



September/October 2010

Route to:

Extreme Commuters, Virtual CEO's, and Other Mobile Executives

Doesn't Anyone Just Relocate Anymore?

In the not too distant past, the climb up the corporate ladder for many executives included a couple of strategic relocations. Most companies assumed that for the right position, executives would move their families wherever the job required. That assumption is no longer accurate. Over half (56%) of the respondents in the *Atlas 2010 Corporate Relocation Survey* reported instances of employees declining opportunities that required relocation. A variety of factors are contributing to the unwillingness or inability of many executives to relocate. In order to attract the top executive talent, companies have been forced to review their relocation packages and, in some cases, to consider alternatives to relocation such as "extreme commuting" or executive telecommuting.

A Variety of Explanations

There are a variety of explanations for the decrease in relocations over the last few years. The most obvious one is the poor housing market. According to the *Atlas 2010 Corporate Relocation Survey*, 77% of employees who declined relocation cited housing/mortgage concerns as a reason behind their decision. It has also been reported in a number of media outlets that almost one out of every four mortgages in the United States are "underwater" or "upside down". Many candidates simply cannot afford for their houses to sit on the market for a long time or to sell their homes at a significant loss.

Family concerns or issues are also frequently cited as a reason for declining an opportunity that requires relocation. Executives have become less willing to uproot their families and move to a new community, and school aged children are not the

only issue. Many families are dual income families, and one spouse may refuse to relocate if it means that his partner will also have to find another job in the new location. Also, there are more baby-boomers who must care for their elderly parents and moving those parents (or moving away from them) is not always desirable, feasible, or advisable.

In addition to family concerns, some executives just do not want to leave. The new locale may not afford the same quality of life as the current hometown. For example, an executive, who enjoys hiking, camping, and other outdoor activities, may not be willing to leave her home near the mountains. Also, many executives are very active in charities, clubs, churches, and other organizations at the local level and thus, have strong ties to their communities that are not easily broken.

Solving Relocation Issues

When considering relocation benefits, corporate leadership must carefully consider what resources are available and what strategies may be necessary to attract executive level talent. However, these policies should not be written in stone, because competition for the top talent may require flexibility in addressing individual issues.

While it is certainly easier to implement, just providing a lump sum allowance is probably not going to persuade a potential candidate with housing/mortgage issues to relocate – unless it is a very significant allowance. Many potential candidates will be unwilling or unable to risk incurring additional expenses over the allowance. Therefore, in addition to providing an allowance,

a company may need to consider providing temporary housing for longer periods (12 – 18 months) or making additional resources available to aid a candidate in finding a buyer, or even a renter, for the candidate's current residence. Loss-on-sale assistance to cover the out-of-pocket payments owed by candidates to their lenders at closing is another common incentive in the current marketplace.

For executives who are unwilling to move due to family issues or community ties, a company must either “sell” these executives and their families on the merits of the new location or consider a more flexible approach to address specific concerns. These executives are more likely to propose “extreme commuting” arrangements or working remotely rather than from the company headquarters.

“Extreme commuting” is defined as travel to the workplace that involves either a plane flight or a car trip lasting at least 90 minutes. According to a 2008 survey entitled *The Mobile Executive* conducted by Korn Ferry International, more than 70% of the executives polled were open to an extreme commuting arrangement. Extreme commuting could involve considerable expense if a company agrees to pay all or part of an executive's travel costs plus provide lodging or temporary housing near the headquarters.

Other executives have embraced the use of smart-phones, e-mail, instant messaging, internet phone service, video conferencing, and other available technology which allows them to conduct business from almost anywhere. Instead of face-to-face meetings in an office, these executives conduct most of their team meetings either through conference calls or video conferencing from remote locations. For a virtual or remote arrangement to work, the company must already have the necessary technology in place or be willing to invest in that technology.

Some companies elect to take a blended approach. An example would be to allow extreme commuting or working remotely for an initial period and then requiring relocation following the end of that period. This type of arrangement frequently includes an incentive such as a relocation bonus if the candidate moves prior to an agreed upon date. Another approach is negotiating a schedule with an executive that requires her physical presence in the office a

certain number of days per month or per week but allows her to work remotely the remainder of the time.

Hidden Costs

Extreme commuting, working remotely, and other flexible arrangements have other costs that should be carefully considered. First and foremost, corporate leadership should determine whether an executive, who is not physically in the office, some or most of the time, can perform the essential functions of a particular position. In other words, is it possible for a senior executive to effectively manage his team without “walking the halls” everyday? The refusal of a top executive to relocate can lead to unwanted speculation regarding a possible move by the company and a decrease in employee productivity and morale. Also, the physical and mental strain of extreme commuting can decrease effectiveness and quickly lead to burnout, which means opportunities in closer proximity to the executive's residence will start to look more appealing. Therefore, a company that has invested considerable time and expense in adopting a flexible arrangement for a top-level hire may end up conducting a search for the same position much sooner than anticipated.

Navigating a Complex Issue

To avoid the complexity and associated costs of relocation, decision makers may be tempted to limit searches to the local level. However, unless the company is located in an area with a deep pool of executive talent, it is unlikely that the company will find the “top-tier” candidates who can drive the company's success. In what has become a global market, effectively addressing relocation issues and developing flexible arrangements will be critical for any organization that wishes to attract the top executive talent. Sanford Rose Associates® consultants conduct executive search assignments on a national and a worldwide basis and are experienced in negotiating solutions to candidate relocation issues that benefit the company and the candidate.

—Rick Carter

© 2010 SRA International, Inc. All rights reserved, including electronic reproduction or alteration. The SRA Update is published six times annually for the clients of Sanford Rose Associates® – over **50 years** of Finding People Who Make a Difference® and a proud member of the International Executive Search Federation (IESF).