

## **A Future Role for Travel Management**

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### **The Starting Point**

The rising cost of business travel puts pressures on companies to find new approaches to managing and controlling these costs. US companies now spend over \$155B a year on business travel, a significant portion of all discretionary spending. In response, travel management has focused on containing major trip costs – airfare, hotels, and car rental. The approach taken by most corporate travel management programs is to standardize travel, negotiate bulk purchase agreements with travel providers, and then coax or require business travelers to make use of those agreements.

While controlling costs is obviously important, the critical question for shareholders is not what a company spends on travel, but what it gets in return. A low cost trip that provides little or no value to the company is certainly no bargain. A last minute and expensive trip is a good management decision to the degree that there is a reasonable expectation for high value results.

Despite the magnitude of travel expenditures and the importance of the expected benefits, most companies cannot answer a simple, basic question: **What is the value received from our expenditures on travel?** We are confident that most senior executives agree that it is important to manage to high value rather than least cost. However, the tools

available today are insufficient for developing high value and companies are left with managing trip costs.

### **The Future**

We think finding approaches to help companies achieve high travel value is an important opportunity for travel managers. It expands their role beyond travel procurement to a strategic role that helps companies achieve business goals. Travel managers can create a corporate resource center of knowledge and tools that assists line managers to optimize their use of travel resources.

**The real question is not how much the company saves on its travel, but rather how much benefit it receives in return.**

Business travel is only one tool for managing relationships with the essential constituencies within and outside the company. Other tools, such as telephone contact and teleconferencing, overnight delivery of letters and documents, electronic mail, and videoconferencing, combine with physical travel to keep the rapid pulse of business relationships active and productive. These communications tools go hand in hand with travel, and serve as preludes, follow ups, and in some case, substitutes for travel. Because of the unique strengths of face-to-face

interaction, physical travel is likely to remain the most important tool for maintaining relationships. But there are circumstances where electronic travel substitutes can actually be more effective. The challenge is to be able to recognize these circumstances and allocate resources accordingly.

**Action Plan:**

- 1. Assess Travel Value**
- 2. Analyze Travel Database**
- 3. Create New Tools**

Line managers face a complex undertaking in trying to improve systematically the mixture of travel and other available interaction tools to maintain and enhance business relationships. This is where a larger vision for travel management applies. Line managers will need research support, information systems, and consulting expertise to help them apply their resources effectively. Under what circumstances does physical travel result in the highest return to the company? What are the critical elements of that travel? When is it appropriate and effective to use videoconferencing, email and other technology-enabled interaction to reduce travel requirements? How can technology be used to ensure that when travel is undertaken, it has a higher probability of returning high value to the company?

Shifting to a value-based approach redefines business travel from simply a cost of doing business that needs to be controlled to an ongoing investment from which the return needs to be maximized. To accomplish this, companies need to understand better why their employees are traveling, the patterns of that travel, and the expected and actual results of those trips. They need to understand the current state of communications research that will

help line managers match appropriate travel or electronic technologies with particular business circumstances and needs. Armed with these data, companies can compare their interaction patterns to leaders within their industry and begin to formulate new strategies to help line managers apply a value approach to their travel decisions. Line managers with profit-center or cost-center responsibility must rightly make the specific travel decisions. But as with any reengineering process, it is the company's responsibility to arm managers with the data, knowledge, and tools to make good travel decisions. The most logical staff to assume this important new role are travel managers.

### **An Action Plan**

So how does a travel manager start this process within his or her company?

We recommend three steps:

#### **Step One: Travel Value Assessment**

The first step is to conduct a Travel Value Assessment (TVA) to benchmark where your company stands in the travel value equation. TVA provides an assessment of the travel data now tracked by the company, and identifies new data the company needs to start tracking to apply the principles of a value-based travel program. TVA takes an in-depth look at one or two selected divisions or operating units over a two to four month period to describe current travel profiles, and to identify opportunities to increase the value-to-cost ratio in travel expenditures. The resulting recommendations give companies a path to increase the value they receive from business travel even while controlling costs.

Most companies will find that they are collecting only a portion of the travel data that are needed to implement value-based

travel management. They know a great deal about the characteristics of the travel arrangements and the trip itself – average trip length, high traffic city pairs, use of discount air fares, compliance with negotiated agreements with travel providers and more. But travel management today knows very little about why people are traveling and the expected and actual outcomes of that travel. Putting a system in place to track these data is a first step for many companies. The resulting travel database provides the foundation for a new set of travel programs and strategies.

Of course, not all trips are easily evaluated on their benefit to the company. Calling on key customers to maintain and enhance their relationship with the company is extremely important, and several calls on prospects are often required before closing a sale. These trips are difficult to assess on the specific benefit they return to the company. They can only be assessed within the context of an approach that looks at many trips over time and that ferrets out potentially subtle characteristics of trip timing, pre-trip preparation, and post-trip follow up. A huge step in the right direction is simply articulating the purpose of a trip before leaving and honestly reporting after the trip the degree to which those purposes were met and unexpected opportunities were exploited.

In this process of learning about travel effectiveness, staff should not play the role of big brother to either travelers or line managers. Rather the intent is to build up a body of corporate knowledge embedded in decision making processes that make the most of travel resources.

### **Step Two: Analysis**

The second step, analysis of the new travel database, looks specifically to develop a

greater understanding of how travel contributes to the success of key business processes and functions – sales, customer service, product installation and maintenance, marketing and others. Comparisons of travel in these functions between divisions or subsidiaries in the same company will be particularly valuable. We view travel value analysis as a natural companion to other reengineering initiatives. We also believe that focusing in on the most frequently seen clusters of business trip purposes is a useful priority.

**Line managers need support to help them apply their resources effectively.**

Analysis also needs to focus on a determination of the particular measurable and manageable characteristics of business trips that correlate expected and actual business value. A well-managed travel process includes an increasingly sophisticated system for classifying purposes and other characteristics of travel. Not all trips are the same, and the elements that are critical to successful outcomes vary. Customizing trip requirements to match trip purposes and expected outcomes helps result in high travel value. This approach is in direct contrast to most existing travel programs that treat all trips pretty much the same.

Trip characteristics include a wide range of travel related aspects, not simply limited to describing the physical travel itself. Pertinent characteristics could include the stimulus for the planned travel and the flexibility of timing or destination, the extent of pre-defined activities at the destination, timing issues, number of travelers and who they are, whether it is a new contact or a continuation of an

existing relationship, and the expected follow up. Best practices companies will work to determine how these trip characteristics and requirements vary by travel circumstances and then empower line managers to use this knowledge to maximize value.

**By focusing on relationship management, travel managers can shift from controlling cost to enhancing value.**

In one company, an analysis of their travel revealed that for one set of their geographically-dispersed key accounts, there would be considerable benefit in persuading and compensating their customers to come to the company, rather than sending teams of the company's own people to visit the customers.

In another firm, a spate of travel triggered by a limited-time bargain air fare between the headquarters city and a branch office revealed the high value of more frequent face-to-face interaction between the headquarters personnel, and staff and key customers at the branch location.

### **Step Three: New Tools**

Eventually, the data collection and analysis components of travel value assessment research lead directly to an exciting third step, creation of firm-specific tools to help line and senior decision makers manage travel resources for results. An important element is a management process for travel that is tied to planning and budgeting as well as operations and evaluation.

Since business travel is most often focused on managing relationships with key constituencies, one potentially valuable new tool is relationship budgeting. This

technique calls for identifying and valuing all the components of the personal and organizational relationships that a company maintains. Instead of managing an isolated travel budget, line managers have the flexibility to allocate relationship resources across the spectrum of available techniques, including travel, meetings, and telecommunications. Savings from using videoconferencing to move prospects through a sales process can go towards business travel to close the deal.

Relationship budgeting goes hand in hand with relationship management. The emerging electronic corporate booking systems provide an easy and efficient way to collect and track travel value data. Using these systems, managers can easily review pre and post trip reports from their travelers on the expected and actual results of the travel.

### **The Role of Travel Management**

Using the three steps outlined here – assessment, analysis, and creation of new tools – travel managers can help their companies develop a competitive edge in the global economy through a strategic travel management process. Focusing on continuous improvement of value from travel with a complementing focus on travel cost control enables the company to increase the value it receives from its travel expenditures.

An even broader focus on relationship management enables travel managers to leverage their experience and knowledge to help line managers integrate their use of a broad range of travel and communications tools to achieve maximum value. By doing so, the travel manager shifts from a purchasing cost control role to a strategic role that helps companies grow and achieve business goals.

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