CAXTON

2022 RESEARCH REPORT

Expenses in the spotlight

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Foreword

Finance, and particularly fintech, is in a period of accelerated change. As with all innovations, only some of these changes will have longevity. And more importantly, those innovations are not created in a vacuum. We've lived a real-time example of how innovation moves faster in times of crisis – usage of communications technology today, compared to 2020, looks very different.

Successful business will focus on how they can leverage these technological, financial and societal advances to create better services for clients, and employees.

When looking at the impact of innovation in payments, and particularly expense management, it's especially true that we can't look solely at technology or finance. Alongside payroll, it is one of the spaces where businesses and people undeniably come together, and we have opportunities to either create understanding, or risk deepening a divide.

The future of payments will reflect a joined up thinking between payments, HR, IT and employee wellbeing. The recent shift in mindset has meant that employees increasingly look to businesses to provide holistic support, in ways that have rarely happened before.

Workplace culture has become more collaborative, and quicker to change. And at the heart of it is the transactional relationship between employee and employer – how has this already changed, and which changes can we expect to see in the near future?

It is not only employee relations that have changed significantly throughout the past two years. Businesses who have survived the pandemic have largely done so by having a transformational approach to the work that they do. And once you adopt an agile mindset, it is hard to give up. It can be somewhat addictive to understand that you can do more with less – and as we move into an upcoming recession, businesses are not likely to want to go back to their old ways.

The team at Caxton have created this report to outline how these changes impact businesses expense management solutions. Comparing to their previous report from 2019, the report will give you an updated view of the landscape. But more than that, will show you how to future proof your business by transforming the way you handle expenses.

Enjoy the read.

Aaran Fronda
Editor - The CFO

"It is not only employee relations that have changed significantly throughout the past two years. Businesses who have survived the pandemic have largely done so by having a transformational approach to the work that they do. And once you adopt an agile mindset, those transformations become part of business-as-usual."

Introduction

Transformational leadership is crucial – but how do we get there?

In our study of 158 financial leaders, over three quarters said they consider their leadership transformational. In fact, our respondents see having a transformational mindset is key not only to effective leadership, but also as a driver of business growth. The majority (84%) see the application of technology as being a fundamental to this growth and the relationship between our respondents and their colleagues, particularly a strong relationship with the CTO of the business is seen as key to success.

Businesses who had prioritised the relationship between their CFO and CTO were more likely to have identified one significant hidden blocker to business transformation – too much time spent on manual processes no longer fit for purpose. After accurately identifying the drag effect this was likely to have on the business and its employees, these businesses were more likely to have prioritised implementing automated systems that allowed employees to spend their time more efficiently.

Automation of daily tasks therefore becomes a foundational piece to business growth as it removes a significant blocker to creating lasting transformation. Businesses are now making headway to remove the manual systems and processes to enhance employee experience and satisfaction. Financial technology is making a consumer of the employee and back-room manual processes such as expense management and payroll are being superseded by automation and better user experience, arguably enabling more rapid growth and increased employee satisfaction. The importance of these impacts and their associated ripple effects is something that businesses cannot afford to ignore.

This research gives the full picture, highlighting which factors negatively impact business transformation, and how effective leaders collaborate with their team to mitigate these factors.

Jane-Emma Peerless
Director of People

CAXTON

Exec Summary

We surveyed 158 CFOs and financial controllers in companies of over 50 employees, and with an annual FX spend of over £500k. We asked questions about their expense management as well as their wider view on how business has moved on since our last report in 2019. We also compared these results to our 2019 survey to understand how the landscape has been impacted by the pandemic and how businesses are moving on from this. What we found was that expense management continues to be something that businesses need support on. Those who have not yet moved to automated expense management are falling sharply behind.
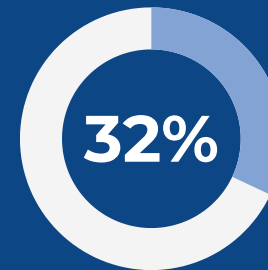
£705
Businesses are spending on average 22 hours and over £705 chasing incomplete forms per month
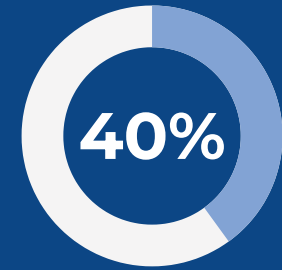
8hrs
If you're still processing paper receipts you could save over 8 hours every month by switching to an automated platform
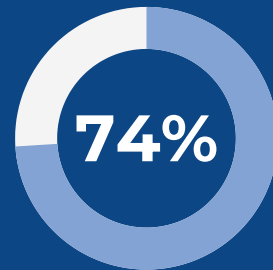
70%
Have already adopted an automated process for expense management

32%
Of employees are asked by their company to stump up their own cash - taking up to 21 days to be reimbursed
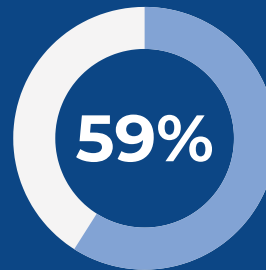
40%
Nearly 40% of UK companies operate without a proper expense policy

74%
Of finance leaders say colleagues have misused company money in the last 12 months

1 in 5
Nearly 1 in 5 (18.75%) using manual reconciliation think their process needs to change

59%
Only 59% of large companies have made the jump to an automated process

3 x
Those using loadable corporate cards were 3 x less likely to say their business expense management took up too much of the finance teams time

2 x
Business that use loadable corporate cards were twice as likely to be able to reconcile a fully completed expense form in under 5 minutes, compared to average

IN THE SPOTLIGHT

Corporate expense landscape

Where are UK businesses spending?

The spend landscape has changed dramatically since 2019

The dual forces of Brexit and the pandemic have led to an uncertainty that is only now beginning to ease – and with an upcoming recession expected, this is more likely to be temporary breathing room. Many businesses have had to pivot and adjust or completely change their business model, leading to a rise in domestic spend.

While spend in Europe is down – likely due to European trade being negatively impacted by Brexit – there is a clear rise in spend in both Africa and Asia. This may be an indication that emerging markets are in fact maturing, and that any residual post-Covid reluctance to trade in Asia may not have materialised.

This may be the first signs that emerging markets are likely to be given greater priority by UK businesses. What is clear is that businesses are looking outwards and keen to increase international spend once again, post a lull in international trade.

North America
24%

The UK
94%

Europe
46%

Africa
7%

Asia
12%

How companies plan their expenses

Perhaps unsurprisingly, expense budgets have tightened considerably since 2019.

When businesses have to carefully gauge ROI on any spend, this is reflected in the amounts our respondents have earmarked for expenses. From an average of nearly £230k in 2019, the average expected spend has dropped significantly.

Those using automated expenses expect a higher level of control over spend have a slightly higher budget allowance. In these businesses the average budget was circa £76k, against circa £69k in businesses using manual expense management.

This also highlights the importance of supplementing a well-used automated expense management system with an expense policy that is used appropriately throughout the business. This helps employees understand their responsibilities, and enables finance teams to more quickly uncover any accidental or intentional misuse of funds – which is undesirable even under a generous budget, but catastrophic when budgets are tight.

In 2022, UK businesses set aside £75k on average for employee expenses although down from 2019 it still represents a significant business cost

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Average company expense budget 2019 vs 2022

£229.45k

£75.59k

2019   2022
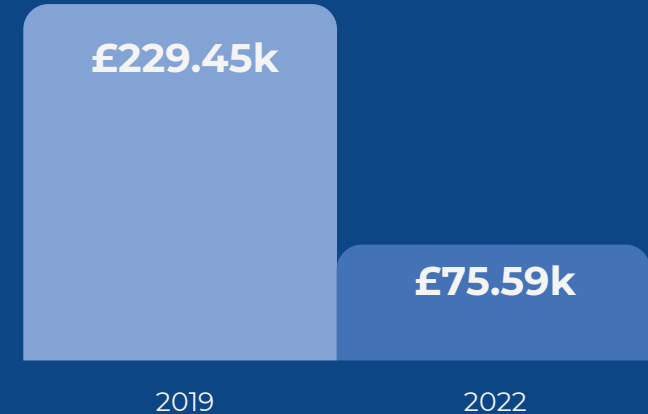
Average company expense budget in 2022

£76.64k

£69.90k

With an automated platform

With manual expenses
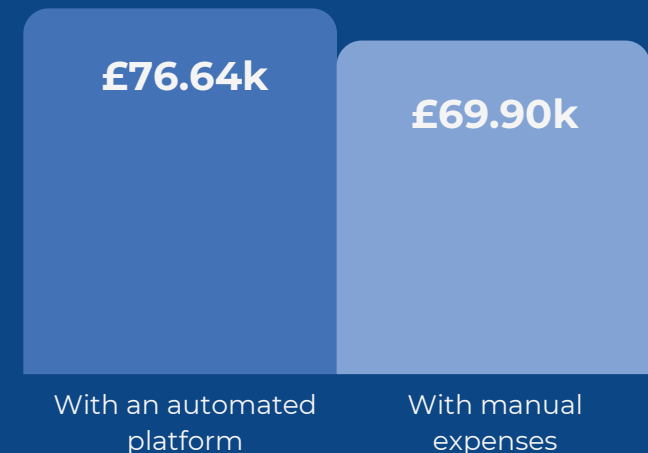
Read More

Eight considerations for a successful expense management policy

CAXTION.IO/BUSINESS

# Are business expense policies fit for purpose?

Is it enough to just have an expense policy? Our respondents don't think so.

An expense policy which isn't fit for purpose makes life harder for finance teams who then have to make off-the-cuff judgement calls on expenses which should be covered in a policy.

Of businesses who still use manual expense management, 70% either don't have an expense policy, or feel that their current policy is not fit for purpose. It may be that it is unclear who should have a card, what the limits are, and what items employees may and may not spend on. A good expense policy is an agile document which is updated as needed, and has buy in from employees, finance teams and CFOs alike.

42%
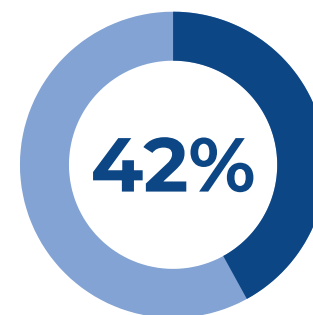
say their expense policy needs updating

28%
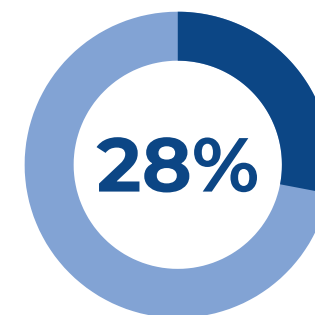
say they do not have an expenses policy

How are employees affected?

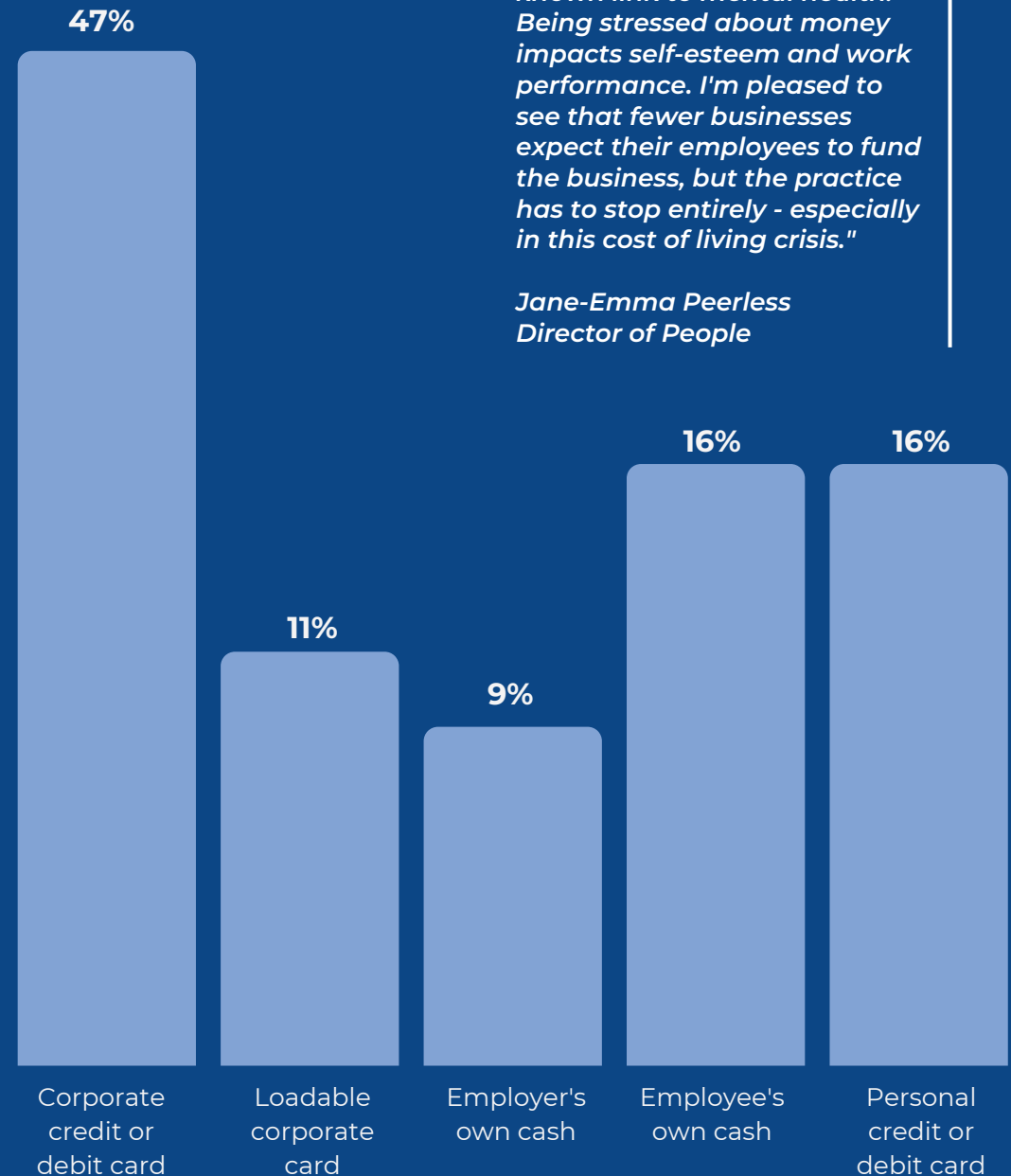## 1 in 3 employees spend their own cash on the business

One important aspect which has emerged more clearly in our updated survey, is the importance of ensuring that employees do not have to spend their own money to support business activities. This is one of the key factors in employee satisfaction, and transformational leaders understand that they must move away from this practice.

Though the practice still exists, it is less common than it was only 3 years ago. In 2019, 46% of employees were expected to spend their own money, while only 32% are required to do so today.

Those who do spend their own money can expect to wait to be reimbursed, and the trend of manual reconciliation adding to this time holds true in this aspect also. Employees in businesses who still use manual systems can expect to wait an average of 21 days to receive their money back, versus 18 days in businesses who have implemented an automated system.

"Financial worries have a well-known link to mental health. Being stressed about money impacts self-esteem and work performance. I'm pleased to see that fewer businesses expect their employees to fund the business, but the practice has to stop entirely - especially in this cost of living crisis."

Jane-Emma Peerless
Director of People

Corporate credit or debit card	Loadable corporate card	Employer's own cash	Employee's own cash	Personal credit or debit card
47%	11%	9%	16%	16%

What do transformational businesses have in common?

70% of leaders who use manual expense management still consider themselves transformational

It is clear that most leaders would like to consider themselves transformational, and have a clear impact on the business. In fact, 70% of leaders in businesses who use manual expense management still consider themselves transformational, even though they may not have the tools to effect change in this area.

So what makes a leader truly able to implement transformation across their business? One key aspect is yet again a relationship – this time, between the CFO and the CTO. Using technology effectively is a key indicator of business transformation, but it is not enough to simply "use technology" without a strategy. A strong working relationship between the CFO and the CTO led to a more targeted focus on technological transformation in 54% of cases.

These leaders were able to more quickly implement changes in the business, allowing them more opportunity to further improve efficiencies.

"Just applying digital to existing processes will provide limited transformation. Now more than ever business leaders must work collaboratively together to shift the business model and create new capability. "

Ahmed Dekmak
Chief Technology Officer

75% >>> of CFOs consider themselves a transformational leader

84% >>> say their business have a focus on using technology for greater efficiency

54% >>> of finance teams who do use automated reconciliation have a CTO in place guiding technology

Faster, more efficient, easier for all

The case still stands – finance teams still find expense management frustrating
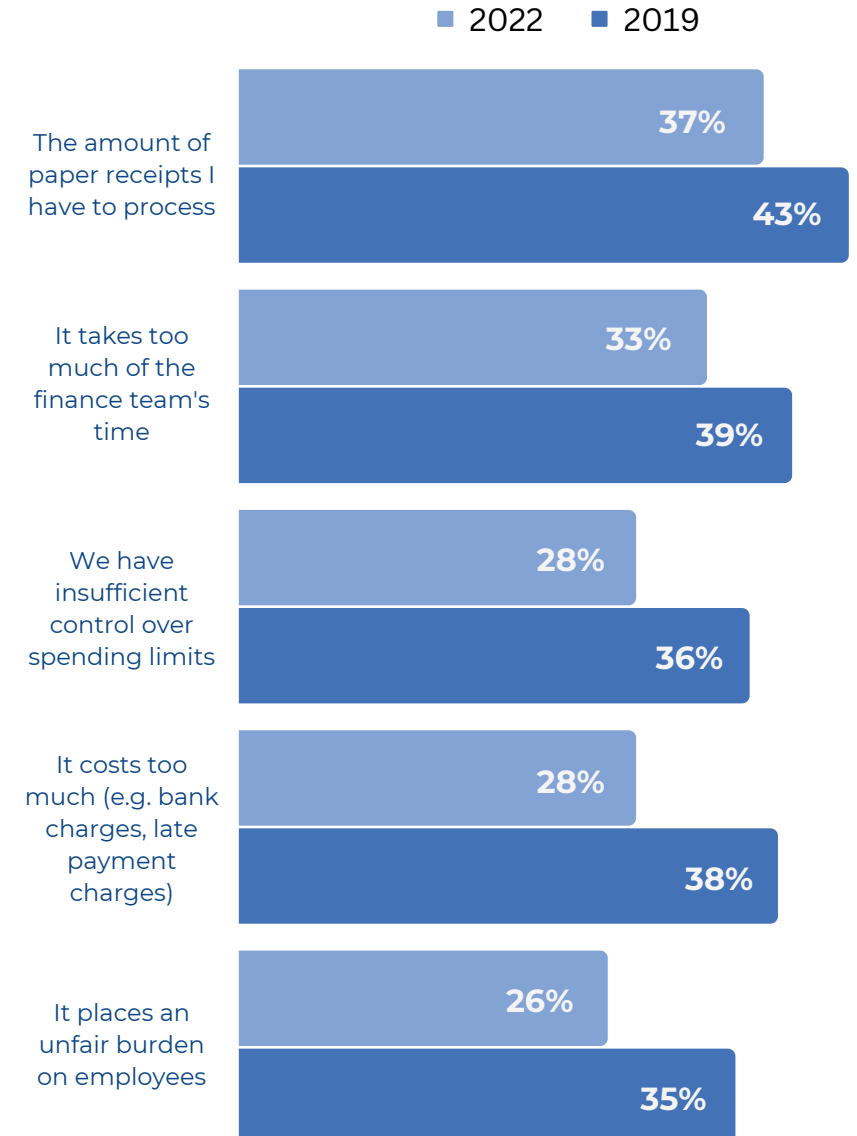
Time spent reconciling receipts manually has risen to 61 minutes in the past two years

With automation on the rise, we expected to see less time being spent on processing receipts than ever before. However, compared to 2019, the amount of time being spent reconciling receipts manually has **risen from 50 to 61 minutes.**

Though this may seem counterintuitive, it is likely a sign that businesses are using hybrid systems which do not fully rely on automated receipts. There may also be instances where an automated system is poorly embedded, or poorly connected to the existing expense policy, leading to confusion which directly impacts the time spent on receipts.

There is also a risk that businesses with under-resourced teams may not fully understand the importance of all the pieces working together. Finance teams without a clear expense policy may spend more time making judgement calls that are not supported in any policy, and therefore using their time less efficiently. By using automated systems, providing employees with loadable company cards, and ensuring their expense policy is up to date, businesses can streamline their expense management process.

What do you find frustrating about your company's expense management process

Legend: ■ 2022 ■ 2019

Category	2022	2019
The amount of paper receipts I have to process	37%	43%
It takes too much of the finance team's time	33%	39%
We have insufficient control over spending limits	28%	36%
It costs too much (e.g. bank charges, late payment charges)	28%	38%
It places an unfair burden on employees	26%	35%

Manual reconciliation wastes everyone's time

False economies likely at play in businesses using manual expense management

It's clear – the cost of manual reconciliation is up. Not only does client facing staff have to spend unnecessary time completing forms rather than speaking to clients, but they're also more likely to make mistakes when completing those forms.

In companies with manual expense management, nearly half of expense management forms were incomplete, requiring further follow up from the finance team. This dropped sharply to just 39% in the case of those using automated expense management.

There may be a false economy at play for companies deciding not to use an automated system, as the initial cost of onboarding the software may be a barrier. However, when using manual expense management, the time spent by client facing staff and the finance team alike adds up, and businesses spend more in hidden costs. The business also risks staff getting frustrated with the process, leading to lower employee retention over time.

Vs

Manual reconciliation | **Automated process**

47%
47% of expense forms are incomplete

39%
39% of expense forms are incomplete

61 MINUTES to reconcile each form

56 MINUTES to reconcile each form

4 days = £1,136 per month

3 days = £852 per month

£284 saving per month

Transformational leaders know they need to work smarter, not harder

Automated systems enable real-time visibility of spend

One key benefit of using an automated system with company cards is the real-time visibility of spend it affords the CFO. This helps ensure greater compliance, and prevent fraudulent activity.

CFOs in 74% of businesses have experienced continuous misuse of company funds, either accidental or intentional. Some of this may be due to unclear policies or a lack of communication around which expenses are allowable within the business.

One key indicator of control over spend was using an automated system, with 34% of CFOs strongly agreeing that they had full control of spend, compared to 23% of those using manual reconciliation. But the real difference was in providing employees with loadable corporate cards, with 20% more CFOs agreeing that the real-time visibility this afforded them made a crucial difference and allowed them to spend their time creating real transformation in their teams.

It is not only employee relations that have changed. Businesses that survived the pandemic have largely done so by having a transformational approach to what they do. Once you adopt an agile mindset, those transformations become part of business as usual.

74% >>> Of businesses have experienced continuous misuse of company funds either accidental or intentional

34% >>> Of CFOs using an automated expense system strongly agree they have full control of company spend vs 23% using manual

85% >>> Of CFOs believe the real-time visibility afforded by using loadable corporate cards allows them to make real transformation in their teams

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The results are in – transformational leaders collaborate

Transformational leaders have more in common than you think.

1 ➤➤➤ Have a focus on technology to improve efficiency. One thing that's important to our transformational leaders is not implementing something just for the sake of making a change. They research and are careful to implement the changes they find to have the greatest potential impact.

2 ➤➤➤ Work well with a CTO. In teams where collaboration is prized, leaders work together in their field of expertise and combine experiences to understand how their area of responsibility can best support the wider business.

3 ➤➤➤ More likely to have automated expense management. Transformational leaders look for easy wins to ensure the majority of their time can be spent solving the toughest questions.

4 ➤➤➤ Don't ask employees to use their own money. Transformational leaders understand that their team want to do a good job, and that they need to be well supported in this. They ensure the business supports employees and allows them to do the work they excel at, rather than spending valuable time chasing reimbursement.

62% >>> Those who had automated expenses were more likely to agree that employees thought their expense management process was fit for purpose

We're in an employee market – and we're not going back

The job market has seen a rapid shift from 2019 to 2022 as a result of the pandemic

Employees largely have a different mindset due to the different working conditions they have experienced throughout the pandemic. Though some employers expect a return to similar working patterns as before, experts disagree.

While we can expect the job market to tip slightly towards an employer market during the recession, it is likely that a majority of the workforce will expect greater flexibility and clearer benefits from their employers. This is largely a generational thing, with young people entering the market solidifying these changes.

Those who consider their leadership to be transformational are more likely to embrace these changes, and look for the next step in that transformation. In the case of expense management, these are the leaders who are also more likely to use loadable company cards to ensure employees aren't asked to use their own money for business expenses – which, as we know, has a great impact on employee satisfaction.

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Reference - Workplace trends: Corecom's predictions for 2023

The future of expense management

The focus is the benefit to the end user

Will Open Banking bring us into the next era of expense management?

The buzzword in expense management is automation. But there is one thing that we all just quietly accept that we can't automate – assigning a receipt to our spend. Even in the most sophisticated automated expense management system, we can't get away from having to take a photo of our receipt to associate it to our spend.

I particularly didn't like it when I went abroad not too long ago and had to convert the totals myself. This is, of course, because the card rails – like Visa and Mastercard – cannot, at the moment, associate the receipt to the total. And it's something that we just accept – but why? There's no good reason why this shouldn't be possible, in situations where it will benefit the end user.

The benefit to the end user is, of course, the crucial part of that statement. As payment systems become more sophisticated, there is a balance between maintaining citizens' privacy, and operating a safe, effective and legal service. And that balance is the crucial part – how much privacy are we willing to give up in order to receive more streamlined services?

Part of the answer may be in Open Banking. This service combines important privacy features with the ability to more easily share information between institutions, in a way that clearly benefits the user. And because this is all done while maintaining the user's privacy, it is the first solution that could feasibly be used to bring us into the next era of expense management.

Rupert Lee-Browne
Founder and CEO of Caxton

"As payment systems become more sophisticated, there is a balance between maintaining citizens' privacy, and operating a safe, effective and legal service."

Rupert Lee-Browne
Founder and
Chief Executive Officer

Next level in simplified expense management is a present reality for transformational CFOs

Loadable corporate cards – the next level in simplifying expense management

With automated systems, businesses save time, money and allows for a greater overview of business finances. However, using an automated system without using loadable corporate cards may give businesses a false sense of security.

Employees using an automated system may still feel that they're loaning money to their employers, if they are asked to use their own money. And with corporate credit cards connected directly to the business' bank account, the risks associated to misuse of funds increases exponentially.

Combining IT, HR and finance in a holistic system is key to ensure you're reaping all the benefits that automation affords you. Transformation is not a one-and-done. Truly transformational leaders take the time to ensure that the latest development is well embedded and working as intended, and then move on to the next challenge.

You have the opportunity to further improve the experience of your finance team and employees – and not while using your employees as a cheap line of credit.

4.5 >>> businesses that use loadable cards took 4.5 minutes less time than average to rectify incomplete forms

None >>> No CFOs who use loadable cards disagreed that they have complete control over what employees buy and how much they spend

12% >>> of businesses using loadable cards said that expenses took up too much of the finance team's time, vs 33% of other forms of payment

Caxton

Shaping the future of payments

Caxton's API-driven platform delivers the global payment needs of businesses and individuals alike, across a range of sectors. Underpinned by 20 years of experience helping UK SMEs. We help businesses of all sizes make high-volume payments easily – so that everyone is paid on time, every time. Today hundreds of thousands of people trust Caxton to deliver their financial transactions – both domestically and internationally.

The Caxton Expense Management Solution was born from customers telling us there was a need for better visibility and control over expenses. The automated 'point and snap' expenses app combined with loadable corporate cards represents an evolution in budget and expense management. Working closely with our clients we continue to evolve the product to meet their changing needs.

Helping clients combine their payment needs, we work with businesses to find tailor-made solutions to their business needs, including expense management, FX, bulk payments, international supplier payments and more.