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Advancing the Art of Mobility

> **2017 AMERICAS** Relocation Policy & Strategy Summit Report

HOSTED BY GRAEBEL

> The Best Ideas Come from Industry Insiders

What's Inside this Report

"We applaud you for that generosity of spirit in which you come here ... You have trusted us with your time and with your talent to willingly share those insights, knowing that the ripple effect of this dialogue and of this forum will impact those far beyond even those you have a direct relationship with... "

— From the opening remarks of Bill Graebel, CEO, Graebel Companies, Inc.

Throughout the 11th Americas Relocation Policy & Strategy Summit, the energy and openness of the Mobility industry insiders who joined us was amazing to witness. We hosted this event, and sponsor similar forums around the world, through our global thought leadership enterprise — insideMOBILITY℠. The purpose of these events is to help Mobility and HR professionals become better at their jobs. At these summit meetings, we set the stage and create opportunities for key players in the industry to meet with peers, share ideas and insights and connect with industry experts.

Attendee Profile – 75 Mobility Professionals Participated

49	19	20+	44%	52K	$26B
Companies 21 Fortune 500 28 Fortune 1000	Industry Sectors	Years Experience and as few as several months	Have More than 6 yrs Experience	Average Number Employees	Average Revenue in Billions

> Overarching Takeways

1. Companies continue to face internal and external **Mobility challenges,** but transferee experience remains the focus for Mobility professionals.

2. Both domestic U.S. and global **Mobility programs are expanding.**

3. The Mobility industry places a high value on **data analytics.**

4. Companies want to see clear **returns on their investment** for employee relocation activity.

From the participant survey

What are the top challenges your Mobility program faces in the next 12-24 months? (respondents could choose three)

Listed from most often to least often mentioned:

1. Transferee/assignee experience and satisfaction
2. Policy enhancements
3. Greater integration with Talent Management program and process
4. Operational efficiencies
5. Cost reductions
6. Enhancing program's internal brand
7. Request for Proposal process and decisions

The challenge <u>least</u> often cited was **"Reduction in program scope."**

50% of the meeting agenda was devoted to small, peer-to-peer group roundtable discussions about Mobility trends and challenges.

> Key Observations and Best Practices by Industry Insiders

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Mobility program integration...

With Talent Acquisition

- There's a disconnect with recruiters regarding polices and exceptions
- "We've seen offer letters after the fact that misstated benefits!"
- "We have a one-pager for recruiters that they can share with candidates"
- Get on the agenda for any regularly scheduled corporate meetings with recruiters

With the Business Unit

- "We involve them in the program design and restructuring process – it invests them in the policy and creates buy-in"
- "We educate them about the relative, total costs of different approaches... extended business travel, long-term assignments, cross-border relocation, etc."
- Use "horror stories" to reinforce policies —"Sometimes it's more effective to talk about risk than to always preach about policy compliance"
- "Find a way to say 'yes' to meet the business need, otherwise they'll work around you"

In general

- Use "lunch and learns" to educate internal stakeholders
- Break Mobility's transactional image within your homebased office

From the participant survey

Where do you see the biggest expansion in your Mobility program in the next 12-24 months?

38%	31%	14%	12%	5%
International Assignments	U.S.Domestic Home Owners and/or Renters	International Permanent Relocations	Other (temporary, short-term and project-related travel were mentioned)	U.S. Domestic Lump Sum programs

Measuring the Return on Investment (ROI) of a relocation experience

- The first step is to identify the objective (usually business development, operations or personal development)
- "Return" can't/shouldn't always be expressed in numeric terms
- "If the objective is to groom leadership, work with Talent Management to create ROI metrics you can both fall back on"
- Similarly, develop ROI metrics in conjunction with the business unit for business development and operational assignments

The use of transferee surveys

- Most participants use their relocation management company's (RMC) survey services – "When we follow up with an email, it drives up the response rate"
- Local culture drives response rate – it's generally low in the Europe, the Middle East and Africa (EMEA) region where "no news is good news"
- Collect feedback in the course of proactive outreach at various points in the relocation lifecycle
- Ideally, bring a transferee or repatriated employee in for a personal interview and ask about the RMC, vendors and the company's Mobility policy

Several participants mentioned that they try to enhance the transferee's experience through mentorships or sponsorships where they connect a transferee with an experienced expatriate in the same region/country with similar personal circumstances.

From the participant survey

How well does your program calculate Return on Investment (ROI) for mobility and share the data with key stakeholder?

52%
We're thinking about it but have no formal process to calculate ROI

45%
We think ROI is like the Loch Ness Monster – everyone's heard of it but no one's really seen it!

2%
We're advanced – we provide ROI metrics regularly

From the participant survey

What is the most significant country in which your Mobility program has initiated activity in the past 12 months or will do so in the next 12 months?

Above shows countries receiving more than one mention.

Cost-saving strategies

- Set estimated relocation cost thresholds that trigger a more extensive review
- Monitor case-by-case costs and regularly report this data to the managing business units highlighting actual spending compared to original projections
- Create/review/refine policy tiers for all types of relocations (localization, long-term assignments, short-term assignments, etc.) and set variable allowances based on employee classification, region, family situation, living arrangements, etc.
- Require detailed cost estimates for every assignment
- If exceptions are getting out of hand, "wipe the slate clean" and then set and enforce new policies – in the long run this could be less expensive
- One participant described a U.S. domestic Core-Flex program that assigns points to transferees based on employee classification, location, family considerations and other factors. The employee "shops" for benefits using those points. Practically no exceptions are granted.
- Use managed temporary living instead of grossed up lump sums
- Resist the urge to "incentivize" assignments. They are increasingly seen as professional opportunities rather than hardships.

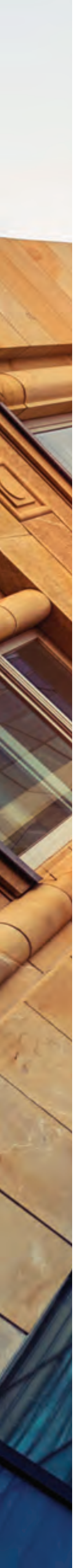
Repayment agreements

- State laws may limit how/whether you can deduct from payments due an employee or a departing employee
- Nearly all companies scale it in some way – a typical approach is 100% up to one year with the percentage declining through the second year
- Repayment rates average less than 20% and few companies use collection services
- Some companies require employees to sign a promissory note at the same time they sign the repayment agreement

From the participant survey

What's the most expensive exception your program has ever granted?

2%	24%	40%	21%	12%
Up to $5K	$5K–$10K	$10K–$50K	$50K–$100K	More than $100K



Data analytics

Good data can enhance decision making at all levels, from case management, to business unit compliance to corporate-wide cost control. To achieve this, data must be available and parsed at each of these levels as well.

- Companies need data from their relocation management company (RMC), tax provider, immigration and others –"Can anyone get it all from one source...maybe the RMC?"
- The biggest challenge for most is immigration
- "I don't need another pie chart about my spending – I need predictive analytics based on the wealth of data an RMC might have"
- Be sure to also run the numbers for transfers vs. new hires
- Macro-level data can hide problems or RMC shortcomings, but data showing worst case situations can help drive critical new policies
- Key Performance Indicators should not only be averages but frequencies –"Don't let your RMC mask performance issues behind averages"

Managing Extended Business Travelers (EBT)

- Build checkpoints into the travel booking process – involve tax and immigration as well
- 30 days seems to be the threshold for tracking U.S. domestic travel to begin to distinguish between EBT and short-term assignments and to monitor commuter tax law compliance
- "We track international travel from Day One to make sure we stay compliant"
- Avoid creating incentives for EBT – "Don't make it too comfortable!"

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From the participant survey

How important is the development of Mobility analytics to your organization in the next 12 months?

60%	36%	5%
Very important	Important but there are other priorities in the next year	Not something we are focused on

From the participant survey

How confident are you that your international business travelers are in compliance with tax and immigration rules of the countries they're visiting?

15%	49%	17%	20%
Very confident	Somewhat confident	Unsure	Not confident

Trends in international assignment types

- The clear trend is toward permanent transfers, cross-border relocations and "local-plus" support
- Costs related to long-term assignments are not sustainable – "They're approaching two to three times an individual's salary level"
- Many companies are exploring "long-term assignment-lite" programs
- There are creative options related to Core-Flex programs – "We give our transferees the option to accept the à la carte choices or take cash"

Revision of the U.S. H-1B and L-1 visas

- There's a growing demand in the U.S. for immigration data – business units want to know who's working in the U.S. under an H-1B and green card and who might be at risk
- In the past, most companies filed for these visas through the premium processing provision that has been discontinued
- Companies are still hiring through H-1B and still doing transfers, but the question is, when can the employee start working – at the time of receipt or upon full approval? The consensus is they can continue current practices of beginning work upon receipt as full approval can take up to six months.

From the participant survey

What governmental or political development has or could have the most impact on your Mobility program?

55%	29%	10%	6%
A possible overhaul of the H-1B and F-1 student visa programs by the U.S.	U.K.'s decision to exit the European Union	Other	U.S.'s decision to temporarily prohibit entry of citizens of seven specific countries

Use of miscellaneous expense allowances

- The amount is usually tiered based on employee status but sometimes it's set as a percentage of salary
- Most often it's grossed up
- "Be clear with the employee that it's not a 'relocation bonus'; it's there to spend in lieu of an exception"
- Many companies are able to resist exceptions by offering this allowance

Turning renters into buyers...

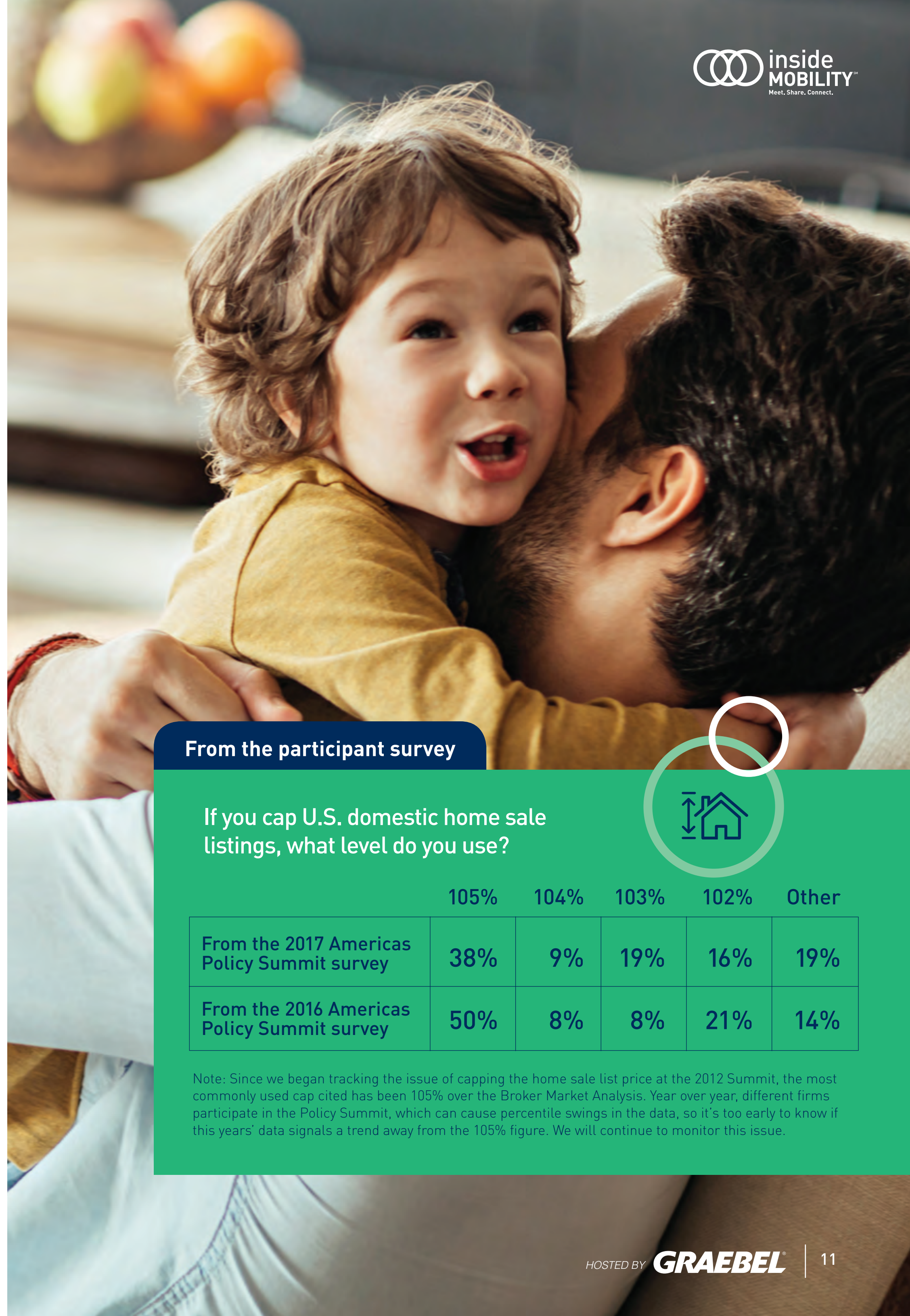
- The rental market is tough in specific places (e.g., Seattle) so be "quietly flexible" on rental timeline limits
- Discourage property purchase in a short-term temporary situation by not paying for return household goods shipments in that instance

...and temporary living into renting

"If an employee bypasses temporary living and goes right into a rental arrangement, we pay the first month's rent"

U.S. Home sale trends

- Removing Loss on Sale as a benefit is trending up as the real estate market has recovered in most areas
- Many are requiring upfront inspections and some companies plan to stop ordering inspections and revert back to the two-step proces



From the participant survey

If you cap U.S. domestic home sale listings, what level do you use?

	105%	104%	103%	102%	Other
From the 2017 Americas Policy Summit survey	38%	9%	19%	16%	19%
From the 2016 Americas Policy Summit survey	50%	8%	8%	21%	14%

Note: Since we began tracking the issue of capping the home sale list price at the 2012 Summit, the most commonly used cap cited has been 105% over the Broker Market Analysis. Year over year, different firms participate in the Policy Summit, which can cause percentile swings in the data, so it's too early to know if this years' data signals a trend away from the 105% figure. We will continue to monitor this issue.

> Mobility Debates

During a mid-day session on Day Two, volunteers debated on each side of three trending issues...and the audience quickly joined in.

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Topic 1: To Airbnb or not to Airbnb

Corporate policies about whether to allow/encourage Airbnb as a temporary living option tend to reflect culture and employee demographics.

Allow the Airbnb (or like) option

- Corporate housing is the second or third highest category of expense, and Airbnb can be as much as 50% cheaper
- The company can allow it without promoting it
- The company can explicitly state it is not liable for problems
- Most employees already use it for personal travel and they're comfortable with it

Don't offer an Airbnb option

- The company can't avoid liability
- How can it be okay to use this service when Airbnb is not responsible for compliance with local laws?
- The Duty of Care principle we all endorse should overrule financial or other issues

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And the winner is...

The audience clearly embraced the Duty of Care argument and the majority opposed offering an Airbnb housing option.

Topic 2: Home sale programs...Direct Reimbursement or Buyer Value Option?

Direct Reimbursement (DR) advantages

- Avoids the company's risk from unexpected, inspection-driven home repair requirements
- Avoids the company's risk of carrying an extended inventory of homes
- One of the most-cited problems with DR is the expense. But that's driven a lot by grossing up and who says you have to gross-up?

Buyer Value Option (BVO) advantages

- A good management company can oversee pre-inspections, title work and repairs
- A company-selected real estate agent often can drive a better deal
- Unsold inventory has not been a problem lately

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And the winner is...

The audience appeared to favor of the BVO approach. BUT...Participants' nightmarish stories about inspections and repairs during the second transaction phase indicate BVO is not a perfect solution either.

Topic 3: Language and cultural training – is it still relevant and necessary?

Yes, offer it

- It's very important for Millennials who (some say) tend not to be culturally aware
- There are more efficient ways to deliver it than through traditional face-to-face courses
- They reflect a company's core values related to diversity and inclusion and cultural awareness
- They reduce the likelihood of a failed assignment

No, it's not necessary or worth it

- "I can just Google it"
- Many transferees will not be interacting locally as 99% of the time they're in the office or at home
- What kind of priority does it warrant in an environment of cost cutting?

And the winner is...

The participants favored keeping culture and language training as a relocation benefit, but agreed that there are ways to personalize it and reduce the cost by using online and other technology-driven tools.

A Closing Message of Inspiration

The Summit closed with a moving and motivating presentation from Chris Waddell, a college ski racer who was paralyzed in a skiing accident as a freshman. He went on to become a record-setting Paralympic athlete and was the first nearly unassisted paraplegic to reach the top of Mt. Kilimanjaro.

What did we hear from Chris Waddell that we can all apply in our professional worlds?

"Confidence is not what you can do, it's what you can handle"

"It's not enough to do the work, you have to believe you can win"

"No one climbs a mountain on their own – everyone does it as part of a team"

"It's not what happens to you…it's what you do with what happens to you"

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