

# Relocation & Procurement; The Global Conundrum

The purchasing process has always been the model for sourcing and buying the materials vital for a company to flourish. But since the credit crunch of 2008, this process is being applied more and more inside global corporations, in the hope that the massive scales afforded by a global approach to the procurement process, will massively reduce costs. This is a controversial tactic in many areas of the procurement chain, particularly when sourcing raw materials for production from developing nations already burdened with foreign debt and bank collapses.

In the early 20th century, "purchasing" was recognised as a corporate function, initially within the railroad industry in the US, where the massive expansion of the rail network led to a number of manufacturers competing to supply their raw materials. But it was as late as 1983, that procurement as a distinct function was identified, in a ground breaking article by Peter Kraljic in the Harvard Business Review, who differentiated between "purchasing", a function he describes as highly tactical in nature, to procurement, described as supply management which is highly strategic in nature.

There are two basic types of procurement; direct and indirect. Direct procurement is where raw materials are sourced for manufacturing. This is very straight forward, especially on a global scale. Producers of raw materials are forced to compete to meet the needs of the purchaser in terms of price, quality, quantity, time and location. Indirect procurement concerns operating resources that company buys in order to enable its operations, and it is here that relocation services find their place in the global procurement process. But has procurement as a business function, become sophisticated enough in 2011, to ensure that the right balance is struck between price, quality, quantity, time and location?

EuRA represents over 350 relocation companies worldwide and we are hearing

more and more from our members, that the global procurement policies being implemented by corporations, both directly through HR and indirectly through the relocation management companies, are failing to deliver the right quality of service. This is down one basic factor; local trading conditions.

Our world is 'glocal', our working lives dominated by globality, but as any interculturalist will espouse, France is still France, China and Korea are not the same and East and West coast USA are poles apart in terms of the cultural make up of their peoples. But this ability to accept the vast differences in culture, does not extend to the procurement process as yet, and it is in the relocation business in particular where we can see very coherent reasons why not.

Isamar Van Hilten is the CEO of PIR Group, a large destination services company operating across Benelux and Central and Eastern Europe (CEE);

"In relocation, time equals money. The use of time in providing our services varies dramatically between our operating countries. Take the immigration process; In CEE the immigration officers are unused to large international populations coming in and are often, overworked and low paid. Bribes used to be a big part of getting things done in this arena but thankfully not any more. However we need to invest much more time in CEE than we do in Benelux, because the immigration departments struggle to keep up with EU and local legislation. In Bucharest, we moved our office to be next door to the Foreign Police to cut down travel time across the city. Unlike in the western EU, many CEE government agencies will not accept email and insist on face-to-face meetings. Getting drivers licences, city parking permits, pet permits etc., is a merry go round from hell in some cases! But there is also the cultural differences that make the processes much slower in CEE. Landlords are not aware of western EU protocols in areas like check in and things which have

been agreed, are frequently not ready when the check in process begins. All of these factors result in the services we provide in some countries being more time efficient than in others, which makes a one price fits all philosophy from procurement, impossible to work with."

The emerging economies of CEE are not the only ones where arcane local regulations add time and cost to the relocation process. In Belgium, the processes can also be lengthy and complex. Anita Meyer is the owner and CEO of am&pm relocation;

"Registration with the town hall is no longer obligatory for EU citizens, but it is impossible to live in Belgium without it! Both the employee and the relocation consultant have to attend in person, and queue for up to 4 times for a couple of hours each time, as the town halls will not deal with anyone who does not speak Dutch or French. This adds at least 4 half days of our consultants time."

Within the EU it could be said that the one price procurement process would be more realistic, but the vast differences in wage levels alone means that where time equals money, as it does in destination services for relocatees, there will be huge differences in the costs for the same services. Even if the homehunt, lease and check in services take the same time in London as they do in Prague, they will still be 25% more expensive to deliver due to wages. Plus of course very local issues that will obviously differentiate one city and country to another, such as fuel costs, road pricing schemes, tax differences; all these factors will make the prices different between one provider in one city and one in another.

A good example is Switzerland. Sabine Baerlocher is the CEO of Active Relocations, based in Geneva;

"The biggest pressure in Switzerland is the massive housing shortage, especially in Geneva and Zurich. It takes more time to search and make appointments than it does to visit as the turn over of property is so fast.

It is impossible to predict how long this process will take and it is often necessary to be face-to-face with the landlord to insure a property for a client, and this will triple the time we take on the job. Having telecoms connected also takes hours and our consultants need to be onsite while this happens. Our longest settling in process used to be the check in inspection, now it is the phone/mobile/internet/TV that we have to oversee to make sure it's correct. Geneva has an impressive array of international schools, but they are all, always full! We will sometimes have to wait months to get an approval and of course it is far better for the family to choose where to live after they know where the children will be educated but this is often not possible and does not lead to a smooth integration. The immigration process in Switzerland differs from Canton to Canton and for EU/EFTA nationals, one for intercompany third country nationals and one very long and complex process for non EU/EFTA nationals that are new hires. Each process has to be charged on the basis of its complexity."

The processes in Italy also throw up some very time consuming issues for the relocation providers, as does the issue of language. Maddalena Michieli is the CEO of Professional Relo s.r.l.

"Estate agents in Italy are not always efficient and rarely speak English and therefore property pre-selection can be very time consuming. Added to this, local registration requirements are very complex. Proof of identity alone is not enough to secure hook ups to power, gas and phone etc. The residency certificate must be granted before an EU national can access basic services such as refuse collection and primary healthcare. This is a far more complex procedure than in the UK for instance and takes three times as long. This adds to our costs as we have to provide translations services at every step as nobody speaks English. Add to this the fact that we are 3 times more expensive than our partners in Germany for immigration services because of the system in Italy, and you can see why we have to fight to justify the large differences between our service costs and those in other countries."

One way that relocation companies

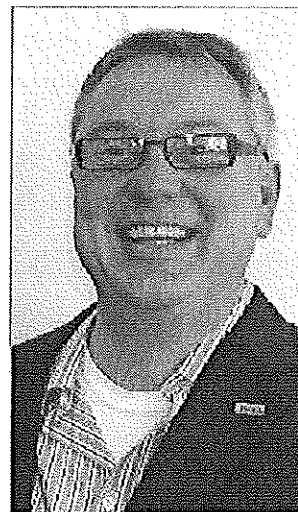
have tried to work successfully with these pricing issues facing corporates, is to work together across countries to try and provide a standardised service with very similar prices, but as I said before, every country and city has different factors that will affect costs. The group, Absolute Nordic Relocation, is collaboration between four companies operating in Sweden, Denmark, Finland and Norway. But even here, perhaps often perceived as equally expensive places to relocate to, there are still huge local variations. Astrid Roheim is the founder and Managing Director of Relocate2Norway, one of the partners in Absolute Nordic;

"What is always an issue in Norway is that it is one of the most expensive countries in the world, in terms of both rents and general living costs. We see more and more, that the procurement process from both the corporate clients, but also the relocation management companies, see the Nordic Region as one that is economically similar. Denmark, Sweden and Finland are all less expensive than Norway and therefore service delivery costs less. We find it hard to get across why the service prices are higher in Oslo than in Stockholm, Helsinki and Copenhagen, but it is a fact of life and business, that they are."

It is interesting that in the last 50 years, as the population of globally mobile employees has vastly increased, that the responsibility for handling their needs was placed in the hands of HR. As a result sophisticated tools were developed to analyse cost of living differences so that the employee and family were not disadvantaged. This is still standard practice today. Moving a family from Atlanta to London is going to bring with a massive rise in costs if their standard of living is not going to be compromised. Sourcing a 5 bed, 5 bath house with a pool within a 30 minute commute of central London will cost at least three times more than Atlanta. So, the HR department uses a series of complex formulas to develop a compensation and benefits package that will encourage the person they need in London, to accept the assignment.

This must be the next stage in the evolution of the procurement function. It is essential, especially when dealing with a service so human and vital in nature as the

delivery of a successful relocation using professional help, that a more complex approach is adopted when working out the costs that will accompany the service. When spending upwards of the much touted \$1m on a three year assignment overseas, the costs of the relocation process are miniscule in comparison with the costs of that assignment failing due to a lack of support in its earliest days. The relocation professionals know exactly what pitfalls lie ahead in successfully transitioning a family into their region or city and can only price their services according to that clearly identified need. This is an issue that is not going to go away as long as there is a need to transfer employees to other countries and so there will remain a business and a moral case for ensuring their smooth transition and the best way to do this is through using professional relocation services. And like any professional service priced clearly and transparently according to local circumstances, it can only be achieved with a realistic fee.



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