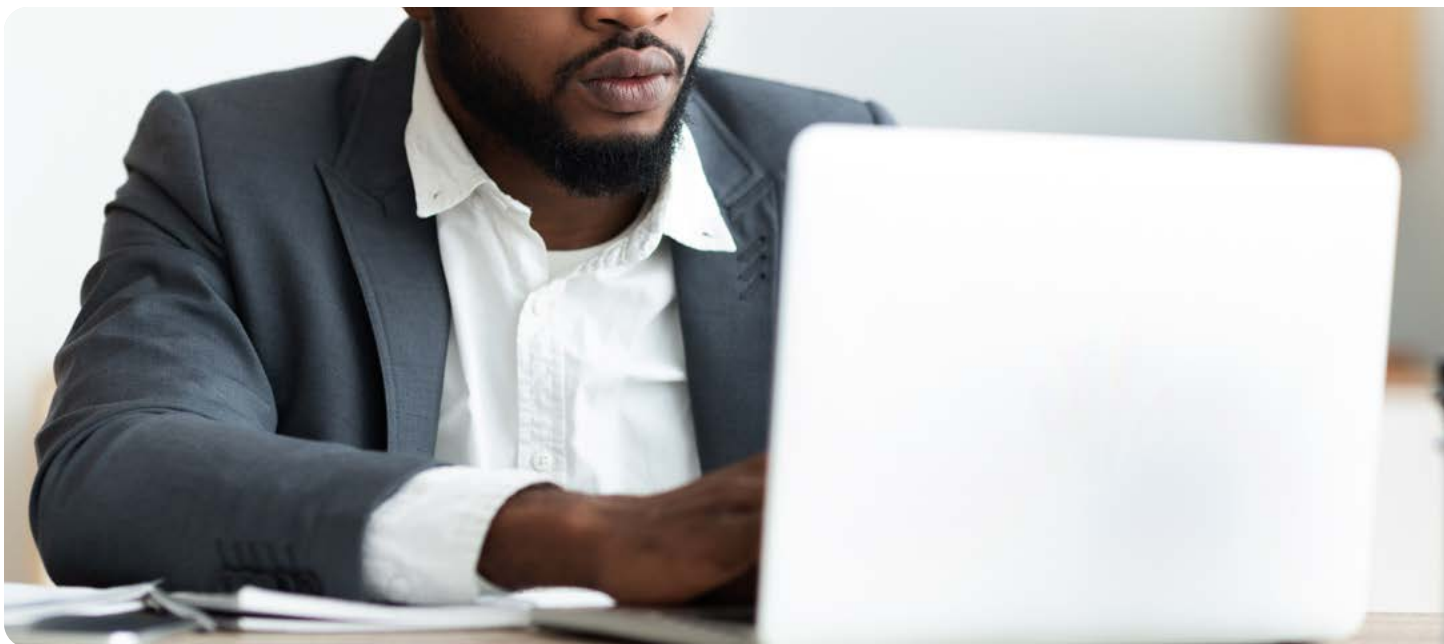
age their expenses to some extent. The more fundamental issue is that supplier payments, employee expenditures, payroll and other routine operating costs are often handled by different financial professionals in entirely separate departments. Each department may have its own internal operating standards for handling paper forms and checks as well as its own tools for managing payments digitally. This leaves them without access to an overarching system that can aggregate this data and present it in an easy-to-understand, actionable way.

Pre-pandemic challenge, post-pandemic opportunity

The pandemic heaped additional financial challenges upon an already inefficient and fragmented spend management ecosystem.

It triggered a wave of closures and capacity restrictions that sent businesses' revenues plummeting, and legacy spend management processes only exacerbated the cash flow shortages that followed. Even more difficult for many businesses to overcome was the transition to a hybrid or entirely remote workforce, rendering the expense systems they had in place unusable. There are few opportunities to hand physical forms to employees who are working from their homes.

An opportunity nevertheless emerged amid this chaos that persists even as the economy reopens: the chance to implement comprehensive, companywide integrated solutions that eliminate spend management silos. Two of the most common **inhibitors** to AP innovation prior to March 2020 were that AP





professionals had other priorities and that they considered their systems manageable, for all their flaws. Others included the beliefs that innovations were too expensive or that they often required additional changes. These excuses have been thrown out the window now that innovation is a necessity.

This new sink-or-swim attitude toward AP innovation is fueling a surge of interest in a wide range of AP and spend management tools. The global SaaS spend management solution industry now **totals** \$493 million and is on course to reach \$1 billion by 2027. The only question on financial professionals' minds is which solution would work best for their organizations.

The answer to this question may change depending on the professional or the company, but any solution chosen should be integrated, digital and usable across various departments and payment processes. Adopting such solutions could help organizations put an end to spend management silos once and for all.

About

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

airbase

Airbase provides a comprehensive spend management platform to small and mid-sized companies. It brings three products into one system: all-inclusive accounts payable automation, software-enabled corporate cards and simplified employee expense reimbursements. Airbase applies consistent and robust approval workflows across all products, automates accounting and provides real-time reporting for all nonpayroll spend, eliminating messy tech-stack and inefficient processes. Airbase empowers employees with an easy, uniform approach to spending company money, whether that involves corporate card spend, raising a purchase order or requesting reimbursement.

We are interested in your feedback on this report. If you have questions or comments, or if you would like to subscribe to this report, please email us at feedback@pymnts.com.

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