

REDUCING TRITECH'S TRAVEL AND ENTERTAINMENT COSTS

Prepared for
Jean Alexander, Vice President of Administration
TriTech Industries

Prepared by
Andrew O'Toole, Director
Cost Accounting Services
TriTech Industries

May 15, 1995

Capitalize the title; use uppercase and lowercase letters for all other lines.

Follow the title with the name, title, and organization of the recipient.

Balance the white space between the items on the page.

When centering the lines horizontally on the title page, allow an extra 1/2-inch margin on the left side if it's a left-bound report.

For future reference, include the report's publication date.

The "how to" tone of this title is appropriate for an action-oriented report that emphasizes recommendations. A more neutral title, such as "An Analysis of TriTech's Travel and Entertainment Costs," would be more suitable for an informational report.

Use memo format for transmitting internal reports, letter format for transmitting external reports.

Present the main conclusion or recommendation right away if you expect a positive response.

Use an informal, conversational style for the letter or memo of transmittal.

Acknowledge any help that you have received.

Close with thanks, an offer to discuss results, and an offer to assist with future projects, if appropriate.

MEMORANDUM

DATE: May 15, 1995
TO: Jean Alexander, Vice President of Administration
FROM: Andrew O'Toole, Director of Cost Accounting Services
SUBJECT: Reducing TriTech's Travel and Entertainment Costs

A.O.

Here is the report you requested April 30 on TriTech's travel and entertainment costs.

Your suspicion was right. We are spending far too much on business travel. Our unwritten policy has been "anything goes." We have no real control over T&E expenses. Although this offhanded approach may have been understandable when TriTech's profits were high, we can no longer afford the luxury of "going first class."

The solutions to the problem are obvious. We need to put someone in charge of travel and entertainment; we need a clear statement of policy; we need an effective control system; and we need to retain a business-oriented travel service that can optimize our travel arrangements. Perhaps more important, we need to change our attitude. Instead of viewing business travel as a free vacation, we need to act as though we were paying the bills ourselves.

Getting people to economize is not going to be easy. In the course of researching this issue, I've found that our employees are deeply attached to their first-class travel privileges. I think they would almost prefer a cut in pay to a loss in travel status. We'll need a lot of top management involvement to sell people on the need for moderation. One thing is clear: People will be very bitter if we create a two-class system in which top executives get special privileges while the rest of the employees make the sacrifices.

I'm grateful to Mary Lehman and Connie McIlvain for their help in rounding up and sorting through five years' worth of expense reports. Their efforts were truly herculean.

Thanks for giving me the opportunity to work on this assignment. It's been a real education. If you have any questions about the report, please give me a call.

ghc

In this report O'Toole decided to write a brief memo of transmittal and include a separate executive summary. Short reports (fewer than ten pages) often combine the synopsis or executive summary with the memo or letter of transmittal.

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Word the headings exactly as they appear in the text.

Extend spaced periods (leaders) from the end of the heading to the page number. (For spaced periods, strike the space bar and the period alternately.) Align the periods under one another.

Type only the page numbers where sections begin; align the last digits of the page numbers.

O'Toole included only first- and second-level headings in his table of contents, even though the report contains third-level headings. He prefers a shorter table of contents that focuses attention on the main divisions of thought. He used informative titles, which are appropriate for a report to a receptive audience.

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Number the contents pages with lowercase roman numerals centered at the bottom margin.

Because figures and tables were numbered separately in the text, O'Toole listed them separately here. If all were labeled as exhibits, a single list of illustrations would have been appropriate.

EXECUTIVE SUMMARY

This report analyzes TriTech's travel and entertainment (T&E) costs and presents recommendations for reducing those costs.

Travel and Entertainment Costs Are Too High

Travel and entertainment is a large and growing expense category for TriTech Industries. The company currently spends about \$10 million per year on business travel, and costs are increasing by 7 percent annually. Company employees make some 5,000 trips each year at an average cost per trip of \$2,000. Air fares are the biggest expense, followed by hotels, meals, and rental cars.

The nature of TriTech's business does require extensive travel, but the company's costs appear to be excessive. Every year TriTech spends twice as much on T&E for each professional employee as its main competitors do. Although the location of the company's facilities may partly explain this discrepancy, the main reason for TriTech's high costs is the firm's philosophy and managerial style. TriTech encourages employees to go first class and pays relatively little attention to travel costs.

Cuts Are Essential

Although TriTech has traditionally been casual about travel and entertainment expenses, management now recognizes the need to gain more control over this element of costs. The company is currently entering a period of declining profits, prompting management to look for every opportunity to reduce spending. At the same time, rising air fares are making travel and entertainment expenses more important to the bottom line.

TriTech Can Save \$4 Million per Year

Fortunately, TriTech has a number of excellent opportunities for reducing its travel and entertainment costs. Savings of up to \$4 million per year should be achievable, judging by the experience of other companies. The first priority should be to hire a director of travel and entertainment to assume overall responsibility for T&E spending. This individual should establish a written travel and entertainment policy and create a budgeting

v

Begin by stating the purpose of the report.

Present the points in the executive summary in the same order as they appear in the report; use subheadings that summarize the content of the main sections of the report without repeating those that appear in the text.

Type the synopsis or executive summary in the same manner as the text of the report. Single-space if the report is single-spaced, and use the same format in both the executive summary and the text for margins, paragraph indentions, and headings.

O'Toole decided to include an executive summary because his report was aimed at a mixed audience. He knew that some readers would be interested in the details of his report and some would prefer to focus on the big picture. The executive summary was aimed at the latter group. O'Toole wanted to give these readers enough information to make a decision without burdening them with the task of reading the entire report.

The hard-hitting tone of this executive summary is appropriate for a receptive audience. A more neutral approach would be better for hostile or skeptical readers.

Number the pages of the executive summary with lowercase roman numerals centered about 1 inch from the bottom of the page.

and cost-control system. The director should also retain a nationwide travel agency to handle our reservations.

At the same time, TriTech should make employees aware of the need for moderation in travel and entertainment spending. People should be encouraged to forgo any unnecessary travel and to economize on airline tickets, hotels, meals, rental cars, and other expenses.

In addition to economizing on an individual basis, TriTech should look for ways to reduce costs by negotiating preferential rates with travel providers. Once retained, a travel agency should be able to accomplish this.

These changes, although necessary, are likely to hurt morale, at least in the short term. Management will need to make a determined effort to explain the rationale for reduced spending. By exercising moderation in their own travel arrangements, TriTech executives can set a good example and help make the changes more acceptable to other employees.

This executive summary is written in an impersonal style, which adds to the formality of the report. Some writers prefer a more personal approach. Generally speaking, you should gear your choice of style to your relationship with the readers. O'Toole chose the formal approach because several members of his audience were considerably higher up in the organization. He did not want to sound too familiar. In addition, he wanted the executive summary and the text to be compatible, and his company prefers the impersonal style for formal reports.

REDUCING TRITECH'S TRAVEL AND ENTERTAINMENT COSTS

INTRODUCTION

TriTech Industries has traditionally encouraged a significant amount of business travel, in the belief that it is an effective way of conducting operations. To compensate employees for the stress and inconvenience of frequent trips, management has authorized generous travel and entertainment allowances. This philosophy has undoubtedly been good for morale, but the company has paid a price. Last year TriTech spent \$10 million on T&E, \$5 million more than it spent on research and development.

This year the cost of travel and entertainment will have a bigger impact on profits, owing to changes in airline fares. The timing of these changes is unfortunate because the company anticipates that profits will be relatively weak for a variety of other reasons. In light of these profit pressures, Ms. Jane Alexander, Vice President of Administration, has asked the accounting department to take a closer look at the T&E budget.

Purpose, Scope, and Limitations

The purpose of this report is to analyze the travel and entertainment budget, evaluate the impact of recent changes in air fares, and suggest ways to tighten management's control over travel and entertainment expenses.

Although the report outlines a number of steps that could reduce TriTech's expenses, the precise financial impact of these measures is difficult to project. The estimates presented in the report provide a "best guess" view of what TriTech can expect to save. Until the company actually implements these steps, however, there is no way of knowing how much the travel and entertainment budget can be reduced.

Sources and Methods

In preparing this report, the accounting department analyzed internal expense reports for the past five years to determine how much TriTech spends on travel and entertainment. These figures were then compared with statistics on similar companies in the electronic equipment industry, obtained through industry association data, annual reports, and magazine articles. In addition, the accounting department screened magazine and newspaper articles to determine how other companies are coping with the high cost of business travel.

Center the title of the report on the first page of the text, 2 inches (2-1/2 inches if top-bound) from the top of the page.

Begin the introduction by establishing the need for action.

Single-spacing the report can create a formal, finished look; however, double-spacing can make a long report easier to read.

Mentioning sources and methods increases the credibility of a report and gives readers a complete picture of the study's background.

Use the arabic numeral 1 for the first page of the report; center the number about 1 inch from the bottom of the page.

In a brief introduction like this one, some writers would omit the subheadings within the introduction and rely on topic sentences and on transitional words and phrases to indicate that they are discussing such subjects as the purpose, scope, and limitations of the study. O'Toole decided to use headings because they help readers scan the document. Also, to conserve space, O'Toole used single spacing and 1-inch side margins.

Using arabic numerals, number the second and succeeding pages of the text in the upper right-hand corner where the top and right-hand margins meet.

Placement of visual aids titles should be consistent throughout a report. This sample report, however, shows several of the options for placement: above, below, or beside the visual aid.

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Report Organization

This report reviews the size and composition of TriTech's travel and entertainment expenses, analyzes trends in air fare pricing, and recommends steps for reducing the travel and entertainment budget.

THE HIGH COST OF TRAVEL AND ENTERTAINMENT

Although many companies view travel and entertainment (T&E) as an "incidental" cost of doing business, the dollars add up. Last year U.S. industry paid an estimated \$90 billion for travel and entertainment.¹ At TriTech Industries the bill for air fares, hotels, rental cars, restaurants, and entertainment totaled \$10 million. The company's travel and entertainment budget has increased by 12 percent per year for the past five years. By industry standards TriTech's budget is on the high side.² This is largely because management has a generous policy on travel benefits.

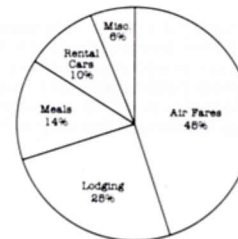
\$10 Million per Year Spent on Travel and Entertainment

TriTech Industries' annual budget for travel and entertainment is only 8 percent of sales. Because this is a relatively small expense category compared with such things as salaries and commissions, it is tempting to dismiss travel and entertainment costs as insignificant. However, T&E is TriTech's third-largest controllable expense, directly behind salaries and data processing.

Last year TriTech personnel made about 5,000 trips at an average cost per trip of \$2,000. The typical trip involved a round-trip flight of 3,000 miles, meals and hotel accommodations for three days, and a rental car. Roughly 80 percent of the trips were made by 20 percent of the staff. Top management and sales personnel were the most frequent travelers, averaging 18 trips per year.

Figure 1 illustrates how the travel and entertainment budget is spent. The largest categories are air fares and lodging, which together account for \$7 out of every \$10 that

Figure 1
Air Fares and Lodging Account
for Over Two-Thirds of TriTech's
Travel and Entertainment Budget

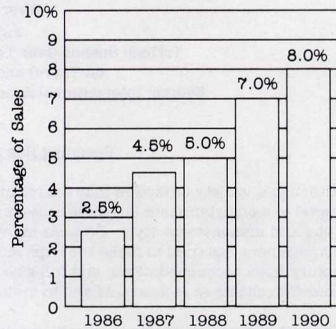


O'Toole opened the first main section of the body with a topic sentence that introduced an important fact about the subject of the section. Then he oriented the reader to the three major points developed in the section. He put his data in perspective by comparing growth in travel and entertainment expenses with growth in sales. After all, if sales were also increasing by 12 percent a year, an increase of 12 percent in travel and entertainment expenses might be acceptable.

employees spend on travel and entertainment. This spending has been relatively steady for the past five years and is consistent with the distribution of expenses experienced by other companies.

Although the composition of the travel and entertainment budget has been consistent, its size has not. As Figure 2 shows, expenditures for travel and entertainment have increased by about 1.2 percent per year for the past five years, roughly twice the rate of the company's growth in sales. This rate of growth makes travel and entertainment TriTech's fastest-growing expense item.

Figure 2
Travel and Entertainment
Expenses Have Increased as
a Percentage of Sales



TriTech's Budget Exceeds Competitors'

There are many reasons TriTech has a high travel and entertainment budget. TriTech's main customer is the U.S. Postal Service. The company's mode of selling requires frequent face-to-face contact with the customer, yet corporate headquarters is located on the West Coast, some 2,600 miles from Washington, D.C. Furthermore, TriTech's manufacturing operations are widely scattered; facilities are located in San Francisco, Detroit, Boston, and Dallas. To coordinate these operations, corporate management and division personnel must make frequent trips to and from company headquarters.

Although much of TriTech's travel budget is justified, the company spends considerably more on travel and entertainment than its competitors do, as Figure 3 indicates. Data supplied by the International Association of Electronics indicates that the typical company in our industry spends approximately \$1,900 per month per professional employee on travel and entertainment.³ TriTech's per capita travel costs for professional employees are running \$4,000 per month.

Introduce visual aids before they appear, and indicate what readers should notice about the data.

Number the visual aids consecutively, and refer to them in the text by their numbers. If your report is a book-length document, you may number the visual aids by chapter: Figure 4-2, for example, would be the second figure in the fourth chapter.

O'Toole originally drew this bar chart as a line chart, showing both sales and T&E expenses in absolute dollars. However, the comparison was difficult to interpret because sales were so much greater than T&E expenses. The vertical axis stretched from \$0 to \$125 million. Switching to a bar chart expressed in percentage terms made the main idea much easier to grasp.

Place the visual aid as close as possible to the point it illustrates.

Give each visual aid a title that clearly indicates what it is about.

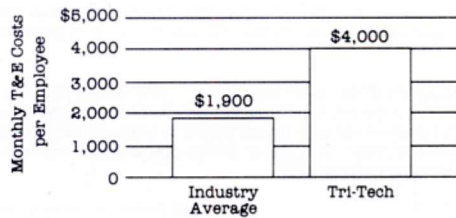


Figure 3
TriTech Spends Over Twice the Industry Average
on Travel and Entertainment
Source: International Association of Electronics, 1988.

Spending Has Been Encouraged

Although a variety of factors may contribute to this differential, TriTech's relatively high travel and entertainment budget is at least partially attributable to the company's philosophy and management style. Because many employees do not enjoy business travel, management has tried to make the trips more pleasant by authorizing first-class air fare, luxury hotel accommodations, and full-size rental cars. The sales staff is encouraged to entertain clients at restaurants and to invite them to cultural and sporting events.

The cost of these privileges is easy to overlook, given the weakness of TriTech's system for keeping track of travel and entertainment expenses. The monthly financial records provided to management do not contain a separate category for travel and entertainment; the information is buried under Cost of Goods Sold and under Selling, General, and Administrative Expenses. Each department head is given authority to approve any expense report, regardless of how large it may be. Receipts are not required for expenditures of less than \$100. Individuals are allowed to make their own travel arrangements. No one is charged with the responsibility for controlling the company's total spending on travel and entertainment.

GROWING IMPACT ON THE BOTTOM LINE

During the past three years TriTech has enjoyed healthy profits; as a result, there has been relatively little pressure to push for tighter controls over all aspects of the business. However, the situation is changing. Management is projecting flat to declining profits for the next two years, a situation that has prompted the company to search for ways to cut costs. At the same time, rising air fares have increased the impact of travel and entertainment expenses on the company's financial results.

The chart on this page is very simple, but it creates an effective visual comparison. O'Toole included just enough data to make his point.

Lower Profits Underscore Need for Change

The next two years promise to be difficult for TriTech Industries. After several years of steady increases in spending, the U.S. Postal Service is tightening procurement policies for automated mail-handling equipment. Funding for TriTech's main product, the A-12 optical character reader, has been canceled. As a consequence, sales are expected to decline by 15 percent. Although TriTech is negotiating several promising research and development contracts with nongovernment clients, management does not foresee any major procurements for the next two to three years.

At the same time, TriTech is facing cost increases on several fronts. The new production facility now under construction in Salt Lake City, Utah, is behind schedule and over budget. Labor contracts with union workers in Boston and Dallas expire within the next six months, and management anticipates that significant salary and benefits concessions may be necessary to avoid strikes. Moreover, marketing and advertising costs are expected to increase as TriTech attempts to strengthen these activities to better cope with competitive pressures. Given the expected decline in revenues and increase in costs, management projects that profits will fall by 12 percent in the coming fiscal year.

Air Fares Are Rising

Over the next 8 to 12 months, rising air fares can be expected to inflate TriTech's travel and entertainment costs. The recent round of mergers in the airline industry has reduced competition among carriers, thereby reducing the companies' incentives to cut ticket prices. Currently, 94 percent of all air traffic in the United States is controlled by just eight airlines, up from 80 percent in 1976 when the airline industry was decontrolled.⁴ The decline in competition is expected to lead to higher air fares, particularly for business travelers. According to industry analysts, the airline price wars that followed deregulation are a thing of the past. Any future fare reductions will be aimed at narrow market segments, such as families taking summer vacations. Meanwhile, business travelers who pay full fare will face price increases of up to 15 percent on some routes.⁵

Several factors apart from the reduction in competition are pushing fares up. Perhaps the most significant factor is the increasing sophistication of the airlines' pricing strategies. For example, airlines used to discount unfilled seats in the moments before flights departed, on the theory that low-fare passengers were better than none at all. Now, though, travelers who arrive at the gate just before departure are likely to pay full fare. The reason: Airlines discovered that most late arrivals were so desperate to get on the plane they would willingly pay almost any price.⁶

The tendency toward increasing fares also reflects the airlines' increasing costs. Higher fuel costs are probably the most important short-term factor, but labor costs are also beginning to rise, as are landing fees, passenger meals, advertising expenses, and debt-

Informative headings focus readers' attention on the main points of the report. Thus they are most appropriate when the report is in direct order and is aimed at a receptive audience. Descriptive headings are more effective when a report is in indirect order and the readers are less receptive.

Documenting the facts adds weight to O'Toole's argument.

Because air fares represent TriTech's biggest T&E expense, O'Toole included a subsection that deals with the possible impact of trends in the airline industry. Air fares are rising, so it is especially important to gain more control over employees' air travel arrangements.

Pointing out both the benefits and risks of taking action gives recommendations an objective flavor.

The indented list format calls attention to important points and adds visual interest. You can also use visual aids, headings, and direct quotations to break up large, solid blocks of print.

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service costs. Furthermore, the airlines are committed to buying some \$95 billion worth of new equipment within the next several years.⁷

Given the fact that air fares account for 45 percent of TriTech's T&E budget, the trend toward higher ticket prices will have serious consequences on the company's expenses unless management takes action to control these costs.

METHODS FOR REDUCING TRAVEL AND ENTERTAINMENT COSTS

By implementing a number of reforms, management can expect to reduce TriTech's travel and entertainment budget by as much as 40 percent. However, these measures are likely to be unpopular with employees. To gain acceptance for the changes, management will need to sell employees on the need for moderation in travel and entertainment allowances.

Three Ways to Trim Expenses

By researching what other companies are doing to curb travel and entertainment expenses, the accounting department has identified three prominent opportunities that should enable TriTech to save about \$4 million annually in travel-related costs.

Institute Tighter Spending Controls

A single individual should be appointed to spearhead the effort to gain control of the travel and entertainment budget. The individual should be familiar with the travel industry and should be well versed in both accounting and data processing. He or she should report to the vice president of administration and should be given the title of director of travel and entertainment. The director's first priorities should be to establish a written travel and entertainment policy and to implement a system for controlling travel and entertainment costs.

TriTech currently has no written policy on travel and entertainment, despite the fact that 73 percent of all firms have such policies.⁸ Creating a policy would clarify management's position and serve as a vehicle for communicating the need for moderation. At a minimum, the policy should include the following provisions:

- *All travel and entertainment should be strictly related to business and should be approved in advance.
- *Instead of going first class, employees should make a reasonable effort to economize on air fares, hotels, rental cars, and meals.

O'Toole created a forceful tone by using action verbs in the third-level subheadings of this section. This approach is appropriate to the nature of the study and the attitude of the audience. However, in a status-conscious organization, the imperative verbs might sound a bit too presumptuous coming from a junior member of the staff.

The travel and entertainment policy should apply equally to employees at all levels in the organization. No special benefits should be allowed for top executives.

To implement the new policy, TriTech will need to create a system for controlling travel and entertainment expenses. Each department should prepare an annual T&E budget as part of its operating plan. These budgets should be presented in detail so that management can evaluate how travel and entertainment dollars will be spent and recommend appropriate cuts.

To help management monitor performance relative to these budgets, the director of travel should prepare monthly financial statements showing actual travel and entertainment expenditures by department. The system for capturing this information should be computerized and should be capable of identifying individuals who consistently exceed approved spending levels. The recommended average should range between \$1,500 and \$2,500 per month for each professional employee, depending on the individual's role in the company. Because they make frequent trips, sales and top management personnel can be expected to have relatively high travel expenses.

The director of travel should also be responsible for retaining a business-oriented travel service that will schedule all employee business trips and look for the best travel deals, particularly in air fares. In addition to centralizing TriTech's reservation and ticketing activities, the agency will negotiate reduced group rates with hotels and rental car agencies. The agency selected should have offices nationwide so that all TriTech facilities can channel their reservations through the same company. By consolidating its travel planning in this way, TriTech can increase its control over costs and achieve economies of scale.

Reduce Unnecessary Travel and Entertainment

One of the easiest ways to reduce expenses is to reduce the amount of traveling and entertaining that occurs. An analysis of last year's expenditures suggests that as much as 30 percent of TriTech's travel and entertainment is discretionary. The professional staff spent \$1.7 million attending seminars and conferences last year. Although some of these gatherings are undoubtedly beneficial, the company could save money by sending fewer representatives to each function and by eliminating some of the less valuable seminars.

Similarly, TriTech could economize on trips between headquarters and divisions by reducing the frequency of such visits and by sending fewer people on each trip. Although there is often no substitute for face-to-face meetings, management could try to resolve more internal issues through telephone contacts and written communication.

TriTech can also reduce spending by urging employees to economize. Instead of flying first class, employees can fly tourist class or take advantage of discount fares. Instead of taking clients to dinner, TriTech personnel can hold breakfast meetings, which tend to

When including recommendations in a report, specify the steps required to implement them.

O'Toole decided to single-space his report to save space; however, double-spacing can make the text of a long report somewhat easier to read, and it provides more space for readers to write comments.

The use of an example adds credibility and makes the discussion more interesting.

Pointing up the difficulties demonstrates that you have considered all the angles and builds readers' confidence in your judgment.

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be less costly. Rather than ordering a \$20 bottle of wine, employees can select a less expensive bottle or dispense with alcohol entirely. People can book rooms at moderately priced hotels and drive smaller rental cars. In general, employees should be urged to spend the company's money as though it were their own.

Obtain Lowest Rates from Travel Providers

Apart from urging individual employees to economize, TriTech can also save money by searching for the lowest available air fares, hotel rates, and rental car fees. Currently, few TriTech employees have the time or specialized knowledge to seek out travel bargains. When they need to travel, they make the most convenient and most comfortable arrangements. However, if TriTech contracts with a professional travel service, the company will have access to professionals who can be more efficient in obtaining the lower rates from travel providers.

Judging by the experience of other companies, TriTech may be able to trim as much as 30 to 40 percent from the travel budget by looking for bargains in air fares and negotiating group rates with hotels and rental car companies.⁹ By guaranteeing to provide selected hotels with a certain amount of business, Weston Computer was able to achieve a 20 percent reduction in its hotel expenses. Now, instead of choosing between 40 or 50 hotels in a city like Chicago, Weston employees stay at one of the 6 or 7 hotels where the company has negotiated a corporate rate.¹⁰ TriTech should be able to achieve similar economies by analyzing its travel patterns, identifying frequently visited locations, and selecting a few hotels that are willing to reduce rates in exchange for guaranteed business. At the same time, the company should be able to save up to 40 percent on rental car charges by negotiating a corporate rate.

The possibilities for economizing are promising, but it's worth noting that making the best arrangements is a complicated undertaking, requiring many trade-offs. The airlines currently offer 4 million air fares, and on any given day, as many as 1 million of them might change in some way.¹¹ When booking a particular reservation, the travel agent might have to choose between 20 or 25 options with varying prices and provisions. The best fares might not always be the lowest. Indirect flights are often less expensive than direct flights, but they take longer and may end up costing more in lost work time. Similarly, the cheapest tickets may have to be booked 30 days in advance, often an impossibility in business travel. Also, discount tickets may be nonrefundable, which is a real negative if the trip has to be canceled at the last minute. TriTech is currently not equipped to make these and other trade-offs. However, by employing a business-oriented travel service, the company will have access to computerized systems that can optimize its choices.

Notice how O'Toole made the transition from section to section. The first sentence under the heading on this page refers to the subject of the previous paragraph and signals a shift in thought.

The Impact of Reforms

By implementing tighter controls, reducing unnecessary expenses, and negotiating more favorable rates, TriTech Industries should be able to reduce its travel and entertainment budget significantly. As Table 1 illustrates, the combined savings should be in the neighborhood of \$4 million, although the precise figures are somewhat difficult to project. Reductions in air fares and hotel accommodations are the most important source of savings, accounting for about \$2.3 million.

Table 1
TriTech Can Trim Travel and Entertainment Costs
by an Estimated \$4 Million per Year

Source of Savings	Amount Saved
More efficient scheduling and selection of airline reservations	\$1,400,400
Preferred rates on hotels	900,000
Fewer trips to conferences	700,000
Reduction in interdivisional travel	425,000
Reduced rates on rental cars	375,000
More economical choices by individuals	200,000
TOTAL SAVINGS	\$4,000,000

Source: Accounting department estimates based on internal data and experience of other companies.

To achieve the economies outlined in the table, TriTech will incur expenses associated with hiring a director of travel and implementing a travel and entertainment cost-control system. These costs are projected at \$60,000: \$55,000 per year in salary and benefits for the new employee and a one-time expense of \$5,000 associated with the cost-control system. The cost of retaining a full-service travel agency will be negligible because agencies receive a commission from travel providers rather than a fee from clients.

The measures required to achieve these savings are likely to be unpopular with employees. TriTech personnel are accustomed to generous travel and entertainment allowances, and they are likely to resent having these privileges curtailed. To alleviate their disappointment, management should make a determined effort to explain why the changes are necessary. The director of corporate communication should be asked to develop a multi-faceted campaign that will communicate the importance of curtailing travel and entertainment costs. In addition, management should set a positive example by adhering strictly to the new policies. To maintain morale, the limitations should apply equally to employees at all levels in the organization.

The use of informative titles for illustrations is consistent with the way headings are handled and is appropriate for a report to a receptive audience. The use of complete sentences helps readers focus immediately on the point of the illustrations.

Even though estimated savings may be difficult to project, including dollar figures helps management envision the impact of your suggestions.

The table on this page puts O'Toole's recommendations in perspective. Notice how he called attention in the text to the most important sources of savings and also spelled out the costs required to achieve these results.

Use a descriptive heading for the last section of the text. In informational reports, this section is generally called "Summary"; in analytical reports, it is called "Conclusions" or "Conclusions and Recommendations."

Emphasize the recommendations by presenting them in list format, if possible.

Do not introduce new facts in this section of the text.

CONCLUSIONS AND RECOMMENDATIONS

TriTech Industries is currently spending \$10 million per year on travel and entertainment. Although much of this spending is justified, the company's costs appear to be high relative to competitors', mainly because TriTech has been generous with its travel benefits.

TriTech's liberal approach to travel and entertainment was understandable during years of high profitability; however, the company is facing the prospect of declining profits for the next several years. Management is therefore motivated to cut costs in all areas of the business. Reducing T&E spending is particularly important because the impact of these costs on the bottom line will increase as a result of fare increases in the airline industry.

TriTech should be able to reduce travel and entertainment costs by about 40 percent by taking three important steps:

1. Institute tighter spending controls. Management should hire a director of travel and entertainment who will assume overall responsibility for T&E activities. Within the next six months, this individual should develop a written travel policy, institute a T&E budgeting and cost-control system, and retain a professional, business-oriented travel agency that will optimize arrangements with travel providers.
2. Reduce unnecessary travel and entertainment. TriTech should encourage employees to economize on travel and entertainment spending. Management can accomplish this by authorizing fewer trips and by urging employees to be more conservative in their spending.
3. Obtain lowest rates from travel providers. TriTech should also focus on obtaining the best rates on airline tickets, hotel rooms, and rental cars. By channeling all arrangements through a professional travel agency, the company can optimize its choices and gain clout in negotiating preferred rates.

Because these measures may be unpopular with employees, management should make a concerted effort to explain the importance of reducing travel costs. The director of corporate communication should be given responsibility for developing a plan to communicate the need for employee cooperation.

Because O'Toole organized his report around conclusions and recommendations, readers have already been introduced to them. Thus he summarizes his conclusions in the first two paragraphs. A simple list is enough to remind readers of the three main recommendations. In a longer report he might have divided the section into subsections, labeled "Conclusions" and "Recommendations," to distinguish between the two. If the report had been organized around logical arguments, this would have been the readers' first exposure to the conclusions and recommendations, and O'Toole would have needed to develop them more fully.