

Welcome to *Policy Matters*, an engaging and informative e-newsletter featuring expert insight and analysis on emerging relocation products, policies and services that can provide immediate benefit to your organization.

The Business Case for Relocation Outsourcing

The clear, undisputed trend for the past decade has been the evolution of human resources as a core strategic function. Between shifting employment demographics, evolving work practices fueled by technological advancements, complex government regulations and global growth, multi-national companies have realized the need for strategic, focused organizational competence. The need for experience in areas such as sourcing, developing and retaining workforce helps to sustain business and differentiate products and services. Whether these companies have \$5 million or \$5 billion in revenue, they have come to acknowledge what is required from their human resources functions in order to help fuel growth.

The pressures that impact business overall, to add value while cutting costs, also impact human resources. As a result, one of the key determiners in shaping today's in-house human resource competency is the need to delineate the difference in value to the business between "transactional tasks" and "strategic value tasks." Through this analysis, companies have increasingly shed transactional tasks such as benefits processing, 401K and pension management, health care management and payroll processing. This same analysis has yielded the retention of corporate HR functionality in areas such as staffing strategy, global workforce readiness, compliance and governance, and talent development.

Relocation management, with its blend of individual employee needs, high-profile expenses and multiple technical processes (appraisals, home valuation, home purchase, household goods pricing, unique tax treatment, etc.) is a business process that often requires involvement from both corporate relocation managers and suppliers with subject matter expertise. It is estimated that fewer than 5% of all U.S.-based companies run an "in-house" relocation program.

As relocation processes become more complex and specialized, and companies continue to place pressure on their HR departments to produce measurable results in support of business strategies, the classic client/supplier dynamic has changed. Further, the role of relocation management itself is changing. Today's relocation manager is more likely to be responsible for the results of outside suppliers, than the day-to-day control of individual relocation service delivery.

SIRVA, relocation program owners and their corporate management continue to customize the relocation management relationship—allowing for the best organizational benefit with the highest level of employee satisfaction. To create the most successful outsourcing dynamic, relocation and procurement managers

and their companies are concentrating on three critical issues:

- capitalizing on the value of outsourcing
- maximizing the value of the corporate role
- professionalizing the sourcing, selection and measurement of outsourcing business providers

Maximizing Strategic Strengths: the Value of Outsourcing

Why have the majority of companies elected to use the relocation outsourcing model? The answers are driven by economics and good business sense:

Full Costs vs. Incremental Costs: When evaluating revenues in a company-managed program versus one that is outsourced, the costs, (e.g. payroll, benefits, legal and tax counsel, technology, hiring, firing, training, turnover due to promotion and transfer, office space) can be difficult to quantify. However, the majority of companies have concluded that a qualified supplier can perform these tasks more cost effectively than they can in-house—exactly the same conclusion arrived at with other HR transactional tasks.

Economies of Scale: Corporate relocation staffs are generally quite small in comparison to relocation service provider staffs. In addition, internal relocation staffs cannot typically achieve the critical mass necessary to keep costs low while a relocation service provider can spread fixed costs over a larger client base. Economy of scale is also critical in terms of developing and maintaining the technology that drives relocation processes and the costs associated with “peak and valley” staffing. The day-to-day, fluctuating relocation workload makes this service a logical candidate for outsourcing.

Peak and Valley Staffing: As noted, relocation volume is not usually constant. Relocations conform to the statistical reality of “clusters” and group moves and seasonal fluctuations further disrupt the ability to predict activity year-over-year. Programs managed in-house require a constant relocation flow to sustain the cost of administration, and this predictability is difficult to establish in the current global mobility environment. Relocation service providers are able to quickly re-deploy resources where they are needed without increasing the per-relocation cost to the client.

Career Paths: Typically, the HR organization in a company does not have a set relocation career path. In most cases, acquiring relocation program knowledge is a relatively brief “stopping point” among many others in an HR career. It may be difficult for a senior HR manager to recruit and develop talent in the relocation position or to justify allocating full- or part-time headcount to a role not seen as core to HR. This is a critical point. While mobility management *is* critical to overall workforce planning and strategy; the day-to-day task management of the relocation process itself is increasingly seen as non-core. The individuals in these roles have seen their positions evolve into internal consultants and subject-matter experts, versus operators of the basics of relocation service delivery. While the opposite is true for third-party relocation management companies (RMC’s), whose career path is relocation and other aligned specializations in mobility.

Technology: The technology systems and platforms that support relocation serve as the mortar between the bricks – critical to the ease of administration and ultimate success. However, they are expensive to develop and maintain, require expertise to manage and typically have a short shelf life as systems must constantly evolve to reflect changes in tax laws, policies and reporting requirements. Data bases of expenses and transaction costs are critical to running a relocation program where cost metrics and transferee file history can be amalgamated. In turn, timely reporting helps to assess the cost and effectiveness of the program(s). On a global scale, including compensation administration and tracking of stealth expats, it is often cost justification in and of itself to utilize an RMC versus in-house administration. For relocation management companies, the cost to develop and maintain technology can be spread over many clients and thus the cost per mobile employee is far less than in an in-house program.

Increased Product / Service Purchasing Power: An economic truism is that the larger the quantity of products and services purchased, the better the price. RMC's have concentrated purchasing power that translates into better prices for relocation services than a single company could negotiate. A risk /reward environment, controlled by the RMC, in which sub-supplier performance on each transaction determines whether hundreds of future transactions are at risk, is a powerful incentive for superior and time preferential service (e.g., securing a moving van and delivering excellent service in peak summer moving months.)

Ease of Administration / Professional Quality Control: Another critical advantage of using an RMC is quality control of the relocation process, both internally and through the supply chain. By managing and continually improving the process (in the case of sophisticated firms, using tools such as Six Sigma), guaranteeing service quality, controlling cost, and providing a detailed flow of precise and customized information to the corporate client, the RMC shifts the transactional burden away from the client, and provides a powerful end-to-end understanding of workforce mobility programs. With this understanding, the client can help guide business-critical decisions in policy, talent development and global growth and staffing.

Objective, Market-Driven Data and Consultative Resources: Although relocation may appear to be a somewhat standardized benefit on paper, the execution of multiple policies and tiers emphasizes the highly-personal perspective of the individual relocating employee. Many employees have perceptions of home value that are not tied to present market realities; many believe they are entitled to policy exceptions; still others have needs that are truly unique but not easily accommodated within corporate guidelines. Relocation is a delicate balance of providing service during a difficult time, being economically prudent, and guiding the process forward so the employee continues to be productive. While a staff relocation manager may be empathetic (and typically, of course, an internal expert in company culture), they are often in a challenging position when it comes to presenting difficult financial or policy-driven outcomes to the transferring employee. Moreover, due to the volume of relocations and singular focus, an RMC's knowledge base of the market is uniquely current and comprehensive. Corporations expect their RMC's to provide the guidelines, benchmarks and indicators that enable a successful relocation and overall mobility strategy, as well as the high-touch service needed to manage the individual needs of specific employees.

Conclusion

Now more than ever, initiative and ownership are valued and rewarded as leadership skills. Relocation and procurement managers are in a unique position to both anticipate and help chart the direction of global mobility program management. With thoughtful design and execution, relocation outsourcing becomes a best practice extension of the company – not a process that occurs outside company norms and strategies. The procurement and relocation managers are uniquely qualified to be change agents through a well-defined partnership of an evolving, expanding business need.

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