



Mobility Services International Whitepaper

Outsourcing Relocation: Be Not Afraid

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Outsourcing Relocation: Career Suicide? Definitely Not.

If you're like most human resources professionals, employee relocation is simply one of your many responsibilities. Always demanding, employee relocation today requires deeper knowledge and closer management than ever before. In the U.S., employees are growing increasingly reluctant to relocate, and the slow housing market is resulting in growing inventories and higher costs. If you relocate employees globally, you have undoubtedly found that the process of coordinating timing and logistics around visa, payroll and tax can be overwhelming. When coupled with the additional stress of locating, qualifying and managing in-country providers, global mobility represents a whole new set of challenges.

New challenges in both U.S. and global relocation have led more and more human resources and benefits professionals to investigate outsourcing the relocation management function. By leading this initiative within your company, you are able to play a pivotal role in revamping, recasting, and revitalizing not only your relocation program, but your career as well. How? By leading the outsourcing of relocation you will deliver a more comprehensive program, and in most cases, save your company money.



Why Outsource Relocation Benefits Administration?

In the past, many companies had only an occasional need to relocate employees. And these relocations usually involved limited benefits and typically, a narrow range of locations. It was relatively simple to administer the program and manage a small group of local suppliers in house. Today, there are so many program, tax and legal considerations that outside expertise is critical. Outsourcing your relocation management will bring your company several benefits:

Specialized Expertise: Full-service relocation companies offer a complete suite of domestic and global relocation services and have broad geographic coverage. They typically develop a customized program to meet each company's unique needs. Most also bring policy consulting expertise, knowledge of relocation best practices and tax and legal requirements. With this expert knowledge and experience, they will ensure that your relocation policies are as competitive and cost-effective as possible.

Professional Supply Chain Management: A professional relocation management company will also provide comprehensive supply chain management. Relocation management companies dedicate substantial resources to identifying, selecting, training and managing qualified service partners, such as real estate agents, appraisers, transportation companies and global destination service providers. This is a massive task and an all but impossible one to manage effectively in house. Suppliers work under strict service level agreements, resulting in a higher quality, more consistent level of service for your relocating employees.

Cost Controls: Your company will benefit from a relocation provider's supplier contracts and volume-leveraged pricing. Outsourcing will also bring your company more consistent policy implementation with fewer exceptions: employees are less likely to elevate special requests beyond the relocation provider to your company's senior management to resolve. And, program changes and policy modifications through changes to home sale programs, temporary housing and transportation will bring additional cost savings to your company.

Improved Communications: Outsourcing will centralize communication and authority with one service partner, simplifying client management of the relocation function. Outsourcing will also improve communication with your relocating employees by offering them a single point of accountability, eliminating duplication of communication and effort and providing them with an advocate throughout the relocation process.

Is Outsourcing Right for Your Company?

In deciding whether outsourcing is right for your company, you should consider the following:

- > Your company's culture and overall mobility objectives, both within the U.S. and globally as well
- > Your company's strategic initiatives (such as shifting focus to core competencies)
- > Budgetary issues
- > The variability of your relocation program (If your program is completely ad hoc, it can be difficult for a third party to administer. Mistakes can set precedents and increase costs.)
- > Overall domestic and global relocation volume

To evaluate outsourcing further, you should consider establishing a task force with representatives from your company's human resources, accounting, finance, payroll, and information system areas. The task force will research current relocation costs and develop a process map of existing relocation activities and processes. From this map, your company will be able to identify those relocation functions it wishes to retain (if any) and those activities that would be best performed by a relocation provider.

On-site or Off-site?

After making the decision to outsource all or part of your company's relocation program, you should consider whether outsourcing is best accomplished on-site, off-site or with a combined model. In making this decision, volume is probably the most critical consideration. Unless there is substantial and regular relocation activity, an on-site model will not be economical for the client or the provider. This will surely translate into higher costs for the client.

Advantages and Disadvantages:

On-site Advantages:

- > Allows the relocation company's staff to quickly learn the client's culture first-hand
- > Facilitates effective and productive face-to-face communication with client management
- > Provides a face-to-face resource for relocating employees

On-site Disadvantages:

- > Removed from the relocation company's operations and resources, the on-site staff can feel isolated and less effective
- > The reporting structure can be more complex
- > Recruiting and evaluating performance is more challenging for the third party

Selecting the Right Relocation Management Company for You

In developing specifications for a new, outsourced provider, it's best to begin with an evaluation of your current process and policies, and a true assessment of how well they meet the needs of your internal customers (recruiters, managers and relocating employees). You will probably identify aspects that are working well, and that you want the outsourced provider to continue, and others that could be better. Documenting and clearly articulating needs, expectations, and goals will make it easier to select the most appropriate provider and to determine the parameters of the outsourced program.

Service partners should meet minimum qualifications: documented service capabilities, verified financial strength, proven technology and favorable references. Beyond this, you will want to find the provider that you feel most closely understands your company's needs and reflects your culture. The selected provider, after all, will be serving as an extension of your company and working directly with your employees.

Most companies use a formal Request for Proposal (RFP) process to evaluate and select a relocation partner. An RFP based on your company's specific requirements helps you to evaluate the cultural fit, expertise, and flexibility of prospective partners. (MSI can provide sample RFP questions and points to consider in evaluating service partners.) Typically, several finalists are selected to present their capabilities and field live questions at the client location. Clients often choose to visit the finalist candidates on-site, to meet the prospective service team, tour the facility and view the relocation provider's daily operations.

Here are several points to consider in selecting a relocation service partner:

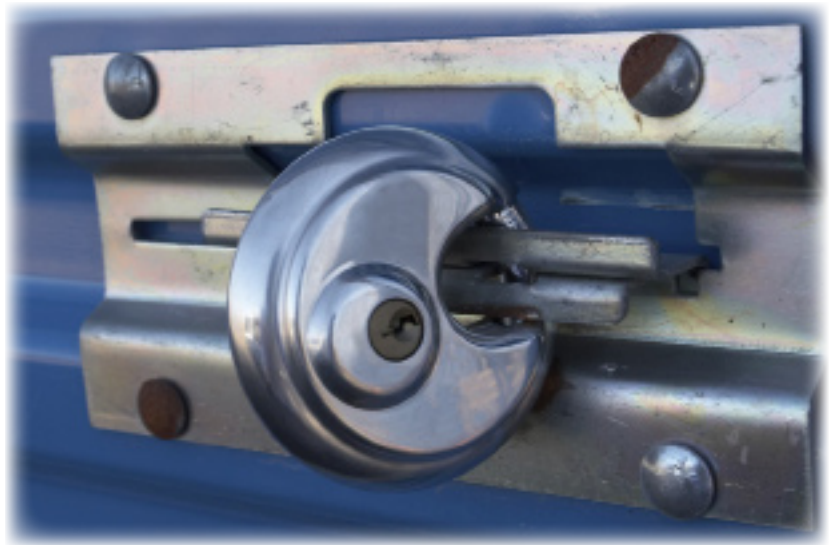
- > Is relocation the provider's core competency?
- > Does the provider share your company's values and culture?
- > Can the provider offer all of the services you need now and expect to use in the future?
- > Does the provider have the geographic coverage to meet your needs (in the US and worldwide)?
- > Does the provider have the demonstrated ability to select and manage supporting suppliers (real estate, household goods transportation, destination services, etc.)?
- > Does the provider offer objective supplier resources without being locked into specific supplier relationships due to brand affiliations or ownership constraints?



Sealing the Deal: Contract Negotiations

The contract should evolve from the continuing discussions that have taken place between the client and the new relocation service partner. To ensure that expectations are clearly defined—and met—the contract should stipulate:

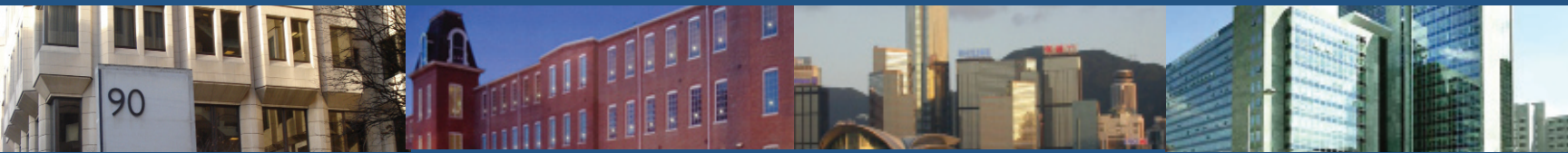
- > The scope of work and services to be provided
- > Pricing agreements
- > Key performance metrics (employee satisfaction, cost objectives, management feedback)
- > Timetable and format for performance reviews
- > The length of the relationship and how frequently the client will be subject to “adjustments”
- > How frequently the client can audit the partner’s records
- > Authorization limits for policy exceptions
- > Reporting methods
- > Confidentiality policies
- > Other areas of importance to the client



Last Word

Of all the services a company’s human resources department provides, employee mobility is perhaps one of the best candidates for outsourcing. As relocation has become more complex and labor-intensive, it is simpler and more cost-effective to rely on outside experts to manage the function, and it will remove a large burden from your company. By carefully considering your company’s specific needs and thoroughly vetting prospective suppliers, you will ensure that your company will gain a best-practice program at a competitive price. You will also gain valuable time to focus on core strategic priorities.

www.msimobility.com



EMEA Headquarters

90 Long Acre
Covent Garden, London
WC2E 9RZ
United Kingdom

direct + 44 (0) 207 849 3036
fax + 44 (0) 207 849 3199
email emea@msimobility.com

US Headquarters

260 Merrimac Street
Newburyport, MA
01950-2192
USA

tollfree +1 800 648 4018
direct +1 978 358 2000
fax +1 978 358 2193
email info@msimobility.com

Asia Pacific Headquarters

Suite 2118, 21/F.,
Shui On Centre
8 Harbour Road,
Wanchai, Hong Kong

direct +852 2156 9181
fax +852 2156 9182
email apac@msimobility.com

Continental Europe Operations

Herriotstrasse 1
60528 Frankfurt/M.
Germany

direct +49 (0) 69 67733 234
fax +49 (0) 69 67733 200
email frankfurt@msimobility.com