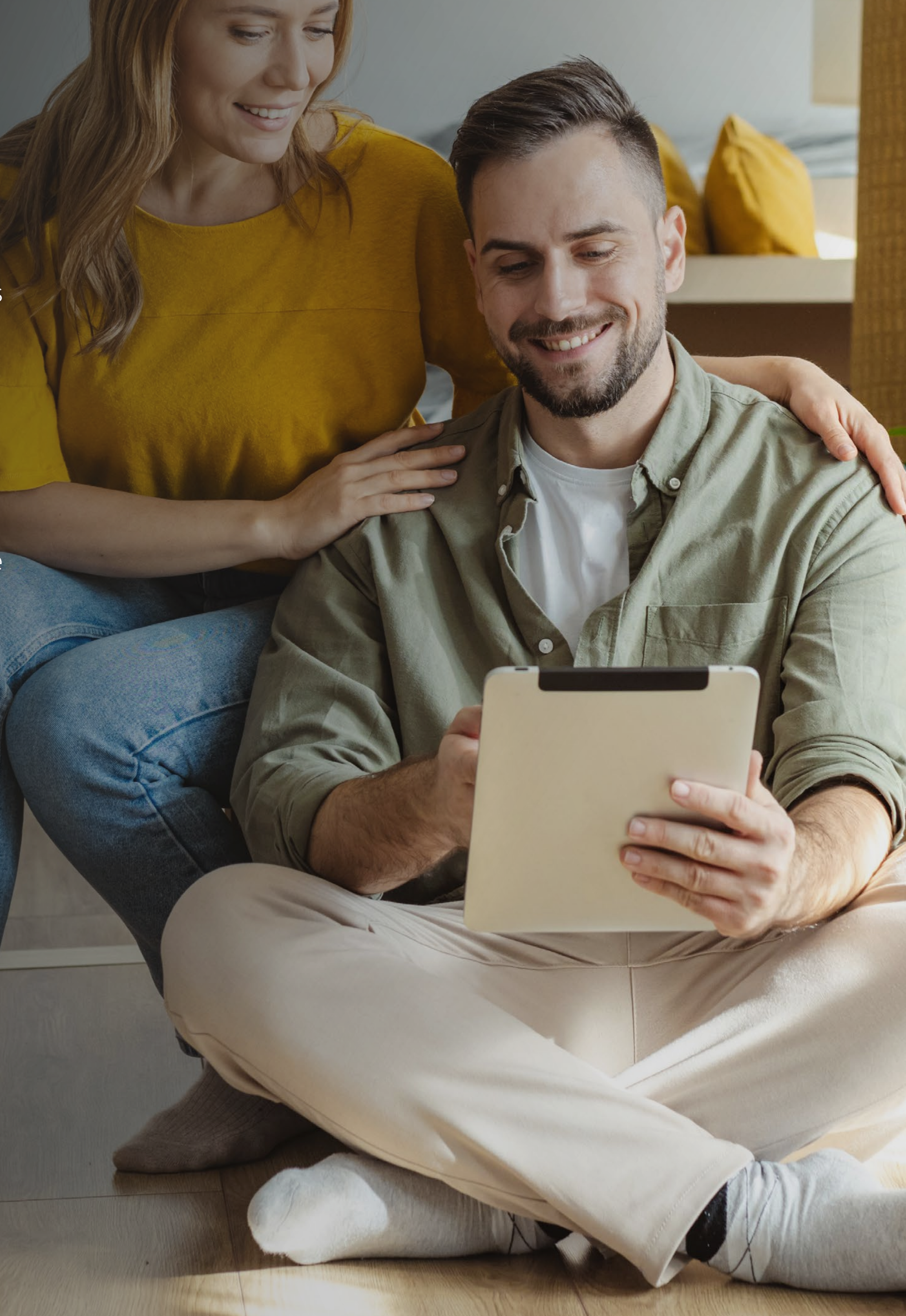
CONVERSATIONS WITH MOBILITY LEADERS

Global Mobility Cost Optimization Strategies

MAY 2024



In our continuing series, “Conversations with Mobility Leaders”, Sirva explores how Global Mobility can help organizations save costs during an economic downturn. As Global Mobility is often viewed as a cost center, it is critical to identify ways to contribute to organization-wide efforts to be more economical. With so many different relocation services, multiple vendors, and various logistical parts, the focus is on finding practical solutions that can make the most significant impact in achieving cost savings.

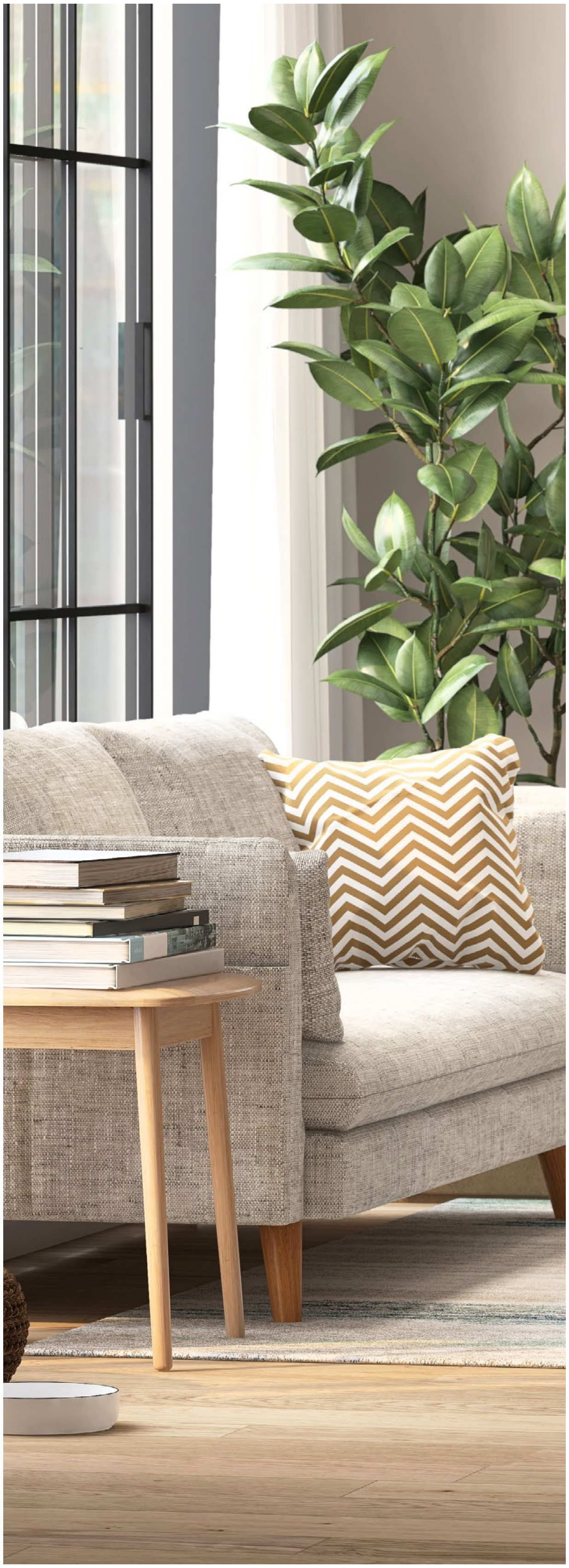
Our recent discussions with mobility leaders have delved into the following key areas:

- What role does sustainability play in ensuring cost savings?
- How does a flexible approach to relocation contribute to a lower cost mobility program?
- What effective strategies can be implemented to contain costs?

BACKGROUND

As Global Mobility practitioners navigate the evolving complexities of international assignments and relocations, the imperative to optimize costs without compromising on service standards becomes increasingly pressing. This requires the Global Mobility function to embark on a journey to identify meaningful and sustainable ways to achieve cost savings, all while prioritizing the delivery of excellent service and fostering a solid customer experience. Striking this delicate balance requires strategic foresight, innovative solutions, and a customer-centric approach that ensures the seamless integration of cost-saving measures without detracting from the overall relocation experience.

BALANCING COST WITH SUSTAINABILITY



The intricate interplay between cost management and sustainability has become a focal point for companies navigating the complexities of global mobility. In an era marked by heightened environmental consciousness and economic uncertainty, organizations are compelled to reassess their approaches to relocation practices. Sustainability initiatives, once considered peripheral, are now integral to cost saving endeavors, prompting Mobility managers to recalibrate policies and programs while maintaining service quality.

One such solution gaining traction is the provision of a furniture allowance to mobile employees instead of opting for a sea shipment. This approach addresses multiple concerns including cost, sustainability, and timing. Incorporating a furniture allowance into international mobility policies is proving to be a pragmatic and efficient strategy, considering the expensive and time-consuming nature of sea shipments. Moreover, offering a furniture allowance encourages employees to declutter and relinquish items they don't truly need, thereby reducing shipping costs for the company.

Some organizations are considering making furniture allowances mandatory, especially for international assignments where employees will eventually return to their home country. Additionally, they are exploring options such as air shipments with excess baggage allowances, typically based on flat rates derived from sea shipments or differentiated by family size.

Global mobility teams are increasingly offering furniture allowances as an alternative to traditional household goods shipment in relocation packages. According to Mercer's 2023 survey, nearly 30% of organizations now offer furniture allowances, up from 14% in 2020. This shift addresses high costs, logistical challenges, and supports broader environmental, social, and governance (ESG) considerations.

It's crucial for Mobility Managers to distinguish between employee-driven and business-driven moves during the planning stages to tailor services and costs accordingly. This often involves maintaining separate relocation policies for each type of move and adjusting benefits accordingly. For instance, in cases where employees are returning to their home country, companies may offer a furniture allowance in one direction but not the other, assuming that assistance provided during the initial move covers the return.

Considering environmental impact, Sirva emphasizes the importance of assessing carbon footprints and offsets, particularly when comparing air and sea shipments, and points to a growing trend of European requests for proposal (RFPs), in particular, prioritizing analyses of carbon impacts on specific relocation benefits at the assignee level.

FLEXIBILITY

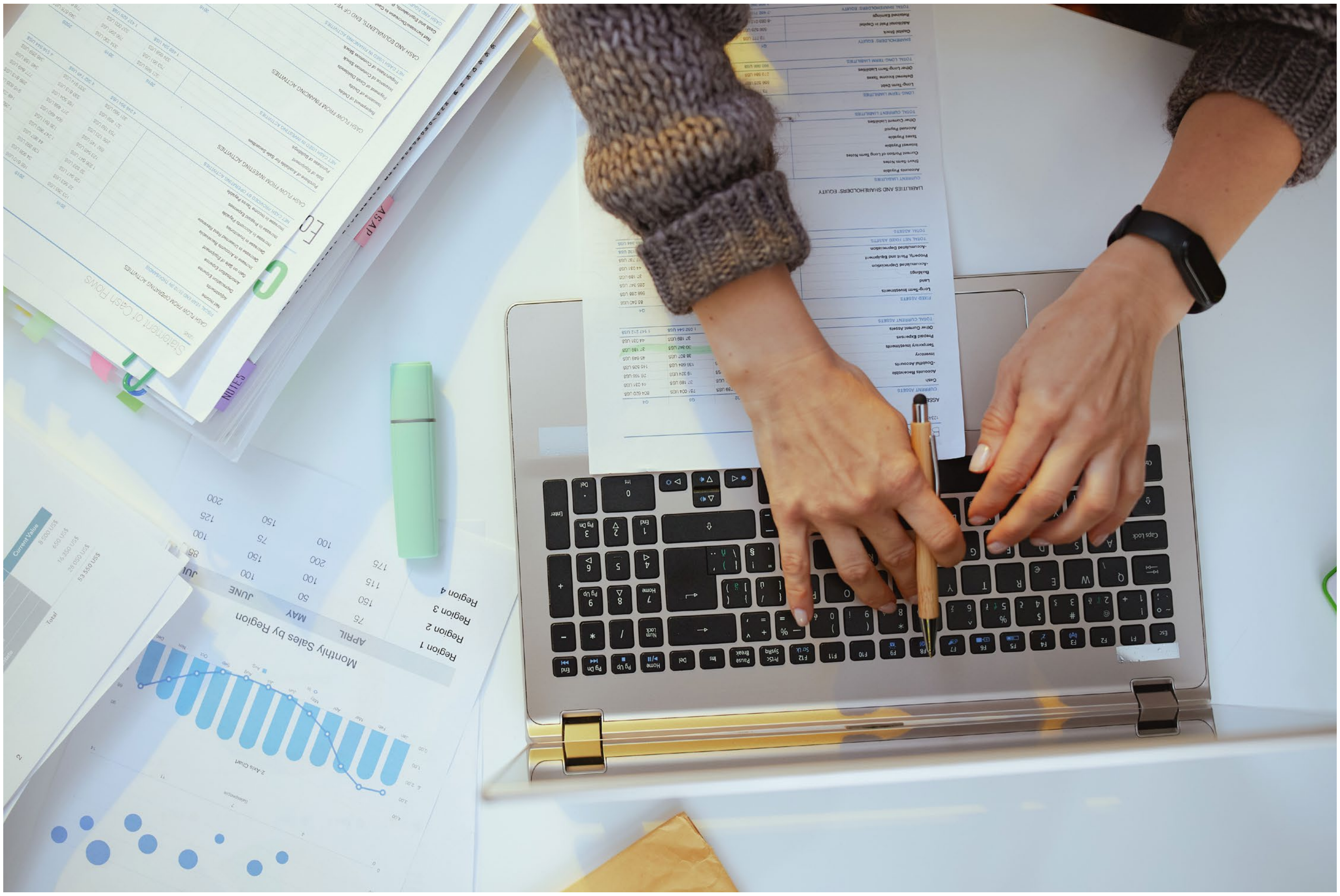
When employees volunteer for an international assignment, some companies extend various types of support, such as tax assistance, immigration services, and destination support. Conversely, when employees are relocating back to their home country, immigration and destination services are typically unnecessary, with tax assistance being the primary requirement. Some businesses may also face pressure to provide household goods shipments in such cases, while others opt for offering only tax assistance and covering final travel expenses as a minimum level of support.

Regarding the basic level of assistance provided to international assignees, companies commonly offer a tax briefing and aid with the first-year tax return, along with immigration support if needed. In some cases, companies extend tax support for up to two years when the relocation involves two different countries. Additionally, there's a trend among certain companies to consider offering U.S. mobile employees a second briefing after the initial tax return to ensure their success in managing tax implications independently in subsequent years.

While cultural training may not be universally provided, some companies offer resources to help employees gain insights into other cultures and navigate cross-cultural interactions effectively.

Flexible relocation support can offer cost saving opportunities in a number of ways:

- Providing appropriate benefits based on specific situations/criteria
- Right-sizing mobility packages to suit budget/needs
- Significantly reducing exceptions
- Incorporating cost efficiencies for the business and cost reduction incentives to the employee



COST AND SERVICE

Organizations are facing the dual challenges of maintaining competitiveness to attract and retain key talent while managing costs. Traditionally, many companies offered extensive benefits such as home sale assistance, a lump sum allowance, and other outsourced services. However, the one-size-fits-all approach no longer suffices in today's dynamic environment. Consequently, there is a growing trend towards exploring Core-Flex programs that provide employees with both flexibility and choice, which is important in making the decision to relocate. This shift is driven by the belief that customizable options not only reduce costs but also enhance employee satisfaction, thereby increasing the likelihood of successful relocations.

A Core-Flex approach can help meet employees' needs for flexibility, making relocation more attractive. It can help companies to attract and retain talent, control overall program costs, and most importantly, achieve their business objectives in an ever-changing competitive environment.

Implementing a Core-Flex program raises questions regarding its efficacy in achieving cost savings without compromising the integrity of benefits. One common concern is ensuring equity across the board. Typically, Core-Flex programs eliminate lump sum and cash-out options, potentially resulting in cost savings. However, some Mobility managers caution against over-flexing, emphasizing the importance of striking a balance between providing flexibility and managing program complexity.

Various approaches to Core-Flex have been explored. Some companies tailor benefits based on employee level, with new college grads being offered lump sum options while higher-level employees receive more comprehensive services. However, challenges arise when using points-based systems, as employees may feel they're not fully utilizing their allocated points, leading to dissatisfaction.

Given the complexity of relocations, especially in challenging real estate markets, some companies are considering mandatory services within Core-Flex programs while allowing flexibility in others. This approach aims to standardize services while accommodating individual needs.

Ultimately, the focus shifts from cost alone to strategic investment in talent and programs that align with long-term organizational goals. Key considerations include the duration of assignments, maximizing relocation budgets, and addressing the evolving needs of a changing workforce, particularly with the influx of younger generations like Gen Z.

Creative initiatives for short-term talent exchanges, like the 100-day Gemba Walk initiative (from the Japanese word for "the real place" or the place where value is created") allow employees to work in other global offices and aims to promote the sharing of ideas and skills and bring those back home. However, senior leaders often do not understand the intricacies of such programs and the need for robust policies and frameworks to facilitate and support such endeavors. The tactical and strategic work has to be done up front, especially in cases where a business traveler policy will need to be built from scratch. Another example is establishing Special International Project Assignments (SIPAs) to manage short-term business trips efficiently and transparently, thereby minimizing costs while leveraging organizational scale.

In navigating these challenges, Global Mobility functions as both advocate for employees and custodian of company policies and business needs. Striking the right balance requires careful consideration of company culture, cost-cutting measures, flexibility provisions, and employee support mechanisms. It has also been mentioned frequently that adding cultural training, especially in the case of accompanying families and spouse/partner, is very important to avoid failed assignments. The employee at least has an office culture and colleagues to help them adjust, but families need to learn how to live in a foreign country and support their transition. An employee finding it hard to focus on the job they've been moved for can lead to a failed assignment.

To achieve cost optimization, Global Mobility must take a holistic view of:

- Company culture
- Cost-cutting measures
- Flexibility provisions
- Employee support mechanisms

CONCLUSION

In navigating the intricate relationship between cost optimization, sustainability, and service quality, Global Mobility assumes a pivotal role as both advocate for employees and steward of organizational priorities. By embracing innovative solutions and fostering a culture of adaptability, companies can navigate the complexities of global mobility while advancing their strategic goals.

If you are interested in joining Sirva's "Conversations with Mobility Leaders" program, please reach out to your Sirva representative or email us at marketing@sirva.com.