



Cost Optimization Strategies

A Guide for Global Workforce Professionals

2023



Cost Reduction vs. Cost Optimization

With the advent of a global cost of living crisis, economic headwinds and the promise of AI to deliver efficiencies, organizations are increasingly looking for opportunities to reduce or optimize costs. A Global Workforce program can be one of the most expensive and complex HR programs offered within organizations and receive heightened scrutiny. Rather than making short-term cost reduction changes that can be detrimental, there is an opportunity to **implement cost optimization strategies that support and enable the long-term business and talent priorities.**

TRADITIONAL COST REDUCTION...

Is based on blunt headcount reduction, which is unsustainable and can even backfire

Ignores or underplays the importance of employee engagement

Thwarts growth and innovation – aggressive cost reduction can drain resources from high-impact innovation projects, which often have a Global Workforce element

WHEREAS COST OPTIMIZATION SHOULD...

Be holistic, looking at all cost drivers across the Global Workforce function

Recognize that organizations with high levels of employee engagement are 21% more profitable and 3x faster at growing profits than their competitors

Create capacity to take on the growth and innovation opportunities an organization needs to pursue in order to succeed

AND TODAY'S BROADER SOCIAL LANDSCAPE CAN MULTIPLY THE NEGATIVE IMPACT OF GETTING IT WRONG...

Findings haven't changed since the last economic downturn, but the social landscape has developed...

 New ways of working mean communication **spreads instantaneously** both internally and externally

 **Corporate decision-making is under a microscope** in both traditional and social media

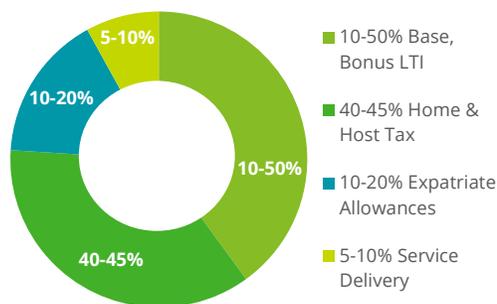
 The pandemic illustrated that **companies have a greater range of options** – organizations found new ways to reduce costs

Approaching Global Workforce Cost Optimization Strategically

A Global Workforce program is made up of several components which have a direct impact on the total cost. Defining the right cost optimization strategy enables a holistic plan that accounts for short-term gains, as well as sustainable long-term measures, that do not hinder strategic objectives*.

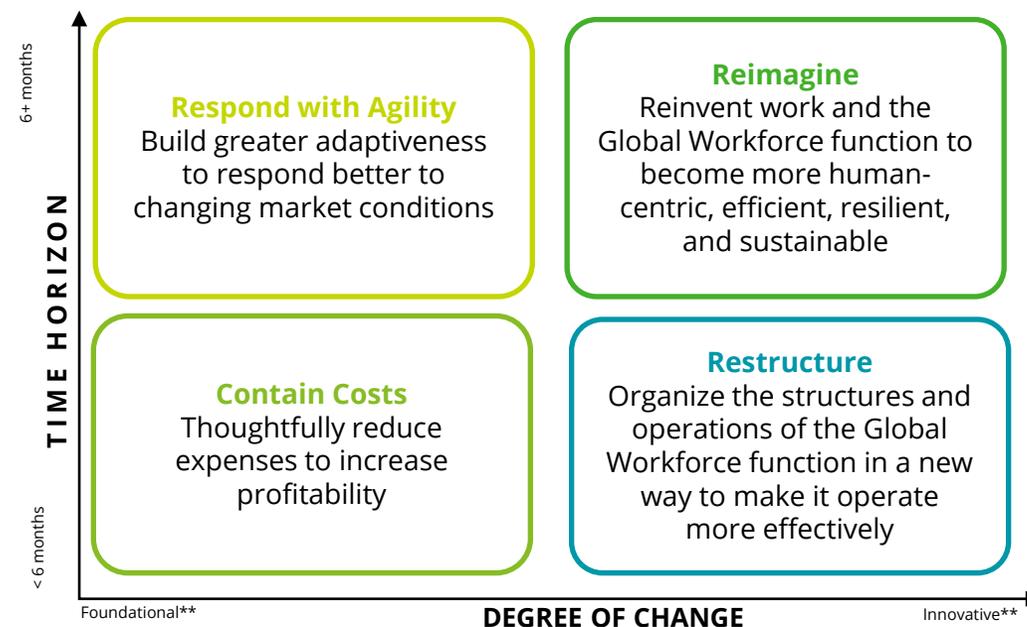
For example: A traditional global expatriate program usually costs £15M-£25M per 100 assignees (based on standard benchmarks of multinationals' long-term tax equalized assignments)

Cost breakdown:



The questions to ask if you are looking at cost optimization;

- 1 What **time frame** do you need to achieve cost savings results within?
- 2 What **appetite is there to significantly redesign** the way in which this is approached today?



Seven cost optimization levers will allow Global Workforce functions to reduce costs while preserving and/or advancing strategic goals

*NOTE: Different strategies may apply to different aspects of the Global Workforce function

DEFINITIONS: **Foundational: Adopt best practices to maintain competitiveness
Innovative: Lead the market by innovating and transforming

Global Workforce Cost Optimization Levers

Seven cost optimization levers will allow Global Workforce functions to reduce operating costs whilst preserving or advancing strategic goals:



POLICY & PROCESS

Optimize the basic building blocks of your Global Workforce program



OPERATING MODEL

Rethink where work sits within your organization by considering the option of insourcing vs. outsourcing to deliver your Global Workforce program



DIGITALIZATION

Leverage integrated technologies (including AI tools and techniques) to automate the administrative burden of the function



DATA

Use data to deliver insights as to the performance of the function and uncover areas for optimization



VENDORS

Review the vendor landscape to maximize economies of scale



PEOPLE

Recruit, train and upskill the right people to deliver an impactful Global Workforce program



COMPLIANCE COSTS

Ensure that processes are in place to recoup refunds and minimize unnecessary tax costs

Our Approach to Cost Optimization

Our approach prioritizes identifying the cost optimization levers that will have the greatest impact to realize value in the shortest possible timeframe :

Project Activation

Conduct a **high-level analysis** and meet with key stakeholders to **align on areas of interest**

- Conduct interviews with key stakeholders to **understand the current state** and **identify areas for prioritization**
- Conduct high-level spend analysis to **determine areas of opportunity**
- Hold a workshop with key Global Workforce stakeholders to **align on opportunities** for **cost optimization**

Opportunity Assessment

Identify and prioritize Global Workforce **value creation opportunities** based on current state analysis

- **Review Cost Optimization** budgets, savings goals, and relevant data
- Create **analysis of opportunities** based on current spend, progress to date, and speed to realize savings
- Develop a **business case** and **identify metrics for success**
- Establish **governance** model

Cost Optimization Design

Identify and **prioritize** Global Workforce **cost optimization opportunities**

- **Establish KPIs** and validate business case
- Create high-level **implementation roadmap**, detailed design, and **change management strategy**
- **Pilot** recommended initiatives and refine accordingly
- Develop and approve **action plan for scaling the strategy** (e.g., risk, resources, timing, accountabilities)

Implementation

Deliver short-term and/or long-term **savings and reinvest** in the business through the implementation of big-ticket opportunities

- **Execute** action plan and change management strategy
- **Assess KPIs on an ongoing basis**
- Realize results and determine **opportunities of reinvestment**
- **Embed continuous improvement** initiatives

Ongoing Leadership Alignment & Change Management

Cost Optimization Case Study

The case study below is just one example of where we have collaborated with a client to realize significant cost optimization

Largescale Operating Model Transformation

THE PROBLEM



A multinational retail organization headquartered in EMEA had undertaken a transformation project to redesign its enabling functions in order, in part, to contain and optimize costs and ROI. As part of this transformation, an HR Information System and workflow technology were implemented, as well as transitioning operational activities to a Shared Service Center (SSC). The Mobility function, which oversees 750+ assignees per year, was included in this scope and leveraged the project to further optimise other areas of their program.

THE RESULT



- ✓ 25% reduction in operating costs of the Global Mobility program.
- ✓ Redeployment of hours of 5 FTEs from administrative tasks to more strategic, employee-facing activity
- ✓ Consolidation of multiple local vendors to three global vendors, realizing significant savings and economies of scale

THE IMPACT – How we supported the Global Mobility workstream:



Policy Reviews

Benchmarking policy suite against market practice to provide opportunities for enhancement, including avoiding allowances being inconsistent and ad hoc, as well as ensuring alignment with market practice.



Process Mapping

Re-designing end-to-end processes in consideration of new technology systems, SSC model, and vendors while identifying streamlining opportunities for automation.



Data and Digitalization

Identifying integration points between a new HR Information System and the existing mobility management platform to enable a more positive employee experience and ensure that key stakeholders have access to data analytics, including costs of moves, to ultimately take insight-driven decisions.



Consolidating Vendors

Building business case for vendor consolidation and supporting transition from local to global providers (i.e., Tax, Immigration, and Relocation) with the aim to outsource operational activities and ultimately tighten service level agreements across vendor relationships.



Operating Model

Designing future structure of mobility team within new SSC (incl. considerations around headcount, location, and interaction with other functions of SSC) to ensure there is a clear distinction between operational and strategic roles that free up employees' time and improve efficiency in their day-to-day activities.



Change Management

Analyzing impact on all affected stakeholders and developing global training plan to ensure streamlined transition to future state.

Get in touch

Our insights can help you take advantage of change. If you're looking for fresh ideas, let's talk.

Time to Act



Moving talent around the world remains a business imperative. Companies need to mobilize the best talent to fuel opportunities in an intensely competitive global landscape. And yet, global mobility has remained complex, costly, and impersonal. Fortunately, Deloitte has the power to unlock new global mobility opportunities that enable technology, explore innovative insights, and develop a culture of agility.

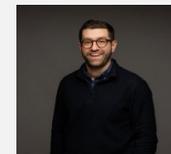
Our teams can work with you to understand what is available now and what lies ahead, guiding you through your journey. Are you ready to embrace the possibilities?

Visit our [Global Workforce Consulting website](#) to find out more.

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