



## **CORPORATE MOBILITY & THE CREDIT CRUNCH**

### **Dominic Tidey - ARP Operations Manager**



*The UK and USA are now firmly in recession, with most countries of the Eurozone not far behind. The media across the world have made doom-laden prophecies concerning the similarity of the current situation to the banking collapse of 1929. However, the advent of globalisation removed one the most significant elements that caused the depression of the 1930's; protectionism in domestic markets. Protectionism is the enemy of relocation. Increased freedom in global trade, the removal of import tariffs and the growth of international trading areas, have changed the world and increased the demands for mobility. But, as global trade slows and*

*liquidity in the financial markets starts to bite on already cash strapped companies, what does a global downturn mean for the relocation industry?*

There are two theories as to how the corporate world will respond to a recession. The first is the need to capture new markets when markets at home start to fail. This is especially true of the US, whose economy has a large manufacturing component. As Detroit feels the domestic chill of consumers saving and not replacing their car each year, so the overseas markets opened up by brands such as Chevrolet, Jeep and Dodge, become even more critical. Will we see Acura, Buick and Lincoln make the same overseas forays? If so, mobility services will obviously follow.

The second corporate response is likely to be an examination of the costs of their mobility programmes and this will mean one of two things.

Firstly, the type of assignment could change to reduce costs. The number of short term and commuter assignments has grown across the world, but they actually tend to be very expensive. The corporate housing industry, an effective barometer of the popularity of short-term assignments, has seen an unprecedented growth in the US and UK over the past two years. Both the UK based Association of Serviced Apartment Providers and the US based Corporate Housing Providers Association report record growth in the numbers of members and the revenues of those members over the last quarter, as a result of providing very high quality solutions for corporate clients. However, transferees on short-term assignments are unlikely to be placed on local employment terms and in many cases this is prohibitively expensive. Link together the costs of corporate housing versus a longer lease with travel costs associated with commuting and it soon becomes clear that having the employee on site for 3 months, may cost as much as having him/her on local contract for 12. This will actually increase the number of assisted transfers in some territories.

Secondly, the obvious solution for the pressured HR Director, is to further reduce costs. This can be done in two ways: renegotiating the current agreements with Relocation Management Companies (RMC's) which further reduces service fees for the Destination Service Provider (DSP), or looking at internal transferee management. This would be going back to the pre-1990's model of directly controlled mobility managed by corporate HR. This model, of using an internally selected DSP network, has been adopted in part by some major global corporations recently.

It is easy to speculate on the future for the relocation industry but difficult to make any accurate predictions. What is certain however, is that as corporate clients begin to re-examine their practices, so their key assets will have to be maintained at any costs. This will mean, those senior managers with mobility experience and skills will be in more demand globally than ever. It would seem counter productive to alienate them by reducing mobility support.



## **CORPORATE MOBILITY & THE CREDIT CRUNCH**

### **Dominic Tidey - ARP Operations Manager**

What no-one was expecting was the change from a credit crunch to a banking crisis, and it is certain that with the demise of large users of relocation services, such as Lehmann Brothers, there is less work in the financial capitals. But where are we in the cycle of this financial downturn? Senior, respected analysts seem to have wildly differing opinions, so hard and fast predications are of very little use. So how best should we weather this storm?

At the ARP Conference in Oxford, we invited Sally Goodsell, CEO of Finance South East, a venture capitol body, supported by government and private funding, whose aim is to support the start up of small to medium sized enterprises (SME's). As a response to the liquidity crisis, not only has she moved the fund distribution away from start up and into cash flow support for SME's, she has also been working with the UK and EU finance ministers to help respond to this global crisis. Her advice is to emphasise quality, communication and collaboration to get through this uncertain time.

*"Ensure that your levels of service are maintained and you don't take older clients for granted. It is important for stability to maintain long term clients as well as taking on new accounts... [and] as every networking junkie knows SMEs are stronger together. Now is the time to build on existing alliances and start new ones with like-minded organisations. The 'like-minded' bit is crucial - strength comes from joining forces with people with the same ethos so that you can easily share contacts, knowledge and even resources."*

ARP member Helmut Berg, founder of RSB Deutschland, began his career in relocation 22 years ago and survived the last international recession. As a leading relocation provider in Germany, he sees a clear way forward in difficult times:

*"What always has been true is even more true now: The key to success and survival is quality. HR and procurement managers who seek relocation support, look for reliable partners who are well structured and know what they are doing to deliver the required quality. The same applies to the RMC, a group of significant importance and strong influence for many reasons. They need local DSP's who turn their promises into reality. We will see less moves, but those we will be assisting will be even more crucial. Therefore there will be no room for trial and error, for every move to achieve success every move must be a success. The investment is of huge importance and must be protected by top quality. For example €50 less for a relocation programme does not justify the risk of a failed assignment."*

These are difficult times and by all accounts may become more difficult in future months. However, ARP members represent the very highest standards of service delivery, and are an effective and ready network to support the needs of both the corporate client and the RMC.