CoPilot™

by NuCompass

— THE ULTIMATE GUIDE —

# for Creating the Right Relocation Strategy

Today, there are more relocation program options than ever for organizations looking to create the right relocation and mobility strategy for their workforce.

## AND WITH MORE OPTIONS COMES MORE COMPLEXITY – AND SOME CONFUSION.

In this guide, we will compare the different types of relocation management strategies while trying to simplify your choices. We will also discuss the potential impact of emerging technology on these choices.

# Who Should Read This Guide?

Organizations that are just beginning to deal with the challenges of relocating large numbers of employees will find this guide to be helpful. It is also intended to be a resource for companies that want to improve the way they are managing relocation today.

This guide is intended to be a comprehensive resource for anyone interested in building and improving a relocation program. It addresses the entire field of relocation, and there is a lot of material covered. However, you can use this table of contents to help you quickly move through the document and focus on the topics that are of greatest interest to you.

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# What Is the Best Relocation Strategy for Your Company?

The most important thing to realize is that there are no right or wrong answers to this question. **Mainly, the strategy you choose should meet two basic criteria:**

- Does it get the job done at a reasonable cost?
- Does it reflect your company's culture?

We can't answer these questions for you. But keep them in mind as you go through this guide so that you can apply the information to your specific situation.

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# What Is the Range of Choices?

To get an idea of the range of possible choices, let's look at the extremes.

## 1 NO PROGRAM AT ALL.

**At one extreme, a company can decide not to provide any form of relocation assistance to existing or newly hired employees.** The philosophy of this approach goes something like this: Employees want to work for our company, and we offer very good job opportunities with excellent compensation and benefits. It's up to the employee to pay the costs and handle the logistics of getting to the job location by the start date.

## 2 FULL-SERVICE PROGRAM.

**At the other extreme is the company that believes the employee should not have to pay any out-of-pocket costs for the relocation and should receive assistance to complete the relocation.** These companies have extensive policies that cover all of the possible areas in which the employee may need help. They usually outsource the program administration to a relocation management company (RMC) that has pre-arranged suppliers and negotiated rates for all of the services needed. The employee is also provided personal assistance by a professional relocation consultant.

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Today, most companies operate somewhere in between these two extremes.

# What Are the Components of a Relocation Program?

Six components, or building blocks, in combination will define your relocation program:

1. Policy approach
2. Employee responsibility
3. Cost management
4. Program administration
5. Supplier selection
6. Decision-making process

# Should You Have a Relocation Policy?

You can choose to have multiple policies, a single policy, or no policy at all. Larger companies typically use a multiple-policy approach, where there are separate policies for specific groups of employees. Such policies typically cover different services, depending on criteria such as job position, management level, homeowner status, domestic or international, and new hire or current employee.

**A single-policy approach will typically describe "guidelines" for the services that the company will pay for or provide.** It will usually be more general in nature, allowing a recruiter or hiring manager to decide what specifically to offer. There can also be a negotiation with the employee to determine the level of assistance within the guidelines.

**Under a no-policy approach, the employer retains ultimate flexibility.** The specifics of each relocation are determined through a decision-making process involving HR, the hiring manager, and the employee. The process starts with an estimate of the cost of the move. The benefit of this approach is that it takes into account the needs of the employee, the cost of the relocation, and what the employer is willing to pay. But the process can be cumbersome to manage.

# What Should You Expect of Your Employee?

**The question here is:** How much work and expense do you want your employee to incur in the relocation process? This is becoming a more interesting question since the younger generations of employees want to have more control over their time and money. And they are very comfortable using technology tools to "do it themselves" on their own schedule.

**Companies that use a cash payment, or "lump sum," approach to relocation have decided that the employee should be responsible for arranging all services,** using the cash payment to pay for them. If the cash payment is not enough, the employee has to pay the difference (or come back and ask for more money). If, on the other hand, the cash payment is more than is needed, the employee pockets the difference. One important issue here is that the payment made to the employee is considered income and is subject to withholding, which can significantly cut into the amount available to spend, or significantly increase costs if the payment is "grossed up" to pay taxes.

**At the other end of the spectrum, companies pre-select all service providers and pay the bills directly on behalf of the employee.** The employee works with a relocation consultant that guides them through the process, coordinates access to suppliers, and pays all costs using company funds.

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**There are many variations between these two approaches.** A common one is for the company to pay directly for some services, such as a household goods shipment, and give the employee a cash payment to cover all other services. A benefit of this approach is that the payment of certain expenses directly by the employer takes advantage of the fact that some expenses  are excludable from an employee's income if they're paid by the employer.

# How Can You Manage Costs?

Managing costs is a major challenge in every relocation program. Generally, there are two basic approaches. The first is to pre-select suppliers and negotiate rates. The second is to fix the amount that the company will pay by providing a cash payment, or lump sum. Both have their advantages and disadvantages.

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## PRE-SELECTED SUPPLIERS

Most larger companies use this method. They employ an RFP process to select suppliers for each service needed. Pricing is obviously a major selection criterion. The advantage of this approach is twofold: Not only does it ensure predictable costs across many different types of moves, it also provides the confidence that the job will be completed by a competent supplier.

## CASH PAYMENT/LUMP SUM

This approach transfers the pricing decisions to the employee. The advantage for the employer is that the amount given to the employee sets an upper limit on total costs. But there's also a disadvantage: This approach does not capitalize on the fact that specific relocation expenses are excludable from an employee's income taxes if they're paid directly by the employer.

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Note that many employers use both approaches depending on the characteristics of different groups of employees. For example, they may use the lump-sum approach for new college hires and a services approach for a high-level executive.

# How Should You Manage Your Program?

## THE CHOICES ARE MANY.

You can manage it entirely in-house, you can outsource portions and manage the remainder in-house, or you can outsource the entire program to an RMC.

If you use a cash payment or lump-sum approach, it can be relatively easy to manage in-house. Under this approach, employees select their own vendors and pay for services. Your responsibility is to determine the appropriate payment amounts for each move or each type of move.

**Many companies, especially large corporations, outsource their entire program to an RMC.** In turn, the RMC contracts with suppliers for all of the necessary services, in every possible location, to provide the services needed to complete all of the relocations expected by the company. In this instance, the job of the internal relocation manager is to manage the performance of the RMC.

Between these two options, you have many choices. You can outsource portions of your program while retaining control of others. For example, you could choose not to use an RMC and provide relocation consulting services in-house, while outsourcing temporary lodging and household goods shipments. The decision of what to in-source or outsource is usually determined by the level of staffing and the skill sets of those who have program responsibility.

## MOST IMPORTANT, THE WAY YOU CHOOSE TO MANAGE YOUR PROGRAM IS DIRECTLY TIED TO HOW YOU SELECT SERVICE PROVIDERS.

# How Should You Select and Manage Service Suppliers?

When we reference service suppliers, we mean the companies that will be working directly with your employees to complete portions of their move. These include shipping domestic and global household goods, temporary housing in each destination location, real estate agents to handle home sales and purchases, appraisers, home inspectors, auto-shippers, etc.

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## THERE ARE THREE APPROACHES TO SUPPLIER SELECTION:

1. **First, if you have a cash payment approach, you have already decided to delegate** selection to the employee. As the employer, after you write a check, you are not involved in deciding who provides services or the quality of the services provided.

2. **Second, you can select service suppliers yourself.** Usually with the assistance of your procurement department, you can invite service suppliers to participate in a competitive RFP. You can then select the suppliers that meet your service requirements at acceptable prices.

3. **Third, you can focus your selection process on hiring an RMC** that will engage and manage all of the suppliers providing the required services.

# Who Should Make Individual Relocation Decisions?

## HERE, WE ADDRESS:

How are individual relocation decisions made, who makes them, and who pays for them?

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## AGAIN, THERE ARE A VARIETY OF APPROACHES.

**At one end, there are companies that are strictly policy-driven.** Recruiters and hiring managers hire or assign people based on skills and qualifications. Relocation is not part of the consideration. If the employee needs to relocate for the position, they are given the relocation policy and conduct their move according to the pre-established program.

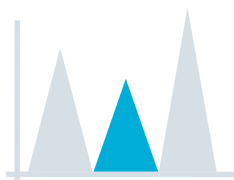
This approach raises the question of who pays the cost of a relocation? In some instances, relocation is considered a corporate expense and paid out of a central HR budget. More commonly, the costs are paid by the hiring department. As a result of this trend, hiring managers understandably want to be more involved in the decision to relocate and how costs are managed.

**Alternately, there are companies that address relocation upfront in the recruiting process.** They prepare a cost estimate for the hiring manager to consider and possibly adjust. Once the decision is made, the manager can budget for the expense. It is also possible to decide not to hire or assign an employee because the benefits do not justify the cost, or because the employee or employee's family chooses not to endure the personal disruption of a relocation.

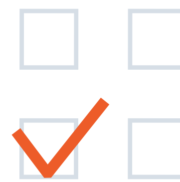
# How Will Technology Affect Your Program?

Technology is beginning to change the way relocation programs are managed.

## THE IMPACT OCCURS IN FOUR AREAS:

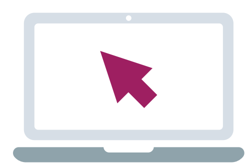


DATA AVAILABILITY



DECISION-MAKING TOOLS

COMMUNICATION AND COLLABORATION



SELF-MANAGEMENT, SELF-SERVICE

**The availability of data assists decision-makers to make better and more timely relocation decisions.** For example, having accurate cost estimates available in real time for each relocation decision definitely improves budgeting and cost management.

Decision-making tools can be provided to recruiters and managers at all levels, so relocation decisions can be made at the department level, or point of hire, while complying with corporate requirements. Imagine a recruiter working with a hiring manager and being able to prepare a relocation plan for a new recruit that considers the individual circumstances and complies with company policies, without having to engage a centralized relocation manager.

**Technology enables communication and collaboration among all participants:** HR, recruiter, hiring manager, employee, and anyone else who needs to be involved. All participants can share the same information, on the same platform, and provide electronic approvals where necessary.

**Lastly, technology puts mobile self-management tools into the hands of program managers and employees.** Technology makes it possible for the employee to self-manage the relocation. Mobile tools give the employee control of the process while ensuring that decisions are made and money is spent in a way that's consistent with company policies.

As an example, NuCompass recently introduced CoPilot™, a cloud-based software and services platform that accomplishes all of the above. CoPilot™ offers a powerful solution that integrates employee relocation into the talent acquisition process. CoPilot™ allows you to identify a candidate or employee's relocation needs and prepare a budget based on those needs. CoPilot™ also allows the employee to self-manage their move based on that budget, using pre-selected suppliers managed by NuCompass. It also captures the tax benefits of relocation with full program cost and data reporting.

# Do You Need Help Creating a Relocation Strategy?

NuCompass Mobility is a full-service global relocation management company with more than 50 years of experience helping companies to develop and implement relocation program strategies. And we're known for being the most innovative company in the industry when it comes to applying technology to improve the relocation process. We work with companies large and small, and have seen it all.

If you need help developing the most effective relocation strategy for your company, or if you would like to learn more about our CoPilot™ technology, call us today at **925-734-3869** or visit us at **www.nucompass.com.**

To learn more, visit **www.nucompass.com/copilot.**

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