

Part 1 - Cost of Business as Usual: Return of Corporate Travel



The pandemic has caused widespread devastation across the world and changed the way we go about our lives. The silver lining amidst this despondent climate is that the pandemic has also proved that flexibility is an option for most organisations. In a sense, it has pushed many organisations to quickly adapt to the new norms of social distancing and go virtual in the process.

Shortly after the pandemic halted all travel, companies quickly pivoted from in-person meetings and conferences to virtual platforms. But now, as vaccine inoculation rates are steadily increasing across the world, business travel is on the rise once again since companies value the importance of in-person meetings. However, this is a good opportunity for companies to re-evaluate and understand if business travel is even required. Although we do recognise the importance of in-person meetings, here are a few things that each company should consider before returning to business-as-usual.

Business Travel can be Expensive

Business travel encompasses all activities that are undertaken for work or business purposes. Therefore, it is not only air travel, as commonly thought. It includes any good or service that is required to facilitate such travel, for example, food, taxis, hotels, or even airport lounge access. As you can imagine, the costs associated with business travel can easily pile up and become very large. In 2017, companies in India spent close to INR 273 crores in business travel expenses, and

the Global Business Travel Association (GBTA) forecasted India as one of the fastest growing business travel markets in the world.¹

Therefore, an immense opportunity exists for companies to save a lot of money and boost their bottom lines by cutting back on all unnecessary business travel. According to data compiled by Economic Times (ET), companies in India have reduced their business travel costs by 70% by swapping boardrooms and corporate meetings with video conferences using virtual platforms, such as Zoom or Google Meets. Among the large companies, TCS posted a decline of 67% (INR 2,215 crores) in travel costs, Reliance Industries posted a decline of 70% (INR 552 crores, from INR 788 crores to INR 236 crores), and Bajaj Auto saw a steep decline of 93% from INR 77 crores in FY20 to just INR 6 crores in FY21 (See Figure 1). This decline in travel costs was seen across all industries including the pharma industry, where travel is an integral part of business.²

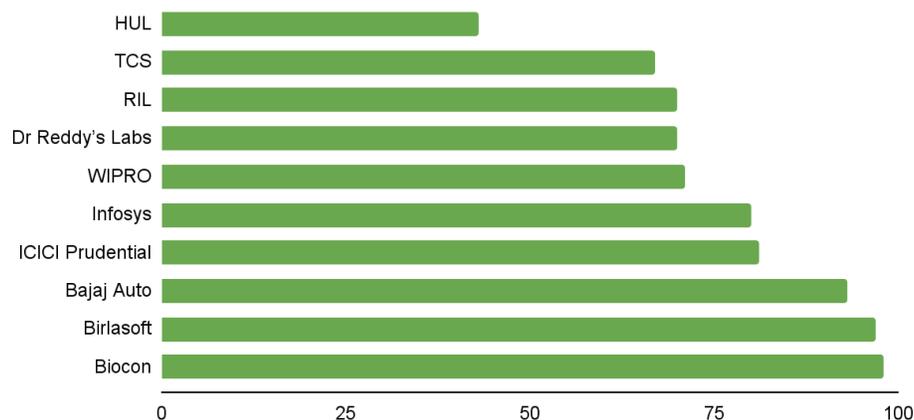
Business travel is also incredibly time-consuming and, unless properly managed, can result in huge losses for the company. A study by Kickstand Communications found that inadequate tools and outdated travel management could be costing businesses up to 15 percent of employees' time and US\$12,000 per year, per traveller on admin tasks.³ There are also intangible losses, such as time wasted during the commute, that are often overlooked and impact the overall productivity of the employee. While business travel is essential for some companies, especially for those that require regular audits of vendors or meetings with clients, differentiating between what is necessary and unnecessary business travel on a case-by-case basis is warranted.

Health and Safety of Employees

India is currently experiencing a trough in covid cases with previous hot zones in the country such as Mumbai seeing less than 500 new cases per day (as of September 2021). Even though India is vaccinating at a good pace, many states are wary of the third wave, and rightly so. Kerala is recording a large number of daily cases, and the onset of the festival season later this year could be a harbinger of the third wave. Thus, companies should avoid being overly optimistic and modify their business strategies with the pandemic in mind. After all, back in April 2020, it was a meeting held by Biogen, a pharmaceutical company that ended up becoming a super spreader event, resulting in tens of thousands across the US becoming infected.

This is not to say that travelling for business and in-person meetings do not have their advantages. In fact, business travel is essential for economic efficiency - American companies realise a USD 2.9 profit for every dollar spent on business travel.⁴ Moreover, a change in pace and location is known to improve productivity and reduce turnover by improving employee satisfaction and boosting morale. However, the dangers of the pandemic and its impact on the physical and mental health of the employees and their families, far outweigh the rewards.

Figure 1: Percentage decrease in business travel costs



Source: Economic Times

There is no question that business travel which includes standing in crowded airports and staying in hotel rooms comes with an increased danger of contracting and spreading the coronavirus. For this same reason, virtual conferences are much safer than physical conferences, which are held in closed board rooms with participants in close proximity to one another. In addition, sick employees cost companies a great deal of time and money.

A study conducted by the International Labour Organization (ILO) found that the COVID-19 pandemic resulted in annual average losses of 13.7 % in working hours in India.⁵ This decline in working hours can be attributed to not only the stringent containment measures but also to a large number of active COVID cases in India which directly and indirectly (such as caregiving responsibilities) impact the employees and their families. In addition, covid relief programmes, such as 21 days paid leave or life insurance cover worth up to 3 years of annual salary, and so on, can cost companies a significant amount of money.

Thus, despite the advantages of business travel in maintaining professional relationships, swapping unnecessary business travel with virtual technologies can be very advantageous to the health of the employee and the company.

Environmental Responsibility of Organisations

Business travel is generally one of the major contributors to the total carbon footprint of any company. This is because of the large number of trips taken by each employee compared to an average vacationer and because business travel includes travel by air, road, rail in areas of low accessibility, which are all major contributors to carbon emissions. Additionally, business travelers that travel in first-class seats, have a CO₂ footprint that is four times as much as an economy seat traveller. ⁶

Companies are under pressure to improve their ESG ratings as investors and customers are becoming more environmentally conscious and expect companies to implement sustainable practices in their businesses. Thus, it makes sense that companies cut back on their business travel to improve their ESG scores. This can be seen in a report by the GBTA that shows companies are targeting their travel programmes to become more sustainable in the future. ⁷

It is clear that the pandemic has changed the way companies conduct their business. Many companies have adapted hybrid working models, and virtual platforms have become the norm. In fact, 72% of executives report that their companies have started to adopt permanent remote-working arrangements. ⁸ There is even data to suggest that working from home increases productivity. A study by Stanford University found that working from home increases productivity by 13%. In this same study workers also reported improved work satisfaction, and attrition rates were cut by 50%. ⁹

Businesses should assess and strategise their dependence on business travel in this new post-pandemic digital era. They should capitalise on this growing shift away from business travel by leveraging cutting-edge digital technologies that provide better health benefits to their employees, reduce costs and grow sustainably.

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