SIRVA® Worldwide Relocation & Moving

Controlling the Costs of Mobility

Key Influencers of Mobility Costs

In our annual mobility report, *Talent Mobility for Business Growth – Aligning Practices To Drive Organizational Impact,* it was noted that a majority of mobility stakeholders (48%–72%, depending on move type) were unable to quantify their company's spend per relocating employee. Despite this, "cost management" was listed as the second most important priority for companies in the same survey. This paper will explore the key influencers driving mobility costs, strategies to manage those costs, why it can be difficult to quantify the true cost of mobility, and how companies can better track actual mobility spend.

There are a variety of drivers that impact relocation costs. As company stakeholders seek increased efficiency in their mobility programs and focus on providing enhanced support to mobility stakeholders and relocating employees, they should assess the following:

Scope of Services

To manage costs, mobility managers should leverage the core competencies of their mobility teams when providing services to customers and employees, whether directly or through an internal or external process partner. Rather than attempt to be a "jack of all trades," mobility teams should utilize subject matter expertise and the core competencies of team members to operate as effectively and efficiently as possible. For example, it is not necessarily a good use of resource investment to have a dedicated, internal team member who is responsible for understanding global compliance requirements specific to immigration when partner services can be used. The latter has up-to-date knowledge that is readily accessible, saving both time and effort, and the use of such an individual allows internal team members to focus their attention on other mobility-related tasks, such as business partnering.

Up to

72%

of mobility stakeholders are unable to quantify their company's spend per employee relocation.

Mobility managers should regularly review their programs to identify opportunities for efficiency improvements, keeping the following in mind:

- **When policies are not aligned with the organization, employee, and/or relocation requirements, costs may end up being higher than necessary.**
- **Policies should reflect the value of a move for both the employee and the organization through flexibility and alignment.**
- **Resource allocation should reflect the scope of work.**
- **Services offered should be considered while asking these questions:**
  - ✓ **Are they necessary for all employees?**
  - ✓ **Does a vendor's scope of service reflect what the company wants to provide and what the employee needs?**
  - ✓ **What are utilization rates for all services that are contracted?**
  - ✓ **Do they support the mobility and workforce deployment strategy?**

Ultimately, it is important to assess the value of mobility support in relation to the expected developmental value to employees (rising stars, self-driven moves, etc.) and business value (senior leadership with P&L responsibilities, project-based assignments).

Targeted Partnerships

Direct communication and collaboration between mobility teams and subject matter experts/process partners fosters the expanded knowledge, expertise, operational infrastructure, and productivity of each mobility program. When these partnerships are mindfully implemented, they can result in an elevation of the level of support provided and minimize costs.

In addition to direct collaboration, ensuring that all partnership roles and responsibilities are clearly defined is key to cost management and control, and effective mobility program administration. Clarifying the parameters of service level agreements (SLAs), key performance expectations (KPIs), and escalation procedures ahead of time also contribute to these ends.

Additionally, it is important to establish agile protocols to review your talent mobility strategy. Volatile geopolitics coupled with fluctuations in global trade and immigration regulations require frequent adjustments to the business requirements around global talent deployment. Close and frequent collaboration with subject matter experts/process partners is key in keeping the talent mobility strategy relevant in your organization.

Targeted Team Roles

To minimize or eliminate task duplicity and maximize efficiency, mobility managers should clearly define each team member's roles and responsibilities and delegate tasks according to the strengths of each employee, with a focus on meeting and supporting the requirements of both mobility customers and employees. Managers should also examine their employees' core competency levels and team resources to deliver against those requirements.

Exception Requests

Exception requests from relocating employees are generally an indication that an organization's policy isn't aligned with the needs of its transferring employees or mobility stakeholders. Frequently, this can be due to incomplete understanding of the rationale behind the policy and/or support component. Clear dialogue between the formulator (mobility) and executor (program administrator) is critical to reduce deviations from the standard policy. Examining the policy type, support component and/or process is wise if this is occurring often. Educating and training stakeholders regarding the reasons a benefit is provided is also key, along with parameters to follow for each, to ensure consistent policy application. Developing and enforcing a robust exception management process is also important.

Regional Expertise

Mobility challenges differ by region and country and change at a rate that may be challenging for mobility teams to keep up with.

> Despite regional differences and rates of change, mobility team knowledge is critical to cost management.

Still, they're required to be well-versed in mobility research and trends or to rely on subject matter experts (SMEs) regarding areas that have compliance or legal ramifications, or specialized knowledge requirements. Knowledge is critical to cost management. Proactively managing potential risks with minimal administrative effort is a component of avoiding costly mistakes caused by everything from missed deadlines to a lack of awareness of compliance requirements.

Out-of-Scope Management Decisions

If a mobility program is well-aligned to a company's strategy and employee needs, managers can make decisions that are aligned with the plan being utilized. When there is a frequent need for managers to make judgment calls that don't fit within the parameters of a company's existing relocation program, this is a clear indication that a mobility plan is not well-aligned with all stakeholder needs. In such cases, a policy and/or process review or revision may be required. One way to reduce the administrative burden on mobility in this scenario is to develop rules of engagement with input from internal stakeholders and discussion with program administrators. The volume of out-of-scope discussions can be contained within the consultant-customer relationship if greater empowerment and discretion is approved by mobility teams.

Inconsistent Program Application

While there can be many reasons for the inconsistent application of mobility programs, a common cause is often decentralized program management. When companies have diverse groups involved in program development or administration in multiple locations around the world, inconsistencies in program application can become a challenge where the inconsistency is perceived as inequitable support. In cases where a decentralized model is utilized, companies are advised to monitor and control both communication and processes to ensure that consistency can be achieved, and to avoid the consequences of potential cost overruns and miscommunication.

Time Allowance

Are process roles and responsibilities clearly defined, including service level agreements, performance expectations, control points and escalation procedures? Do mobility resources have enough lead time to prepare for and manage a pending relocation? Continued focus on program cost rationalization through efficiencies demands that mobility professionals have enough time to achieve their goals and to operate as effectively and efficiently as possible. This is crucial, since ongoing changes to global supply chain structures and immigration regulations impact the way talent is sourced and retained. The speed of change in these areas requires short-notice decisions on workforce deployment. An agile process that is compliant and "fit-for-purpose" is possible, provided mobility teams and partners proactively collaborate in its design.

What Companies are Doing to Control Mobility Costs

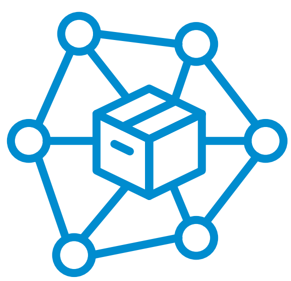
To manage costs and keep a watchful eye on the cost drivers associated with mobility programs, companies are making program adjustments, considering the use of alternative policy types, or rethinking the way their mobility teams prepare for and implement relocations.

Providing Greater Flexibility

Because inflexibility in mobility programs may lead to an increase in exception volume, ultimately impacting overall costs, many companies are exploring flexibility options as a means of keeping them down. Flexibility provides an opportunity for mobility managers and relocating employees to tailor their relocation needs within clearly defined guidelines for each policy type, policy component or delivery approach. Core-flex and lump sum delivery are examples of program flexibility.

Core-Flex – Core-flex programs provide options to recognize differences in mobility drivers and employee needs. These programs allow employees to take advantage of customized, individual relocation packages that are created around a standard set of core and discretionary benefits. Because some components are flexible within the larger, defined program, core-flex programs are designed to address the unique needs of each employee, while adhering to a company's established parameters and/or budget. This approach accounts for fewer exceptions and a stronger ability to monitor and manage the program. It also accounts for employee preferences based on family needs or geographic location and can be as basic or comprehensive as the company requires.

Guidance: When designing an effective core-flex program, stakeholders are advised to examine any frequent origin and destination combinations that could influence commonly needed flex benefits. It's also important to understand that core services should consist of any



Core-Flex

Plans are created around a standard set of core and discretionary benefits.

benefits that are compliance driven or required for living and/or working in the new destination, such as household goods shipment and tax and immigration compliance. Responsible governance of these services, which should be clearly defined and maintained, not only benefits the employee, it also minimizes liabilities and potential risk for the company. Flexible services can then be offered at a variety of levels and monitored in many ways. This flexibility can be introduced in a program at the company's discretion as to what is or isn't included, the level of support that will be provided, and the delivery mechanism for support.

Lump Sum – A lump sum approach provides employees with a lump sum of funding, which is then used at the employee's discretion to purchase relocation services. Employees are responsible for tracking their spending, making their own arrangements, and managing their own moves. Use of this approach to deliver relocation support can be tempting for companies, as a lump sum delivery approach may reduce the administrative burdens otherwise associated with a full-service relocation program. However, there are risks if not handled wisely.

Guidance: When utilizing a lump sum delivery approach, it's important to remember that many employees have never relocated before. Of those that have, new destinations, changing compliance laws, and differences in everything from housing markets to cultural trends present new challenges that the employee may not anticipate.

We recommend providing support and education to employees that will help them to make the best use of their funds. Failure to do so often results in the loss of productive work time due to the consequences of correcting issues that resulted from poor or uninformed choices. Additionally, the use of a digital platform or application that tracks employee spend is wise, as gathering data results in the company's ability to project realistic allowances in the future. Spend tracking also provides an opportunity for the company to identify where the budget was misallocated, potentially identified through exception requests. The value of a lump sum should be calculated after considering factors such as family size, employee level, home/host combination, etc. Finally, visa and immigration services, along with tax support and implementation, should always be supplied by the company (outside of the lump sum offering) to ensure compliance and beneficial tax scenarios for the employer.

Lump Sum

Approach that provides lump sum funding, used at the employee's discretion.

Shifting Toward New Relocation Types

Whether to appeal to employees seeking career development or to fulfill resource needs that support the organization's goals for growth, companies continue to relocate their employees globally. The way they are choosing to do this is changing, however, as stakeholders remain mindful of controlling the costs associated with mobility. Emerging move types include:

Permanent Moves – When companies transfer employees permanently, the destination's local benefits apply, which means that the typical costs associated with expatriate policy support and administration can be avoided. Rather than relocate an assignee long-term, many companies are increasingly shifting toward permanent moves.

Short-Term Moves – Short term relocations, usually defined as relocations that span three to twelve months, can be less complex and expensive than long-term moves. Short term moves generally don't require moving an employee's accompanying family or providing them with associated support services, the sale of a home, or a change in the employee's benefits.

Local-Plus Program – Applies to a global move, in which the employee transitions to a local compensation and benefits structure but is given some additional benefits such as transportation or housing for a finite duration. In addition to finding that this type of program can be more cost effective, some companies appreciate the fact that employees are paid in the same manner as their local native colleagues, which reduces inequality and fosters consistency.

Expat Lite – Expat lite policies represent a relocation benefits package that is considerably lighter than standard plans. While compensation and taxes are usually covered, other policy features are diminished or removed entirely. This may include decreased housing allowances, self-directed versus live training, and/or clauses that require assignees to pay for private education if they choose not to enroll their children in local schools.

Regardless of how companies approach their relocation programs, it's important to acknowledge the varying preferences and priorities of both the organization and employee when designing each package.

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Aligning Mobility with Workforce Planning

All relocations represent an investment from a company, so due diligence is key when aligning mobility to support workforce planning. A comprehensive employee selection process is recommended. The development and utilization of a candidate-readiness assessment is also crucial, as it maximizes success by identifying and selecting an employee who is the best match for the role and destination, along with his/her family.

Feelings of dissatisfaction often end up negatively impacting talent retention, mobility brand and company goals. Educating candidates and managing expectations early on in the assessment and selection process is key to finding the right person for each position.

Considering Implementation of Repayment Agreements

When an employee voluntarily terminates an assignment or transfers prematurely, some companies require that employee to reimburse a portion of the relocation costs. While repayment agreements aren't enforceable in every country or location, they do serve as a deterrent to early termination and may allow for the recovery of some losses due to an incomplete assignment.

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While a successful relocation can drive realization of employee and company goals, a successfully placed and supported employee also has the potential to positively impact a company's mobility brand. Alternatively, a poorly matched candidate can negatively impact the mobility brand. It's important to note that an assignee or transferee may be given all of the support s/he needs and still not fare well in the new destination if s/he was the wrong candidate to begin with.

Tax Planning

It is recommended that organizations leverage the expertise of a tax services firm when developing and implementing a mobility program. Subject matter experts on tax planning can advise companies on when it may be appropriate to:

- ✔ Reduce tax exposure by considering the fiscal years of both the home and host location to optimize the start and end dates of an assignment.
- ✔ Find tax-efficient ways to deliver compensation and benefits; for example, changing the nature of payments from cash to non-cash benefits, as in company-paid housing or cars.
- ✔ Weigh the benefits of using tax equalization approaches versus tax protection for long-term assignments.

Reviewing and Optimizing Your Partner Network

When considering internal resources, it's important to define the scope of services that mobility should be providing to employees and evaluate each resource's availability and capabilities to deliver against those services. In any cases where they are not able to deliver efficiently, consideration of a partner network may be more cost effective.

Employing Digital/Tech Solutions

As described earlier, a significant percentage of respondents in our annual mobility survey were unable to quantify their spend on individual relocations. The right technology provides companies with the ability to automate tasks, processes and workflows, and provide self-service options to business stakeholders and relocating employees. It also has the potential to track spending on every relocation a company implements and project costs for future ones. Companies can control costs by utilizing secure, integrative systems that also enable management reporting. When designed and implemented properly, real-time data leads to real-time insights that positively impact organizational directives, talent management and organizational growth.

Companies that don't have the budget to create their own platforms can often benefit from working with relocation management companies (RMCs) that do. The result is rich data that can be used to analyze the spend on current moves, but that also informs better future mobility decisions—ultimately driving costs down and productivity up.

Overlooked Contributors to Mobility Spend

Even when companies are able to quantify mobility spend, there are expenses that are often overlooked when calculating the true cost of mobility. While most organizations calculate employee spend (tax gross ups, household goods shipments, etc.), they often forget the many internal administrative costs associated with relocation.

Utilizing a partner network can often reduce spend, although this may not appear to be quantifiable at a surface view. For example, even a basic, "bare bones" policy becomes very expensive if administered poorly. A mobility professional may require hours of research or troubleshooting to address an issue that a subject matter expert (with a wealth of knowledge, contacts, and experience) could tackle in a matter of minutes. In this case, partnering with experienced partners saves time up front. In cases where working with an expert has been avoided in favor of handling the issues "in house," internal mobility teams may end up spending countless hours correcting issues that have gone wrong due to uninformed choices. When partnering with a vendor, it is wise to choose one that can truly deliver the desired services in the global locations needed. Once a vendor is chosen, we recommend clearly communicating expectations and collaborating on defined service level agreements. This will not only increase efficiency, it will also contribute to cost containment.

In short, to quantify the true cost of mobility, stakeholders must identify, examine, and assess all of the hidden expenses mentioned above. Only when these are combined with the more measurable expenses associated with relocation can the real work of analyzing how costs can be reduced—or if they should be—without sacrificing benefits or services to the employee.

Consider factors outside the company's "line of sight:"

- Admin costs for internal support staff or external staff from an outsourced provider.
- Interest charges on advanced funds, unless the company, not the outsourced provider, is funding the relocation program.
- Compensation that local payroll is involved with that is not obvious on reports (e.g. local allowances).
- Service fees paid as part of your supply chain.

Data: How to Track Mobility Spend to Improve ROI

Before discussing how to track return on investment (ROI) it's important to define what ROI looks like, as this differs from company to company. Will success be measured by the goals that have been met? If so, which specific goals? Should talent retention be part of the equation? Fewer exceptions? All of the above?

Once key stakeholders identify and clearly determine how success will be defined, relocations can be measured to assess whether they have met company goals. Clearly defined expectations should be communicated to employees, who should be evaluated against those expectations and goals during a performance review process. If an assignment is intended to develop an individual's career through succession planning, for example, this should be a component of his or her assessment. If the individual hasn't met his or her goals, it would be important to have captured information and data that explains why. Perhaps the employee wasn't provided with sufficient support. Perhaps the employee was provided with the right support but wasn't the right candidate for the position.

Carefully developed systems must be in place to accurately capture and measure data that will provide these answers. There are additional reasons for capturing this data, however. More than just provide information that allows for the assessment of individual relocations, data can also be used to understand, manage and reduce exceptions, and to project the probability of the success of future assignments—something that can further support a stronger ROI.

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When considering a partner, it is important for company stakeholders to remember that truly effective digital applications should provide full visibility into the relocation process and enable them to:

- ✔ Monitor milestones
- ✔ Capture real-time feedback from employees
- ✔ Make any adjustments in relocation plans as needed, quickly

Capturing data for reporting purposes is clearly an important goal, but many companies aren't sure where to begin. Relocation management companies can be a valuable partner in this regard, as some provide digital platforms and mobile apps that track customized data and expenses, driving data capture that produces richer reporting and more accurate projections.

The bird's eye view offered by the right technology provides reassurance to all stakeholders that a move is progressing according to plan. It also allows stakeholders to troubleshoot long before potential issues become serious problems and to securely capture needed data at every stage of the move. All of this contributes to containing both immediate and future costs.

The Importance of Balancing Cost Control with Value

While it is understandable that a company would want to keep a firm eye on its bottom line, it would be irresponsible to omit a truth that is often forgotten in the quest for minimal spend: Cost control should never be sought at the expense of value or a positive employee experience.

If decreased costs result in damaged employee morale or motivation, thereby negatively impacting a relocation, talent retention, and the company's mobility brand and goals, the resulting long-term costs of damage control may cancel out any short-term savings that were achieved on the individual relocation package. Alternatively, by balancing controlled costs with value, both a strong ROI and company goals can be maintained.

When companies do find sound reasons to reduce mobility support and alter their mobility programs, it is important to clearly explain the changes to employees, define the parameters of services that will be offered, and explain how the company will maintain their commitment to its employees. Reducing costs does not automatically translate to providing less value or a negative employee experience, provided expectations are managed and open communication with employees is maintained.

As we have shown, controlling mobility costs is possible, but requires a close look at more than the measurable expense lines associated with a relocation. By examining both the hard and soft costs associated with relocation, stakeholders can gain a more accurate picture of the true costs of their mobility spend. Cost containment, however, should always be carefully weighed and tracked against desired outcomes for the relocation, employee experience, and overall company goals.

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About SIRVA, Inc.

SIRVA Worldwide Relocation and Moving is a global leader in moving and relocation services, offering solutions for mobility programs to companies of every size. With 75 locations in 177 countries, we offer unmatched global breadth supported by localized attention and innovative technology that strikes the right balance of self service and human support. From relocation and household goods to commercial moving and storage, our portfolio of brands (SIRVA, Team Relocations, Allied, North American, and SMARTBOX) provides the only integrated moving/relocation solution in the industry.
By leveraging our global network, we deliver a superior experience that only a "one-stop shop" can provide.

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