

MAKING ALL THE RIGHT MOVES

To remain competitive, corporations need to reign over an increasingly mobile workforce worldwide.

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For many, the 2008 Summer Olympics in Beijing will be all about the athletes, the intercultural exchange, or perhaps the politics. But for corporations trying to move employees in and out of China, this summer's Olympics will be a challenging lesson in logistics.

"For a period of 60 days this summer, it is going to be impossible to get people into Beijing," explains Cris Collie, chief executive officer of Worldwide ERC, an industry association based in Arlington, Va. Not only will China be limiting truck usage in order to reduce pollution and traffic congestion, but there will also be a dearth of rental housing available for corporate employees seeking a place to live.

Welcome to the world of global workforce mobility, where the strategic movement of key personnel from one location to another has become remarkably complex. Faced with rapid globalization of the business world and a real need to control costs, corporations are working harder than ever to get precisely the right person to the right place at the right time. As more companies head overseas, relocation problems like those created by the Beijing Olympics have simply become part of doing business.

A TRANSNATIONAL APPROACH

"You have to be both proactive and reactive," explains Collie, noting that everything from exchange rate fluctuations and changing visa requirements to escalating competition for talent are having a significant impact on the ability to successfully move an employee from one location to another. And new challenges are always arising, such as the current scarcity of cargo containers—used to ship employees' household goods overseas—created by the boom in U.S. exports.

Relocation companies used to divide themselves into those that spe-

cialized in domestic moves and those that handled international assignments. These days, however, the two worlds are merging as employers seek to utilize the full range of their workforce mobility options. "There are some extra hoops you have to jump through to move people to Peodong, China, as opposed to Peoria, Illinois," says Collie. "But a move is still a move."

It is the international side of the market, however, that is growing fastest. AIREs, a company that specializes in relocation solutions, says its domestic business is stable, but its



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international business is up 20% compared to a year ago. Such gains in the face of an eroding dollar reflect the increasing importance of international markets, says Jeff Wangler, executive vice president. "Without a doubt, India and China will be growth areas for many years to come," he adds.

Given the economic potential of international markets, companies not only want to make sure that their senior leadership team is global, but that their ranks of emerging executives have a broad worldview, as well. A recent benchmarking study by Worldwide ERC showed that two-thirds of responding companies see international assignments as essential for career development, a view that has become more prevalent in the last few years.

With an international move costing roughly three to five times the annual salary of the relocated employee, it's important for companies to get such overseas assignments right. After paying to ship household goods, find housing, and move the family, the last thing a company wants is for the assignment to fail because an employee's spouse can't pursue his or her career or there are no good schools for the kids. "Happiness is critical," says Wangler, noting that such family issues are the primary cause of failed overseas assignments.

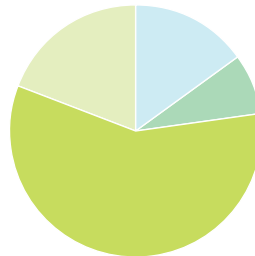
ROUTE TO THE C-SUITE

To reduce costly mistakes, employers are taking a more strategic approach, in both analyzing their international need for talent and selecting the best people for those jobs. This kind of front-end work, which increases the likelihood of a successful relocation, turns out to be the most effective way for companies to control costs. As Worldwide ERC's Collie explains, "Once you make that decision, then costs are going to automatically occur."

So what are the major forces shap-

A BORDERLESS WORKFORCE

PROJECTIONS FOR CROSS-BORDER CORPORATE RELOCATION PLANS.

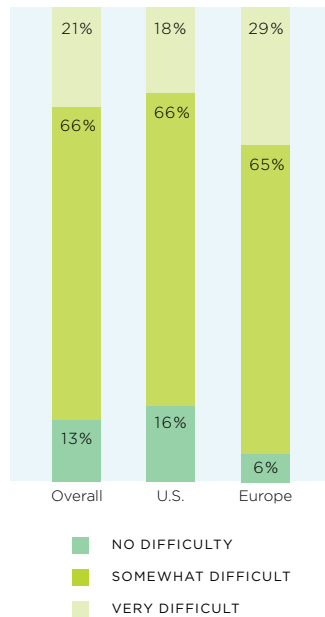


- 8% CURRENT EMPLOYEES
- 15% NEW HIRES ONLY
- 19% NO CROSS-BORDER MOVES
- 58% BOTH NEW HIRES AND CURRENT EMPLOYEES

Source: 2008 Global Benchmarking Survey, Worldwide ERC

THE GLOBAL TALENT WAR

FINDING GRADE-A PLAYERS IS BECOMING HARDER WORLDWIDE.



Source: 2007 Global Benchmarking Survey, Worldwide ERC

ing today's relocation practices? The expansion of international markets means many companies are dealing with the immigration and tax laws of dozens of countries. "There are more than 18,000 different combinations of departure and destination," explains Brenda Fender, director of global initiatives with Worldwide ERC. "Going from the U.S. to Germany is one set of immigration laws, from India to Germany is another, and from India to Saudi Arabia is a third."

An employee who arrives without the right visa may be sent home to apply for a new one, a process that can take as long as 12 weeks. A simple act like signing a lease, if done improperly, can create other problems, says Fender, noting that the lease might establish the employee as a resident or perhaps as an agent of the company, which in turn could create unnecessary tax liabilities for either the company or the employee.

THE EMPLOYEE SHUFFLE

Just as the number of departure and destination locations has multiplied, so have the types of corporate relocation. One reason is the trend toward moving people between non-headquarters locations. "The mobile workforce is increasingly diverse in terms of their home and host locations and also their level within the organization," says Kathryn Cassidy, general manager of global assignment services with SIRVA, a global relocation services provider based in Chicago. At any given location, there is likely to be a mixture of expatriates, employees recruited from other overseas locations, and those from the local workforce, she says. As a result, companies may need to adjust their policies on relocation, compensation, medical coverage, retirement plan savings, and other benefits to make sure that they reflect the needs of their evolving employee populations.

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70%
of companies say employees
are reluctant to relocate
because of sluggish
U.S. real estate markets

—Source: Worldwide ERC



An increasing number of companies, for example, are “localizing” their international employees, shifting them from more costly relocation packages to compensation designed for the local labor market in which they are working. Sometimes the shift comes

after a set period of time—perhaps three to five years. In the case of cross-border moves, “localization” may take place immediately. Relocation assignments are also getting shorter, often eliminating the need to move either household goods or the rest of the family. Rather than sending someone abroad for three to five years, many companies are instead opting for assignments of just six to 18 months. “At three to five years, people are going to move everything including the grandmother,” says Mark Koepsell, senior vice president for new business development at CORT, a relocation services and furniture rental company. “At six to 18 months, it makes more sense to take some personal effects in an air shipment and then rent the rest.”

PLANTING ROOTS ABROAD

Housing is a key consideration for both domestic and international moves. Steep declines in the U.S. housing market have created huge problems for companies looking to move employees within the U.S., where transferred employees typically sell their homes and buy new ones. Recent statistics show that falling real estate prices have left many homeowners “upside down”—owing more on their homes than they are now worth.

But people don’t want to move if it is going to cost them a couple of hundred thousand dollars, and some employees are turning down domestic relocations because they feel they cannot afford to move. As a result, corporations are now rewriting their policies to provide “sale loss” provisions, commonly capping them at \$25,000 or \$50,000.

That may not be enough to get a deal done today. Wangler cites the case of one transferred employee who would have had to take a \$200,000 loss to sell his house. The employee wanted to be made whole before he accepted any relocation. The company eventually agreed, recognizing that the potential return from that employee’s move well exceeded the cost of his housing loss.

In the international market, housing presents a very different set of problems. Employees accepting overseas assignments typically are not encouraged to sell their homes, but they still must find acceptable housing in their new locations. And that can be challenging in many markets. In Mumbai, for example, a three- or four-bedroom apartment can easily cost \$10,000 a month. “It surprises companies,” says SIRVA’s Cassidy. “They still think that India is a low-cost destination, but sheer demand is driving up cost.”

MANAGING A GLOBAL WORKFORCE

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KEEPING A COMPETITIVE EDGE

The battered dollar is also an issue, says Cassidy. Since relocated employees are commonly paid in the currency of their home country companies must address how they treat fluctuations in currency. Right now many companies are adjusting their cost-of-living and other allowances on a more frequent basis to help address concerns about the weakening dollar.

Not surprisingly, renters are comprising a larger part of the relocation market, both domestically and abroad. "Twenty years ago, renters were about 30% of the market," says CORT's Koepsell. "Now it is closer to 60%." The growth reflects not only the increasing importance of international assignments and the shorter length of these assignments, but also the difficulty many employees are having in selling their homes, and the entry of Generation Y into the workforce.

"A lot of younger people are seeing this as a real career opportunity to get their international résumés stamped and to learn about other cultures," says Koepsell. "They will be renters by choice for a number of years."

The growth of the rental population is prompting companies to rethink the support services traditionally offered as part of the home-buying process. CORT, which began as a furniture rental company, is seeing increased demand for relocation tours that provide a general introduction to an area, as well as tours designed to explore rental-market options. "More and more, people are interested in getting a feel for where they are going to live," he says.

Such support services are particularly important in the international market, where employees need to hit the ground running. Language and intercultural training before the move can certainly ease the transition, particularly if all family members are provided such training. But support

A RELOCATION PARTNER

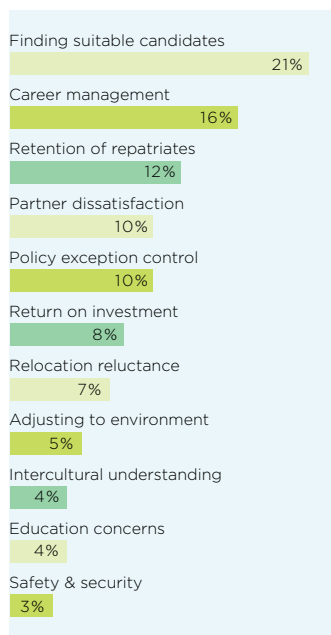
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Source: 2008 Global Relocation Trends, 2008, GMAC

services can extend to other areas, including the procurement of driver's licenses, identification of places to shop, and assistance in finding schools.

Today, relocation packages are being honed not only to provide greater efficiency and to lower costs—they are also important weapons in the global war for talent. Consider a recent McKinsey study that found China will need 75,000 professional managers over the next ten to 15 years. With only 3,000 to 5,000 Chinese nationals now available to fill those posts, there is a great demand for managers from other nations, including the U.S.

"Everyone is after the same talent," says Gail Plummer, chief executive officer and majority shareholder of Altair Global Relocation, a Dallas-based worldwide relocation company. As the competition for talent gets fiercer, she says, companies will need well-developed and creative relocation policies to attract and retain the best and brightest in the international workforce. ●

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