

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION AND BACKGROUND

Business travel is an important part of the tourism industry. Tourism involves people taking trips away from home and embraces the entire range of transportation, lodging, food service and other services relating to the traveller. The officially accepted United Nations World Tourism Organisation (UNWTO) definition is: "Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes" (McIntosh, Goeldner & Ritchie, 1995:11). According to McIntosh *et al.* (1995:16) travel involves the actions and activities of people taking trips to a place or places outside their home communities for any purpose except daily commuting to and from work.

It is evident that people travel for different purposes. McIntosh *et al.* (1995:14) divide the main reasons for travelling into four categories: pleasure, visiting friends and relatives, other personal matters and business. As Davidson (1994) points out, the attributes of business versus leisure travel vary according to who buys the ticket, who determines the destination, when the trip occurs, the planning horizon and who travels. The focus of this study will be on travel for business purposes. Business travel involves professionals travelling to a destination on business. It covers those who travel in order to attend to business matters in countries or areas other than the physical location of their organisation. According to Davidson and Cope (2003), business travel comprises all trips the purpose of which is linked with the traveller's employment or business interests. These trips may be needed in order to facilitate the actual work being performed; to enable the employee to learn how to do his/her job more effectively; or they may be given by the employer as a reward for a job well done. South African Tourism (2008:26) concurs with the above authors but makes a distinction between business travel and business tourism. They describe business travel as a trip which is undertaken with the purpose of conducting commercial or formal transactions, or activities that are related to the traveller's job – for

example, visiting a client, signing deals or negotiating a contract. On the other hand, business tourism is described as a trip which is undertaken with the purpose of attending a conference, meeting, exhibition, event, or as part of an incentive.

Those travelling for business purposes need a range of services, including accommodation – from hotels and guesthouses to bed-and-breakfasts – transport, such as taxis, rented cars and airlines to transport business travellers to and from as well as within their destinations; and other services such as restaurants and bars which often depend for their economic survival upon their business clientele's expense accounts (Davidson & Cope, 2003).

The economic size and value of the business travel market is not easily measured. Barometers generally used to predict growth trends in business travel include global, regional and domestic economic indicators, air travel demand and business traveller surveys. Nonetheless, the International Trade Centre estimates that business travel accounts for approximately nine per cent of all international travel (Intracen, n.d). According to the UNWTO (2007:3), business travel in 2006 accounted for 16 per cent of all international tourist arrivals. The World Travel and Tourism Council (WTTC) estimates global business travel was a \$672.5 billion industry in 2006 and expects this figure to increase to \$1190.3 billion by 2016. PhoCusWright (2006:13) divides the business travel market into two sections: corporate travel and leisure/unmanaged business travel. It estimates that European corporate travel was an \$88.2 billion industry in 2005, representing one third of the total travel market. The leisure/unmanaged business segment dominates the European travel market, with gross bookings of \$174.4 billion in 2005. In South Africa, no distinction is made between corporate and unmanaged business travel and it is difficult to provide an accurate assessment of the value and size of the business travel market. According to Palapies (2001), approximately 40 per cent of the total South African travel market is business related. Gavin Stevens (2007:3), CEO of Tourvest Retail Travel, says that this figure could even be as high as 55 per cent. He also surmises that the current market size of corporate travel in South Africa is between R20 and 25 billion. According to the 2003 Annual South African Tourism Report, 34 per cent of tourism arrivals into South Africa were business related. Furthermore, South Africans made 3,066532 business trips in their own country (South African Tourism, 2004:100). Statistics South Africa reports that of the overseas travellers visiting SA during 2003, 88 696 (4,6 %)

reported that they were on business trips. Similarly, of the travellers from mainland Africa visiting SA during 2003, 193 367 (4,3 %) reported that they were on business trips. Conversely, South African residents travelled within mainland Africa more for business than for holidays (62,4 % as opposed to 35,9 %) but they travelled overseas more for holidays than for business (66,7 % as opposed to 29,7 %) (Statistics South Africa, 2005:7). A survey conducted by Research Surveys, one of South Africa's largest consumer market research companies, indicates that South Africa is one of the most attractive business locations in the world. The study, which considered the perceptions of more than 36 000 people, across 40 countries, showed that the country rated amongst the top 10 per cent in the world in terms of its reputation as a business location (South African Tourism, n.d.).

As mentioned above, business travel can be divided into two segments: the first can be termed 'unmanaged business travel' and is normally undertaken by employees of small and medium business enterprises with a relatively small travel budget; and the second segment can be termed 'managed' or corporate travel which is generally undertaken by employees of organisations with a substantial travel budget requiring management and control (Lubbe, 2000:197). It is true that all corporate travel can be regarded as business travel, but not all business travel can be regarded as corporate travel. The focus of this study is on the 'managed' or corporate travel segment.

Travel accounts for the second largest portion of a company's expenditure (Ravenall, 2000; Noakes, 2002:14; Collis in Mason, 2002:49) and corporate travel expenditure for large organisations in South Africa can range from R5 million to R300 million per annum (Lubbe, 2003). An organisation that has such a substantial travel budget needs to manage its travel expenditure in order to achieve all the possible benefits, the most important of which relate to cost savings. The high cost of business travel today is forcing organisations to find new ways to reduce travel expenses. One method of doing this is to decrease the amount of travel. This may well reduce expenses, but will often have a negative impact on a company's ability to service, sell or maintain a presence with their customer base. Therefore, this may become a self-defeating initiative. Egan (2002) suggests that the solution lies in proper planning and management of the travel budget, combined with a solid travel policy. Travel management gives a company the ability to control its travel expenses. The establishment of a corporate travel policy provides guidelines to control travel expenses related to the use of airlines, hotels, rental cars, and even meetings,

corporate training and any other operation that involves travel (Jenkins, 1993). According to Ravenall (2000), a regularly updated and enforceable travel policy can reduce overall travel and entertainment expenditure by between 20 and 30 per cent. Thus, the corporate travel policy is a method used by organisations to manage and control their travel expenditure, and organisations should question whether they are using this tool effectively.

Bell and Morey (1997:61) suggest that more research should be done on the issue of policy compliance. In a research study on corporate travel management in selected South African organisations, Lubbe (2003) also identified the need for further investigation into the extent to which corporate travellers comply with the travel policy. An organisation can negotiate agreements with a specific supplier, but not be able to deliver the business volume promised because the policy compliance rate is low. An individual traveller may have personal preferences for a particular supplier and find ways to thwart the more narrowly defined choice that is desired by the organisation.

The overall purpose of this study is to identify those factors that influence travel policy compliance and those that create a business environment conducive to optimum travel policy compliance. The study highlights organisational objectives in the formulation of a travel policy. A measurement instrument to assess the propensity of corporate traveller compliance is designed, and a model for policy compliance is proposed. This model should highlight those factors that must be included in the corporate travel policy that will lead to optimum compliance within an organisation.

1.2 PROBLEM IDENTIFICATION

Most of the research done in the corporate travel industry can be classified as ‘popular’ research conducted by research consultancy firms and often creates a biased view of the industry. Scientifically based research has been done in the area of corporate travel by only a few academics such as Mason (1999; 2000; 2001; 2002; 2006; 2007), Bell and Morey (1995; 1997) and Gilbert and Morris (1995). In South Africa, scientifically based research in the corporate travel industry is even scarcer, with Douglas and Lubbe (2006; 2009) being amongst the few to focus on this area. Researchers have emphasised the need for more research to be done on corporate travel policy. Bell and Morey (1997:61)

suggest that there should be a fuller investigation of issues surrounding policy compliance. In a research study on corporate travel management in selected South African organisations, Lubbe (2003) also identifies a need for more specific research into the extent to which corporate travellers comply with travel policy.

The corporate travel function within most companies is open to exploitation. To the researcher's knowledge, the only research conducted on how corporate travel is misused and exploited for the traveller's personal gain, was based on frequent flyer programmes and their ethical implications (Deane, 1988; Lansing & Goldman, 1996; Arnesen, Fleenor & Toh, 1997). The 2005 American Express Survey of International Business Traveller Expense Practices reveals that many respondents believe that the falsification of charges submitted for repayment on expense reports is common. The restaurant category was quoted as the most-abused travel and entertainment (T&E) expense (American Express, 2005). In a study done on corporate travel in South Africa, travel managers were of the opinion that corporate travellers deliberately infringe the travel policy, while only a fifth of organisations surveyed, reported that travellers comply with the travel policy all the time (Lubbe, 2003). A global survey by flight schedule publisher OAG Worldwide showed that, on average, employees breach corporate travel policy on one trip in six (Cohen, 2000). Yermack (2005:17) reported that 35.2% of chief executive officers (CEOs) of 237 companies listed in the 2002 *Fortune 500* ranking of largest U.S. companies made use of the company aircraft for personal travel. Solutions Group, the consultancy wing of Carlson Wagonlit Travel, audited 67 companies and found that only one had more than 60 per cent of travellers booking accommodation within the framework of company policy. A survey of business travellers revealed that just over one-quarter (27 per cent) admitted to having broken policy in the last 12 months. This figure may be judged suspiciously low when one considers that 61 per cent also said policy was frequently breached in their organisation (Supply Management, 2004). Corporate travellers who misuse corporate travel for personal gain can cost a company an enormous sum of money. According to Hullett (2005), many studies have estimated the compliance cost at about \$3 million a year for companies, while expense reimbursements account for 22 per cent of all corporate fraud incidents and cost companies, on average, \$92,000. There is clearly sufficient opportunity to identify and improve auditing processes that can result in greater cost control, savings and productivity for organisations (Hullett, 2005).

Authors have different opinions as to why corporate travellers violate the travel policy. Soren Schodt, Danish Travel Pool (DTP) managing director, is of the opinion that the most common cause of avoidance is a poorly written policy. Many policies are written with too many grey areas: if the traveller can dispute that the policy is wrong, then compliance can be difficult to enforce (Cohen, 2000). Companies also fail to communicate universally to employees. An American Express survey in the US found that travellers did not understand their company travel policy, and only 43 per cent actually had access to it. This problem can be easily rectified today by distributing the policy via the company intranet, especially as this medium permits details to be updated frequently (American Express 2002). The survey done by Lubbe (2003) in South Africa reported that organisations agreed that last-minute bookings are the main reason for non-compliance, followed by the unknowing infringement of the policy and the use of personal loyalty cards. Others believe that inconvenient schedules are the greatest cause of non-compliance (Gross, 1996). The OAG survey (Cohen, 2000) supports this view, with seven out of ten travellers claiming that this was why they contravened policy regulations. These problems point to a corporate travel policy that does not meet the needs and demands of the organisation's corporate travellers, which means that the travel policy cannot achieve its main purpose: to reduce the organisation's travel expenses.

Along with these practical reasons, there are also several psychological explanations for policy non-compliance or avoidance. Some travellers break the rules by flying business class because they find it demeaning to sit in economy. A small number of travellers may also break the rules simply to be wayward. The travel policy is an ideal opportunity to express rebelliousness through relatively trivial transgressions of company rules (Cohen, 2000). Gordon, Wiles and Wiles (n.d.) go further by saying that policy compliance depends on the ethical values held by an individual. In a research study conducted on ethical considerations in frequent-flyer programmes, Deane (1988:755) concluded that frequent flyer programmes pose significant ethical dilemmas, with employees and employers generally choosing to ignore such dilemmas.

Organisations need to find a way to enforce corporate travel policy compliance. Discouraging noncompliant traveller behaviour is a major concern for all travel programmes regardless of size, expenditure or sophistication. While senior management-imposed mandates are often considered to be more draconian than absolutely needed,

they appear to have come back into fashion. Non-repayment of expenses incurred by virtue of policy infringements seems once again to have gained importance in the corporate travel industry. Beyond realising cost savings, companies that encourage compliance with a strong, enforceable policy may see the benefits in terms of demonstrating their capacity to move market share, thereby gaining negotiating leverage with suppliers, helping travellers to save time and effort in carrying out their work for the company, and maintaining the appropriate levels of comfort and security during travel (Kirshner, 2005).

Travel managers and consultants are of the opinion that including employees in travel policy-making is crucial to ensuring maximum compliance (Gross, 1996). Tactics such as involving a wide range of employees, making travel policies available online and enlisting senior management in introducing a new policy can help to increase conformance. Making sure that workers follow travel guidelines is essential, since most businesses sign contracts with preferred suppliers who guarantee a minimum level of traffic. When employees do not adhere to the company's policy, they may undermine negotiated discounts and bring utilisation below the level at which the company will continue to enjoy those discounts (Gross, 1996). However, Gross (1996) agrees with Kirshner (2005) by saying that corporations do have a great deal of leverage in terms of getting employees to comply: they can simply refuse to reimburse them.

Many travel managers and consultants agree that making policies more traveller-friendly helps to increase acceptance. This includes allowing employees to keep frequent-flyer miles, not forcing them to take the lowest rates, and sometimes allowing more expensive direct flights (Gross, 1996). Thus, the corporate travel policy should take both employee needs and the company's bottom line into account. A documented, accessible travel policy can guide employees to stay within predictable and realistic parameters. Organisations need to have a formal documented policy in place to manage and control travel expenditure. For the travel policy to achieve its main purpose, corporate travellers need to comply with the policy but, given the problems highlighted, it seems that, currently, value conflicts exist between management and travellers due to cost containment actions versus traveller comfort and "self-esteem", as well as with monitoring policy compliance (Gilbert & Morris, 1995:20). It appears that a discrepancy exists between an organisation's approach

and its corporate travellers' approach to the content of the corporate travel policy. This discrepancy adds to the dilemma of managing the travel account.

It can be assumed that corporate travellers will comply with the travel policy if their travel needs are satisfied by the policy. According to Ravenall (2002), a 5 per cent increase in policy compliance relates to a 10 per cent reduction in travel costs. Thus, as compliance with the travel policy increases, travel expenditure will decrease. The answer to this dilemma lies in identifying all the different factors that could possibly lead to non-compliance and in creating a business environment that not only satisfies the needs of corporate travellers, but also encourages and promotes optimum work performance, while creating an equitable relationship between employer and employee.

In summary, the problems highlighted in this discussion relate to the possible inability of organisations to accurately assess reasons for non-compliance with the corporate travel policy and the lack of an effective management tool to monitor policy compliance.

1.3 OBJECTIVES

The main purpose of this study is to design a measurement instrument that can accurately identify factors that lead to non-compliance and, from this, to propose a model for effective corporate travel policy compliance. This model could then assist organisations in developing a corporate travel policy for their organisation that will encourage and increase compliance, based on the precise assessment of the needs of the travellers and the objectives of the organisation as reflected in the corporate travel management programme. To some extent, this research should also overcome the lack of scientific research in the area of corporate travel management and particularly policy non-compliance.

In order to achieve the purpose of the research study, the following research objectives have been formulated:

1. to determine organisations' objectives in the formulation of the travel policy
2. to identify factors that influence travel policy compliance
3. to design a measurement instrument to assess the propensity for corporate traveller policy compliance within an organisation

4. to develop a model for travel policy compliance
5. to propose a travel policy framework that includes all the essential elements for optimal travel policy compliance

The approach and research process to be followed in order to accomplish these objectives is explained in the next section.

1.4 APPROACH/METHODOLOGY

1.4.1 The Research Process

A graphical representation of the complete research process is provided in figure 1.1. The figure shows the flow of the process from the initial objectives of the study, the concept of travel policy non-compliance, to the ultimate output – the model for policy compliance. Figure 1.1 commences with the research objectives as derived from the overall purpose of the study. Certain research objectives (1 and 2) are achieved through a literature review and qualitative study. This guides the design of the measurement instrument (research objective 3). From the results of the data analysis, objectives 4 and 5 are attained.

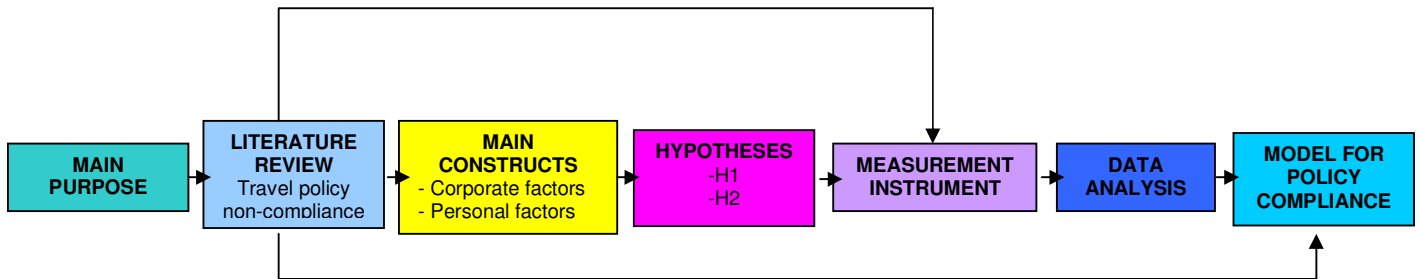
Figure 1.1 indicates that two main constructs affecting compliance are derived from the literature review – namely, corporate-related and personal-related factors. Two hypotheses are formulated from these two constructs:

H₁: Personal-related factors influence corporate travel policy compliance.

H₂: Corporate-related factors influence corporate travel policy compliance.

To test these hypotheses, a measurement instrument is devised. Items to be used in the instrument are generated from the literature review, as well as by means of a qualitative research methodology – namely, the Delphi technique. The measurement instrument consists of a quantitative questionnaire to be sent out to corporate travellers. From the results of the questionnaire, a model for compliance is developed.

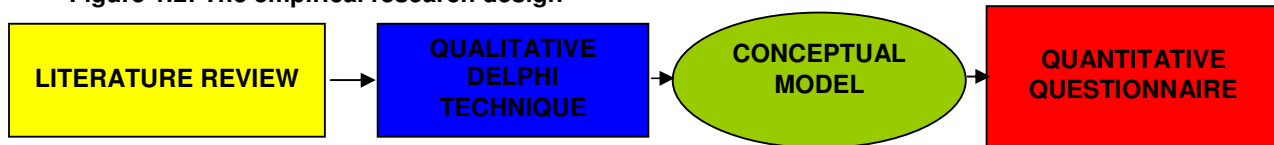
Figure 1.1: Non-compliance research process



1.4.2 The Empirical Research

The empirical research design begins with the factors that influence policy compliance as identified in the literature survey. Further factors that could lead to possible non-compliance are identified through a qualitative research method namely the Delphi technique. From this, a conceptual model is developed through which the measurement instrument (a quantitative questionnaire) is derived. The empirical process is illustrated in figure 1.2.

Figure 1.2: The empirical research design



The consideration of the research methodology takes into account that both qualitative and quantitative research is required to meet the research objectives and to test the hypotheses. The type of information required from corporate travel managers and Travel Management Companies (TMCs) can only be obtained using qualitative research techniques. While measuring the objectives of the corporate travel policy and establishing a travel policy framework, it is not the number of responses that matter, but rather the detail and richness of the responses. By using qualitative techniques, the researcher not only investigates the actions of the managers in setting travel policies, but also tries to find out how the respondents represent their feelings and thoughts in these actions. Consequently, qualitative techniques are better implemented under conditions such as those where the richness of information is important. Another factor that leads to the use of

qualitative research techniques is that there are only a limited number of expert travel managers involved in the corporate travel market in South Africa. It is very difficult to achieve the objectives with a small sample of responses. Qualitative data allows for the interpretation of considered opinions, where the selection of the sample is related to the knowledge level of management: this means that a non-probability, purposive judgement sample must be used. On the other hand, the type of information (such as the percentage of non-compliance with the travel policy as well as the extent to which certain factors influence policy compliance) required from the corporate travellers can only be obtained using a quantitative research technique such as a questionnaire, which generates nominal, ordinal, ratio and interval data in order to test the hypotheses. Therefore, in order to solve the research problem satisfactorily, it is not only necessary to quantify some of the responses, but also to have an in-depth look into the corporate travel market.

The research design can be described as being explanatory, since stated hypotheses are tested which results in predictions for developing an optimal corporate travel policy. In brief, this research can be described as a formal, cross-sectional, communication study.

1.4.3 Sample

Qualitative exploratory research amongst purposively selected corporate travel managers and TMCs is conducted to generate a list of items for the quantitative study which reflects the business environment in which corporate travel takes place and what the managers view as factors that might influence corporate traveller compliance. The Delphi technique is used to collect the qualitative data from the panel of experts. The Delphi is a group facilitation technique that seeks to obtain agreement on the opinions of 'experts' through a series of structured questionnaires. Corporate travel managers and TMCs are purposively selected from the corporate travel industry in general, based on specific criteria such as their particular field of expertise and knowledge of the industry, as well as their positions in the company. The data derived from the qualitative study, together with the factors identified in the literature survey, form the foundation of the measurement instrument for the quantitative study which takes the form of a questionnaire. The quantitative, statistical study is conducted amongst corporate travellers in selected South African companies. The selection of the companies is based on three main criteria: size of the company and number of corporate travellers, corporate travel expenditure per annum and whether

corporate travel is managed as a centralised function within the company. To ensure the validity of the items generated, a pilot study is performed among a group of corporate travellers to verify readability and correctness of the constructs and variables. Once the measurement instrument has been finalised, a web-based survey is conducted amongst the corporate travellers of each company. The respondents are guaranteed anonymity and confidentiality. Issues related to web-based questionnaire bias are carefully considered, and appropriate techniques applied to preclude the possibility of such bias.

1.4.4 Data analysis and results

For the data gathered from the qualitative study, a content analysis technique is used to ensure an objective and systematic description of the manifest content of the communication from corporate travel experts. This allows for the generation of the items required to describe the factors that influence the compliance of corporate travellers.

Since the questionnaire is web-based, the descriptive data can be captured electronically at the same time that respondents complete the questionnaire. The data should generate a large number of variables on the determinants of corporate traveller compliance and those factors conducive to a business environment in which corporate travellers can function and perform optimally. Hypotheses-testing using analysis of variance techniques is conducted, and the results provide insight into those factors that could lead to non-compliance with the corporate travel policy, as well as the ideal business environment in which corporate travel should take place. Multinomial logistic regression modelling involving the stepwise forward method is used to test the conceptual model for policy compliance.

1.5 ACADEMIC SIGNIFICANCE/BENEFIT OF THE RESEARCH

Not only private companies have to contend with this issue of corporate travel management. In South Africa, proof exists that even public companies and government departments struggle to manage corporate travel effectively. In her research study, Lubbe (2003) reports a significant difference between public and private sector companies, where deliberate infringement of the travel policy occurred amongst a greater number of public

rather than private companies. Recent newspaper reports on mismanagement of corporate travel in government departments revealed that the government lost vast amounts of money because of fraudulent travel claims (Carter, 2006). Still further reports accused government officials of using state assets and funds to pay for personal holiday trips (Pelser, 2006). These reports reflect poorly on the South African government and show that the corporate travel management function is in desperate need of repair. This research study thus aims to aid private and public companies to better manage corporate travel. The first step taken in this process is to develop a measurement instrument to assess factors that could lead to travellers not complying with the travel policy. This measurement instrument not only determines factors that could lead to non-compliance amongst corporate travellers, but also identifies factors necessary to create a corporate travel environment that promotes an equitable relationship between a company and its corporate travellers.

In 2003, Lubbe conducted research on corporate travel management in South African organisations and identified the need for further investigation of this aspect. She also conceptualised a model for the effective management of corporate travel and stated the need for it to be tested. In 2005, Douglas further developed this conceptual corporate travel management model. The components of a generic corporate travel management programme were analysed and the values and objectives of each party in the corporate travel management process were identified. The study also found that value conflicts exist between the respective parties involved in the corporate travel management process and advocated that organisations in South Africa needed to manage their corporate travel programmes effectively (Douglas & Lubbe, 2006:1130). This research study aims to expand on the research conducted by Lubbe (2003) and Douglas (2005) by further developing a component of the model. To test the effectiveness of the entire corporate travel management model would not be feasible for this study. For this reason, the study will focus only on the travel policy as one of the components of the model.

Gilbert and Morris (1995) have undertaken research on the relative importance of hotels and airlines to business travellers and how this affects job satisfaction, while Douglas and Swart (2003) investigated the extent to which corporate travel policy meets the needs of corporate travellers at a particular company in South Africa. However, to the researcher's knowledge, no research has been conducted to develop a measurement instrument to

assess other factors that could lead to possible non-compliance with the travel policy. This measurement instrument not only serves the purpose of assessing corporate traveller satisfaction, but also investigates the abuse of corporate travel for personal gain and attempts to find ways to combat this exploitation by developing a corporate travel policy framework that will encourage and increase policy compliance. Furthermore, the study also examines the factors that lead to the establishment of an equitable relationship between a company and its corporate travellers, and how this relationship increases both corporate traveller gratification and policy compliance.

This study aims to make a significant contribution towards the limited academically based corporate travel literature, as well as augmenting the body of knowledge available on corporate travel by means of generating new information.

1.6 INDUSTRY FEASIBILITY AND IMPACT OF THE RESEARCH

This research study should assist organisations – private and public – to control travel expenses by developing an effective travel policy that encourages policy compliance. It can be assumed that corporate travellers will strive to comply with the travel policy if their companies take note of certain corporate- and personal-related factors when developing the travel policy.

Because the field of tourism is a relatively young academic discipline and there is such a lack of scientific research done in the field, this project should make a definite impact on the tourism industry. It is expected that this research will generate a number of articles in internationally accredited journals.

1.7 EXPOSITION OF CHAPTERS

In order to adequately cover the area being studied, it is necessary to explore all the concepts and issues related to corporate travel, the use of a corporate travel policy and the factors that could lead to possible non-compliance with the policy.

Corporate travel policy compliance is one of the contributing factors to an effective corporate travel management programme. This programme is part of the entire corporate travel industry and should be seen in the context of this industry and its various structures in order to fully understand its role. Chapter 2 provides an overview of the corporate travel industry and this serves as an introduction to the important concepts and terminology used in this study. Terms and concepts defined and described in this chapter are business travel, corporate travel, the corporate travel management model, the organisation and its corporate travellers. Since the corporate travel policy and compliance with its tenets is the focus of the study, this concept is also explored thoroughly in chapter 2. The theory relating to the corporate travel policy is explained. The development of an effective corporate travel policy, the layout of the corporate travel policy and types of travel policies are explored.

In chapter 3, travel policy non-compliance is reviewed. Particular attention is given to factors that could lead to non-compliance. These factors are categorised into personal- and corporate-related factors. An exposition of each is provided, as they form the main constructs for the empirical research. This section provides the theoretical foundation for the development of a conceptual model for policy compliance.

The theoretical foundations of chapters 2 to 3 provide the background for the planning of the empirical research. The research design is stated and substantiated in chapter 4. The choice of qualitative and quantitative research designs for attaining the research objectives is fully explained and motivated. The selection of the sample is discussed, and the choice of research instruments described. An important section presented in this chapter is the discussion surrounding the choice of evaluative methods for analysing the data.

In chapter 5, the interpretation of the results of the investigation is delineated.

Chapter 6 provides a model for policy compliance based on the results of the empirical research. Policy compliance is proposed by way of a corporate travel policy framework that takes both personal- and corporate-related factors into account.

1.8 CONCLUSION

Corporate travel forms an integral part of the tourism industry. Managing the corporate travel function is a complex task, because so many stakeholders are involved in the process. The fact that various stakeholders participate in the process can often lead to value conflicts between them because of differing and incompatible values. Value conflicts can occur between the organisation and its corporate travellers in the implementation of the corporate travel policy. The organisation expects its corporate travellers to comply with the travel policy: when this does not happen, the company cannot save money, its ultimate goal. The focus of this study is to explain this value conflict by identifying factors that could lead to possible non-compliance and ultimately to develop an optimal travel policy framework that not only encourages, but also increases, policy compliance.

In order to understand the context in which this study is conducted, the next chapter contains a discussion of the corporate travel industry, the organisation, the corporate traveller and the corporate travel policy. The travellers' behaviour is also discussed in terms of their needs and demands and how thwarting these could possibly lead to non-compliance with the corporate travel policy.

CHAPTER 2

AN OVERVIEW OF CORPORATE TRAVEL

2.1 INTRODUCTION

A number of factors can influence a corporate traveller's compliance with the company's corporate travel policy. The responsibility of setting and enforcing this policy lies within the corporate travel management function which is discussed in this chapter, with a brief overview being provided of some of the most important concepts in corporate travel.

Areas of concern in this study are the corporate travel policy, the organisation, the corporate traveller and compliance with the travel policy, as well as factors that might influence policy compliance. These areas are all interlinking parts of the broader concept of corporate travel. The purpose of the discussion is to provide an understanding of corporate travel and its management, and to identify those factors that influence the traveller either to comply with the corporate travel policy or not. The concepts and definitions of corporate travel and its related terms as used in this study are clarified by reviewing a variety of sources. This chapter selects and discusses those definitions, concepts and processes that form a sound theoretical foundation for this study and which provide a suitable framework for further discussion. To achieve this, a conceptual model for the corporate travel management process is introduced. The model will form the foundation for the remainder of the discussion in chapter 2. Some components of the model which do not form part of the primary focus of the study will merely be mentioned, while other aspects will be discussed in-depth.

2.2 CORPORATE TRAVEL MANAGEMENT

Business travel covers those who travel in order to attend to business matters in countries or areas other than the physical location of their organisation. The primary purposes of the business trip can include (1) attending an internal company meeting, (2) carrying out a sales and marketing trip, or (3) attending a conference or sales expo/show (Mason, 2006:95). In addition, Lubbe (2000:176) mentions two secondary motivations for business travel. The first can be regarded as embracing social or interpersonal motivators, which include the desire to meet new people, forge new associations or strengthen existing relationships. The second can be viewed as involving status or prestige motivators, which include the desire for recognition, attention, appreciation, knowledge and a good reputation. Mobility is key to an organisation's ability to effectively and immediately react to a growing competitive global environment, market expansions and extended management networks. Corporate travel therefore presents a critical support process to a company's core business. Yet, a company's travel programme is only of value when it is efficiently incorporated into its corporate strategy, consistently supported and continuously improved by the key decision-makers (DuntonTinnus, 2007).

A concise definition of corporate travel management is: The maximisation of travel services by a corporation to its employees and the minimisation of the cost of providing those services (Cohen, N.d.). Meyer (2002) explains corporate travel management as the means by which organisations exert guidance and discipline over the transportation, lodging, meals, entertainment and related expenditure incurred by their employees when travelling on behalf of the organisation. Travel management is a specialised business function that balances employee needs with corporate goals – financial and otherwise. Travel management ensures cost tracking and control, facilitates obedience to corporate travel policies, realises savings through negotiated discounts and serves as an important information centre for employees and managers (Goodwin & Marble, 2003). Voss and Schubert (2004) refer to travel management as the corporate function of managing the business travel activities of an organisation's employees. This includes the description of the guidelines and rules with which one needs to comply when travelling; in other words, the travel policy, assessment of appropriate suppliers and services for a particular travel need, the booking of flights, hotels and other travel services, as well as probable changes

and cancellations. Furthermore, it encompasses the scope of actions related to accounting and monitoring, as well as strategic sourcing negotiations and decisions.

Most industry leaders concur that a successful travel management programme consists of four core elements: the management of travel data and information, an effective travel expenditure management process, a contracted travel management company and a well formulated travel policy (Bunge, 2001; De Kruiff, 2002; Lubbe, 2002; Ravenall, 2001).

Travel data and information facilitate an understanding of the company's travel expenditure and provide a clear focus for company travel (De Kruiff, 2002). Bunge (2001) suggests that an organisation uses this information to negotiate discounts from suppliers, such as airlines and hotels, and to encourage corporate travellers to avail themselves of such discounts. Maintaining up to date data records also aids in increasing future savings, because reliable information about employees' travel habits is key to negotiating with airlines, hotels and car-rental companies (Irvine in Lewers, 2003).

For companies to capture travel data, a central system is required. One such payment system connected with the *travel expenditure management process* is where the organisation is issued with a business travel credit card from a corporate bank. At the end of each month, the bank sends the company one consolidated statement detailing all travel purchases made. The rewards of a centralised payment system lie in two areas – processing efficiency and financial management savings. With regard to the former, the company only needs to send one payment to its card issuer, instead of the vast number of reimbursement payments sent to individual cardholders to forward to the issuer. The financial management savings are derived from the flexibility the company has in sending the payment. The company has the ability to manage the float of funds and ensure prompt payments, eliminating or minimising fees for late payments and additional finance charges. This can result in considerable savings for the company. Additionally, employees' satisfaction increases because of the ease of central payment. Employees need only account for their own personal expenses and the company accepts responsibility for the remainder (MasterCard, 1998:16). The use of comprehensive and efficient payment methods ensures that a company can validate actual costs and gather supplier data (Wint & Avish, 2003:1).

Besides the technical function of reservations, *travel management companies* provide a 'complete solution' to organisations, which includes management information systems on travel patterns and expenditure; travel policy adherence; negotiating client-focused preferred supplier agreements; cost containment and budgeting (Lubbe, 2002; Alamdari, 2002; Alamdari & Mason, 2006).

The major purpose of the *travel policy* is to keep the cost of corporate travel within predictable and realistic parameters and to save the organisation money (Rothschild, 1988; Wint & Avish, 2003:1). It also serves a secondary purpose of allowing travellers to understand exactly what the limitations are in terms of choices and alternatives. The corporate travel manager has the responsibility to prepare the policy in writing, as well as distributing it to all corporate travellers (Lubbe, 2000:205). TMCs are also increasingly involved in becoming the mechanism by which travel policies are delivered.

Whilst each one of these elements is individually important, they need to be managed as part of an integrated management process. However, because of the complex and dynamic nature of travel, many companies are reluctant to do this. Ultimately, despite all the planning that may take place, travel and entertainment (T&E) expenses are incurred, not by purchasing professionals, but by travellers whose pre-eminent concerns are often their own comfort and convenience while on the road. This situation is complicated by the fact that frequent travellers invariably consider themselves experts in making travel arrangements. Managing travel requires a great deal of internal communication, customer service and sensitivity. The challenge of effective travel management is to exert an appropriate level of control over each of potentially thousands of individual transactions of a company's T&E budget (Ravenall, 2001), and to sustain an effective management process.

As a point of departure for this research study, which relates to issues of corporate and personal values, a conceptual model, which can be applied in the effective management of corporate travel, is used. The model is loosely based on the 'soft value management model' developed by Liu and Leung (2002:341). In the next section, the basic components of this model are described and discussed in the corporate travel management context, with reference to the objectives of the study.

2.3 A CONCEPTUAL MODEL FOR THE CORPORATE TRAVEL MANAGEMENT PROCESS

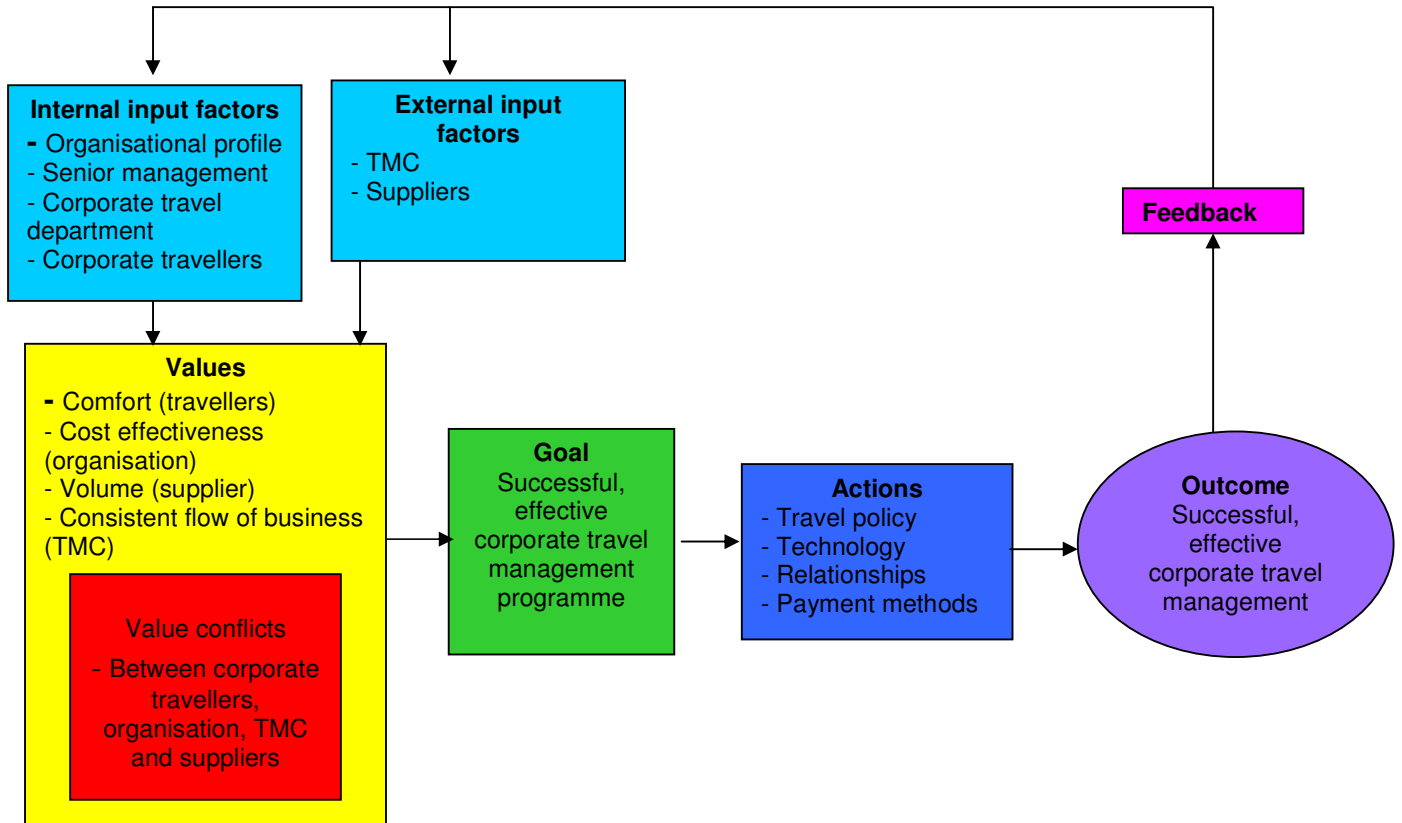
The soft value management model was initially developed for application in the field of engineering and was aimed at the economic and managerial aspects of project development, where project goals are achieved through effective interaction between the client and the project team members, by aligning their joint values and goals. The model consists of five components: input from the stakeholders (client and team members); values of the client and team members (and potential value conflicts); goals, actions and outcomes of the projects. The input of the client and team members is represented in their personal values driven by past experiences, future wishes, fears, the present situation (which includes an individual's ability and knowledge, the hierarchy of values and the difficulty of tasks), as well as environmental pressures such as economic realities and regulatory prescriptions. The goals decided on are underpinned by an individual's value system and require specificity for high performance. Project goals are set to initiate required actions for project realisation. Finally, value management is depicted as being triggered by internal and external input factors in the environment. These lead to a decision-making process, which produces decision outcomes. Output from this value management system becomes the input for other systems (Douglas & Lubbe, 2006:1131).

The applicability of the soft value management model to corporate travel management (as shown in figure 2.1) lies in the relevance of the underlying components to the process of corporate travel management. Internal values and environmental pressures drive the input of both internal and external stakeholders. Internal stakeholders can be seen as the corporate travellers and management of the organisation, and external stakeholders as suppliers (for example airlines and hotels) and TMCs. Each of these groups has different values, objectives and needs related to corporate travel and, as a result, value conflicts may be experienced. To overcome these, goals such as cost savings, service levels, increased productivity and traveller guidelines are set. Actions or operational procedures are implemented in support of these goals (setting policies, controlling expenditure and managing corporate travel processes). The desired outcomes should be produced by the aggregate behaviours of all stakeholders, with the results being fed back into the system for improved performance (Douglas & Lubbe, 2006:1132). In applying this model to

corporate travel management, the purpose was to lay a foundation for future explanatory research.

However, the goal of this particular research study is not to test the complete model for its effectiveness, but rather to investigate only one component of the model – namely, value conflicts that may occur between a company and its travellers due to incompatible needs. Since the main objective of this research study is to identify factors that might influence corporate traveller compliance with the travel policy, it is of particular importance to give adequate attention to the values of a company and its corporate travellers. The values of the company are generally set out in the travel policy. Value conflicts occur when the travel policy does not address the values and needs of the corporate traveller. At this point, the traveller might decide not to comply with the travel policy. This scenario is supported by research results from Douglas and Swart (2003) who found that a traveller would only comply with a travel policy that satisfies his or her needs. For the purpose of this research, factors that could lead to non-compliance, over which the traveller has little control (such as travel policy stipulations), would be regarded as corporate-related factors. On the other hand, value conflicts between a company and its corporate travellers might also transpire because of personal factors, such as the ethical values held by an individual and the honesty of the traveller. These personal factors are not influenced by the travel policy as such, but may have an impact on the actions of the corporate traveller. For the purpose of this research, factors that could lead to non-compliance, stemming from the traveller as an individual, are termed personal-related factors. The rest of the chapter offers an in-depth discussion of the components of the model as these relate to corporate travel management and policy compliance.

Figure 2.1: The corporate travel management model



Adapted from: Liu & Leung (2002)

2.4 INTERNAL INPUT FACTORS

In Figure 2.1, the internal stakeholders in the corporate travel management process – namely, corporate management and corporate travellers – are depicted as working within a specific organisational profile.

2.4.1 Organisational profile

Certain organisational aspects may affect corporate travel management and, more importantly, policy compliance. These aspects include: the structure of the company, its size, organisational culture and whether the company operates in the private or public sector. The influence that each of these aspects might have on policy compliance will be discussed in turn.

2.4.1.1 Organisational structure

The structure of an organisation relates to the way in which its various parts are arranged, representing the sum of the total ways in which the organisation divides its labour into distinct tasks and co-ordinates them (Mintzberg, 1979). An organisational structure can also be described as: a formal system of relationships involving task and management reporting that organises and encourages organisational members so that they work as one in achieving organisational design goals (Jones, George & Hill, 1998).

Anumba, Baugh and Kalfan (2002:263) identify the characteristics which define types of organisational structures as follows:

- the grouping of roles, tasks and functions
- the method of making decisions – whether decisions are made by a small number of senior managers (centralisation) or by a large number of employees (decentralisation)
- the method of communication – whether communication is done in a top-down or lateral manner
- the number of management levels: firms with a number of management levels are referred to as tall (as opposed to flat)
- the span of control – referred to as narrow or wide, based on the number of people under each manager's authority; and
- the chain of command – the lines of authority in the company. Firms with inflexible chains of command are said to be bureaucratic and centralised.

The relevance of organisational structures to corporate travel management is explained when one considers that different organisational structures will probably employ different types of travel policies, which, in turn, will have an influence on policy compliance. For example, when a company decides on a travel policy in a centralised manner, only a few senior managers will provide input regarding the matter. The majority of travellers with little input could consequently feel dissatisfied with the travel policy and might decide to violate it. Similarly, if a company communicates to its employees in a top-down manner, travellers will rarely have the opportunity to communicate with top management when they are dissatisfied with the travel policy and might rather decide to breach it. Top-down

communication might also not be effective, which could mean that the policy will be ineffectively communicated to the travellers. At the same time, the wider the span of control, the higher the possibility that the traveller might break the policy, as the manager may have too many employees under him or her to control. The different types of organisational structures will be discussed next.

Traditional organisational structures

Traditional organisational structures are tall, bureaucratic, pyramidal and centralised, with a number of management levels, distinct chains of command, inflexible lines of authority as well as narrow spans of control (Schermerhorn in Anumba *et al.*, 2002:263). The most important kinds of traditional structures are functional and divisional. The functional structure is made up of all the departments needed by the company to produce its goods or services (Jones *et al.*, 1998). It comprises the proper grouping of people with the same skills and knowledge, who utilize similar tools, technology and techniques, perform closely related activities, and are expected to work collectively to carry out a critical function. Typical functional departments include marketing, finance and accounts, personnel and production or construction (Anumba *et al.*, 2002:263).

Divisional structures are those which include separate, independent business units, each of which include the diverse functions and departments that work as one to produce a specific product for a specific customer (Jones *et al.*, 1998). Opposed to the functional structure, this system brings together people who have dissimilar skills and tasks. As a result, each division is a collection of a variety of functions and departments. This type of structure tries to produce smaller, more controllable units in the organisation which are usually designed according to the type of product or service (product structure), the type of customer (market structure) or the area in which the product is being manufactured (geographic structure) (Anumba *et al.*, 2002:263).

A grouping of both the functional and divisional structures is known as a hybrid structure (Jones *et al.*, 1998). It endeavours to deal with the various operating needs of a company, thereby enabling it to respond to different challenges and environmental changes. This type of structure is thus appropriate for large companies with numerous divisions, which perform an extensive range of operations and which seek to gain optimum benefits from

worldwide operations. It also offers a high level of flexibility in an organisation (Anumba *et al.*, 2002:264).

According to Rossouw (2006), organisations have had to experiment with new ways of working in order to stay competitive in the global economy. The requirement to be flexible to consumer demands and variations in the market means the end of hierarchical and bureaucratic organisations. Flatter organisations with fewer layers of authority and flexible job descriptions have become more common.

Non-compliance with the travel policy may occur in traditional organisational structures which are tall, bureaucratic, pyramidal and centralised, with distinct lines of authority and narrow spans of control. A possible explanation for this is that such organisations might think it worthwhile to make use of a travel policy where all levels of staff are not treated equally. Travellers might feel that they are being treated unfairly and might decide to breach the policy. For example, management levels rather than factors such as frequency or purpose of travel may dictate the level of comfort allowed in travel.

Modern organisational structures

Modern organisational structures are typically more flexible – flat and decentralised, and characterised by lateral communication and wide spans of control. These modern systems tend to promote teamwork and cooperation and often consist of a team structure imposed on a functional one. The most common type is the matrix, which has the benefits of high levels of technical skill created by its functional structure, as well as flexibility and teamwork enabling the accomplishment of both group and organisational objectives (Jones *et al.*, 1998). The quintessence of the matrix is that a set of departments or divisions is horizontally superimposed on a traditional hierarchical structure. Large companies, which operate in fast changing environments, and which focus on growth and development, are likely to use this structure. It is also appropriate for any company which carries out many projects simultaneously, all of which require technical expertise and special managerial attention (Anumba *et al.*, 2002:264). Travellers at most levels in such a company would probably enjoy the same benefits and typically have a ‘looser control’ policy.

The shorter lines of communication and greater reliance on informal communication networks in flatter organisations indicates that new methods of performing tasks (such as utilising a self-booking tool) are likely to be adopted more rapidly, whereas the commitment to formal lines of communication in more hierarchical organisations delays the speed at which new business practices are adopted (Mason, 2007:21).

2.4.1.2 Organisation size

Companies of all sizes engage in corporate travel. Company size might have a significant impact on the development of the travel policy, as well as influencing compliance with the policy.

This was proved by Mason (1999:73) who investigated business traveller attitudes towards corporate travel policies. He found that a business traveller's attitude is influenced by the size of company that he/she is employed by. Respondents who had positive attitudes towards corporate travel policies were employed by companies with more than 1 000 employees. Respondents who had negative attitudes towards corporate travel policies were employed by small companies with fewer than 100 employees. These findings suggest that business travellers employed by larger companies generally have positive attitudes towards corporate travel policies. Further analysis indicated that company size will clearly influence whether a company would employ a travel manager and have a corporate travel policy (Mason, 1999:75). What is more, travel policies tend to be more overtly stated in larger companies than in smaller companies (Mason, 2001:105).

2.4.1.3 Organisational culture

Corporate culture is of fundamental importance to almost every aspect of a firm's operations. Managers of organisations have turned to corporate culture not only to elucidate what happens in organisations, but to try and shape what happens in ways that are consistent with organisational goals – to use culture to orchestrate organisational change. Culture characterises the consensus within a company about how activities should be completed and is believed to be a consequence of a group's shared experience and learning with regards to matters of external adaptation and internal integration (Schein, 1985). The following are important fundamentals of culture: philosophy, mission,

values, principles, guidelines, history, national culture, the founder of the company and subculture (Melewar & Karaosmanoglu, 2006:855).

Corporate culture has been tasked by many corporations to provide structure, standards and a value system in which employees can function. This culture offers a strong motivational power by providing its members with a sense of identity and a source of commitment. Thus, corporate culture becomes a frame of reference for understanding reality and for shaping organisational behaviour. It is considered to be the arcane force behind the tangible; a social energy that communicates with and motivates people to act. Exceeding leadership style, power structures, organisational structure, decision-making processes, functional policies and management systems, it can result in one organisation establishing a competitive advantage over another, although apparently both have access to similar resources (Pang, Roberts & Sutton, 1998:277). Pearce and Robinson (1997) add that organisational culture is the set of important beliefs (often unstated) shared by members of an organisation. Every organisation has its own culture which can be compared to an individual's personality – an intangible, yet ever-present theme that gives meaning, direction and the basis for action. As personality influences the behaviour of an individual, so the shared assumptions (beliefs and values) among an organisation's members influence opinions and actions within that firm. A member of an organisation can merely be responsive of the organisation's beliefs and values without sharing them in a personally important way. Those beliefs and values have more personal meaning if the member views them as a guide to acceptable behaviour in the organisation and thus complies with them. The member becomes deeply committed to the beliefs and values when he or she internalises them – that is, comes to hold them as personal beliefs and values (Pearce & Robinson, 1997).

An organisation's culture is reflected in all its operating policies and procedures, including its corporate travel policy. Those responsible for making travel management decisions in a company should have an instinctive grasp of their company's culture (Wint & Avish, 2003:2). The type of policy followed is dependant on the corporate culture that exists within the organisation. These aspects are explained in more detail later in this chapter. Spending time and resources in creating a travel policy that is correct for the organisation can reap benefits in the long term, as a policy that does not offer enough flexibility for the

traveller or is not in line with corporate culture will almost unavoidably result in low compliance rates and, in effect, become redundant (Sauser, 2003).

2.4.1.4 Private or public sector

In South Africa, the public sector comprises non profit-making government departments and organisations such as South African Airways, where the government owns the organisation, but the organisation is managed in order to generate a profit. The private sector is part of the national economy of a country and is made up of resources owned by private enterprises. It includes the personal sector (households) and corporate sector (firms), and is responsible for allocating most of the resources within an economy (The Business Dictionary, N.d.). The private sector is run for profit and is not controlled by the state. The private sector can be further divided into public and private companies. Public companies are listed on the stock exchange, whereas private companies are not.

In 2003, Lubbe postulated that variations in management process and style may be evident in different types of companies such as public, private, parastatal (partly government and partly private-owned organisation) and government, and these variations may prove significant in the management of corporate travel. Similarly, the industry in which an organisation operates might show divergences in the way in which corporate travel is conducted and managed. Researchers have argued that the distinction between the public and private sectors has implications for the nature of managerial practices and should not be ignored. For example, evidence suggests that public and private sector workers perceive and evaluate their jobs in substantially different ways. Private sector employees showed greater commitment to their organisations than public sector employees, while public sector employees place a greater value on work that contribute to society than private sector workers (Lyons, Duxbury & Higgins, 2006:605). Another study of managers revealed that both pay and job security have a greater motivating influence for private as opposed to public sector managers, whereas acknowledgment had a higher motivating power for public rather than private sector managers (Karl & Sutton, 1998).

With particular reference to this study, it is necessary to note that not only private companies wrestle with the issue of corporate travel management. In South Africa, proof exists that even public companies and government departments struggle to manage

corporate travel effectively. In her research study, Lubbe (2003) notes a significant difference between the public and private sector, where deliberate infringement of the travel policy occurred in a greater number of public as opposed to private sector companies. Recent newspaper reports on mismanagement of corporate travel in government departments revealed that the government lost vast amounts of money because of fraudulent travel claims (Carter, 2006). Still other reports accused government officials of using state assets and funds to pay for personal holiday trips (Pelser, 2006). These acts of malfeasance reflect poorly on the South African government and show that the corporate travel management function in the public sector is in desperate need of intervention.

2.4.2 The corporate travel department and senior management

For a company to successfully manage corporate travel, it needs the support of an effective corporate travel department (Andersen, Lewis & Parker, 1999; Goodwin & Marble, 2003) and individuals in senior management (Lubbe in Frew, Hitz & O' Connor, 2003).

Traditionally, a company's corporate travel department works with each department to determine its travel needs and develop its travel budget, based on current expenditure and planned development. Lubbe (2000:200) says that the most common function of the corporate travel department is to make travel arrangements. She adds that the travel department also has a financial function that involves giving advice to the corporation with regards to expense levels, the handling of travel expense allocations, preparing travel budgets and reporting financial data. Goodwin and Marble (2003) state that a corporate travel department's function is to negotiate discounts and preferred rates with travel suppliers. Anderson, Lewis and Parker (1999:267) add to this list of functions by stating that the overall goal of the corporate travel department is to control travel-related corporate expenditure. The findings of an American Express (2002a) survey substantiate this by indicating that a major priority for Chief Financial Officers (CFOs) involved with corporate travel, is to contain or reduce indirect expenses such as office supplies, express shipping, telecommunications, travel and entertainment (T&E), computer equipment and other non-production services and goods. More recently, a research study conducted by Airplus

(2006:6) corroborated the findings of Anderson *et al.*, (1999:267) by showing that the majority of corporate travel managers believe that reducing costs is the most important priority of travel management. In the same study, corporate travel managers from the United States ranked policy compliance and reporting as a top priority. A possible explanation for this is the fact that achieving compliance with policy is generally considered by experienced professionals to be the key to containing travel costs. This suggests a more sophisticated understanding of the essence of travel management and cost reduction.

Significant to this study is the fact that successful travel management through a corporate travel department has a substantial positive effect on employee satisfaction and increased productivity. In addition, providing good service to a company's travellers makes it more likely that those employees will book their travel through the travel department, increasing compliance with travel policies and ultimately allowing the corporation to realise greater financial savings (Goodwin & Marble, 2003).

The corporate travel manager heads the corporate travel department. The job of travel manager should be considered a middle- or upper- management position because of the vital role the manager plays in controlling a large corporate expense. As far back as 1990, Poynter (1990:34) argued that corporate travel managers are found in so many different business settings and their duties differ to such a degree that a plain definition of the role of the travel manager is impossible. Nevertheless, the post should embrace the following key performance areas: managerial, technical, compliance, financial, negotiation and educational roles.

In 1993, Jenkins (1993:19) listed the functions of the corporate travel manager as follows:

- to control corporate travel expenses through the creation, enforcement and monitoring of the travel policy
- to ensure that the relationship between the travel management company and the company complies with the travel agreement
- to sustain the relationship with the various airline, hotel and car rental suppliers
- to control the payment of all travel expenses

- to uphold precise records through the proper use of management information systems, which guarantees that the corporate travel policy is being followed and that exceptions are exposed and reported

More recently, the functions of the travel manager have become more defined. For example, in South Africa, the corporate travel manager's main responsibilities entail negotiating with suppliers and travel management companies, as well as monitoring the travel policy. Other important responsibilities include: developing the travel policy, measuring compliance and managing travel expenses (Douglas, 2005:109; Lubbe, 2003).

Unfortunately, while managing corporate travel, the corporate travel manager might also encounter certain problems which might include (Douglas, 2005:109):

- inflexible travel requirements that increase travel costs
- traveller convenience that comes before cost saving
- travellers who generally view business travel as a perk
- personal loyalty cards/programmes that are allowed to influence travel purchasing decisions
- the TMC who does not advise on special deals

Each of these problems might have a direct impact on policy compliance. The primary function of the corporate travel manager defined by Jenkins as far back as 1993 can still be summarised as: providing the most effective means for corporate travel, at the greatest economic advantage for the corporation and taking into account every practical consideration for the safety, comfort and convenience of the corporate traveller.

To manage corporate travel successfully, the cooperation of corporate travellers is also needed (Douglas & Swart, 2003; Mason & Gray, 1999). The management of the organisation (including the corporate travel department and the corporate travel manager), together with the corporate travellers (and their individual values) represents the internal input in the model depicted in figure 2.1.

2.4.3 The needs and demands of corporate travellers

As mentioned earlier, corporate travellers travel on behalf of their company, which is generally a large corporation with a large travel account and often housing a separate travel department with an established travel policy. Corporate travel is non-discretionary, because corporate travellers have little influence over where, when and how long they travel (Lubbe, 2002). The corporate traveller must travel to specific places to do business. Nevertheless, corporate travellers have certain needs, expectations and demands when travelling, which are different from those of holiday or other categories of tourists (Mill & Morrison, 2006). A satisfied employee is capable of functioning more productively. Thus, if, for business travel, the elements of accommodation and travel are managed well to minimize stress, the traveller will arrive at the destination capable to function optimally (Gilbert & Morris, 1995:19). As far back as 1986, Amster noted that the potential for savings is greatly influenced by company employees' support of a travel department's efforts to apply travel policy, but employees can always make excuses for not following guidelines on the basis of their specific needs on a business trip (Amster, 1986).

It is thus necessary for a company to investigate and identify the specific needs of their corporate travellers because, according to Douglas and Swart (2003), if the travel policy does not address their needs, corporate travellers are more likely not to comply with the travel policy.

2.4.3.1 General needs and demands of corporate travellers

Corporate travellers generally exhibit the following needs, demands and preferences when travelling: compared to the leisure traveller, the corporate traveller is more time-sensitive; service quality is more important than price; and he or she is more experienced and demanding (Mill & Morrison, 2006). Because corporate travellers tend to make travel arrangements at short notice (Bennet, 1995), they demand efficient and accurate service. According to Roodt (2001), corporate travellers seek flexibility in their travel arrangements, expecting the travel department to be prepared for last-minute changes and cancellations in their travel plans. The corporate traveller is possibly less impressed by friendly, personal service and more so by speed, accuracy and professionalism. When using a TMC or travel

agent, corporate travellers wishes to deal with the same travel consultant who is familiar with their preferences and dislikes (Lubbe, 2000).

Furthermore, corporate travellers have specific needs with regard to: technology (Mill & Morrison, 2006); accommodation (Gilbert & Morris, 1995; Douglas & Swart, 2003; Douglas, 2005; Radder & Wang, 2006) and air transportation (Douglas & Swart, 2003; Douglas, 2005; Alamdari & Burrell, 2000; Mason & Gray, 1995) while travelling on behalf of their company.

2.4.3.2 Technological needs

According to Mill and Morrison (2006), business travellers are technologically 'savvy'. Almost all have a personal computer, whereas most have a high-speed Internet connection. Additionally, they like in-room Internet access.

According to American Express, the biggest concern international travellers have relates to the loss of productivity while travelling. The worst aspect of business travel for travellers is travel delays, followed by falling behind in office work. However, portable technology, such as laptops and cellular phones, helps many to stay in control of their workload. Access to email while on a business trip was considered to be either very or quite important by travellers surveyed. In another perspective on the value of technology for business travel, when asked which single amenity travellers would keep while in flight, on-board entertainment was the most popular option, followed by a laptop, on-board email or internet access, and a telephone (American Express, 2002b).

Self-booking tools are another technological development that is becoming very popular amongst corporate travellers. Many studies have investigated SBTs from the perspective of the company (ACTE, 2007; Douglas, 2005; Lubbe, 2003; Mason, 2007), but very few studies have examined the opinions of corporate travellers with regard to SBTs. According to a 1999 American Express Survey, corporate travellers appreciate the flexibility and time-saving benefits of self-booking technology. The majority of respondents said speed and the ability to book travel quickly are the main benefits of such technology, while a portion of the respondents appreciate the flexibility of 24-hour access, with others citing

ease of use. Cost savings achieved through self-booking technology are seen as secondary benefits (American Express, 1999).

Although it is said that travellers who book their own travel would prefer business class, non-stop flights and upmarket hotels, research discloses that travellers arranging their own travel are less likely to end up travelling in style. The explanation for this is known as 'visual guilt', which means that employees are booking the cheapest rate available simply because they feel bad if they do not. American Express estimates that visual guilt results in savings of approximately \$80 per trip (Levack, 2006).

Technology is obviously of great value to the corporate traveller: not only does it help them to maintain control of their workload when travelling on behalf of their company, but it could also possibly serve as a substitute for travel.

Business travel is only one tool for managing relationships with the important constituencies within and outside the company. Other tools, such as telephone contact and teleconferencing, overnight delivery of letters and documents, electronic mail and videoconferencing, combined with physical travel could also be utilised to keep business relationships active and productive (Lehman & Niles, 2001:1). According to Mill and Morrison (2006), in the USA, teleconferencing, webcasting and videoconferencing are used to replace at least one business trip. In the UK, corporate travellers are travelling less because of technology – particularly, remote access and virtual private networking (VPN). Arvai (in Armstrong, 2007) forecasted that videoconferencing will eliminate the need for travel by 25% by 2010 and 35% by 2030. However, not many travellers believe that such technology is more valuable than face-to-face meetings (Quest in Mill & Morrison, 2006). European managers maintain that less than three out of every ten meetings require face-to-face communications, and that technology could be utilised as an alternative to gain lost travel time while enhancing productivity and the quality of business level decision-making. Traditional web and voice conferencing combined are probable substitutes to business travel for meetings, but since those services are usually bought on a per-minute or simultaneous user basis, access and usage is often limited to less than 20 per cent of employees in an organisation to prevent escalating subscription costs (Business News update, 2006).

The American Express Survey of 2003 showed that some business travellers use web meetings and teleconferencing in place of travel. More than 35 per cent say that they have used such technology – frequently or infrequently – instead of travelling (American Express, 2003). A survey done by Wainhouse Research in 2002 revealed that respondents believed that converting in-person meetings to travel alternatives using voice, web and video conferencing would permit them to enhance their business performance and personal lives. The respondents thought that the use of conferencing technologies would permit them to get more work done, make quicker decisions and be more competitive (Eyefortravel, 2002).

These results are not consistent with those revealed by Denstadli. In 2004, he undertook research in Norway to assess the impact of videoconferencing on business travel. His results show relatively limited effects of videoconferencing on business travel. Furthermore, Denstadli is of the opinion that travel and personal contact are still viewed as the most successful ways of conducting business, and the significance that people put on networking and social communication decreases the likelihood of travel being replaced by videoconferencing (Denstadli, 2004:376). In support of Denstadli's results, the American Express survey (2003) asked respondents if teleconferencing or web facilities offer an adequate substitute for face-to-face meetings. The majority of respondents disagreed. Even those who give equal consideration to virtual and in-person meetings said that telecommunication is only appropriate for conferring for an hour or less (American Express, 2003).

Mason (2002) conducted research amongst travellers as well as travel managers on the impact of the development of video conferencing and the internet on the demand for business-derived air travel. Most of the respondents to the survey said that these technologies had not had any considerable influence on the number of trips taken. Although these types of communication have little impact on the demand for air travel at present, both groups of respondents (travellers and travel managers) believed that, in five years' time, these technologies would have advanced sufficiently to permit for some substitution. Twenty-two per cent said that internal meetings and some meetings with well-established business partners might be performed by means of some enhanced information technology solution, but the total percentage of such replacement would be small. Nevertheless, the general feeling was that there is no alternative to meeting people

face-to-face. In reality, 66 per cent of travel managers believed that their company would increase its volume of business travel in the next five years. A large group believed that their company would increase the number of trips undertaken by more than 15 per cent from the current level (Mason, 2002:65).

The communications tools mentioned above go hand in hand with travel, and serve as introductions, follow-ups and, in some cases, replacements for travel. Because of the unique strengths of face-to-face interaction, physical travel is expected to remain the most vital tool for maintaining relationships. But there are situations where electronic travel alternatives can actually be more effective. The challenge is to be able to identify these situations and assign resources accordingly (Lehman & Niles, 2001:1).

As mentioned above, in some cases, technology is not an appropriate substitute for travel, and travellers are forced to travel to a destination. When travelling on behalf of their company for business purposes, corporate travellers exhibit the following needs:

2.4.3.3 Air transportation needs

As far back as 1985, Shaw (in Mason & Gray, 1995:197) concluded that business travellers are particularly attractive to schedule airlines as they are inclined to travel more regularly than leisure passengers, and they are likely to be prepared to pay higher prices than leisure passengers. More recently, Mason (2006:92) concluded that the airline industry has long relied on the business travel market as a major source of income. Depending on the route, business travellers may represent half of all passengers and, given that they are likely to pay higher fares than leisure travellers, present a higher percentage of the airline's revenue.

Supply side issues such as frequency, seat availability, departure and arrival time, and number of en-route stops have an influence on the distribution of demand between competing carriers and play a considerable role in affecting the airline specific demand. The demand for air travel is a function of the generalised cost of travel; that is, fare and time spent on making use of the services. A carrier will draw passengers if it can provide a visible decrease in the time elapsed. This consists of (a) airport access time, (b) flight time, (c) waiting time and (d) boarding time. Other airline service characteristics that have an

influence on passengers' preferences include safety records, airline experience, in-flight service, fleet type and whether the airline is the flag carrier of the traveller's country of origin (Chin, 2002:55).

According to Mason and Gray (1999) the flight that a business traveller will choose is influenced by both organisational and personal reasons. Based on organisational motives, a business traveller may desire:

- to arrive at the destination in good time to meet business objectives
- to be able to work on the flight if needed
- short check-in times so that working hours can be maximised at the destination, especially for one-day trips

In addition, the traveller will have a list of personal needs that do not relate to business goals, including:

- arriving home after the trip in good time to be with his/her family
- having perceived status (e.g. through the use of business class)
- a high-quality in-flight service
- receiving points on his/her personal frequent-flyer scheme for a frequently chosen airline
- a certain amount of leg room
- free drinks, newspapers, et cetera; and
- buying duty-free goods

Based on their air transportation needs, corporate travellers can be classified into three categories: schedule-driven consumers, corporate cogs and informed budgeters (Mason & Gray, 1995:200).

The key benefits which schedule-driven consumers look for from an airline service are: flight timings, exclusive business class check-in, exclusive business class lounge, and flight frequency. This segment appears to be unimpressed with several product elements that are not vital to the flight (such as in-flight service, seat comfort and frequent-flyer

schemes). The second type of traveller falls under the heading of corporate cogs as they seem to act as cogs in the workings of their organisation. Although the individual travellers appear to meet the requirements of their organisation, they try at the same time to achieve personal benefits as opportunities arise. In-flight service, seat comfort and frequent-flyer schemes were valued most highly by this group. Such benefits at the cost of the organisation paying for the air travel show that this segment exhibits elements of self-interest. Members of the final group are labelled informed budgeters as they demonstrate a good understanding of the airline products on offer and, of the three segments, they pay the least for their air travel.

In 2003, Douglas and Swart conducted research on the demands and needs of corporate travellers employed by an international organisation with offices in South Africa. According to the study, the three most important factors for corporate travellers when travelling by air are on-time performance, comfort and service (Douglas & Swart, 2003). A study conducted by Douglas (2005:128) supported these results, although respondents indicated the price of the airfare as the third most important factor when travelling by air.

According to the Air Transport Group at Cranfield University (2002:2), a decrease in the use of business class travel and increased downgrading of tickets has revealed that the business market does demonstrate elements of price elasticity. This has been most obvious in the short-haul market with the coming of low-cost-airlines. The industry is coming to terms with the fact that a large percentage of travellers have chosen price over service. To further substantiate this, a research study done by Mason (2001:107) showed that four out of five respondents (79 per cent) thought that business class service did not offer value for money for short-haul travel.

Results from an array of research studies revealed the following with regard to the specific air transportation needs of corporate travellers: the worst aspect of business travel relates to air transportation. Corporate travellers are demanding improved facilities at airports. For the busy corporate traveller, wasted time at airports is a major frustration (American Express, 2002b). While working mobility is clearly on the increase, many corporate travellers still consider flying to be a time to relax from the pressures of work (American Express, 1999). Travellers are more interested in saving money than seeking comfort

while on the road doing company business, but are not willing to suffer to achieve this end (American Express, 2003).

When considering the air transportation needs of corporate travellers, it is also imperative to note that frequent corporate travellers and infrequent corporate travellers have inconsistent needs (Jonas, 2004). Research also proves that the users of low-cost carriers (LCCs) have different values from those who use full-service carriers (FSCs) (Mason, 2000; Mason, 2001; Evangelho, Huse & Linhares, 2005; Fourie & Lubbe, 2006), and also that the needs of female business travellers are different from those of their male counterparts (Alamdari & Burrell, 2000).

FSC travellers tend to place greater stress on (in order of importance) punctuality, frequency, flexibility of tickets issued, price, mileage programmes, in-flight service and VIP lounges. On the other hand, LCC travellers place more emphasis on punctuality, price, flexibility of tickets issued, frequency, mileage programmes, in-flight service and the existence of VIP lounges (Evangelho *et al.*, 2005:103).

In 2000, Alamdari and Burrell investigated the needs of female business travellers to see whether their needs differ from those of male business travellers. It appeared that female business travellers were generally happy with airline services, but that they would like to see some improvements in certain areas. These included improvement in advice on safety, security at the airport, better on-board washrooms, provision of female amenity packs and assistance with luggage. Security at airports appeared to be one of their major worries. The majority of women wanted to be treated in the same manner as male business travellers (Alamdari & Burrell, 2000:16).

2.4.3.4 Accommodation needs

Like the airlines, the hotel sector has had to adjust to the changing needs of business travellers, with the optimum balance between cost, convenience and comfort continually being sought by the corporate customer. Wishing – or needing – to be more industrious and productive while travelling on company business, many business guests in hotels have come to require much more than a quiet room. They increasingly want a hotel to be

not so much a home from home, but an office away from the office (Davidson & Cope, 2003).

According to Bell and Morey (1997:56), the following attributes comprise the bare minimum when it comes to an acceptable hotel product: clean rooms, an accessible and efficient reservation system, appropriately trained staff, a reasonable location and availability of non-smoking guest rooms. Research into hotel selection criteria indicates that the most important attributes influencing the corporate traveller's hotel choice are cleanliness and location, security, service quality, and room/bath appointments (McCleary, Weaver & Hutchinson, 1993). Knutson (1988:84) revealed that business guests value the following five factors when choosing a hotel: safety, friendly employees, clean and comfortable rooms, convenient location and a ready availability of services. In their research, Weaver and Oh (1993:20) discovered that business travellers view the following as 'very important': clean and comfortable surroundings, convenience to business, a good reputation, friendly staff and safety and security. More recently, the results of Douglas and Swart (2003) and Douglas (2005:129) confirmed these results. For South African corporate travellers, the most important factors when making use of accommodation establishments are location, facilities and service.

Also in South Africa, Radder and Wang (2006:561) researched business travellers' expectations with regard to the dimensions of guesthouse service. The most important findings of the study were: business travellers staying at guesthouses deemed the professionalism of staff as being very important. They had higher expectations with regard to services being provided punctually than complaints being handled efficiently. More attention has to be paid to the cleanliness of the room rather than comfort when preparing for guests. Similarly, attention has to be paid to security, modernised buildings, decor and signage and business facilities.

American Express offers further support for the above-mentioned results. According to the 1999 survey, the quality of the hotel is more important than cost for most corporate travellers. Convenience was the second most important reason for selecting a hotel. Over a third considered the distance of the hotel from the business venue before deciding where to stay. According to Douglas and Swart (2003), corporate travellers' main complaint about hotels is lack of flexibility, followed by the absence of business facilities. Once again,

American Express substantiates these results. In a survey, respondents resented the inconvenience of having fixed check-out times, while some wanted facilities to be available 24 hours a day. While cost seems to be a lower priority than service for corporate travellers, travellers complained that telephone and facsimile charges were excessive. Not being treated like an individual was cited by respondents who wanted a more personalised service (American Express, 1999).

Added to the corporate travellers' special needs with regard to technology, airlines and accommodation are their psychological needs.

2.4.3.5 Psychological needs

According to Mill and Morrison (2006), people travelling on business tend to become frustrated with the many demands of travel that are beyond their control. Principal among these are the time required to travel, the long waits and the delays of arrivals and departures. They also have more personal frustrations – being away from home and families, being alone and living out of suitcases.

The primary motivation for most corporate travel is to do the task set out for employees by higher management. Two secondary motivations of corporate travel may also be identified, which can be regarded as part of the psychological needs of travellers. The first can be termed social or interpersonal motivators which include a wish to meet new people, form new associations or reinforce existing relationships. The second can be regarded as status or prestige motivators which involve a longing for recognition, attention, appreciation, knowledge and a good reputation (Lubbe, 2000:176). This motivation is substantiated by Mason and Gray (1999) who argue that a corporate traveller will have a list of personal needs when travelling on behalf of his or her company, such as having a perceived high status (e.g. through the use of business class facilities).

In general, there has been a lack of organised study and examination of the stress, strains and fluctuations in work performance of business travellers before, during and after they return to their homes, offices or permanent work locations (Ivancevich, Konopaske & DeFrank, 2003:139).

Business travel is often a positive experience, offering close relationships with remote colleagues and clients, the stimulation of diverse environments and a change of routine. But it is also a source of a variety of stresses, frequently disregarded or denied by both organisations and travellers themselves. For some frequent travellers, travelling is considered to be enthralling, educational, career-enhancing, exciting and challenging. Other individuals, though, see business travel in different ways, ranging from a necessary evil to a perquisite that satisfies the pleasures of a select few, elite, specially handpicked colleagues (Ivancevich *et al.*, 2003:139).

According to Gustafson (2006:515), when business travel is viewed as a positive experience, it is often seen as exciting and enriching – a source of variation and new experiences. Fisher and Stoneman (1998:53) and Presser and Hermsen (in Gustafson, 2006:515) agree, saying that business travel might encourage a sense of autonomy and freedom as travellers are absent from the everyday work environment and the direct supervision of managers/superiors and colleagues. In some cases, travel does indeed seem to be an important part of workers' identity and lifestyle (Lassen, 2006). Additionally, corporate travellers view corporate travel as an enriching experience as it allows them the opportunity to visit places they would not otherwise see, to eat the local cuisine and get away from home for short periods of time, which helps them to be more grateful for it when they return (Weinreb, 2002). Regrettably, frequent work-related travel may also have negative consequences for those who travel, and research in this area primarily concerns travel-related stress.

Travel stress may be seen as an individual employee's mental, emotional, physiological and behavioural answer to the demands and circumstances of recurrent business travel. Signs include exhaustion, fluctuations in mood, disrupted family and work relations and decreased effectiveness at work. The causes of travel stress include time zone travel, frequent separations and re-entering home, office, family and personal life, work overload and how people are managed. For the individual, there is a concern for preserving personal health and well-being, good social relations and effective functioning at work (Striker, Dimberg & Liese, 2000; Szwergold, 1991). Other sources of stress include: pressures of planning the trip, time at the airport, disruption of circadian rhythms and sleep patterns, loneliness and fear of unsafe ground transportation in destination countries. In addition, international business travellers may also experience travel-related stress

because of the routine discomforts and annoyances that all long-distance travellers encounter, such as altered eating and sleeping patterns, changes in climate and other safety concerns (Szwergold, 1991; Travmed, 2001; Striker, Luippold, Nagy, Liese, Bigelow & Mundt, 1999).

Ivancevic *et al.* (2003:146) list a number of potentially stressful facets of business travel. Pre-trip stressors include making arrangements at work and at home for the time when the traveller will be away, as well as making plans and arrangements for the trip itself. Stressors that appear for the duration of the trip include practical problems with delays and other unexpected events, anxiety about personal safety, feelings of loneliness and isolation in a foreign environment, and in some cases very heavy workloads and long working hours throughout the journey. Upon return, accumulated work at home and office and feelings of guilt because of unmet family responsibilities may be important post-trip stressors. These different stressors might also have possible negative consequences such as mental and physical health problems, decreased performance at work and family interferences (Striker *et al.*, 1999:245). Several studies suggest that work-related travel becomes particularly stressful when it comes into conflict with family life and family obligations.

Travel that brings about regular or long-term absence from home, last-minute alterations to travel plans, and travel that disrupts family celebrations may be stressful for travellers as well as their families (Vormbrock, 1993). Work-related travel is one aspect of the job situation that may require time and availability beyond normal working hours and that may therefore interfere with family life and family obligations (Weinreb, 2002). Following the arguments reviewed above, workers who have a family – those who are cohabiting and, especially, those who have young children – may thus wish to limit their travel activity (Gustafson, 2006:517).

Work-related travel is time-intensive and renders employees temporarily unavailable to fulfil their family-related roles. For women and men with children, the impact of travel is usually consistent with gender-role congruence theory, which hypothesises that marital fulfilment will be highest when gender role attitudes and behaviours are similar. Generally, when one holds traditional gender role attitudes, marital fulfilment is stable or improved

when the husband travels, and is lower when the wife travels. Non-traditional parents are normally less happy if either member travels (Roehling & Bultman, 2002:279).

Moreover, business travel can be stressful to the point of putting one's health in danger. A study by the World Bank reports that the bank's employees who travel frequently see physicians and other health-care professionals about three times as often as a matched group of employees who do not travel (Travmed, 2001). Male travellers are 80 per cent more likely to see a health-care professional than non-travelling males; while for women, those who travel are 18 per cent more probable to see a health-care professional than females who do not travel. Although many of the complaints deal with known travel-related health hazards (e.g., infectious diseases), there are a remarkable number of psychological complaints. The number of these increases as the number of business trips per year increase, and the increase is sharper for female than for male travellers (Travmed, 2001).

The World Bank study also found that many factors considered to be reasons for stress – such as geographic areas of the world visited, number of time zones crossed, having children at home under the age of 18, satisfaction with work and the length of the business trip – are in actual fact not significant determinants. However, in spite of the repeated complaints raised by business travellers, few business trips end in total failure, meaning that it is very unusual for a business traveller to return home prematurely because of stress-related problems. But stress does appear to cause many hard-to-quantify, less-than-optimum work performances (Travmed, 2001).

Some practical guidelines are provided for keeping business travel in its proper perspective, including doing away with unnecessary trips and avoiding travel over weekends and special occasions. It is also believed that business travel requirements have wrongly taken precedence over many other needs in employees' lives, resulting in undue stress within the family circle. Although quantity of travel and the pressure to do business can be seen as causes, forced communication is the main culprit of most travel-related stress (Szwergold, 1991).

Most travellers signify a preference for formally approved time off after business trips. Such time would presumably allow them to rest and recuperate and to make a better transition to the home environment. They chose this as something that would help them

cope, even though those who actually took time off were no less stressed than their colleagues. This may reflect a longing by these business travellers for the organisation formally to recognize their personal needs, particularly as business travellers feel that the institution should offer more support for sustaining a balance between work and outside life (Striker *et al.*, 1999:251).

From the above discussion on the psychological needs of corporate travellers, it is clear that companies need to take these into consideration when developing their corporate travel policy. Only if the psychological demands of travellers are satisfied will they be able to comply voluntarily with the travel policy.

The most important needs and demands of corporate travellers can be condensed as per table 2.1.

Table 2.1: The needs and demands of corporate travellers

| General needs | Technology needs | Airline needs | Accommodation needs | Psychological needs |
|--|-------------------------|-----------------------------------|----------------------------|----------------------------------|
| Demands speed, accuracy and professionalism from TMC | Access to email | Improved facilities at airports | Quality service | Elimination of unnecessary trips |
| TMC must be prepared for last minute bookings | Laptop on-board | Speed of service when checking in | Location of hotel | Avoidance of travel at weekends |
| Familiarity with preferences and dislikes | Self-booking tools | Flexibility | Flexibility | A reasonable workload |

The corporate travel policy of a company should address the above needs of corporate travellers. If not, travellers are unlikely to comply with the travel policy.

2.5 EXTERNAL INPUT FACTORS

Effective corporate travel management is not only dependent on the management of corporate travellers and senior management values and goals, but also on the travel

providers (Alamdari, 2002; Jonas, 2004; Koetting & Gillespie, 2004) and travel management companies (Davidson & Cope, 2003; Ellenby, 2004; Wilkinsom, 2001). With reference to the external input depicted in figure 2.1, the intermediaries play a key role in the corporate travel market, bringing together the buyers of corporate travel and the suppliers. In this market, the role of the traditional travel agency has evolved into that of a travel management company (Alamdari, 2002; Lewis, Semeijn & Talalayevsky, 1998). Because of this evolution, Alamdari (2002:343) points out that the role of agents has also been changing from being concerned mainly with reservations to providing advice and consultancy services for corporations. As such, the travel agency has had to re-evaluate the nature of its service and move from being an 'order-taker', primarily receiving and processing bookings, to also providing value added services such as management information systems on travel patterns and expenditure, travel policy development and monitoring, negotiating client-focused preferred supplier agreements, cost containment and budgeting. South African TMCs concur. Douglas and Lubbe (2006) report that an overwhelming majority of TMCs believe that making travel reservations and giving travel advice are the most important functions of a corporate travel agent, followed by technology support and access and supplier negotiations. Ellenby (2004) adds another critical function of a travel management firm: to provide reports that track travel expenditure by individuals, departments and the company as a whole. GDSs and technology companies like KDS and Amadeus have in recent years started to develop self booking technology for large corporate clients. When this is done, a direct link is formed between the corporate client and the technology company or GDS, which in effect removes the TMC from the distribution channel. This means that the technology company or GDS is replacing the TMC and taking on the role as an external stakeholder in the corporate travel management process. Apart from the TMCs, the travel providers (with specific reference to airlines and hotels) can be seen as also representing the external input in the model.

2.6 VALUE CONFLICTS

As graphically shown in figure 2.1, each of the stakeholders involved in the corporate travel management programme has their own objectives and values that they deem important in the management process (Cochrane, 2003; Gilbert & Morris, 1995; Gray, 2002; Gross, 1996; Subramani & Walden, 2000). Broadly speaking, the management of

the company wants to keep expenses as low as possible, while achieving business objectives. The corporate traveller has psychological needs (for example safety and comfort) while travelling on behalf of his or her company, as well as specific functional requirements with regard to technology, accommodation and transportation. The travel management company wants to be assured of a steady stream of business and revenue, and the supplier wants the highest possible yield through exclusive use of its services.

Value conflicts that appear to directly influence corporate traveller compliance with the travel policy can occur:

- between management and travellers due to cost-containment actions versus traveller comfort and 'self-esteem' (Gilbert & Morris, 1995:20; Douglas & Swart, 2003). The company's objective is to make travel expenses as cost-effective as possible. The traveller, on the other hand, is looking at creature comforts and rewards programmes of one sort or another (Gross, 1996; Wilkinsom, 2001)
- between management and travellers in as far as monitoring policy compliance is concerned (Gilbert & Morris, 1995)
- due to trade-offs by the travel manager in supplier selection, since the travel manager must seek a balance between meeting the dual corporate goals of cost reduction and effective execution of business activities (Bell & Morey, 1997)

2.7 GOALS

The conflicts between the different stakeholder groups need to be managed in order to reach the desired outcome of the management process. Only when such value conflicts have been properly managed can common goals be set. Ultimately, the stakeholders in the corporate travel industry all strive to reach one common outcome: a successful, effective corporate travel management programme that will meet the needs of each 'stakeholder' in the process.

2.8 ACTIONS

Certain actions need to be taken for the common goal to be achieved, which will eventually lead to the attainment of the desired outcome. Building on the four basic elements of corporate travel management, the actions necessary for an effective corporate travel management programme should include:

1. the development of an effective *corporate travel policy* (Lang, 1993; Wint & Avish, 2003)
2. streamlining business operations with the use of appropriate *technology* options for data collection and managing the travel process (Kasavana, Knuston & Polonowski, 1997; Chircu, Kauffman & Keskey, 2001)
3. building successful, transparent *relationships* between management, travellers, suppliers and TMCs. These relationships are designed to reconcile a company's policies and travellers' preferences and to process this purchasing dynamic through a series of suppliers (Wilkinsom, 2001)
4. selecting a suitable *method to process payment* (Marx & Collins, 2004)

2.8.1 The corporate travel policy

Since the focus of the study is on compliance with the policy, a comprehensive discussion on the development of an effective corporate travel policy will be provided in this section. The corporate travel policy will be defined by highlighting different definitions, and the development of an effective travel policy will be explained. The components that a travel policy should include will be described and the different types of existing policies explained. This discussion also covers how the corporate travel policy is enforced. The section concludes with a discussion of some diverse aspects of the travel policy.

After the discussion on the corporate travel policy, the remaining three actions will be discussed in order to provide the complete context of corporate travel management.

2.8.1.1 Definitions and purpose of the corporate travel policy

As far back as 1993, Lang explained a corporate travel policy as a map to a company's travel management programme. It is the audible, visible and – most importantly – measurable embodiment of all the controls, contracts, practices and senior management expectations that comprise the corporate travel management agenda (Lang, 1993). Rothschild (1988:66) states that a written travel policy supplies the framework for the manner in which a company control its travel. The policy document expresses a company's beliefs and its ground rules regarding travel – how it balances service for travellers on the one hand and cost efficiency on the other. The policy is directed at three audiences: travellers, their supervisors and the travel staff.

Airplus (2006:14) highlights two main reasons why companies have travel policies. The first is to avoid travellers from over-spending. The second is to show that the company has the mechanisms to deliver spending commitments to preferred suppliers.

Lubbe (2000:205) says that the corporate travel policy can be viewed as part of the overall corporate strategy of the organisation, and the written corporate travel policy is an addition to this. The main purpose of the policy is to keep the cost of corporate travel within predictable and realistic parameters and to save the corporation money. It also serves a secondary purpose of allowing travellers to recognise exactly what the limitations are in terms of choices and alternatives. Travel policies give the traveller the financial security of knowing what will be repaid and what is permitted in terms of expenditure. However, while the most effective business travel policies allow for unforeseen events and corporate seniority, their effectiveness is dependent on the degree to which they are read, understood, remembered and enforced.

Kirshner (2005) believes that developing, communicating and reassessing the corporate travel policy stays critical to building a successful travel programme. She adds that a harsher negotiating environment and sustained security fears have been driving compliance to the top of the list of travel management priorities. She maintains that an effective travel policy should steer travellers clearly towards the use of preferred suppliers and classes of service, instruct on approved booking practices, consider policy exceptions and clarify the motivations for corporate adoption of such measures to make sure that

negotiated supplier agreements are met, excess expenditure is kept to a minimum and traveller security is always upheld (Kirshner, 2005).

As far as expenditure is concerned, a corporate travel policy is an essential tool for controlling both direct and indirect T&E expenditure, yet a significant number of companies are failing either to implement adequate policies in this area or to enforce a policy where it is in place. Policies that clarify the position on corporate travel for employees can be one important way of controlling costs by ensuring that potential savings are identified and fully exploited. Although the status of the travel policies can vary from informal guidelines to mandatory rules, the intention is usually to reinforce the message that the decisions made by individual corporate travellers can strengthen or undermine the company's efforts to secure maximum benefits from volume related deals and preferred supplier arrangements (SureTravel, N.d.). A study (the American Express/AT Kearney European Expense Management Study 2003) carried out amongst 75 of Europe's largest companies, compared the performance of these organisations in managing their T&E expenditure. It found that, on average, companies with high travel policy compliance rates (80 per cent or above) had lower indirect costs per traveller than those companies with low compliance rates (Sauser, 2003).

Most organisations, especially large ones, have travel policies. In a survey conducted by Runzheimer International in 2002, it was found that 84 per cent of respondents had a formal written policy (Lubbe, 2003). The study conducted on corporate travel in South Africa in 2004 found that almost all of the respondent organisations had a formal written policy in place (Douglas, 2005:110). This travel policy was communicated mainly online and regularly distributed when updated.

According to Uniglobe (2004), most companies have some form of travel policy in place, but the majority of these have been found to be less than effective and not particularly enforceable:

- Only 49 per cent of policies necessitate pre-trip authorisation.
- Less than 45 per cent of policies require the use of the lowest convenient fare.

- Less than 35 per cent of policies address the use of discounted hotels and car rentals.
- Over 60 per cent of companies have no policy proscribing higher-priced flights to accrue frequent-flyer miles.
- While corporate executives reported a perceived compliance level of 98 per cent, post travel audits revealed an actual compliance of only 73 per cent (Uniglobe, 2004).

Although CFOs are aware of the increasing costs of T&E, efforts to manage these have been generally neglected in some countries. In Singapore, the majority of companies surveyed by American Express admitted that they do not have a formal written travel policy, the basis of any travel management programme. In Hong Kong, Taiwan and Thailand, many companies neglect to write down the rules. Those companies which do have programmes fail to employ their travel management programme in a comprehensive and coordinated manner. Instead, they limit effectiveness by limiting written distribution of corporate policies and relying on word of mouth (Crane, 2001).

Scientific literature on the topic of corporate travel policies is limited since mostly industry-based surveys are done; therefore, the majority of the sources cited here were extracted from 'popular' literature. In identifying factors that influence travel policy compliance, one of the important contributions that this study can make is towards building new scientifically based theory on corporate travel management, as well as adding to the body of knowledge available on corporate travel policies. Only a limited number of authors (Wint & Avish, 2003; Lang, 1993; Jenkins, 1993) have made substantial contributions to describing the components of the corporate travel policy. Their opinions will be used extensively in the ensuing sections.

2.8.1.2 Principles, approach and elements underlying a successful travel policy

According to American Express Consulting, there are three guiding principles that can assist in creating a travel policy that meets business and cultural needs¹. The three guiding principles are: (1) maximising savings to the organisation, while at the same time improving (or at least maintaining) both traveller (2) satisfaction and (3) productivity. Organisations must decide on a suitable mix to satisfy their business needs and corporate culture, as changes in any one of these areas will have a direct impact on the others (Wint & Avish, 2003:1).

Controlling travel expenditure through a corporate travel policy requires a four-phase approach (Meyer, 2002):

- policy development
- communication
- compliance monitoring
- enforcement

American Express Consulting (AEC) studies have shown that travel policy-related measures taken in an effort to limit travel and entertainment (T&E) costs are reported to be amongst the most effective cost-control steps taken by many organisations. The most vital step organisations can take is to *develop* more explicit travel policies and to employ more consistent enforcement measures. Developing a comprehensive travel policy is the first chance a company has to manage travel expenditure. This is merely a matter of exercising control by informing travellers about the ground rules. A travel policy should be the cornerstone of any T&E programme as it sets the tone for the whole programme by clearly delineating the policies and procedures for business travel-related expenditure (Wint & Avish, 2003:2). Writing and enforcing a corporate travel policy is a very practical and personalised activity – practical as it needs input and support from departmental staff as

¹ The reasons for taking the cultural needs of an organisation into account when developing the travel policy are, first, that each organisation has its own corporate culture and this might influence the nature of the policy. Second, an organisation is situated within a certain country with a distinct culture and this might also have an influence on the development of the policy.

well as the corporation's management – and personalised since every company's policy will be unique to that company (Lubbe, 2000:206).

In 1993, Jenkins suggested the following guidelines when a travel policy is developed for the first time and these still hold good today:

- Management goals in terms of travel must be determined. Management support for the planned travel policy is of vital importance, since they need to set an example to the other travellers.
- An examination of corporate culture will show whether cost control, comfort or company visibility are the primary goals when travel is undertaken. The travel policy will need to reflect this.
- Feedback from travellers at headquarters and branch locations will give an indication which travel agency and travel suppliers are presently being used. The level and frequency of travel expenditure can also be ascertained.
- Travel data can be gathered. This includes agency reports, traveller expense reports, credit card reports and any other information that could help demonstrate savings potential to management or be supportive in establishing the travel policy.
- A proposal for senior management can be prepared explaining the advantages of a documented travel policy. The potential for current and future savings supported by facts and figures when possible can be shown.
- Decisions should be taken as to who will be responsible for monitoring compliance with the policy and what punitive actions will be taken for repeat offenders.
- A standardised expense report that follows the policy should be created.
- Management should meet with travellers to clarify the need for the travel policy and to answer any questions. A brochure with a condensed version of the policy to put in travellers' ticket jackets may be created (this could be in electronic format today).
- Follow-up meetings should be held to clarify the policy, answer questions and make sure that executives' needs are met. The corporate travel manager should be ready to amend or extend the travel policy as the corporation grows and travel needs change (Jenkins, 1993:36).

Communication in relation to a company's corporate travel policy goes beyond simply distributing the policy document itself, and includes such strategies as publishing periodic newsletters and conducting seminars for travellers and travel arrangers.

Because the travel manager is responsible for *compliance monitoring*, s/he is the recipient of pre- and post-trip *compliance* reports, as well as reports from the corporate payment system. This means that the travel manager can provide data to those charged with enforcing the policy.

The final phase of the policy-related activity is *enforcement*. At this stage, the travel manager typically reverts to the role of an influencer without actual authority. The role is limited to assisting in the development of written enforcement principles as stated in the policy (Meyer, 2002).

According to Wint and Avish (2003:1), there are six elements that form the foundation of a successful travel policy:

- culture
- content
- comprehensiveness
- communication
- control
- compliance

Culture

"A set of shared attitudes, values, goals, and practices that characterise a company or organisation."

(Wint & Avish 2003: 2)

An organisation's culture is revealed in every one of its operating policies and procedures, as well as in its corporate travel policy. The corporate culture is a vital connection to each of the other five key elements. Decision-makers in travel management are required to

have an instinctive grasp of their organisation's culture. Travel management requires a purposeful balancing act between potential savings and a company's status quo. Matters that may impact upon corporate culture are those that can influence an employee's comfort and/or convenience level while travelling. Any changes to corporate culture need strong and noticeable support from senior management.

Content

"The topics or matters treated in a written work."

(Wint & Avish, 2003: 3)

The success of a travel policy centres on the travel policy issues addressed, such as air travel, accommodation, car rental, methods of making travel reservations, meals and entertainment and payment methods. Essential travel policy topics need to be included to make the most of a policy's effectiveness. Content is measured by the number of issues addressed in the travel policy and is not complete if the travel policy is missing any of these crucial topics. Travellers need to know what management expect from them. A travel policy should include information on each component of T&E expenditure, as this will ensure that travellers comprehend management's expectations on all components of business travel.

Comprehensiveness

"Covering completely or broadly; having or exhibiting wide mental grasp."

(Wint & Avish, 2003: 3)

Even if the vital issues are addressed, a corporate travel policy is not complete without extensive coverage of each issue. The success of an organisation's travel policy depends not only on the actual topics included, but also on the level of completeness within each topic. If all details are not visibly defined in the travel policy, travellers will not realize the organisation's expectations. Comprehensiveness is the extent of detail provided under each of the policy components: it presents travellers and expense approvers with the information needed to follow the travel policy and manage expenses and it also guarantees a concrete record of all ongoing travel management objectives.

Communication

“A process by which information is exchanged between individuals through a common system of symbols, signs or behaviour.”

(Wint & Avish, 2003: 4)

It is crucial to improve communication methods and gain senior management support. Even a carefully designed policy cannot deliver savings if travellers are not familiar with it or its contents. Policy communication includes the extent of the travel policy’s distribution, how the travel policy is distributed, the frequency with which the travel policy is updated and traveller awareness and knowledge of the travel policy.

Control

“A device or mechanism used to regulate or guide the operation of a machine, apparatus, or system; power or authority to guide or manage.”

(Wint & Avish, 2003: 4)

Processes and enforcement plans should be in place for checking compliance and dealing with non-compliance.

Compliance

“The act or process of complying to a desire, demand or proposal; conformity in fulfilling official requirements.”

(Wint & Avish, 2003: 4)

Once an organisation has established and communicated its travel policy, the key question still remains as to whether travellers are complying with it or not. All imposed limitations must be examined for traveller compliance, as non-compliance leads to higher than necessary costs. Compliance measures how well travellers are following the travel policy. It guarantees that the company attains the financial and administrative benefits expected from a travel policy, and is the decisive measure of the policy’s overall success.

Wint and Avish (2003:5) reason that an organisation has certain key chances to accomplish policy compliance; namely:

- use of a designated agency for air, hotel and car rental reservations
- use of preferred air, hotel and car rental suppliers
- use of a corporate-sponsored payment method
- use of an appropriate class of air service
- staying within meal/hotel spending guidelines
- submission of expense reports within an encouraged timeframe
- submission of appropriate receipts to substantiate expenses

The benefits of including the six elements in a corporate travel policy, as discussed in the foregoing pages, can be summarised as follows (Wint & Avish, 2003:5):

- Failing to enforce a travel policy will render it ineffective.
- Improved compliance will result in lower direct T&E costs.
- Travellers will comprehend management's expectations.
- Use of preferred suppliers will be maximised.
- Market share commitments will be attained.
- Complete management reporting from the organisation's designated travel agency and corporate card supplier will be utilised for monitoring, budgeting and forecasting.

Simply having a formal travel policy is insufficient: policies must be reviewed regularly, clearly communicated to employees and consistently enforced. In an international study conducted by IATA and ACTE, a considerable number of the respondents were not aware whether or not their company had an established procedure for reviewing its corporate travel policy. Most companies with such a procedure in place usually reviewed their corporate travel policy annually (IATA & ACTE, 2007:22).

Studies conducted by American Express Consulting have shown that, generally, more than one third of all expense reports contain at least one instance of non-compliance with established policy, and about one quarter of all expense reports that reach the travel

accounting departments have to be sent back for explanation or additional support. Non-compliance frequently occurs because policies are not explicitly defined (Wint & Avish, 2003:5).

2.8.1.3 The layout of the corporate travel policy

A number of authors' views (Jenkins, 1993; Greene, n.d; Anon, 2006a; Anon, 2006b) are consolidated to provide the following guide as to what should be included in a travel policy. There are basically three categories in such a policy: areas to cover, expense reporting and distribution of the policy. This discussion is interspersed with practical examples taken from the travel policies of a number of large organisations.

It should be noted that not every T&E issue is applicable to every organisation, but having a complete policy is the key to higher compliance and to making the expense repayment process as efficient, unequivocal and effective as possible. It is also the key to internal financial control of T&E expenditure (Institute of Management & Administration, 2006).

Areas to cover

- Method of making travel arrangements

A travel policy should state whether corporate travellers should use the services of a travel management company (TMC), the travel department or self-booking tools to make travel arrangements. A survey conducted by Runzheimer International in 2002 found that almost all travel managers consider the use of a designated agency or in-house office to be the most important travel issue within the travel policy. The survey indicated that 75 per cent of the respondent organisations mandated the use of a designated travel agency (Lubbe, 2003). Many employers establish an account arrangement with one travel agency (or TMC) to handle all business-travel reservations for employees. This facilitates direct billing to the employer and also consolidates the data for expenditure management reasons (Anon, 2006a).

- Air travel

A survey conducted by IATA and ACTE (2007:18) revealed the following factors that needed to be covered in the air travel section of the corporate travel policy:

- choice of airline
- choice of alliance
- class of service
- class of service dependent on flight duration
- corporate deal with airline
- corporate deal with alliance
- limited number of executives on the same flight
- routing
- selection of travel agent
- ticket price limitation

Mason's (2002:55) research shows that, in travel policies, the class of travel is more heavily controlled than the choice of airline. This difference is not unexpected, as variations between ticket classes will be much more important than those between airlines in the same ticket class.

The IATA and ACTE (2007:18) survey revealed that the factor most often included in the corporate travel policy for companies with up to 1 000 employees was ticket price limitation. For companies with more than 1 000 employees the factor most often included was class of service. In cases where the class of service was determined by the flight duration, five hours was the threshold before employees were allowed to book a business class ticket.

This section should also determine the policy on enrolment in frequent-flyer programmes, where decisions should be made regarding whether travellers are to be allowed to keep the benefits for personal use or not. According to Johnson (2005), there are several schools of thought regarding the allocation of loyalty points. The first argues that no loyalty points should be allocated to anyone. The

second is of the opinion that directors of the company should be the receivers of the loyalty points. Another says that the loyalty points should be allocated to the business. This approach is called the frequent-flyer mileage redemption strategy and is utilised to decrease an organisation's air travel costs by using frequent-flyer miles accrued by employees during business travel for their future business trips. When following this strategy, the travel policy should also mention whether lowest fare routings and reservations are mandatory or merely encouraged (Suzuki & Walter, 2001). The last school of thought feels that the points should be given to the end user, thus the corporate traveller. Many companies shy away from the redemption strategy and permit their employees to keep their frequent-flyer miles. The reasons for this are that travel managers do not want to be unpopular with travellers and are struggling to gain support from senior management for the redemption strategy. There are justifiable reasons for senior management's reluctance to utilise the redemption strategy: they have to be aware of the effect that this might have on employee morale. After all, travellers can argue that they are entitled to their mileage as compensation for travelling outside working hours (Cohen, 2006). Most of the literature available on frequent-flyer programmes vouches for either the third or the fourth school of thought.

The decision on the allocation of loyalty points is of utmost importance to the company, as it could have a significant influence on policy compliance. A traveller who receives loyalty points might decide to take the most expensive flight in order to earn more loyalty points, instead of utilising the cheaper flight. At the same time, a traveller might be tempted to fly with an airline where he is a loyalty card member, although the chosen airline might not be a preferred supplier for his company.

EXAMPLE 2.1: EXCERPT ON AIR TRAVEL FROM A COMPANY TRAVEL POLICY

When you make business travel reservations, purchase the lowest possible coach airfare that meets your business needs. For international flights with flight time of six hours or greater, business class travel is acceptable for exempt and technical staff. For certain regional international travel less than six hours flight time, business class travel may be allowed with appropriate approval. **Company X** may have negotiated discount rates with certain air carriers. The Travel Coordinator or **Company X Office** should be contacted for this information. If an employee makes his or her own travel arrangements, the cost of the air travel must be approved by the Travel Coordinator prior to confirmation or ticket issuance.

Note: If your plans change and you cannot use your airline ticket, contact the ticket issuer or Travel Coordinator immediately, as appropriate, to inquire about a refund.

- Accommodation

In 1997, Bell and Morey suggested that regardless of the huge amount of money concerned, hotel stays were among the last components of travel expenses to be dealt with by the corporate travel policy. This seems to have changed, as more recent studies (Lubbe, 2003; Marta, 2006) have shown increasing attention to specific hotel guidelines in travel policies.

The travel policy establishes accommodation-spending guidelines according to city, type of hotel or level of personnel. Lang (1993) recommends explicit policies for different personnel levels. The travel policy should also include a list of preferred hotels or chains, state policies on guaranteed reservations or cancellations, and cover other subjects such as extra services allowed.

Compliance by travellers regarding air travel generally appears to be much higher than compliance in relation to hotel accommodation (Anon, 2006b). Yet, many companies still remain non-mandated, and it becomes the responsibility of the corporate travel managers to force employees to book preferred properties whenever possible. Then the challenge for corporate travel managers is to influence traveller choice, even if the policy is not mandated. Having the right programme mix and good data to negotiate at desirable hotels in the right locations can achieve this. Furthermore, if mandating does not work culturally, then the travel manager

has to be able to influence travellers. Before s/he can encourage people to book the right hotels, they have to be persuaded to use the right reservation channels. These need to be easy to use, and rates at preferred hotels should be clearly designated and accurate. Having travellers use the preferred booking channel influences them at the point of sale. It encourages them to use preferred properties, but it is essential to have the right properties, the right information and functionality that travellers will want to access (Anon, 2006b).

One of the fallacies in the hotel industry is that a non-mandated programme carries little weight. Whether a programme is mandated or not should not be the measure for a programme's effectiveness. The measure should centre upon whether the programme has the mechanisms in place to shift volume to preferred suppliers. Companies without a mandate often have strongly-worded policies. A policy can only be called a mandate if travellers who do not concur with the policy will not be reimbursed. While non-mandated programmes do not go to these lengths of admonishment, there are other, more subtle ways to persuade travellers to follow a hotel programme, such as reporting to senior managers or issuing divisional reports. Another reason in support of mandated hotel programmes is traveller safety. If travellers ignore policy when booking trips, then they will more than likely be staying at properties that were not subject to due diligence by the company's travel team (Anon, 2006b).

EXAMPLE 2.2: EXCERPT ON ACCOMMODATION FROM A COMPANY TRAVEL POLICY

Choose lodging that has reasonable single room rates. You are responsible for cancelling hotel room reservations if necessary. You should request and record the cancellation number in case of billing disputes. Cancellation deadlines are based on the location of the property and vary by time zone.

Note: Company X requires receipts for all lodging, whether domestic or foreign. If staying in a private residence, **Company X** will reimburse reasonable expenses for a token gift of appreciation.

Other areas that are covered in the travel policy include car rental, other transportation, meals and entertainment and payment methods. The ensuing discussion on these aspects is largely based on Jenkins (1993).

- Car rental

Preferred car rental suppliers and negotiated rates should be listed in the travel policy. The policy should establish what car size and vehicles are permitted, describe the cover policy on collision waiver and theft insurance and explain refuelling charges and company procedure in that regard (Jenkins, 1993:38).

EXAMPLE 2.3: EXCERPT ON CAR RENTAL FROM A COMPANY TRAVEL POLICY

Reimbursement for car rental is limited up to intermediate size or lowest rate classifications for individual travellers. Full-size vehicles are allowed for groups when travelling. In the case of rentals for group travel, all authorized drivers must be listed on the rental contract. If renting an automobile, rental charges and actual fuel expenses are reimbursable in lieu of mileage. For domestic travel, original itemized receipts from the car rental agency must be submitted with the Travel Expense Form. Only costs for auto rental will be reimbursed; no other insurances or additional coverages offered by the car rental agencies will be reimbursed as coverage is provided by the company insurance policy. Travellers should print a copy of the letter certifying insurance coverage (see link at the end of this policy) and submit to the rental agency. Vehicle rentals may be used as the means of transportation to and from a trip destination only when the overall cost of the rental is less than the cost of other means of transportation.

- Other transportation

It is essential to establish a policy with regard to private car use, the use of company cars and policy regarding parking costs. Guidelines regarding the use of taxis should also be included in the policy and extensive use of taxis should be discouraged. Methods of payment, as well as the conditions of reimbursement, such as a validated receipt attached to expense claims should be highlighted (Jenkins, 1993:38).

EXAMPLE 2.4: EXCERPT ON OTHER TRANSPORTATION FROM A COMPANY TRAVEL POLICY

The **COMPANY** may pay for or reimburse ground transportation and related expenses, such as shuttle bus (between airport and hotel), taxi, bus, subway, tram, train and parking. Care should be given to use the lowest cost transportation. Original receipts are required.

- Meals

Spending guidelines for meals should be incorporated in the travel policy, stating the amount available to the corporate traveller per day and per city. Receipt requirements and whether alcoholic beverages can be included as an expense, should certainly be included in this expense category (Jenkins, 1993:38).

EXAMPLE 2.5: EXCERPT ON MEALS FROM A COMPANY TRAVEL POLICY

The **COMPANY** may pay for or reimburse meal expenses on domestic travel at current federal per person per day rate for the city. Meal expenditures need not be pro-rated. Meal expenses may be reimbursed if the trip has been preauthorized and an overnight stay has occurred. Meal expenses placed on a Purchasing Card must be itemized on the Travel Expense Report, adhere to this travel policy and must not be reimbursed to the traveller. The Purchasing Card receipts should be kept with the traveller's Purchasing Card expense log. The **COMPANY** will not pay for or reimburse alcohol expenses except in certain pre-approved circumstances and charged to an allowable gift or expendable endowment fund. (See Alcohol Expense Policy.) Alcohol purchases are not permitted on a Purchasing Card. Entertainment expenses incurred while on travel status should not be reimbursed on the Travel Expense Report (refer to Entertainment Expenses Policy). Gratuities are included in the per person per day rate and are authorized up to 20% of the cost of the meal.

- Entertainment

The seniority level of personnel permitted to claim entertainment expenses and the accepted monetary amount should be stated in the travel policy, as well as the time schedule permitted for customer entertainment. The policy should highlight that a copy of the authorised, approved customer entertainment schedule needs to be forwarded to the corporate travel manager for filing and auditing purposes (Greene, n.d.). It is also suggested that the entertainment policy should include guidelines on prohibition of certain establishments, home entertaining and office parties (Institute of Management & Administration, 2006).

- Payment methods

Establishing when cash advances are permitted, describing the policy on the use of personal credit cards and when direct billing to the company is allowed, are imperative elements to include in the travel policy. Also necessary for inclusion is the regulations relating to corporate credit cards issued to those employees required to travel for business purposes. The policy should point out that the company will be exclusively responsible for payment of authorised charges on these cards. Employees with approval will have no legal responsibility for payment. The policy should also stress that no repayment will be authorised for purchases made with personal credit cards or cash when a corporate credit card has been issued. The corporate credit card is not authorised for use when employees travel for purposes other than business (Jenkins, 1993:38).

EXAMPLE 2.6: EXCERPT ON PAYMENT METHODS FROM A COMPANY TRAVEL POLICY

Cash: COMPANY X discourages the use of cash because any loss or misappropriation is not covered by insurance.

Travellers Cheques: If your trip requires the use of traveller's cheques, you should obtain the cheques directly from a bank. If you need a travel advance to cover this cost, see the □ *Travel Advances* □ segment of this document. Company X will reimburse fees when the traveller's checks are used for company travel.

Direct Payment of travel expenses: Company X permits direct payment of travel expenses for travel with approval of the Travel Coordinator and unit head.

Travel Advances: Company X records a travel advance in the general ledger when a cash payment is made to the traveller prior to official Company X travel or for prepayments to vendors for travel expenses that will be charged to a Company X account. Travel advances are made in exceptional circumstances and only with the specific approval of the traveller's unit head. To receive an advance, an Advance of Funds Form must be completed. Travel advances should be in close proximity to the travel dates. They should be cleared within 30 days after completion of the trip. The timely clearing of advance accounts is the responsibility of the traveller.

Note: By signing the cash advance request form, you agree to submit your expenses within 30 days of the completion of your trip. You also acknowledge that failure to do so could result in disallowance of travel advances or reductions in reimbursements for other travel expenses in the amount of the advance. Any advance that is not used for the trip must be returned to Company X immediately after travel. If a trip is cancelled, the unused advance must be returned immediately and deposited to the travel advance account. You may not clear the advance with expenses for trips other than the trip identified with the cash advance request form.

- Documentation

It is essential that corporate travellers are aware of the exact documentation required when making travel arrangements. The travellers should understand the documentation and the required expense breakdown. The policy should include the meaning of acceptable receipts and for what monetary amount receipts are required (Jenkins, 1993:39).

Expense reporting

- Sample forms

The policy should include examples of forms for cash advances, pre-trip authorisation, as well as expense reporting. Other forms to be completed by corporate travellers when making travel arrangements, such as those for special international travel authorisation and damage waiver, should also be included in the policy (Jenkins, 1993:39).

EXAMPLE 2.7: EXCERPT ON DOCUMENTATION FROM A COMPANY TRAVEL POLICY

You are responsible for providing sufficient documentary evidence to support business purpose and to substantiate all expenses. Documentation should be in the form of original bills or receipts, and must include the name of the vendor, location, date, amount of the expense that was paid or incurred by the traveller, and a description of goods or services received. You should describe the business purpose in terms that can be easily understood by an internal or external reviewer.

Receipts (credit card slips, invoices, etc.) are generally the best documentation to support a request for reimbursement for travel expenses. If the receipt does not include an amount, description of the good or service purchased, or other key information, you should provide the required information.

Note: Company X does not require receipts for incidental travel expenses, although the traveller is still required to indicate the nature of the expense, the date, the location and the amount. Meals and lodging are not incidental expenses. See meals and lodging sections in this policy for receipt requirements related to those expenses.

- Report processing

This involves stating how soon after the trip reporting is required, what type of policy and documentation is applicable and listing the people who must approve completed reports (Jenkins, 1993:39).

Distribution of policy

A travel policy can take many forms such as a loose leaflet, booklet, memorandum or online posting. A cover letter from management should be included, as well as an explanation of the above sample forms. A list of where to send or obtain approval of travel and expense reports should also be provided in the policy.

Lang (1993) says that the vital components of a good travel policy include brief statements of purpose, approval guidelines, instructions on form completion, responsibility and enforcement, corporate discounts and agreements and differentiation between various types of travel expenses. Lang (1993) further suggests that an effective corporate travel policy should comprise the following:

- A current issuance or revision date. Travel policies need to be revised and reissued periodically (preferably yearly) to stay up to date with supplier pricing strategies, industry developments and the maturation of the company's travel management programme. An issue or revision date that appears on the title page of the policy lets readers know whether the version they hold is up to date.
- A cover letter from senior management. A cover letter from the CEO can noticeably increase both readership of, and compliance with the policy. Such a letter is especially important when a new policy represents a different approach from previous practices.
- Concise statements of purpose, responsibility and enforcement. Travel managers should never presume that readers comprehend the obvious. The travel policy should begin with brief statements explaining the purpose of the document, the responsibilities of specific individuals in relation to the policy and principles of enforcement (e.g. consequences of non-compliance).

- Explicit policies for different personnel levels. Having different policies for senior managers is an accepted practice; in most cases, separate senior management policies are appropriate in light of the workload, travel schedule and levels of stress endured by these executives. Others are of the opinion that the policy should be single-tiered and apply to everyone from the most senior executive to the most junior ranking employee (Anon, 2006a).
- Delineation between in-town and out-of-town expenses.
- Differentiation between local and international travel. Policies to govern reporting of currency exchange rates, limits on cash advances, spending guidelines for international travel, as well as procedures for reclaiming value-added taxes should be included (Lang, 1993).
- Approval guidelines. The level and nature of any necessary approvals (e.g. for reimbursement of expenses, exceptions to policy or incurrence of large or unusual expenses) should be clearly stated (Lang, 1993).
- Corporate discounts and agreements. Included in the policy, usually in an appendix, should be all relevant information regarding the hotels, car rental agencies and airlines with which the company has negotiated a corporate discount.
- Corporate contact for further information. Despite the best efforts to ensure the policy is complete, yet succinct, there will unavoidably be times when further information is required. The policy should include the name and telephone number of the travel manager or employee who has ongoing responsibility for the organisation's corporate travel management (Lang, 1993).

2.8.1.4 Types of travel policies

According to Andrew Hillman (2002) of Pfizer South Africa, the travel policy should offer the means for providing the company with the most economical service, as well as taking the well-being of corporate travellers into account. Jenkins (1993:39) differentiates between three types of policies: low, medium and high control. The type of policy followed is dependent on the corporate culture that characterises the organisation. Wint and Avish (2003) explain that corporate culture decides the travelling lifestyles of employees; and are controlled by management goals, the industry, the economic climate and the corporate history. Some organisations will highlight cost control, while others may see comfort as

more critical when business travel is undertaken. A travel policy that is loosely defined in terms of the travel requirements of corporate travellers can be viewed as a low control policy. Wint and Avish (2003) call this a relaxed or employee oriented travel policy. One that highlights authorization of all travel expenses, strict reporting procedures, precise methods for organising travel and obedience to exact regulations pertaining to personnel levels and travel benefits can be regarded as high control or as Wint and Avish (2003) describe it – restrictive or business oriented. Table 2.2 provides an example of the differences in low, medium and high control policies in terms of typical components included in travel policies, while table 2.3 shows the characteristics of a relaxed vs. a restrictive corporate culture as reflected in the travel policy.



Table 2.2: Types of travel policies

| TRAVEL COMPONENT | LOW CONTROL | MEDIUM CONTROL | HIGH CONTROL |
|------------------------------------|--|--|--|
| Pre – trip authorisation | No written authorisation required | Written authorisation by supervisor | Authorisation by supervisor for domestic trips; higher level manager for international trips |
| Agency usage | Travellers are encouraged to use one of the company’s designated agencies | All travel reservations shall be made through the designated agency whenever possible | All travel reservations for airlines, hotels and rental cars must be made through the designated agency. The company will not reimburse expenses for arrangements not made through the designated agency |
| Reservation requests | State required departure and arrival time, airline and flight number | State desired departure time and arrival time as well as airline preference | State desired departure time or required arrival time only. Do not request specific flight or airline |
| Advance Planning | Travellers are encouraged to make reservations as far in advance as possible | Reservations should be made at least seven days prior to departure, if possible | Travellers are encouraged to make reservations at least 14 days prior to departure |
| Reservation changes | No mention | Changes should be made through the agency | Changes should be made through the agency at least 24 hours prior to departure |
| Airline class of service | Domestic – economy class International – business class First class – for directors only | Domestic – economy class International – business class First class – authorisation required | Domestic – economy class International – economy class for less than five hours, business class for more than five hours First class – authorisation required |
| Low fare utilisation | Always try to use lowest fare possible | Lowest fare possible within two hours of desired departure | Must accept lowest fare |
| Use of connections | No mention | Connecting flights used if possible | Connecting flights must be used if there are fare savings |
| Airline choice | No mention | Traveller may choose | Must fly specific airlines |
| Frequent traveller benefits | Traveller allowed to keep benefits | Benefits belong to the company and should be handed in | Benefits go straight to the company |
| Hotels – negotiated rates | No mention | Used whenever convenient | Must be used |
| Hotels – corporate rates | Whenever possible | Always request corporate rates | Must be used |
| Class of hotel | Use moderately priced hotels | First class hotels used, no luxury hotels allowed | Mid priced hotels used |
| Rental cars – company | Use designated company if possible | Try to use designated company | Must use designated company |
| Rental cars – class | No class specified | Compact, fuel efficient cars | Economy cars only |
| Travel time | Should travel during normal business hours | May travel during normal business hours | Must travel outside of normal business hours |
| Expense reports | Completed and signed by supervisor | Completed and signed by supervisor within seven days of return | Completed within seven days, all expenses must be explained |

Adapted from: Jenkins (1993:39-46)

Table 2.3: Characteristics of a Relaxed vs. Restrictive Corporate Culture as reflected in the travel policy

| Relaxed (Employee Oriented) | Restrictive (Business Oriented) |
|---|---|
| <ul style="list-style-type: none"> • Issuing of internal cash advance • Central/Direct bills utilised for employee travel • Travellers can book any class of air service • Travellers not required to use preferred suppliers • 'Reasonable' meal expenses to be reimbursed • No support from senior management • Meal per diems • Employee is permitted to use personal credit cards for expenses • Club Membership dues are reimbursed • Size of rental vehicles or class of hotel accommodation are not restricted | <ul style="list-style-type: none"> • No internal cash advance • Employees required to book all reservations through the designated travel agency • Clear class of service and lowest logical airfare guidelines • Employees are required to utilise corporate sponsored T&E card for all business expenses • Spending limits or reasonable guidelines for meals • Employee required to utilise suppliers with whom the organisation has negotiated rates • Noticeable senior management support and enforcement principles |

Source: Wint and Avish (2003: 2)

Wint and Avish (2003:4) believe that a travel policy exerts minimum control when:

- travellers are not asked to use preferred air, hotel or car rental vendors
- use of the corporate card is not mandated
- travel is not consolidated within one designated travel agency
- travellers are not required to submit appropriate receipts
- repayment is allowed for expenses outside the travel policy

In a research study done by Mason (1999:75), travellers were divided into two groups: those positive about the corporate travel policy of their company, and those negative about it. Surprisingly, when asked about the nature of the corporate travel policy used in their company, a greater percentage of the group positive about corporate travel policies pointed out that their corporate travel policies were fairly inflexible, with written rules to be adhered to. About 50 per cent of respondents, however, showed that the corporate travel policy under which they made business trips is in the form of written guidelines. Mason

further reported that business traveller feelings towards corporate travel policies might be most influenced by companies that produce travel policies that favour those at the top of the corporate hierarchy.

2.8.1.5 Enforcing the travel policy

Enforcement of the travel policy of the organisation is vital for its effectiveness. The highest level of control and enforcement will fall in the category of high control, and exceptions that arise will be strictly handled, such as when a traveller stays in a luxury hotel instead of the designated economy hotel and the company refuse to repay the difference in travel expenditure (Lubbe, 2000:209).

Discouraging non-compliant traveller behaviour is a concern for all travel programmes regardless of size, expenditure or sophistication. Making sure that workers follow travel guidelines is essential, since most businesses sign contracts with preferred suppliers that promise a certain amount of traffic. When employees do not adhere to the company's policy, they may undermine negotiated discounts and bring utilisation below the level at which the company will continue to enjoy those discounts (Kirshner, 2005).

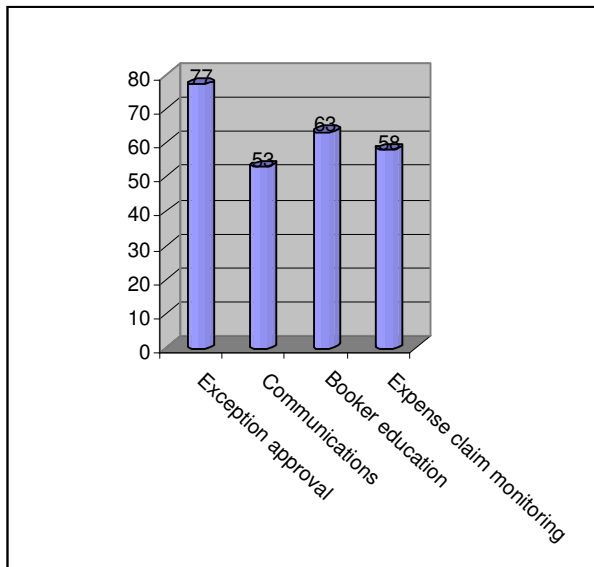
Corporations do have a great amount of leverage in terms of getting employees to comply: they can simply refuse to reimburse them (Gross, 1996). While mandates approved by senior management are often thought to be more belligerent than absolutely necessary, they seem to have come back into fashion. A refusal to reimburse noncompliant expenses seems to have again gained prominence in the corporate travel space. Beyond realizing cost savings, companies that steer compliance with a strong, assessable policy may also see benefits in showing their ability to move market share, gain negotiating power with suppliers, assist travellers to save time and effort in carrying out their work for the company and keep appropriate levels of comfort and security during travel (Kirshner, 2005).

In a research study, Mason (2002:60) asked travel managers what processes they used to ensure traveller compliance with the travel policy. Their responses suggested two approaches. The first permits the traveller to book the flights they ask for. Management information systems are then used to recognise those travellers who have travelled

outside the policy's instructions. The agent is responsible for reporting transgressors to the manager who can then take appropriate action against the transgressor. One approach is to refuse to repay all costs incurred by travellers who have booked outside the policy. Although this approach is effective, it might be viewed by some organisations as being unduly draconian. Other travel managers were of the opinion that a simple quiet word would be enough to encourage travellers to stay within the policy in future. The second approach used to make sure travellers complied with the travel policy was preventing them from booking outside the policy. Some managers channelled bookings through their offices, thus being in a position to decline travel bookings outside the policy. In other cases, the manager would trust the agent to either refuse to book outside the policy without appropriate signed authorisation, or by providing pre-trip alerts of non-compliant travel. Some travel managers viewed the internet and on-line booking systems as a way by which the company, with its agent, could create an electronic barrier to non-compliance.

Figure 2.2 shows the results of a survey conducted by the Institute of Travel Management (ITM), which revealed that the most common actions taken to control compliance were: exception approval, communications, booker education and expense claim monitoring (ITM, 2006).

Figure 2.2: Actions taken to control compliance



Source: ITM (2006)

According to the survey, the following appeared to be very rarely used by respondents' companies: the implementation of penalties for booking outside of policy; mandating and reducing the visibility of agency fees.

Kirshner (2005) says that the arrival of technologies that permit travel managers to steer and examine compliance through their online booking tools has enabled companies both small and large, lightly and heavily managed alike, to re-emphasise the significance of travel policy to travellers and travel arrangers engaged in self-booking. Even companies developing a travel programme from the ground up can build policy directly into the booking system, enabling immediate, direct communication with travellers and improved exception reporting.

Spending time and resources in developing a travel policy that is right for the organisation can reap benefits in the long term, as a policy that does not provide enough flexibility for the traveller or is not in tune with corporate culture will almost inevitably lead to low compliance rates and, in effect, become redundant. Two key tools that can be used to support an organisation in attaining high levels of travel policy compliance are travel management companies and corporate card programmes. TMCs can both counsel travellers on policy and also enforce the policy with the traveller at the point of booking. Evidence suggests that companies utilising TMCs both to counsel and to enforce policy realise higher levels of compliance than those who use agents for only one of these roles (Sauser, 2003). Corporate card programmes can also increase policy compliance by offering travel managers and finance departments management information that recognises out-of-policy expenditure, as well as giving a breakdown of expenditure data to monitor travel patterns and to emphasise any shortages in the travel policy. Using this information, the company can then adjust the policy to make certain that it supports travel patterns and traveller needs, therefore increasing travel policy compliance and bottom-line savings (Sauser, 2003).

Many travel managers and consultants agree that making policies more traveller-friendly helps boost acceptance. This includes allowing employees to keep frequent-flyer miles, not forcing them to take the lowest rates and sometimes allowing more expensive direct flights. Others are of the opinion that including employees in travel policy-making is crucial to ensuring maximum compliance. Tactics such as involving a wide range of employees,

making travel policies available to them and enlisting senior management in introducing a new policy can help boost compliance (Gross, 1996).

2.8.1.6 Other aspects of the corporate travel policy

There is a perception that travel policies are becoming more restrictive. A BTN survey revealed that twice as many buyers in 2002 than in 1998 said their travel policy was more restrictive than the year before, with two-thirds citing budgetary restrictions (Campbell, 2002). A recent survey conducted by Airplus (2006:7) showed that companies with existing travel policies are likely to tighten them further. Although the principle objective is to ensure value for money, cost control has to be reconciled with a respect for the business traveller's comfort and well-being. After all, these employees may well be enduring a degree of disruption for the good of their business. Moreover, companies securing the highest level of compliance with their travel policies are most likely to be those that acknowledge the need for an element of flexibility, but also let it be known that a watchful eye is being kept to detect any obvious abuses. Furthermore, employees are always more likely to support arrangements they have helped create. Care should be taken to ensure that stipulated suppliers and classes of travel are realistic and perceived by travellers as being reasonable and in line with their expectations. Particular attention should also be paid to employees' feedback on the quality of service received from the supplier (SureTravel, N.d.).

Many companies have become protective about employees who take business trips. They want to know where they are going, what they will pack and who else is travelling. Companies are taking a number of steps, from examining the need for travel to improved tracking of workers on flights. Some businesses are now expecting their employees to send all travel arrangements to a centralised location for authorisation, instead of permitting them to make their own arrangements. This is done so that the company will know where their employees are at all times. Companies are also monitoring how many employees are travelling on the same flights and dates. If too many people are flying, some companies have asked employees to alter their plans. Other companies are encouraging conference calls, sending one person from a business division instead of several, and driving instead of flying distances of a couple of hundred miles (Conklin, 2001).

The Carlson Wagonlit Travel Business Travel Indicator revealed gaps in perception between travel managers and business travellers regarding the most irritating limitations of the corporate travel policy. Travel managers believe business travellers are most bothered because they cannot book first or business class on international flights, followed by flight connections. From the business traveller's perspective, leading frustrations vary by area, but the Saturday night stay requirement and flight connections average highest. A high rate of compliance requires regular modification of the travel policy, taking into account travellers' experiences and feedback (Business to Business Travel, 2006).

Another aspect highlighted by travellers relates to partners. Asked what they would like to see included as part of their company's corporate travel policy, over a third suggested allowing partners to join them on their trips, while a fifth wanted weekend stopovers (American Express, 1999).

2.8.2 The use of technology

The purpose of *technology* partnerships between travel agencies, suppliers and corporate clients is to allow organisations to streamline their operations and to become more cost-effective (Lubbe, 2003). While the implementation and use of technology in corporate travel management (particularly corporate self-booking tools) is not the focus of the study, technology can also hinder or aid travel policy compliance. The wider, 'unmanaged' Internet, for example, provides corporations no chance to manage their travel purchasing. Employees can book travel without any consideration to the corporate travel policy. Even if fares are seemingly lower than those presented through preferred suppliers, tickets booked through the Internet do not add to volume or market-share agreements with preferred suppliers, and are not captured in all-important management information data that is used for supplier negotiations (Cohen, n.d). One way to overcome this problem is for the corporate client to form a technology partnership between themselves, their travel management company (TMC - traditional and Internet) and their suppliers such as airlines and hotels. Traditionally, companies have used corporate travel agencies to purchase travel services from their preferred airline, hotel and car suppliers. These suppliers have listed, in exchange for a fee, their process and availability information in CRSs that any agency may access through dedicated connections. With the arrival of e-commerce, however, Internet-based electronic travel reservation systems for corporate travel, also

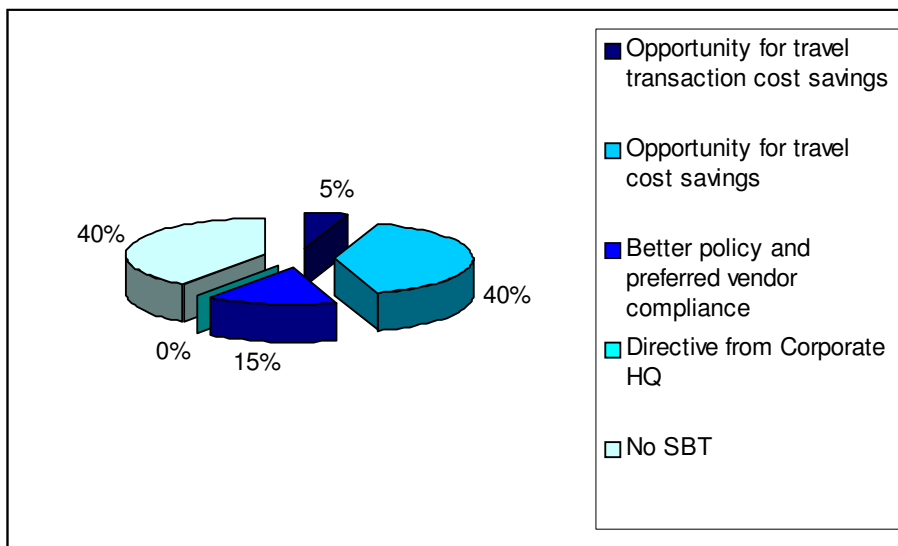
known as online booking (or self-booking) systems, are expected to partly, or, in some cases, even totally replace traditional travel agents. To obtain travel supplier information, these systems have initially established electronic connections to the traditional CRSs, and, more recently, to the actual suppliers through direct connections. In general, after an organisation's employees make reservations using these systems, the details are sent to that organisation's corporate travel agency, which then concludes the transaction by examining the quality of the reservation and issuing tickets (Chircu & Kauffman, 2000:68). This will allow the organisation to streamline their operations and to become more cost-effective (Lubbe, 2003). This technological option is seen as a key part of travel management. Haapaniemi (2000) refers to it as a corporate intranet. An intranet permits employees to make their own reservations and file their own expenses online – at their convenience – but under the management of the organisation's travel office (Haapaniemi, 2000). The use of a self booking tool also improves 'speed to market' when travel programmes are modified. For example, if a company changes preferred airlines, the travel page can notify employees of the switch. The system can easily be altered so that the new airline appears first when reservations are made (Haapaniemi, 2000). The principal functions of a corporate travel intranet are to supply useful information to the traveller, to maintain relationships with preferred suppliers and to act as a platform for self-service reservations (Cohen, n.d.).

Business travel displays a number of characteristics which make it eminently suitable to purchase through e-commerce. In the area of business travel, information is largely uniform and free of emotional involvement, so that the desired travel products can be described in its entirety by the attributes, destination, travel dates and times, quality classification and price (Schertler & Berger-Koch, 1999). A global survey conducted by ACTE and KDS in 2006 found confirmation of companies' continual implementation of online travel booking tools. The majority of respondents said their firms use systems, bringing them the associated benefits of travel cost efficiencies and better management information. Responses indicate that travellers are becoming progressively more comfortable with making travel arrangements online, with 76 per cent saying that this would be their favoured method for booking a business trip, versus 23 per cent who would still choose to book offline via a travel agent (ACTE & KDS, 2007). In a study conducted in South Africa amongst selected companies, only 13 per cent encouraged their corporate travellers to use self-booking tools. Factors that hamper the use of such tools include the

following: companies perceive that they may have less control of travel expenditure when self-booking tools are used; corporate travellers still prefer personal contact with a traditional travel agent and organisations believe that complex travel reservations are not suited to the system (Douglas, 2005:122).

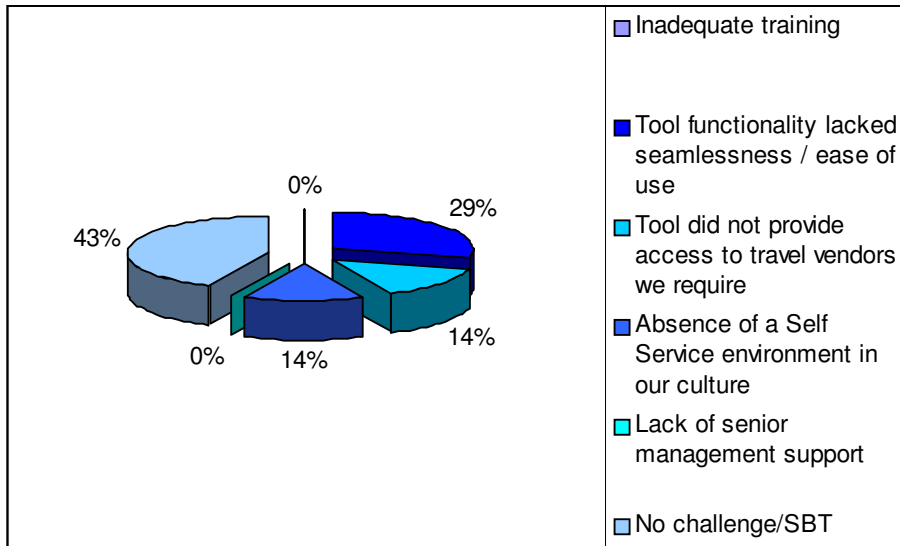
In 2007, the Association of Corporate Travel Executives (ACTE) conducted a survey to determine the current utilisation of self-booking tools amongst South African companies. The survey revealed that only 15 per cent of respondents had implemented self-booking tools (SBT). Of interest to this particular study is that a company's third most important motivating factor in its decision to implement SBTs is to achieve better policy and preferred supplier compliance (see figure 2.3). Furthermore, companies were asked what their biggest challenge in adoption and implementation was. The results are shown in figure 2.4.

Figure 2.3: Main driver to implement a self-booking tool



Source: ACTE (2007)

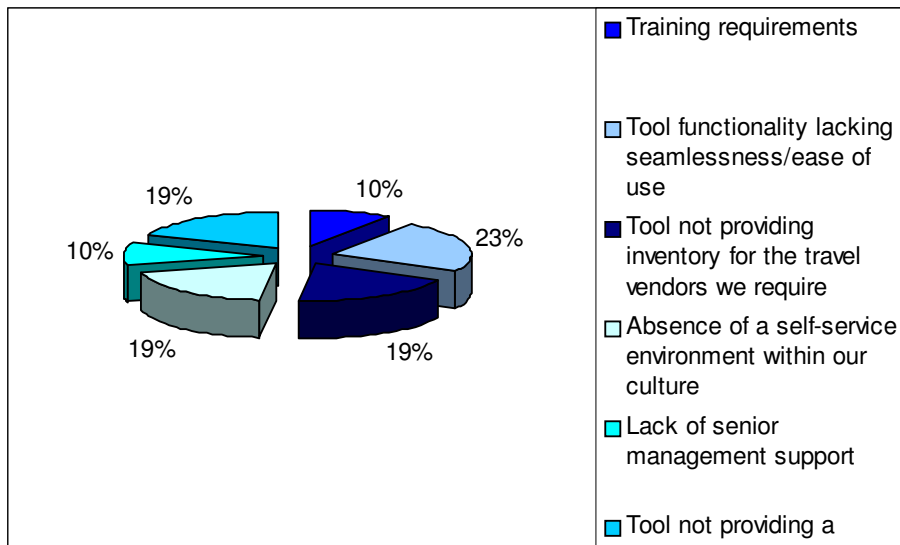
Figure 2.4: Biggest challenge in implementation and adoption



Source: ACTE (2007)

Respondents were also asked to define what they believed was the biggest hurdle to the implementation and adoption of a SBT in a company. Twenty-nine per cent of respondents named tool functionality lacking in seamlessness/ease of use (Figure 2.5).

Figure 2.5: Biggest hurdle to implement and adopt a SBT



Source: ACTE (2007)

The Business Travel Research Centre at Cranfield University in the United Kingdom conducted a global study on the adoption of corporate self-booking tools and revealed the following key findings (Mason, 2007):

- Using a SBT can save a company 25.6 per cent of TMC fees and 9.1 per cent on average airline ticket costs.
- Air tickets are the travel items most frequently bought through a booking tool.
- Adoption rates have a tendency to be the fastest in the first year of use and then the rate decreases.
- While companies are generally satisfied with current adoption levels, increasing the levels will decrease costs even further.
- High tech companies, consulting services and logistics attained the highest levels of adoption of SBTs, with public utilities and agricultural companies attaining the lowest levels.
- The biggest obstacles to online adoption are: organisational and social issues, travel policy and compliance, lack of senior managerial buy-in and a distrust of the capabilities of technology.
- Simply making a booking tool mandatory in the travel policy can bring about a considerable increase in adoption levels.
- Respondents thought that effective traveller training, supported by senior management buy-in and promotion of the value of SBT usage through internal company communications, were the most effective ways of increasing adoption.
- Nearly 30 per cent of respondents indicated that their travellers regularly reported that their system was slow, not easy to use and thought that cheaper fares were available via internet travel agents or direct from airline and hotel websites.
- Companies with flatter hierarchical corporate structures seem to be able to achieve higher SBT adoption levels.

Perhaps the most important finding with regard to this study is that SBTs ensure better policy compliance.

2.8.3 Relationships

The third action contributing to an effective corporate travel management programme is building successful, transparent *relationships* between management, travellers, suppliers and TMCs. Negotiating deals with suppliers is an important part of building these relationships. The travel policy demonstrates that the company has a mechanism to deliver spending commitments to preferred suppliers. According to an Airplus (2006) study, if travellers do not comply with the travel policy, the company will not be able to deliver the spending commitments to suppliers, and will thus not be able to save money. Johnson (2005) suggests that a company must first engage in a benchmarking exercise before entering the negotiation process. This allows the company to compare its travel deals with a company similar in size. There are only a few papers in the literature that study corporate deals and services in the airline industry (Mason, 2002; Pachon, Erkoc & Iakovou, 2007; Sauser, 2003) even though business travellers form the largest part of the most profitable sectors of the air travel market.

In 2002, Mason completed a survey on future trends in business travel decision-making. Of the companies responding to the survey, 65 per cent negotiate deals directly with airlines. These companies obviously have sufficiently large purchasing power to be able to negotiate deals that would be better than those offered via the travel agency market. This, however, does not make travel agencies redundant in the negotiation process; they can still provide benchmarking data to a corporate client to ensure that the deals negotiated are as valuable as possible for that company's level of air-travel expenditure (Mason, 2002:54). For numerous companies, a substantial share of travel is on a small number of routes, and on these routes the companies may have agreements with individual airlines. However, if an airline group has the ability to provide global coverage for all of a company's air travel requirements this could be beneficial for both parties. The company would be able to negotiate better discounts on their most travelled routes by guaranteeing a higher percentage of their travel is on the preferred airline group's services globally. The airline group guarantees increased volume throughout its network and is capable of building yield on the less-travelled services (Mason, 2002:60). Travel managers need to re-evaluate their buying approaches. As mentioned above, in the past, companies looked to negotiate contracts on their most popular routes. More recently, though, managers have been attempting to combine as much volume as possible with a single supplier to leverage

the most advantageous discount-for-volume (Air Transport Group: Cranfield University, 2002:10).

Mason's 2002 survey asked respondents whether the percentage of flights placed with their main supplier would change within a five-year time frame: 44 per cent thought that their company would make use of their main airline proportionately more in the future, while over a quarter believed that the proportion would stay the same, whereas the remainder of respondents thought the amount of business placed with their major supplier would decrease. Combining travel with a major supplier permits the company to negotiate the best volume discount achievable, and it seemed that some companies partaking in the survey, were indeed following this strategy. But, the organisation must cautiously assess the potential for altering the amount of business with any one supplier to make sure that the best total cost situation is attained (Mason, 2002:52).

With the establishment of the internet and freely accessible ticket searches online, travellers can query the quality of deals made by travel managers when they can quickly get quotations for itineraries considerably lower than the price obtained by the travel arranger through the normal booking processes. Although travellers may not always evaluate like-with-like (the lower fares found online may not have the same level of flexibility or have different conditions and restrictions attached), they are right to emphasize the savings that can be made by buying in a different manner at a time when all companies are focusing their attention on removing unnecessary costs from their businesses (Air Transport Group: Cranfield University, 2002:13). Many corporate travel buyers are of the opinion that the proliferation of low rates by transportation and accommodation suppliers in their own booking channels have weakened compliance. Often, corporate travellers find a non-preferred supplier on the web at a lower rate and book it. Although the travellers are attempting to save money for the company, they are flouting policy and this contradicts the true purpose of what the policy is aiming to do (Campbell, 2002).

With the uncertainty in the market, travel managers need to question how they should react to the changing environment with regard to their buying approaches. Should they continue with their corporate deals by staying with a fixed approach or, should they accept a more dynamic method by following the lowest fares obtainable for every purchase (Air

Transport Group: Cranfield University, 2002:11)? This is a significant decision to be made, as it may have a definite influence on policy compliance. Travellers will only comply with a policy that meets their needs (Douglas & Swart, 2003). Thus, if the purchase decision does not meet their travel needs, they may choose not to comply.

The decision depends on the characteristics of the corporates which are purchasing travel services and the key influences affecting their purchasing strategy (Air Transport Group: Cranfield University, 2002), namely:

- the route concentration
- the concentration of suppliers
- the value of the ticket selected; and
- the purpose of travel

The *route concentration* is the first factor that travel managers need to take into account. A high concentration of flights on a limited number of routes indicates that route deals would be the most reasonable answer for an organisation, particularly on their long-haul routes. For long-haul flights, the travel manager should reconsider how important and valuable direct flights are to the company, as the increase in connecting services provides some good opportunities to make considerable savings, regardless of whether the travellers are allowed to travel in business or economy class (Air Transport Group: Cranfield University, 2002:11).

The second factor that travel managers should take into account when making purchase decisions is the *concentration of suppliers* in the markets they mostly use. The travel manager should consider the level of airline competition on the routes chosen. The creation and increase in low-cost carriers means that there is more choice in several key short-haul travel markets. The preference of some low-cost airlines for using secondary airports may mean that some significantly lower fares are obtainable to the organisation, although the travel manager will need to measure added travel time/inconvenience for travellers if the carrier uses less easily accessible airports or terminals. This would require a different purchase decision approach for travel managers and travellers, and the travel manager would need to consider whether cost saved on air fares was worth any additional

management costs, and whether travellers would agree to such changes, thus complying with the travel policy. As many routes are still bound by restrictive bilateral agreements, there tends to be less competition for long-haul routes. Nevertheless, good rates may still be found for travellers making use of connecting services because of the increase in airline alliances and the network restructuring that has followed. Alliances are attracted to signing exclusive contracts with organisations that can assure a substantial amount of volume is placed with the alliance airline partners. Once more, travel managers will have to make a trade-off between additional journey times and lower fares. It might well be that some travellers may be willing to make an additional stop if it means that the whole journey is in business class. Traveller membership of frequent-flyer programme schemes may complicate traveller buy-in to more flexible purchase decision-making. Even though most travellers try to accumulate mileage on one programme, most frequent travellers are members of a number of such schemes (Air Transport Group: Cranfield University, 2002:12). Referring back to the purpose of this dissertation, it is important to note that frequent-flyer programmes could have a significant effect on travel policy compliance (Lubbe, 2003; Douglas & Lubbe, 2006:1137).

The *value of the ticket* chosen will depend on the traveller profile and the corporate's reliance on current practices. Corporate status will dictate the class of ticket a traveller is allowed. According to Mason (2002:56), 80 per cent of company directors and 70 per cent of senior managers are allowed to travel in business class for long-haul travel, whereas only 40 per cent of middle managers are allowed the same treatment. The value of the ticket is also dependent on the corporate culture of the organisation: for example, large banks that are not as cost conscious have a propensity to fly on first/business class full-unrestricted tickets, whilst manufacturing companies may choose economy tickets and restricted business class tickets (Air Transport Group: Cranfield University, 2002:12).

The *purpose for travel* may also influence the type of ticket selected. Research has shown that some business trips can be substituted by other forms of communication such as emails, internet or telephone conferencing (Armstrong, 2007; Denstadli, 2004). When a trip cannot be substituted by other forms of communication, the motive for travel may impact on when a ticket can be booked and the type of ticket purchased. Sales conferences, for example, are generally set some months in advance, and thus travellers may be able to decide the itinerary needed some time before the flight. By booking early, the company

can also take advantage of cheaper fares. Companies may examine the way they organise meetings to take advantage of lower fares obtainable by booking earlier (Air Transport Group: Cranfield University, 2002:12). Once again, when we consider the main objective of this research, it must be noted that last-minute bookings are one of the main reasons for policy non-compliance (Lubbe, 2003; Douglas & Lubbe, 2006:1137).

For many of the recommended changes mentioned above, it is the responsibility of the travel manager to bring about a culture change within his/her company. These culture changes will possibly necessitate high policy compliance, and consequently the travel manager will have to scrutinize the effectiveness of the travel policy (Air Transport Group: Cranfield University, 2002:13).

It seems that the percentage of companies with negotiated corporate deals has virtually levelled off. Corporate travel buyers are moving away from their traditional deals negotiated with suppliers on particular routes to a more 'spot purchasing' approach, because of the risk that corporations might not reach volume targets needed to attain rebates or savings negotiated some 12 months before (Sauser, 2003). The Airplus study (2006:15) supports these results by showing that companies are deciding that it is more sensible to purchase the best price on the day. Many companies are finding negotiated fares offer negligible price advantages.

Negotiating rates with hotels also forms an essential part of the negotiation process between an organisation and its suppliers. Growing demand, coupled with little added hotel supply, has given hotel operators an unfair advantage when it comes to negotiations. Hotels are trying to negotiate more changeable or dynamic rates and also implement pricing based on the time of year, especially for busy markets where filling rooms have not been difficult (Marta, 2006). Many hotel chains are looking for different pricing models to boost revenue streams based on market demand. One option to consider is dynamic pricing, which allows hotels to offer negotiated discount rates based on fluctuations in demand. The conventional model for corporate contracts offers fixed rates for a particular period of time. With dynamic pricing, a fixed percentage discount is offered off a benchmark rate. The benchmark rate could be the consortia rate, corporate rate, best available rate or another figure decided on during negotiations. The hotel will use its discretion to change the benchmark rate based on market conditions. Dynamic pricing is

presently in limited use throughout the hotel industry as buyers and suppliers investigate the feasibility of this pricing model for corporate contracts. Some hotels view dynamic pricing as the future of discount programmes for corporate travel while others think it will serve as an added pricing model accessible to travel buyers (National Business Travel Association, 2006:4). A company's ability to move market share to a hotel, support the preferred properties and demonstrate its seriousness about managing its travel programme will influence whether travel buyers will get a good rate from hotels (Avery, 2007).

A travel policy is key to a well-managed hotel programme. Although some companies mandate policy, many do not since the practice may not be in line with corporate culture. With hotels, experts advise considering mandating stays at preferred properties so the company can collect the benefits of agreements that travel buyers have worked hard to negotiate (Avery, 2007). A client's ability to make sure its employees book as many rooms as they project – or, in other words, compliance with a travel programme – continues to be a key negotiating point for hotels which have lagged behind airlines in their ability to demand that corporate customers bring the volume of business they pledge in exchange for discounts (Marta, 2006).

Furthermore, it is suggested that companies mandate use of corporate cards. Data produced by card use offers a good foundation for buyers to prepare 'Requests for Proposals' (RFPs) and build a strategy for negotiations with hotels. Traveller or agent education is another way to help deliver volume to preferred properties. Most travellers want to do the right thing for their companies (Avery, 2007). In cases where rate increases are unavoidable, travel managers must work to include other amenities, such as breakfast, parking and high-speed Internet, in the price. In the busiest markets, many companies are accepting higher hotel rates for stronger guarantees of room availability (Marta, 2006).

2.8.4 Payment processing and data management

The fourth action needed for a successful corporate travel management programme is to select a suitable *method to process payment*. Apart from this, companies are increasingly investing in travel and entertainment process software. Businesses are opting to re-engineer their expense reporting processes to reduce their overall travel expenditure. An

automated expense reporting programme can save a company five to 15 per cent in travel costs, while also saving time for the traveller and management professional alike (Meall, 2004). They also provide the leverage companies need to negotiate better deals with travel suppliers (Meall, 2004). For financial decision-makers, one argument for the specialised software is that it helps companies reconcile their billings in a more timely fashion. Corporations can lose a substantial amount of money each year in late payment fees when employees do not file reports on time (Tausz, 2001; Sauser, 2003; Winkler, 2005; Mello, 1999). Important to this study is that the software gives businesses greater control over how travel money is spent, ensuring greater compliance with travel policies.

Bruttig (1998) maintains that the most important factor motivating companies to automate T&E is the disorder that arises from the lack of control and consistency in applying corporate policies. If a hotel offers a company a corporate rate, an automated T&E programme can produce reports that highlight those travellers not using that hotel chain and alert management who can, in turn, make sure that travellers are aware of the special rate. If a manager has to look up a corporate policy regularly, the possibility is that he or she will not do so, meaning that travel policy will not be adhered to or enforced constantly. In addition, a good automated T&E software programme will have a tool that allows a company promptly and easily to implement policy updates when needed, again permitting travel policies to be enforced consistently (Bruttig, 1998). Meall (2004) adds that an automated expense process also increases the speed of the claims process from weeks to days, making it popular with staff who are paid more promptly. The automated system also ensures better business practices and increased operational efficiencies.

A key motivation for interest in the software is the need for improved information. Companies are realising that they can lose money through exception travel, which occurs when a company does not have efficient audit procedures or good top-level management analysis. Sound auditing and analysis cannot be achieved unless a company has the software and technology to capture expense information in a database and the extraction and reporting tools needed to process the data. This guarantees better control of travel expenditure (Mello, 1999).

The actions necessary for an effective corporate travel management programme have been identified and discussed above (an effective *corporate travel policy*, the use of

appropriate *technology* options, successful and transparent *relationships* and a suitable *method to process payment while managing data*). When these actions have been implemented, the desired outcome that will follow is an effective corporate travel management programme which will accrue benefits to all the stakeholders involved. But, as is evident, corporate travel management is not a once-off process, but is ongoing. For this reason, as shown in figure 2.1, effective feedback from all the stakeholders is needed in order continuously to adjust and tailor the management process to the benefit of everyone.

To test the effectiveness of the entire corporate travel management model would not be feasible for this study. The reason for this is that each individual component of the model needs to be tested first, to clarify the relationships and definitions of the different elements of the component. Only then can the model be tested scientifically as a whole. This study will only focus on identifying factors that influence corporate travel policy compliance. From this, a measurement instrument will be developed. In addition, this instrument will further assist companies, both private and public, to assess the effectiveness of their corporate travel programme as set out in the company travel policy. It is envisaged that companies would be able to use this tool to identify the discrepancies leading to non-compliance with their travel management programme.

2.9 CONCLUSION

This chapter gave an overview of corporate travel and introduced a conceptual model for corporate travel management. This model shows that the effective management of the corporate travel process is dependent on the relationships between the four role-players involved in the process; namely, the company, the corporate travellers, the travel management company and the suppliers. It became evident that a company and its corporate travellers have differing needs with regard to corporate travel. The needs and values of the company are set out in the travel policy. This chapter offered a comprehensive overview of the corporate travel policy. Aspects that were highlighted were: the development of an effective corporate travel policy, as well as the layout and enforcement of the policy. Often, this travel policy does not satisfy the needs of the corporate traveller and this could potentially lead to non-compliance.

Since the purpose of this research study is to identify factors that might influence corporate traveller compliance with the travel policy, this chapter concentrated on giving adequate attention to the values of a company and its corporate travellers. As stated, the values of the company (influenced by corporate structure, culture and size) are generally set out in the travel policy. Value conflicts can occur when the policy does not address the needs of the corporate traveller relating to air transportation, accommodation and technology. At this point, travellers might decide not to comply with the travel policy, since they would be more likely to comply voluntarily with a policy that satisfies their needs. Travellers generally have little control over the way in which the organisation formulates its policy, since this is influenced by factors such as corporate culture and the strategy that an organisation uses to manage its business ethics. Factors stemming from the organisation that could lead to non-compliance could be termed corporate-related factors.

On the other hand, value conflicts in corporate travel between a company and its corporate travellers might also transpire because of the personal factors influencing compliance. These include the extent of morality that an individual possesses, ethical values held by an individual and the honesty of the traveller. As shown, these personal factors are not influenced by the travel policy as such, but depend on the traveller as an individual. For the purpose of this research, factors arising from the traveller as an individual being that could lead to non-compliance would be regarded as personal-related factors.

The next chapter will focus on further investigating factors relating to both corporate and personal issues. The chapter will identify the areas in corporate travel in which non-compliance most frequently occurs and explore possible reasons for this. Finally, the factors influencing corporate travel policy compliance will be isolated and categorised. This discussion will culminate in the proposal of a model for travel policy compliance.