NuCompass MOBILITY®

THE NEXT LEVEL OF COST CONTROL

FOCUS ON THE TRANSACTION

For years now, the No. 1 discussion topic between relocation service providers and corporate clients has been cost reduction. Today, service suppliers would argue that the extremely competitive selection process has squeezed almost every penny out of the supply chain. So what do employers do now?

This paper makes the case that it's time to change the way we do relocation. In order to achieve cost reduction in the future, corporations will need to focus on each relocation transaction. More specifically, employers should consider scrapping the policy-driven/exception management approach and replacing it with business decision-making tools that are supported by new technologies.

Today's Situation

POLICY LANGUAGE AND EXCEPTIONS LEAD TO HIGH COSTS

Most employers today use a policy approach to managing relocation. The common language of a relocation policy reads, "You are authorized for up to 90 days of temporary housing," or "You may ship up to 20,000 pounds of household goods." Most companies use multiple policies that are tied to the employee's level or job title.

If the policy doesn't meet the specific needs of the relocating employee, it is common for the employee to request an "exception." Exceptions invariably add costs, but they are usually approved because it is very difficult to refuse a valuable employee in the middle of a very stressful event. Ultimately, the cost of a specific relocation is the result of the decisions made by the employee, plus the cost of approved exceptions.

Relocation policies typically use the word "benefit" to describe the assistance that the employer provides. In general, a policy approach is appropriate when dealing with actual employee benefits, such as health plans.

But relocation is not a benefit! Employees are not entitled to relocation. Relocation assistance is a form of compensation. Tax laws treat it as such, and employers would be well served to do the same.

Cost-control Approach

CURRENT METHODS DON'T GO FAR ENOUGH

Today, the typical approach to managing relocation costs is through a program-level procurement process. Service suppliers are selected based on their proposed costs for the services they will provide for each policy component covered by the program.

This is an important level of cost control. In effect, the procurement process establishes the unit costs for the services to be provided, i.e., the cost for moving 1,000 pounds of household goods a specific distance.

But the procurement approach does not address the quantities of services that are actually used. Under the policy language, the quantity of services, and thus the ultimate cost, is based on what the employee decides to do.

Lastly, the cost of a relocation is usually charged to the business unit that the relocating employee is joining. Yet the hiring manager most often has to accept the relocation costs with no prior review or approval.

Conclusion? Current practices have reached their limits in controlling costs. We need a new approach.

A New Solution

CONTROL THE COST OF EACH RELOCATION

Would your business engage a consultant for a $100,000 project without a cost estimate, a work plan, and an approved budget? No! But most companies do this every time they approve the relocation of a midlevel employee controlled only by a relocation policy.

Is there an alternative? Yes.

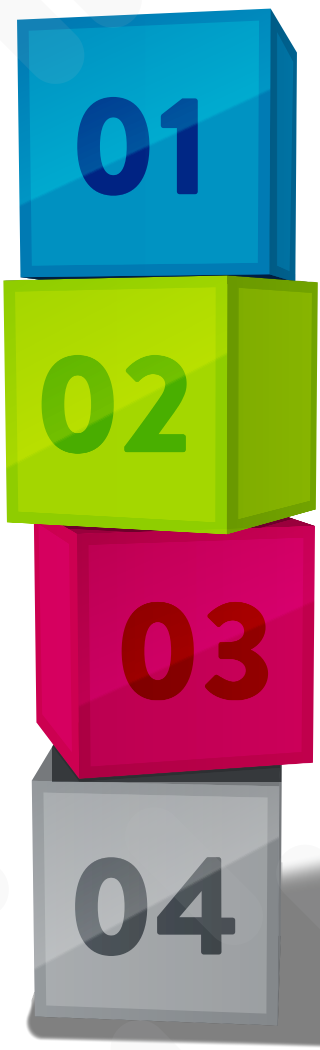
To more effectively control costs, we propose that employers take an entirely different approach: Focus on the transaction for each relocation event. And we propose that they employ proven business practices to make better relocation decisions.

The goals of this approach are:

- Only authorize relocations that have a positive cost benefit
- Tie costs to the employee's specific circumstances
- Engage the employee in cost control
- Eliminate policy exceptions

Four Simple Steps

IMPLEMENTING THIS NEW APPROACH



Do a cost estimate of each relocation.

Based on a policy template and the employee's specific circumstances, determine what it will cost to relocate each employee.

Perform a cost-benefit analysis.

The hiring manager, or recruiter, should determine whether the cost of the relocation is justified by the benefits. If not, the relocation should be rejected, or the specifics should be negotiated with the employee to get the costs to an acceptable level.

Prepare a relocation plan and budget.

Convert the final cost estimate to a specific relocation plan and budget for the services to be provided.

Gain approval and acceptance.

Circulate the relocation plan to those who must approve the expenditures. And, most important, get the employee's acceptance in the form of a relocation agreement.

Sounds Good

BUT WHAT DO I DO NEXT?

There will be many objections to this new approach: It is too complicated; data are not available; it takes too long. These objections would be true if you had to collect cost data for each move, use a spreadsheet to analyze options, and circulate paperwork to get approvals.

But today there is good news! **Cloud-based technology is available to help employers manage this process online — easily, accurately, and quickly.**

Is It Time?

WILL RELOCATION FINALLY JOIN THE 21ST CENTURY?

Over the last 20 years, because of new technologies, we have seen industry after industry change in ways that we could never have imagined. Retail, travel, and banking are three obvious examples. It's now time for relocation to have its turn!

Over the next few years, we believe that employers will move away from traditional relocation models and toward technology-driven solutions. They will employ new decision-making tools that will help them make more cost-effective relocation decisions.

If employers are really serious about managing an efficient relocation program, the tools and technology are available today to help them do it.

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