Cost Containment - Getting more Bang for your Buck from your Global Mobility Program

Large global multinational corporations (MNCs) with established global mobility functions can spend hundreds of millions of dollars annually to maintain and manage their programs; as a result, Finance departments are becoming increasingly more involved in the management of global mobility operating and program costs. According to the ERC® 2016 China Mobility Survey, Mobility Managers are primarily challenged by cost containment and finding new ways to drive value out of mobility programs. In this article, we examine the initiatives and steps Mobility Managers can take to contain costs and increase global mobility ROI.

Mobility programs have multiple cost layers, including the more visible vendor costs and the hidden administrative costs. In order to effectively manage costs, it is important for program administrators and stakeholders to understand current costs through data analysis and cost reporting. At a minimum, organizations should be able to budget for and track mobility costs through the use of assignment cost estimates and estimate to actual reconciliations. Technology can play a key role in this regard to glean richer, deeper insights to more accurately evaluate outsourced partners, advance the mobility programs and enhance the relocation experience for employees.

According to a Mercer® survey concerning international assignment policies and practices, over two-thirds of US and European multinational organizations performed detailed cost estimates at some point during the assignment lifecycle. However, a large number of companies still rely on rough manual calculations, which indicates an opportunity for improvement in this space.

In addition to internal organization costs related to international assignments, vendor costs should be tracked and audited, and should include an assessment of policy exceptions (and associated cost impact) and regular benchmarking of assignment support.

By focusing on the following areas, Mobility practitioners are able to shift focus from operations to strategy with regard to global mobility, and are better aligned to make smart decisions regarding candidate selection and program support. The desired end result is increased ROI related to the mobilization of talent across international borders.

Talent Segmentation and Program Alignment
Start by ensuring your program is appropriately segmented to support the different types of talent movement within your organization. One size certainly does not fit all in this multi-generational workplace with its diverse global talent pool. A traditional assignment package may not be appropriate given the nature and intent of the assignment and the profile of the assignee, and may result in unnecessary mobility spend.

If your policies are two to four years old, they are likely out-of-date and may not align to current business and talent development needs. A program (policy) review can help to gain an understanding of business, and talent development needs are, and can assist in the redesign of mobility program policy to address these needs. The project will often result in the addition of "alternate" policy types such as developmental and local plus, and/or a harmonization of existing policies to streamline program administration.

Many companies use a four- or nine-box model mapping policies of developmental and business value (see Figure 1). Focus your fully-loaded packages on talent with the highest developmental and business value. Less business-critical moves require less funding and may minimize mobility spend in these categories.

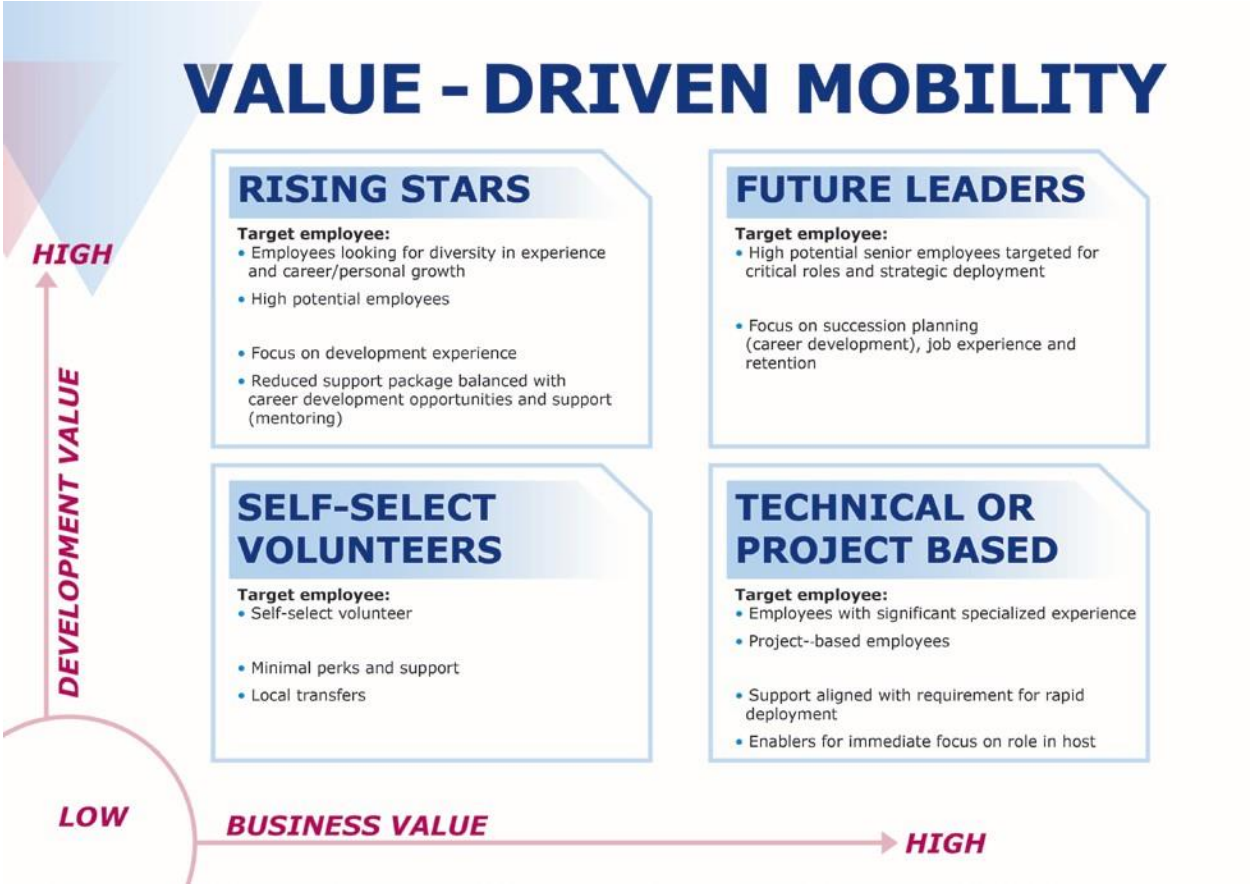

Figure 1. Talent Segmentation

The Value Proposition

Companies can encourage global talent mobility within their organizations by setting clear value propositions on the benefits of a career with global experience. These internal moves require fewer financial incentives than traditional assignment packages. A company culture that supports employee development through mobility and that values international experience in career growth will maximize the success of talent objectives. An employee that can identify the value of an international move in their career and personal development is more likely to share moving costs and adapt more readily to local conditions. The assignment experience is the balance sheet "equalizer" that compensates for a less robust assignment package.

Requiring global experience of senior executives encourages high potential employees to advance their careers by seeking overseas opportunities within their companies. The COO of a large global IT company recently announced that to get ahead in the company, employees needed to work in China at some point in their careers. From that point, it was an easier task to move employees to China.

Companies also benefit from sharing success stories of employees who have advanced their careers by gaining international experience and global competencies. Companies that have integrated talent management processes into their mobility programs are well-placed to match global talent and competencies with global roles.

Mobility Program Audits

Regular mobility program audits are an important element of a cost containment strategy. Formalized audits (preferably conducted by specialized relocation auditing firms) can provide full, end-to-end audits of compliance documentation, policies, processes, approval mechanisms, key performance indicators (KPIs) and statements of work (SOWs). Higher level, cost-focused audits typically review easily-visible vendor invoiced costs, but can uncover hidden costs that may lead to cost savings. Some examples of hidden costs are:

- Healthcare – Companies should ensure that employees are on the right policies and premiums and that they start and stop at the right times.
- Tax costs – Companies can leverage tax efficient allowance delivery schemes in relevant countries. Organizations may be able to reclaim VAT/GST via local billing or third party VAT recovery firms (not applicable to all countries).
- Foreign exchange – Foreign exchange costs can be significant for a mobility program. Checking and negotiation of better rates through finance institutions or your RMC may minimize the impact of foreign exchange rates on total program costs. Localization of the reimbursement process is another way to minimize costs associated with cross-border transactions.

Exception Management

Policy exceptions can be costly for a company and the associated administrative burden can put undue strain on resources. Through the proactive identification of exception trends, mobility leaders can make policy adjustments, support unique situations, or identify more cost effective alternatives.

A defined exception approval processes with approvals that link to the employee's reporting structure can also help to control costs. A robust process may discourage unnecessary or frivolous exception requests and will assist to streamline the approval of justified requests. Approvals will be tracked and response consistency (based on the nature of the request) can be implemented. Establishing an approval threshold will further efforts to minimize administrative costs, particularly when it comes to vendor services (e.g., automatic vendor approval for services below the local equivalent of $500).

Insourcing vs. Outsourcing

Many companies seek to balance the outsourcing and insourcing elements of their mobility programs. The outsourcing elements of these programs are driven by cost savings, service delivery improvements, and efficiencies (as well as consolidating vendors and invoicing and leveraging reporting data). Companies with high employee costs or pressure to reduce headcount may outsource the administration of these programs to Relocation Management Companies (RMCs) to reduce their team sizes and allow their managers to focus on strategic work.

The extent to which companies can outsource a program depends on a number of factors: program maturity, company culture, and "buy-in" from business leaders. Outsourcing offers many benefits: companies can access service providers' global resources and knowledge, they can leverage providers' abilities to scale-up support and personnel as the program grows. For full outsourcing arrangements to work, companies need mature mobility frameworks with established policies. Senior HR and business leaders must strongly support the business value proposition of outsourcing. Mobility managers can then concentrate their time on strategic, high-value tasks such as partnering with the talent management community and providing HR leadership in "people-planning" strategies.

From a cost perspective, companies can easily identify the quantitative cost savings of outsourcing by examining their hiring costs, training and development costs, and their employee compensation and benefit packages (this includes the broader G&A costs of their mobility teams). More qualitative factors include improved employee experiences, greater reporting and compliance tracking, improved productivity, etc.

However, fully-outsourced models entail certain risks. Not only must you choose a vendor with a strong performance record in managing similarly-sized accounts, you should also ensure that that they are a good cultural fit for your organization as the outsource partner is an extension of the mobility team. However, the accountability and overall management structures of a program should remain in-house.

Also, consider partners who strive to focus on your business and employee needs and invest in building a team that knows the right way to manage relationships. This can improve HR and business stakeholder confidence and avoid an expensive process of bringing outsourced work back in-house.

Localization of existing assignees

Localization refers to a practice that strives to minimize mobility spend by transitioning assignees off assignment packages and onto local terms. The rationale is that after a certain period of time on assignment (in one location, typically 5+ years), the individual is no longer in need of the assignment support that is provided to facilitate their acclimation to the host location (e.g., COLA, housing, dependent education). Many organizations will include language in their policies and assignment letters to indicate the point at which localization will occur, and will detail the localization practice. Often this involves a lump sum payment to enable the employee's transition to local terms and conditions (i.e., local compensation and benefits structure), or the approach may involve a phase out of assignment support. It is important for companies to have a defined localization practice to minimize excessive mobility spend beyond the anticipated assignment end date.

Lump Sum Payment for Allowances

You can use lump sums to replace allowances that regularly lead to exceptional overspending or create administrative burdens – home leave is an example of where a lump sum approach is appropriate. A significant portion of exception requests relate to home leave, and may include: changes to approved destination, changes in ticket class and miscellaneous expenses such as rental cars. The provision of a lump sum for home leave minimizes the administrative burden of a reimbursement, and also minimizes the input required from program administrations to approve/reject the request.

When using the lump sum approach, it is critical that the intended use of the lump sum be clearly defined, and that the employee is not entitled to additional funds related to the allowance.

The use of a lump sum to replace an entire policy can be successful in certain situations; however it is important that each company review the proposed usage in conjunction with the company culture before such policies are implemented. Lump sum policies can result in a poor assignee experience and/or additional mobility spend resulting from exception requests or tax implications.

Case Study - Global Investment Bank

A large global investment bank realized significant cost savings in their mobility program by introducing a number of initiatives.

One of the most impactful initiatives was their localization program. They used this to transition assignees to local terms via a 2-year phase out and reduced their Asian expat population by over 90% over the last 6-7 years. This program succeeded where others have failed thanks to the partnership of the global mobility function with business and HR leaders. This program had complete buy-in from senior leaders and a strong communication plan and featured clear, consistent guidelines which managers communicated up-front to employees. These localization discussions were tied into longer-term career and succession planning and always involved the business manager and HR staff to ensure that the employee received a positive message.

Outsourcing and offshoring were essential to this company's cost management and service delivery initiatives. Offshoring to India (and eventually outsourcing the administration of the program to a single vendor) saved money on staffing. It also allowed the HR team to become more advisory and act as strategic business partners, adding value to the company's business planning and talent management efforts.

The project also called for a benchmark of relocation vendor costs every two to three years. This approach was implemented to ensure that vendors remained market competitive and delivered best in class services. This company used two relocation management companies, each managing different mobile populations, which resulted in an inherent competitiveness between the two vendors – the benefit to the company was increased vendor focus on client satisfaction and innovation.

For household goods, this company identified three firms for key transport lanes. Then, it had the RMC rotate the business through each company. Again, this ensured vendors remained competitive and provided high levels of service. This approach created a total savings of approximately 20% over two years.

Case Study – Global MNC

This large, global MNC has a central HR team that tracks various metrics and leverages reports from its payroll and vendors. Quarterly reports detail costs and trends, including quarter-on-quarter and year-on-year analyses. This allowed for the identification of specific trends and cost per capita/business divisions. They also track ROI metrics such as retention and attrition post assignment. They share this information globally with their HR and business leads and cascade the data through various stakeholders to provide awareness and visibility to key program metrics.

This company also controls costs by emphasizing equity rather than cost-based drivers and typical tax-equalized packages. By focusing on host-based compensation approaches, this company utilizes policy iterations based on talent types and personal situations (i.e. providing equity based on citizenship). This company extensively employs relocation and net-to-net approaches (depending on the particular drivers of a move). They still offer traditional, tax-equalized packages when assigning senior executives. However, by segmenting their policies and emphasizing host-based approaches, they have made their program costs much more manageable and equitable.

A robust assignment cost approval process maximizes opportunities to provide cost transparency to key stakeholders and to facilitate approval for appropriate investment based on assignment opportunity and candidate.

About SIRVA
SIRVA delivers customized relocation and moving solutions that satisfy the needs of clients and their people in the highest quality and most efficient way — wherever they do business. Offering an extensive portfolio of mobility services across 170 countries, SIRVA provides end-to-end solutions and delivers an enhanced mobility experience for everyone involved.

SIRVA has a portfolio of well-known and recognizable brands including Allied, northAmerican, SMARTBOX, and Allied Pickfords. For more information please visit www.sirva.com.