



WAKEFIELD

**As Aerospace, Defense, &
Government Contractors Seek
Spend Transparency, Technology
Upgrades Will Be Key**

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SAP Concur

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Introduction



Like many regulated industries, leaders in U.S. aerospace, defense, and government contracting are looking to improve policy and regulatory compliance while better managing their cash flow and spending in the year ahead. With many currently relying on internal systems that lack the transparency and reporting capabilities they need, leaders in these organizations are considering making key investments to upgrade their travel and expense (T&E) and accounts payable (AP) solutions to modern systems that can provide the data and insights they require.

Indeed, two-thirds of government contractors (67%) indicate their company is likely to consider new or updated Software as a Service (SaaS) or technology solutions for travel or expense in the coming year, while more than half (51%) are eyeing investments in their invoicing solutions and 38% are likely to consider upgrading their AP solutions. The goals for these investments are clear. With new T&E solutions in place, government contractors would look to obtain the insightful data and reporting they need to better manage their spend (45%) while also automating tasks to reduce administrative burden (38%). They'd likewise look to upgrade AP solutions to obtain more insightful data and reporting (40%) as well as to automate payment request verification (37%).

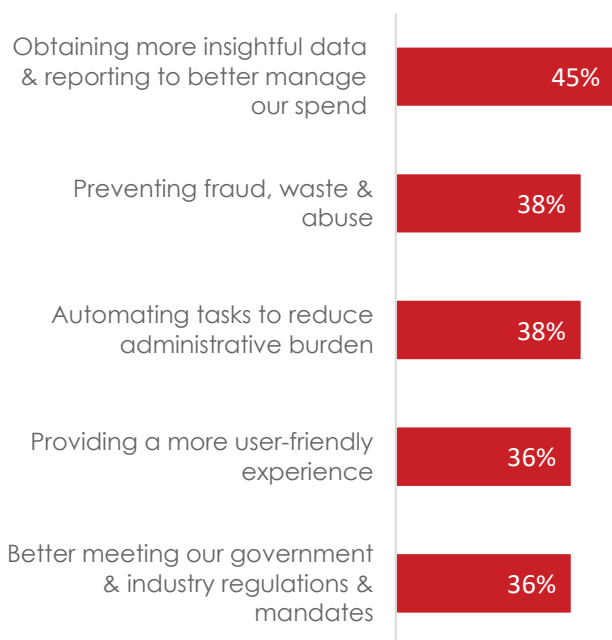
Investments in these solutions won't just help with the problems of today though. With modern, cloud-based solutions, government contractors could enable their staff to enjoy greater efficiency with automated processes and a more user-friendly experience while also setting their organizations up for future success with solutions that have the flexibility to adapt as security and sustainability requirements, as well as their business needs, change over time.

To dig deeper into these issues on behalf of SAP Concur, Wakefield Research surveyed 100 decision-makers for T&E and AP solutions at U.S. aerospace, defense, and government contracting organizations with 500 or more employees.

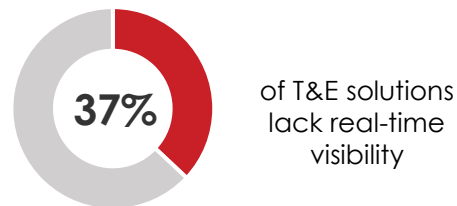
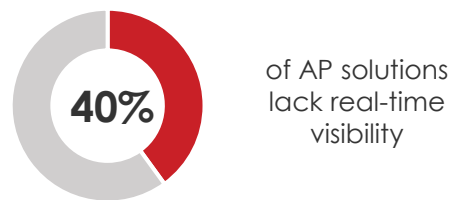
Enhanced Oversight

Maintaining oversight is vital to the success of any organization, yet many contracting organizations don't have an accurate view of cash flow with the internal systems on which they currently rely. Greater visibility would allow government contractors to better track cash inflows and outflows, enabling them to mitigate the potential impact from risks such as delayed payments, cost overruns, and unexpected expenses. **Understandably, close to half of decision-makers (45%) view obtaining more insightful data and reporting to better manage their spending as a top goal of upgrading their T&E solution.** Likewise, 40% cite obtaining more insightful data and reporting as a top goal should they upgrade their AP solution.

Top Goals of Upgrading T&E Solutions



Current AP and T&E Solutions Do Not Provide Real-Time Visibility for Preventing Budgetary Overruns and Fraud



Despite the importance of data and visibility to their effectiveness in spend management, many companies have not adopted new technologies and are jeopardizing their ability to be competitive in their rapidly changing environment. **A surprising 40% admit their organization is currently relying on an AP solution that does not provide real-time visibility for preventing budgetary overruns and errors, and 37% report the same of their T&E solution.** Concerningly, just 34% of leaders in this industry view real-time reporting and analytics as a must-have feature for their T&E solution. Even when the data is available, making use of it can be difficult for the 34% of organizations using a T&E system that lacks the intuitive data reporting capabilities necessary for making sense of the data.

Another common goal for upgrading T&E solutions is preventing resource-draining errors and noncompliance, something that 38% would look to achieve. Efforts to reduce these issues should include getting a handle on one of the most unpredictable areas of concern – expense reports. Submitting, verifying, and settling expense reports is often time-consuming and can be a frustrating process for all stakeholders. With government contractors auditing 22% of expense reports, on average, before issuing payment, finding ways to make this process more streamlined would yield increased productivity. Nearly a third (32%) view spend compliance as a must-have T&E feature to aid in achieving this goal.



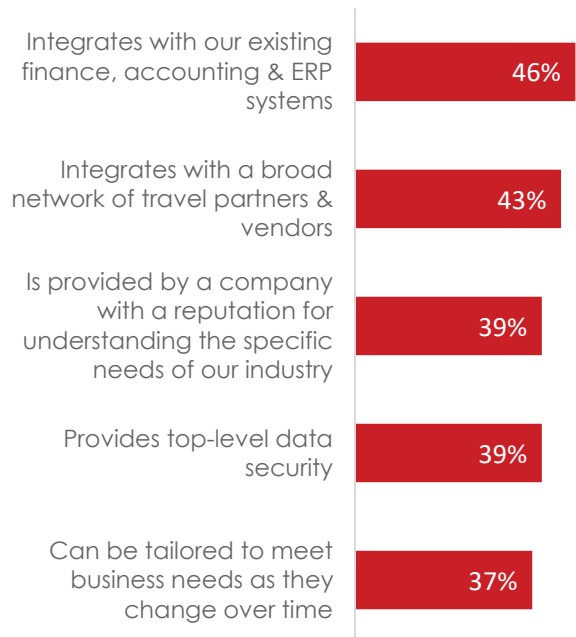
2 in 5 government contractors would seek more insightful data and reporting with AP upgrades

Government contractors looking to improve their bottom line can start with their AP process. Effective management of AP results in greater control of costs, increases compliance, and promotes better decision-making. On a more fundamental level, paying vendors on time can go a long way toward maintaining positive relationships, and sterling reputation is priceless in the world of contracting. **Currently, 2 in 5 government contractors (40%) use an AP solution that doesn't provide real-time visibility, while 36% don't have intuitive data reporting functionality.** This is likely what is driving 40% to aim for more insightful data and reporting in an upgraded AP solution.

Improved reporting and insights will require improved integration internally for more seamless navigation and increased workflow efficiency. **Close to half of government contractors (46%) require a T&E solution that integrates with their existing finance, accounting, and ERP systems** – a requirement that will aid in providing the desired increase in oversight. With nearly a third (31%) using a T&E solution that does not connect to their internal business systems and 27% using an AP solution that is similarly limited, improvements in this area could provide the boost organizations need to get their internal house in order.

In addition to integrating with their current systems, government contractors recognize the importance of having a system that can adapt as needs change. **Nearly 2 in 5 leaders in this industry (37%) require a T&E solution that can be tailored to meet their business needs as they change over time, which for 30% will require upgrading their T&E solution.**

Required Benefits in a T&E Solution



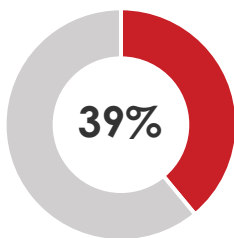


Spotlight: Ease of Use

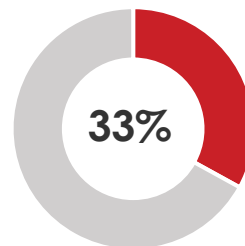
In this stress-filled era where employee burnout is a growing phenomenon, government contracting organizations may be able to provide some relief for their employees by simplifying their tools for booking travel and managing their expenses.

Nearly 2 in 5 (39%) indicate having a T&E solution that is user-friendly among employees of varying levels of digital skills is a requirement. In addition, nearly a third (32%) recognize their employees are hesitant to move away from the paper solutions they're used to for AP. Overcoming this hesitancy will require presenting employees with a functional, easy-to-use alternative. **To that end, a third (33%) will require a mobile app allowing employees to easily capture and submit expenses on the go for any new T&E solution their organization uses.** The reason for this is clear: more than a third (35%) admit their current T&E solution is difficult for employees to use, and 31% report the same of their AP solution. Other must-have features to improve the employee experience include guided in-app end user training (35%) and optical character recognition, OCR (33%).

Required Employee Benefits in a T&E Solution



Is user-friendly among employees of varying levels of digital skills

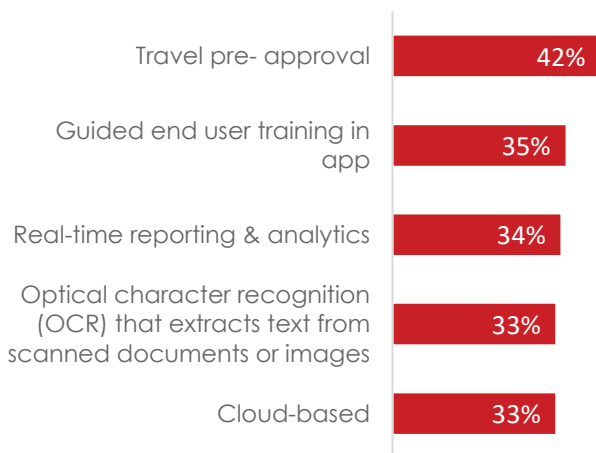


Has a mobile app allowing employees to easily capture and submit expenses on the go

Taming Travel

Government contractors are literally going the extra mile to maximize their opportunities to do business. With nearly a quarter of their organization's travel being international travel—23%, on average, while another 40% is domestic and just 37% is local, taming travel costs is top of mind for many leaders in the contracting industry. **Indeed, travel pre-approval is the most common T&E solution feature leaders in this industry require (42%)—outpacing other key features such as guided in-app end user training (35%), and real-time reporting and analytics (34%).**

Must-Have T&E Management Solution Features



One way many organizations are looking to better manage these costs is by having their employees charge their expenses directly to a travel management solution credit card, something that more than half of these decision-makers (51%) report their organization prefers for employee-initiated expenses, including travel.

Others prefer their employees charge expenses directly to a centralized payment method such as a corporate credit card (29%), virtual card (9%), or P-Card (4%), while just 30% prefer direct reimbursement for employees' personal credit cards.

Making this work, however, requires having a T&E solution that can easily integrate with a broad network of travel partners and vendors—something that 43% of leaders in this industry view as a T&E requirement. Similarly, credit card integrations are seen as a must-have feature by nearly a third (32%). Again, demonstrating the need to invest in critical T&E upgrades, 32% of government contractors do not receive integrations with their external partners such as credit cards or travel bookings from their current T&E solution.

While business functions are at the heart of travel solutions, they must also allow organizations to provide for their employees' well-being. **If they were looking to replace or update their T&E solution, more than a third of government contractors (36%) would make employee safety and well-being a priority by seeking enhanced duty of care capabilities.** For 34%, duty of care measures to ensure employee travel safety is one of the top benefits they require in a T&E solution.

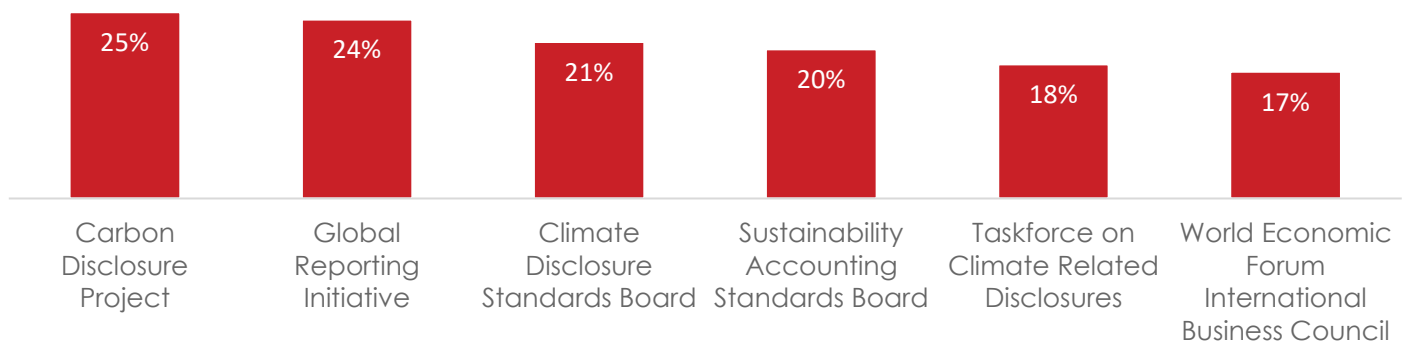


Spotlight: Sustainability Data Capture

Sustainable business strategies, which guide organizations to operate in a more environmentally responsible manner, continue to gain momentum. More than ever, organizations need data to demonstrate to stakeholders how they're making progress in their efforts to reach sustainability goals.

One of the most common requirements government contractors have for their T&E solution is capturing sustainability data needed for internal or external reporting (41%)—something that more than a quarter (28%) aren't getting with their current systems which do not support sustainability tracking or options for being more environmentally focused. This capability is vital as 97% of these organizations follow at least one set of sustainability guidelines like the Carbon Disclosure Project (25%), the Global Reporting Initiative (24%), the Climate Disclosure Standards Board (21%), or the Sustainability Accounting Standards Board (20%).

Sustainability Guidelines Followed



Automating with Cloud Solutions

Cloud-based AP automation is a game-changer, reducing manual processes and allowing collaboration across teams. Further, it enables visibility into the company's financial health and can unlock insights that may promote growth.

Government contractors cite automating payment request verification (37%) as one of the top goals for replacing AP solutions, with others similarly focused on lowering their processing time (34%), decreasing invoice exceptions (31%), and streamlining the approval process for purchases (30%).

Not only do manual processes increase the likelihood of producing inaccurate results, they are also an unnecessary drag on the time it takes to pay vendors. **With an average timeframe of 54 days to process and remit payment on vendor invoices, there is little doubt automating AP processes would be beneficial.** And unfortunately, manual processes for invoicing are quite common in the marketplace. As 71% of government contractors use an AP solution that requires a manual process for data entry and/or scanning of paper invoices, 30% are using a T&E solution that requires manual data entry.



54 Days

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Routine tasks such as inputting data are tedious and time-consuming, and they can take a toll on administrative staff. Freed from these tasks, employees would be able to focus on other priorities more essential to achieving strategic company goals. **Nearly 2 in 5 government contractors (38%) would look to reduce the burden on administrative staff by automating tasks as a top goal in replacing or updating their T&E solution.** Indeed, nearly a third (31%) view automated internal compliance checks for non-compliant charges as a T&E solution requirement, likely in support of achieving T&E system upgrade goals such as providing quicker reimbursement for expenses (33%) or cutting costs (33%).

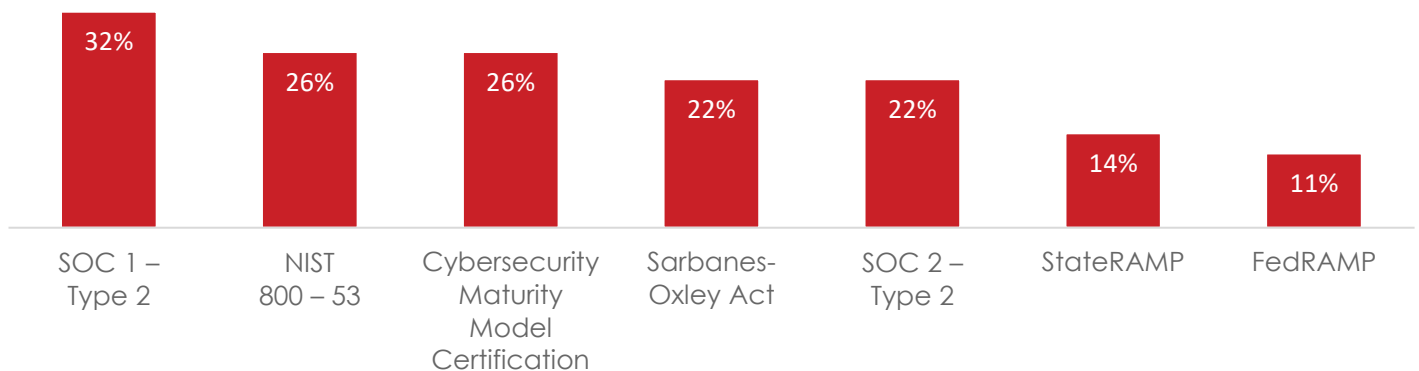
As business needs and internal and external regulations change over time, so must business solutions. However, it's troubling that a significant number of government contractors are saddled with solutions that don't provide the critical agility and integration needed. **More than 2 in 5 government contractors (41%) report their current AP solution cannot be customized to fit business needs.** The need for customization is not limited to AP solutions, though. More than a third (37%) view it as a requirement for their T&E solution to have the ability to be tailored to meet evolving regulations and business needs as they change over time, yet 30% report their current T&E solution cannot be customized for this.



Spotlight: Minimizing Cybersecurity Risks

Cyberattacks, whether internal or external, are inevitable in today's business environment. In operating such data-rich programs in the Public Sector, government contractors have a responsibility to minimize their vulnerability. Nearly 2 in 5 (39%) require top-level data security in a T&E solution. But their current solutions aren't holding up: **29% admit their T&E solution doesn't meet their regulatory requirements**—a concerning realization for an industry where 99% cite security mandates and regulations their T&E solution must comply with, either currently or in the next 1-2 years. Indeed, 36% of government contractors cite better meeting their government and industry regulations and mandates as a top goal in replacing or updating their T&E solution, while nearly as many (34%) cite making regulatory compliance less burdensome. Complicating the situation, mandates can vary from one organization to another. **The most common are SOC 1–Type 2 (32%), NIST 800–53 (26%), Cybersecurity Maturity Model Certification (26%), Sarbanes-Oxley Act (22%), and SOC 2–Type 2 (22%).**

Security Mandates and Regulations T&E Solutions Need to Comply With



Conclusion

As leaders in aerospace, defense, and government contracting consider ways to obtain the data visibility and reporting capabilities their organizations require, investments in their travel, expense, and accounts payable solutions are an important step forward. But, given the complexities of organizations that support government agencies, not just any solution will suffice. Finding solutions that meet the breadth of their regulatory and organizational needs will require working with a partner who understands their unique challenges and goals. Indeed, nearly 2 in 5 government contracting leaders (39%) cite having a company with a reputation for understanding the specific needs of their industry among their top 5 requirements in a T&E solution.

Providing internal and external integrations, particularly with the travel organizations with which they interact, will be key. It will also be necessary to ensure solutions can automate and streamline their processes while remaining user-friendly enough to gain employee buy-in and user adoption. For the more than 1 in 3 who prioritize modernizing to a cloud-based solution among their top goals for upgrading their AP solution (34%) and 28% who prioritize this for their T&E solution, increased automation is essential.

As government contractors consider their investment priorities, moving toward an integrated, secure, cloud-based solution can provide their organizations with the data and insights they need today as well as the flexibility to meet the evolving business needs ahead.

Methodological Notes

The SAP Concur Survey was conducted by Wakefield Research among 500 Concur customers and prospects in the US, with 100 respondents in each of the following sectors: State and local governments/agencies (not including federal government), Higher Education and Federally Funded Research and Development Centers, Aerospace, Defense and Government Contractors (EE Size: 500+ EEs), Healthcare (providers only – not payer, life sciences, pharma, etc.), and Utilities and energy (not natural resources gas/coal), between September 12th and October 2nd, 2023, using an email invitation and an online survey.

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. For the interviews conducted in this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 9.8 percentage points in each of the audience segments from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.



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Thank You

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