



**SWP 20/90      THE RELOCATIONS OF COMPANIES:  
THE HUMAN RESOURCE PERSPECTIVE**

**DR YOCHANAN ALTMAN  
Human Resources Group  
Cranfield School of Management  
Cranfield Institute of Technology  
Cranfield  
Bedford MK43 OAL**

**(Tel: 0234 751122)**

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## The Relocations of Companies: The Human Resource Perspective

### Some tentative conclusions and preliminary suggestions

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#### Introduction: The Agenda

The last decade has seen a fast increase in the relocation of companies. A recent US study found that nearly two thirds of companies surveyed have relocated personnel in the past 12 months and that expenditure on employee relocations alone totalled some \$4 billion.<sup>1</sup> Last year, the CBI estimated that British industry is spending more than £250 millions a year on employee relocations, at a cost per head of at least £10,000.<sup>2</sup>

Relocation has become an attractive option throughout the major metropolis of the industrial world: London, Paris, New York and Tokyo, all share a common denominator - the costs of rent, rates and pay are of such magnitude compared to costs outside town that relocation is now seen as a most effective means to reducing capital and operational costs. But primarily, the need for expansion and the lack of affordable space are the major reason for relocations.<sup>3</sup> Other factors, like the life quality in alternative locations, or tax savings<sup>4</sup> also feature prominently.

In the UK, the move from London along the M4 motorway corridor, has now reached its logical conclusion with Bristol becoming the current boom town of the year. It is estimated that some 70,000 people will have left the capital in 1989, representing a migration of some 100 firms a week: a rate 25% higher than a year ago.<sup>5</sup> The rush of private business out of London, has now been joined by government departments and even local councils<sup>6</sup>.

Soon however, with 1992 behind the corner, relocations will not be limited to mainland UK. There are clear incentives in spreading bases in the circumstances of a Single Market and taking advantage of attractive capital and operational costs in less developed areas of the EEC or in areas with a better supply of skilled labour.

The creation of the Single European Market will accelerate relocations not only within its boundaries, but also on its periphery. The major Japanese blue chip companies have been busy establishing headquarters and manufacturing plants in Europe for the last decade. American firms are rapidly catching up and so do, among others, some Scandinavian giants. The huge potential of the Eastern Bloc countries is still an enigma, but the amazing pace of democratisation, the intent to make the Ruble convertible, the rapid progression of joint East-West ventures<sup>8</sup> all suggest that Eastern Europe is rapidly becoming an integral part of the European economic scene.

My aim here is to examine the different issues affecting the process of a company's relocation, by surveying evidence from the literature and by putting forward hypotheses based on pertinent knowledge.

The relocation process will be broken into three parts:

- A. The decision to relocate
- B. the issues affected before relocation takes place
- C. the relocation and its aftermath.

## A. The Decision to Relocate

Of main interest is how and by whom the decision is taken. There seems to be some evidence of a major distinction between private and public sector companies.<sup>9</sup> While the first are restricted by commercial concerns, the latter are not. This could make a major difference in how the decision is being reached. Although of course other factors such as the organisational culture and management style will also determine the way this issue is being handled.

While public sector organisations may have the possibility to start a consultation process with employees on why, how, where and when to affect a relocation; private companies, out of commercial concerns, would be reluctant to do so. In fact, they would be encouraged to do the very opposite: plan in secret, deny rumours and, only after the main features of the programme are fixed, to come out with an announcement.

These shock tactics, while sound from a commercial point of view, imbue some inherent risks. They open the gates for the errors of Groupthink<sup>10</sup>, Groupshift<sup>11</sup> and decision making under circumstances of uncertainty<sup>12</sup>.

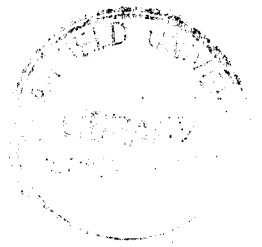
Groupthink (the phenomenon in which the norm for consensus overcomes the realistic appraisal of alternative courses of action) will occur because a decision of such overriding importance will be taken by the inner circle of decision makers: probably not more than 4-5 people at the very top. Their Weltanschau is necessarily limited by virtue of their position, their specific expertise and the pressure to reach a decision without the benefit of wider consultation.

A group decision will furthermore lean towards taking greater risks<sup>11</sup>, commonly explained by the tendency to mutual diffusion of responsibilities. In our case the necessity to look into the future at times of rapid economic changes, may further push towards underestimating the time and costs of the relocation process, while overestimating the organisation's ability to cope with such a major change programme.<sup>12</sup>

Conveying the decision to employees. That has not taken a prominent position on the relocation agenda and unjustifiably so.

The first announcement may well be labelled in terms of a traumatic experience (for both deliverer and receivers): it involves, after all, a potential job loss, or the alternative of uprooting one's family.<sup>13</sup> Subsequent communication tends to focus on the compensatory financial package.<sup>14</sup>

The day after - What happens immediately after the decision to relocate is conveyed to employees? We don't really know as there is as yet no systematic data on the "day after". But treating the situation as a traumatic experience suggests the necessity of offering counselling services en-masse, for allowing to round-off emotional consequences, for facilitating the building of life plans, for advising on action strategies. The fear of loss of control on one's life<sup>8</sup> may be just one result from an unsuccessful negotiation of expectations, planning and preparation at this preliminary stage of the relocation process.



## **B. Between decision and relocation: the main issues**

### **(a) The Role of the HR department**

The Human Resources department staff are being affected as all employees by the decision to relocate. Often some will be the first to relocate to prepare the ground for others about to move. They will be expected to act as role models, while at the same time undergoing the same pressures, uncertainties and doubts their fellow workers do. HR staff are therefore particularly vulnerable and in need of attention and assistance.

A more subtle, potential problem, is that HR staff are commonly seen as support staff. While relocation should put them in the limelight, they may not be allowed to take a leading role by the more powerful sections of the organisation, or they may not be able to bring themselves to assume such a leading role<sup>16</sup>.

### **(b) The Relocation Plan**

The average once-in-a-lifetime relocating company will not have a readily available operative contingency plan for relocation. This by itself is a stressful factor. Permitting the company's culture, participative management in the various aspects of the relocation could be a good way to share responsibility and better the decision making, as well as to soliciting employees' commitment to the move. One such company reported specific changes in the design of the new premises as a result of consultations with employees.<sup>17</sup>

### **(c) Career and succession planning**

The costs of a relocation are enormous. The direct, measurable financial costs were estimated at £10,000 per person.<sup>18</sup> The indirect, non-tangible costs for disruption to a family life cannot be measured so easily. A critical question therefore is the cost-effectiveness of relocating person X or Y as against finding a local replacement. The best answer is to have career and succession planning, whereby an employee can assess the attractiveness of moving with the company and the company can assess the value of moving that employee against a given manpower plan and future strategy.

### **(d) Organisational restructure**

Relocation is an obvious opportunity to re-examine organisational and functional structures. Such a major change process is a convenient time to introduce structural and personal changes as well. In other words, provided the company has at least a medium term strategy plan, it would be cost-effective to synchronise the changes to occur simultaneously.

### **(e) The relocation package**

Finance has been at the core of the compensation/incentive package for relocating employees, with house price differentials between the South-East and the rest of the country dominating the issue.

This has somewhat clouded the other aspects a relocation package needs to address, namely the impact on family members (both nuclear family and extended family), as well as the more amorphous qualities like local identity and life style. The evidence is that it is the non financial matters which cause the main concern to relocatees.<sup>19</sup>

Research emphasises that relocation is a reactive response from the employee's point of view to employer's demand. Rarely is it initiated by employees.<sup>20</sup> Consequently disruptions to family life (children's schooling and to a lesser extent the spouse's career and marriage itself)<sup>21</sup> are of major concern. At present these are rarely addressed by the relocation package.

(f) **Reluctance to Relocate**

For both employer and employee the most problematic issue is that **managers**, in growing numbers, are reluctant to relocate. Research suggests that 2 out of 3 British managers<sup>22</sup> (in one survey - 3 out of 4)<sup>23</sup> have at some time refused to relocate or would have done so with great reluctance. More worrying, it is middle management, the backbone of the organisation, that are the major refuseniks<sup>24</sup>.

Evidence suggests several possible explanations:

- 1) The predominance of the family over the job: a recent study found that most managers claimed family relationships as their major source of satisfaction in life compared with only a fraction identifying career achievement and their current job<sup>25</sup> as major satisfiers, the same study also found that independence of thought overrides job security in importance. Similarly, Fortune magazine recently announced that "Greed is dead"<sup>26</sup> and that managers of the 1990's emphasise non-work activities (including the family) over their careers.
- 2) There is some evidence of a growing crisis in the ranks of middle management. Young managers in the UK in middle management positions seem to be overworked and overpressured, increasingly pushed to achieve performance related targets at reduced operational costs<sup>27</sup>. They evidently don't like it. One way to cope with that overload is to distance oneself from identifying with the work place, and putting emphasis on other areas in life. Similar impressions are reported in the US<sup>28</sup>.
3. Middle managers, possibly in their late 20's to late 30's, happen also to be in an age group most 'loaded' with societal responsibilities. First and foremost their children are likely to be at schooling age. Where disruption to the learning and psycho-social development could be most damaging, and themselves at an age where the peer group is of paramount influence. The children will be reluctant partners to relocation.

Second, their finances are heavily committed, be it the mortgage or Hire Purchase. They would have to look very closely at the overall financial implications of their work.

Third, they may well have attractive local alternatives. Good middle managers in the 'right' age are in great demand.

The immediate future will see more emphasis on women's work as the demographic decline of available young males indicates. This will increase the pressure on other considerations, apart from the financial package, on relocating organisations. The fact that to date most companies do not have formal policies regarding spousal employment<sup>29</sup>, suggests that they are already late in facing tomorrow's reality.

## C. The Relocation

### (a) Familiarisation

The current practice of familiarising the relocatee and his family with their new environment is at best limited to an organised day trip and a few days off work for house hunting, school hunting and job hunting (for the spouse).<sup>30</sup> This is largely inadequate, taken the enormity and complexity of the personal and social issues concerned.

A more structured package (including, for instance, counselling - that is non technical counselling) allowing much more time for the above, would be a better proposition for the employees concerned. And of course, for the company as well. A harassed, overstretched worker cannot do a proper day's work.<sup>31</sup>

### (b) Self support groups

How to facilitate the process of relocation, which a recent UK study found to be stressful to varying degrees to 3 out of every 4 managers and their families?<sup>32</sup>

For individual relocatees, personal 'mentoring' - the matching of a local senior manager with the newly arrived, proved very successful.<sup>33</sup> This would, however, not be practical for a large group relocating. Self-support groups, based on relocatees and their families could be the answer. This is where the company's culture could prove conducive, or otherwise.

If the company encourages 'togetherness' and a family-like attitude, it would facilitate the creation of self-support groups. Where the emphasis is on individuality and "everyone for himself" this would be much more difficult.

A recent study highlighted this aspect of relocation, by failing to find any significant adverse implications on American military families who had experienced frequent relocations.<sup>34</sup> One can assume that the military 'relocation package', being most comprehensive, relieves the individual and his/her family from a great deal of worries; while at the same time the 'total community' characterising army barracks addresses well the requirements for an effective social support network.

The army case highlights, however, another point. Army personnel expect to be relocated on a frequent basis. When joining the ranks, this expectation is clear and contractual. Furthermore, their reference group - army personnel - all relocate on a regular basis. In other words, expectations and social comparison work in favour of the army. In the civilian world, one can further speculate, the lack of expectations to relocate will have an adverse effect, and so will the comparison with one's social circle, if relocation is not common among one's friends.

### (c) The Aftermath

The most pressing need, regarding the aftermath of a relocation, is the need for information. The lack of longitudinal follow-up on company relocations is particularly pressing.<sup>35</sup> Without such evidence it would be difficult to assess the success/failure of relocations.

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