International Mobility in the Pharmaceutical Sector: the Challenge of Emerging Markets

Brookfield Global Relocation Services

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INTRODUCTION

The Brookfield Global Relocation Services (Brookfield GRS) 2008 Global Relocation Trends Survey (GRTS) has gathered data from over 150 senior human resource professionals and/or managers of international relocation programmes and examines expatriate demographics, geography, economics and return on investment (ROI) considerations, trends in additional forms of international mobility, cultural and family considerations.

This White Paper is based on 2008 GRTS data from 17 pharmaceutical firms and additional interview data from the senior international mobility (IM) functionaries of seven of these firms. This interview data, along with perspectives from other policy studies, has been used to identify a series of important issues.

- What factors appear to determine the role and remit of the international mobility function in pharmaceutical organisations?
- What are the pressures/forces that are driving greater standardisation in policy and practice, or more localisation of terms and conditions and a "lighter" touch from the centre?
- In handling mobility to emerging markets, how do organisations manage the trade off between sending those who are willing to go (having enough people committed to assignment) versus being able to send the most talented (competent)?
- How are changes in the business model affecting the international mobility agenda?
- What types of knowledge and capabilities are organisations having to build in emerging markets and how does this shape the role of international assignments?
- How do organisations argue for and measure the ROI for the IM function or individual assignments?
- How does this calculation change when companies are sourcing into emerging markets?

Role of International Mobility Functions

Before exploring these questions we have to remind ourselves about the currently different – but also changing - role and structure of IM functions in the pharmaceutical sector. The study found that this role varies considerably. In some instances, the function is very mature and is afforded a central role in corporate HR reporting. In

others, it sits in a more traditional 'home' which reports into a rewards and benefits function. Finally, it may be positioned as a very transactional activity, handling mobility, part of which might include domestic relocations with the odd international need for this. Organisations also outsource different combinations of activity to third party providers and arrive at different solutions for each level of outsourcing.

The most important dimensions across which the role of IM functions appears to differ are:

- The extent to which they have been embedded into a broader three-box Ulrich HR model (see pg. 4)
- The division of responsibilities across the life cycle of the international assignment
- The recruitment model operated, which may vary from very "high to low touch"

It is clear that, in the pharmaceutical sector, a number of IM functions have recently become more embedded in their corporate HR functions or have moved towards a global talent management agenda. Consequently, the IM function has become more influenced by the decisions being made by their organisation about the overall shape and role of the HR function.

Choices about the overall positioning and reporting arrangements for the IM function

One of the most pervasive impacts on the HR field has been the adoption of a "three-box model" in HR, based on the ideas of Ulrich.

It is necessary to outline the main implications that the model has:

Ulrich Model

1 Shared Services

Concentrate on administrative and transactional personnel activities separately from the main HR group through Service Centres for "back-office" processing. Commoditised services may be insourced or outsourced but enable common provision of standardised or optimised HR processes. Supported by e-enablement of service delivery encouraging employees self service. "Intelligent agent" guiding of staff and managers through complex policy.

2 HR Business Partners

"Embedded HR" model in which HR personnel provided dedicated support as generalists, business partners and account managers aligned to a business unit of a holding company.

3 Capability Management

Clarifies organisational capabilities and crafts necessary HR investments and policies through centres of excellence or expertise that maintain critical fields of knowledge and a specialist core HR functional structure.

- The first box represents the more transactional aspects of activity, which may be delivered from service centres or processing hubs, in multiple geographical locations, or outsourced to third party providers. The questions raised by this aspect of the HR operating model is which aspects of the IM work stream fall into this category, and which other HR or global service activities might it encompass. Outsourcing scenarios can involve relatively narrow bands of activity, such as support for immigration or school search activity, throughout the entire expatriation process, and the advent of multi-tower outsourcing scenarios may also mean that an organisation seeks to include finance and IS activities alongside HR transactional activities
- The second box illustrates an embedded HR business partner (HRBP) structure. This raises the question of what is the most appropriate relationship and split of responsibilities between central IM specialists, and in-country or in-business division HR partners over specific aspects of the international assignment life cycle?
- The third box describes more added-value and specialist centres of excellence or functional support. The question raised here is how does IM (or associated expatriation activity) become a centre of excellence in its own right, or should it report via another such centre, such as talent management?

The study found that even within a single sector – in this case pharmaceutical – there were a range of structural solutions. These solutions draw upon the 3-box model to different degrees. This is crucially important. The solution chosen either affords or denies the IM function entry into a range of HR issues now being linked to international mobility. However, there were almost as many organisational solutions as there were interviewees.

Moreover, there has recently been a considerable degree of transformation taking place in structures and reporting relationships within the pharmaceutical sector. IM functions are following different trajectories along three dimensions:

- The functional line of reporting and 'home' for the function
- The level of centralisation in the operating model
- The split of responsibilities taken across the whole expatriate life cycle

Out of the seven organisations interviewed in depth, three have the IM function reporting to a talent management function, whilst in the other four, the more traditional reporting relationship through a compensation and benefits function remains. Those that report to talent management have started to do so relatively recently.

One organisation has adopted a centralised model and pulled its IM function out of a general HR function and placed it into a specialised international HR role. The interviewee explained: *"…We are going through a huge HR re-structuring. We used to report to the Head of HR but now we report to an International Benefits team who, in turn, report to an International HR team"*. Another company has adopted what they call a 'hub and spoke' model: *"…There is a regional hub in each region. In the hub are all the regional managers and the Director of Global Mobility. Through this organisation we get feedback on our IM operations such as areas of concern. My role is to understand what the issue is and try to help the process future. The hub connects the various spokes to constantly refine and fine-tune the IM process"*.

Yet a different solution is seen in one organisation that has adopted a decentralised model: *"…Traditionally I have had responsibility for development of policy and programmes but also for its delivery. We used to do everything for the expatriates. We are going through a human resource transformation project and areas of service centres have been established in [Europe, the Far East, Latin America and North America]. We will transfer the administration of expatriates, development of offers, and the day-to-day contact with the expatriates. I will still maintain control over the development of policy and programmes. The whole system is being decentralised"*.

In practice, two structural changes are taking place in this instance:

- Bringing IM under a talent management umbrella
- Introducing a decentralised service model

Of the two changes, it is the service model shift that is seen as far more strategic. The interviewee explains the talent management reporting change is: *"…just a change in reporting, not strategic". however "…The reason I call [the service model change] strategic is because this is helping us deliver service faster and we are able to deliver service closer to the client. This model of service centre is being implemented throughout our global business… we have developed Service centres and Practice centres. Before, it was really a functional situation. The function had the responsibility for the strategy and program development and delivery. We have split that so that we can leverage on delivering services faster"*.

It is worth noting in this context that a recent report by McKinsey (*Why multinationals struggle to manage talent;* May 2008) found that multinational corporations struggle more with managing their talent partly due to their need to share talent across national boundaries and their inability to overcome the cultural barriers posed by differences in national cultures (as compared to their domestic counterparts, i.e. organisations that operated in only a given nation). Decentralisation of decision-making seems to be one approach adopted by a small number of multinational pharmaceutical organisations. Is such decentralisation of decision making only required to manage greater volumes of movements of third country nationals? Might decentralisation be reversed if there is significant localisation of talent management? This is an issue that might be faced in the future, because currently the level of reliance on a policy of localisation as an alternative to international assignments (see fig, 4, pg. 8) in the sector is still not that high; 18 percent of organisations in the pharmaceutical sector. If organisations put in place regional service centres and begin to decentralise some decision making to such units, we would recommend that they also consider whether there is any need for other regional capabilities to be co-located with regard to talent management.

A common issue for those IM functions operating a three-box model is that the relationship between all parties becomes critical in making sure the end-to-end process is effective, whilst for those embedded under compensation and rewards may have limited influence over the talent management agenda.

There is an ongoing debate surrounding the challenges of management responsibilities through the life cycle of the assignment. From agreeing on the purpose and need for mobility, to the selection of the expatriate, agreeing on assignment terms, monitoring performance, measuring ROI and, finally, assessing strategic contribution, what

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should be the relative split of responsibilities between the IM function and in-country business partners as it relates to the life cycle of the assignment?

The adoption, by a small minority of organisations both within the pharmaceutical sector but also in general, of a more co-ordinated life cycle management process raises important questions about the relative responsibilities of the IM function and HRBPs (or relationship managers) for managing processes across this assignment life cycle. As an interviewee from an organisation that had recently adopted an Ulrich-based structure within HR explains: *"…Our organisation is based on four pillars. One pillar is strategy, policy and exception management. We then set the frameworks for the second pillar, our service centre, and the service centre does all the operative work of transferring people backwards and forth. The third pillar is the business partners [by business stream]. The fourth pillar is [our global relocation service provider]. It all comes down to who takes what decisions. If you go into the process, and I have tried to develop a philosophy of why we have international mobility, then there are three core elements. One is the selection of the right people, then providing the right package and professional conditions… and the third is repatriation, the next assignment and career development. Mobility management is the enabling function, responsible for the conditions and packages but not the selection of the people. The business partners share responsibility with line management for the selection of expatriates"*.

When placed under a talent management line of report, a more business-linked and strategic role for the IM function becomes possible.

EXPATRIATE DEMOGRAPHICS

Numbers of expatriates

IM functions, in the pharmaceutical sector, have to deal with expatriate populations of different size (see fig. 1). In answer to the question 'How many international assignees does your company have worldwide?' 59 percent of pharmaceutical organisations have from 100 to 500 expatriates and 18 percent have more than 500 expatriates. However, there can be a complex mix of mobility populations and also some difference in size of populations compared to other industry sectors. In one organisation, with 310 global assignees, there were 60 commuters and 20 employees classed as business travellers. In another, beyond the population of 1,200 expatriates, there were 150 short-term assignees. As a consequence, the level of administrative support that is needed within IM functions varies in line with the different types of population being catered for and staff: expatriate metrics may be misleading.

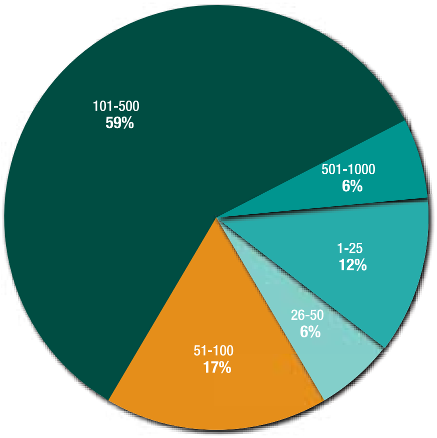

Figure 1:
Number of assignees per company

Standardised policies or lighter touch

Today, IM functions face a tension between moving towards more standardised approaches to policy, slowly eradicating historical legacy arrangements and idiosyncratic assignment 'deals' in order to bring a degree of control over mobility, or allowing local businesses flexibility to establish terms and conditions that will attract and retain the most appropriate assignee. Whilst there may be a trend towards more decentralised management of international mobility, in that new regional layers are being created, such decentralisation is often counterbalanced by greater standardisation of important aspects of the IM process.

In explaining this trend, one interviewee points out that: *"…a few years ago there were many different policies throughout the world. There was a big exercise to do benchmarking in the industry and now we have cut down to four main policies. Rather than use the term standardised we call it harmonised. The idea is to treat everyone equally"*.

88 percent of respondents in the pharmaceutical sector are moving to global standards and a further 8 percent

are moving towards regional standards. Organisations with shared service centres managing assignment administration often find that standardisation becomes easier to manage and can be an important enabler of subsequent growth in expatriate numbers.

Types of policies offered

A recent trend, associated with this need to balance standardisation with flexible response to business needs, is to increase the number of mobility packages or options available. Organisations have structured assignments to fit individuals and locations by introducing multiple assignment policies. As assignments are modelled to take maximum advantage of tax positioning regimes, point to point tax situations and immigration rule. These policy variations are used to manage (but not necessarily reduce) costs whilst also ensuring the assignment fits both business need and employee circumstance.

53 percent of respondents to the GRTS in the pharmaceutical sector were looking for alternatives to long term (over one year) assignments. Their reasons – primarily driven by cost concerns - are shown in the chart below:

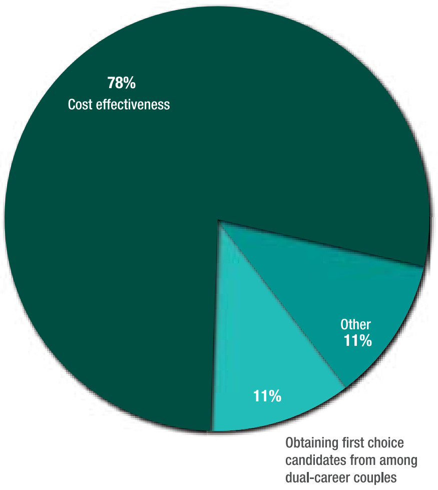

Figure 2:
Reason for alternatives to long-term assignments

The following chart (fig. 3, at right) shows that 66 percent of the GRTS respondents in the pharmaceutical sector cited short-term assignments (either in form of extended business travel or assignments between six months to one year) as the major alternative to long-term assignments.

A range of policy solutions are now being offered so benchmarking is only useful if it provides specific and pragmatic detail of policy and practice.

Most companies offer one tax-equalised policy, one non-equalised, and then various policies based on career or assignment duration alternatives. For example, one organisation offering six policy variants explains their rational as follows: *"…We view our packages in two dimensions. The first is packages based on time, of which we have three types of assignments: short term assignments, mid-term assignments and long-terms assignments; the other dimension is purpose based assignment: trainee assignments, assignments from business coinciding group, and the normal regular assignments"*. Another organisation offering five policy variations differentiates terms as follows: a standard international assignment package (usually for two years or more); short-term assignment package; commuter assignment package; early career assignment package (a stripped down version of the standard and short-term packages); and a globally mobile package for people who are constantly on the move (similar to the standard package with some additional benefits because of the additional requirement for moving constantly).

Another interviewee comments on the wide range of populations for whom the function is now responsible. In addition to five formal policy variations: *"…we have recommendations for what to look at for localisations, support for what to look at if employing another country national from another company, and we also have some*

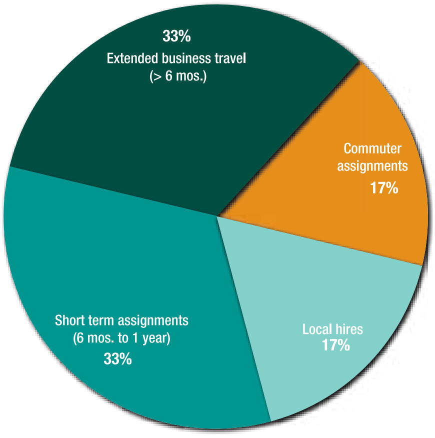

Figure 3:
Types of alternatives to long-term assignments

brief guidelines for what people should think about if they are looking at permanent international transfers. We are also looking at supporting long-range commuter packages, which are different to standard commuter packages, and we also support an international ESPRIT type of programme – it is not quite a back-packers programme … Finally we provide support to those offering local plus arrangements". It is not clear exactly what this latter type of mobility needs in terms of support, but back packers are defined socially as low budget nomadic travellers whose motivation for travel is both experiential but also aimed at understanding the true cultural reality of their destinations. As many students have undertaken such activity before working for employers, in the early stages of their career some might be open to lower cost developmental international mobility.

A more simple four policy variation in another organisation included; a long term package (12 months – three years); a long-term 'lite' package that applies to moves within a region; a short-term assignment policy (three – 11 months); and a commuter policy. Additional guidance is offered for business travel and consideration is being given as to whether specific policy needs to be developed for what they called 'long-range' commuter packages, the latter being seen as presenting different needs to short-range commuting. One organisation uses a four-way split between long-term assignments (up to five years), short-term assignments, commuter assignments and permanent transfers. Another uses a simple three-way split between early career assignments, core policy (meant for middle management) and executive policy. The interviewee explains: *"… We used to only have two policies but we introduced the early career option to be able to offer more people assignments. The core package is so rich. We wanted to hit a group of people who wanted to go on assignment, but for whom we did not have the funds to support it"*.

> *"there is not much innovation. We are largely benchmarked against the industry".*

Another issue raised by survey respondents is transitioning to local benefits. Several organisations (44 percent of GRTS respondents from the pharmaceutical sector) indicated that when using this method they prefer to localise immediately. When asked "when transitioning to local benefits, what schedule best matches your organisation's response?" the answers were as shown in figure 4.

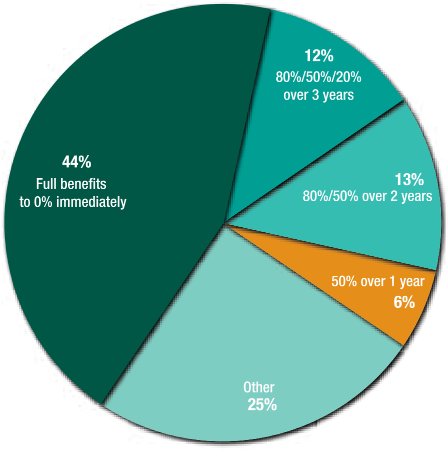

Figure 4:
Localisation transition schedules

Associated with the transition process to local benefits is the issue of equalising IM entitlements across a wider range of geographies (such as to and from developing and developed economies). One organisation had recently managed such an equalisation process: *"…every one is seen with the same eyes. Everyone receives the same local benefits. Whether they are from the U.S., Germany or Bangladesh, they receive the same housing. Of course, in terms of compensation, if you come from a low salary country, you remain poorer. Transfers from poorer countries to higher salary ones are more difficult. Here, we added a peer equity element so that if someone from Bangladesh moves to, say, the U.S., then they receive host country salary, even if this means we have to double or triple their income. ..if we transfer people from emerging markets to senior markets, we will face some things that we have not seen in other markets. What we try to do is to ensure that we will never handle people any worse than is seen in the local conditions"*.

Other recent changes in terms

The majority of organisations concluded that their operational models, policy approaches and market positioning had remained stable over the last five years. Innovation in offerings, therefore, operates around the margin. As one interviewee notes: *"…We change our policies regularly, but we do not do great big changes"*. Another comments: *"there is not much innovation. We are largely benchmarked against the industry"*.

Attention needs to be given to three developments:

- Things that make international mobility more effective (such as capitalising on e-enablement, moving skills provision such as cross-cultural training online)
- Things that make the decision for mobility easier (such as addressing partner issues)
- Managing the general attitude towards assignments (communicating the link between mobility and career progression)

The above three approaches appear, currently, to be shaping policy development. Benchmarking is, therefore, an important activity. It is clear first that developments in policy within the sector tend to be small scale but continuous. Keeping abreast of the "fine tuning" that takes place in this process is useful. Moreover, expatriates from different organisations, especially in emerging markets, also meet up and talk about the detail of policy. In some instances they are more aware of the latest fine tuning than the central IM functions are.

ECONOMIC CONDITIONS AFFECTING INTERNATIONAL MOBILITY

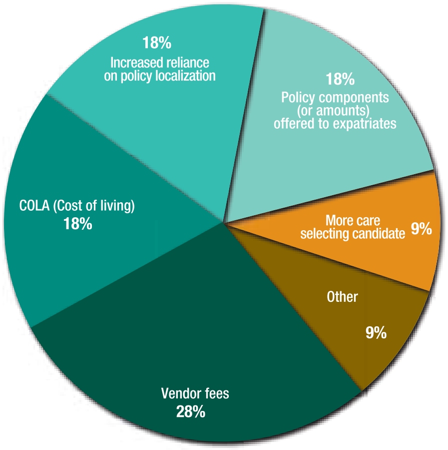

Figure 5:
Primary areas for cost reduction

Economic conditions continue to exert an important influence. When asked the question 'in response to economic conditions that may be affecting your company, has there been an effort to reduce international assignment expenses? 59 percent of the respondents in the pharmaceutical sector answered yes. The primary areas for cost reductions in the sector are illustrated in the chart "Primary areas for cost reduction" (Fig. 5). The conclusion that can be drawn is that in addition to reducing vendor fees, there is a strategy to reduce the cost of packages (via cost of living allowances or package components) and also an increasing emphasis on a policy of localisation.

THE BUSINESS CONTEXT FOR INTERNATIONAL MOBILITY INTO EMERGING MARKETS

Definition of emerging markets

The word emerging has different connotations depending on whether it is applied to a market or an economy. Emerging market applies to country markets that are expected to experience considerable growth and financial return. It is possible for an organisation to consider a developed economy as an emerging market, depending on prior geographical presence and investments. Most organisations, however, use the term to reflect the nature of the economy. For the World Bank, an emerging (or developing) market economy has a much clearer definition. It is an economy with low to middle per capita income, with gross national income of $10,725 or less per capita. This includes 20 percent of the world's economies covering 80 percent of the world's population. Such economies are classed as emerging because recent economic reform programmes mean they have "emerged" onto the global scene and reforms are usually associated with stronger economic growth. The process of moving from a closed to an open market system means that accountability is still being built into the system and there is a degree of investment risk.

The attractiveness of investing in an emerging market varies across sectors and these markets serve a different purpose. Large population markets might be seen as strategic opportunities to grow a customer base. Although China is now an economic powerhouse, it is

" ... When we say developing markets we are really talking about growth economies. Every organisation is looking for growth economies and there is no question that we want to maximise our returns in these countries. That is why we have already looked at the skills that we need to develop the markets in those countries".

classed as an emerging economy alongside countries as different as India, Indonesia, Vietnam, former Soviet bloc countries and Latin American economies such as Brazil and Mexico. Other smaller population markets - such as Malaysia, Poland, Hungary, Algeria and Morocco - might provide niche opportunities or act as gateways to other economies. Others might offer long-term opportunities.

The definition of emerging economy differs across sectors and across organisations within sectors. Local labour market conditions differ across markets, each with different profiles in terms of economic possibilities, political stability, level of physical and institutional infrastructure and people development (pools of labour, wage and skill shortage levels).

The study showed that, in the pharmaceutical sector, there is an overall increase in international mobility to and from emerging countries. However, this hides quite complex patterns and each organisation has slightly different motives for this mobility. As emerging economies come of age, the demand for high quality pharmaceutical products and diagnostic tools is set to increase. It is also evident that there is growth in the number of clinical trials being performed in emerging markets in Latin America, Eastern Europe and Asia, with growth rates of 30 percent a year in the number of trials over the past decade. Emerging markets are an increasingly important driver for pharmaceutical sales. Sales are set to reach $400 billion by 2020, with high growth rates in countries such as China, India, Brazil, Russia, Mexico, and South Korea. In the meantime growth is expected to slow in the developed world. However, pharmaceutical organisations have quite different exposure to these markets. Some are now seeing 30 to 35 percent of their total sales growth coming from emerging markets whilst others have no significant presence yet.

Though those organisations who are developing these markets may be able to transfer technological know-how to their new markets fairly rapidly, the same cannot be said for duplicating the systems, processes and the knowledge required that makes the functioning of local business units in these developing nations as efficient as that achieved in the developed countries.

The countries defined as constituting emerging markets, in the pharmaceutical sector, varied. For several organisations, these markets essentially mean China and India. One organisation also cites Brazil whilst another company, that does have an Asia-specific talent development programme, does not see only Asian countries as emerging markets: *"…our emerging markets are not only in Asia; we have key markets in Latin America and Eastern Europe"*. In another organisation, much of the incentive to expand into emerging markets – notably the "Tiger" economies (the fast growing developing economies of Asia such as Taiwan, Singapore, Malaysia) - is to develop sufficient local presence to recession proof investments: *" … When we say developing markets we are really talking about growth economies. Every organisation is looking for growth economies and there is no question that we want to maximise our returns in these countries. That is why we have already looked at the skills that we need to develop the markets in those countries"*.

Some pharmaceutical organisations have already made substantial commitments in these markets. One, for example, has invested more than $7.7 billion in R&D capabilities across its entire global business. The company operates a series of closely networked operations around the world that have access to the organisation's engineering, formulation and materials expertise, and healthcare knowledge, but in their annual report they argue that R&D capabilities and productive pipelines need to be developed in markets yet-to-be-created.

Other pharmaceutical organisations are still reluctant to use emerging economies for R&D purposes. Weak patent protection remains an issue in many places and multinationals also face competition from powerful local manufacturers in markets such as China and India. One interviewee sums up the current situation: *"…We have made some moves in terms of how we organise R&D and our marketing operations, but these have mainly been in [developed economies] with a growing piece in China. By and large all of the centres of excellence or development are still in [developed economies] and we are still quite centralised in terms of how we do our R&D. It is our commercial functions that are now spread throughout the world. Though we have quite a lot of operations in developing markets, we still do a lot of our new product development in developed markets where there is more sophistication of skills at the moment"*.

Reflecting this, in three of the seven organisations interviewed, emerging markets are not yet really leading to any significant issues or challenges. One interviewee notes: *"…Any increase or decrease in the IM function is not related to our functioning in emerging countries"*. A second interviewee notes: *"…I don't see any massive expansion of assignments to developing countries. I think the cost is a factor here. The cost of employees in developing countries is much less and sending people for working there can be costly as compared to the cost at which the local talent can be resourced"*.

A third argues that, whilst they do not use an emerging market distinction, some differential business response can be detected: *"…We do not differentiate between emerging or developed countries but we do differentiate our business approach to these countries. For example, in China, we decided to increase our investment. India is emerging as a market but also more and more as a country from where we can find people who can be moved from India to other countries"*.

The reason for the relatively slow shift towards emerging markets for a number of pharmaceutical organisations is as follows: *"…It takes a lot of investment and time to move these investments. It is not an industry where you can up and move plants from one country to another. There are regulatory arrangements that can take from three to five years to get resolved. There is a lot of capital investment to move plants. There are no quick fixes"*.

The conclusion, however, is that although there has been a slow and variable shift of mobility towards emerging markets, this development has been significant for many IM functions in the sector, and will likely soon impact those not yet affected.

Main challenges faced by International Mobility functions

This conclusion emerges from the following impacts described by interviewees. One explains: *"… The increase in our number of expatriates can be attributed to a shift in business model as the company is becoming more global. The fact that we are really focusing on emerging markets and regional centres for managing talent (using international assignees), where talent is scarce, makes me feel that there is a new business model emerging around the IM function"*.

For another, it is the shifting geography of movement that has created the greatest impact on the function: *"…From my point of view, emerging markets have changed things in the mobility world for our organisation. This is a dramatic change from our past. In the past, close to every one of our expatriates was of [headquarters nationality]. This has already fallen to 50 percent of expatriates. All the others are of every different nationality you can imagine. We see this also when we have acquired [one recent acquisition also had 98 percent of expatriates of headquarters nationality]. Where you have HQ expatriates, you see policy and conditions through the HQ lens. This is now a dramatic change in our mindset. We try to provide the same conditions and package to person from India to Thailand, from the U.S. to Germany, from China to Brazil. This has really changed our policy world and our process world"*.

In short, for some interviewees. the impact of emerging markets has already been felt, and it is significant. For others, it may be a change in waiting.

Three challenges, as a result of activity in emerging markets, are faced by those IM functions in pharmaceutical organisations that recognise such growth as an issue:

- The need for strategic workforce planning
- Understanding the dynamics of new labour markets and the applicability of policies to these markets
- Changing the IM operating model to accommodate larger regional flows of expatriates

"...Our expatriation is increasing because the talent pool has become more amicable to moving globally."

Strategic workforce planning

Given the growth of emerging markets, global mobility frameworks clearly must now sit within a broader market development and people management strategy. As one interviewee explains: *"… In the context of emerging countries, one of our priorities this year is to form a strategic plan for Asia. It starts with strategic workforce planning. Where are the gaps, in terms of capabilities, that we need to buy or build? For example, in China there is a lack of leadership capability in managing multinational companies at the moment. We are taking a two-pronged attack. Get talented people in China and get Chinese people to countries where the business is in a more advanced stage. We are "In China for China". The long-term aim is to see that the head for the China business is a Chinese national."*

This type of shift has significant implications for the IM function: *"…There are two key strategic drivers for the business… talent management and strategic workforce planning. IM sits within this embryonic team that looks at the people response to the strategic business initiative. Our emerging markets are not only in Asia; we have key markets (in) Latin America and Eastern Europe. Each one needs us to look at what they need to do to succeed and how we would support them in the people response to these challenges"*.

This renewed importance of linking talent management, strategic workforce planning and international mobility issues together can have very big implications for the IM function. An interviewee from another pharmaceutical organisation explains: *"…one of our primary goals is to develop global talent. The senior board is interested in ensuring that the company has future leaders ready and it is helpful if these leaders have global experience. The organisation recently had a senior leader conference where the role of the IM function was rated as the second most important business strategy"*. A strong endorsement, indeed.

Clearly, building this capability will become more important for IM functions but it must be counterbalanced by the ability to move fleet-of-foot. It would for example be wrong to assume that moves into emerging markets are always handled in a strategic way and as such can form part of forward strategic planning processes. The need, or opportunity, to invest in particular countries, sites or operations can emerge suddenly, as can the resourcing challenge. A long-term solution then is to have arrangements that incentivise experienced expatriates to undertake or oversee such projects, but also to have a range of alternative resourcing strategies to reliance on expatriates to hand. These alternatives will require detailed insights into the level of capability and readiness to move of regional and local talent, standard protocols that can be used to resource operations and ensure that appropriate capability has truly been transferred and emebedded in local operations.

Understanding the dynamics of new labour markets

Moreover, as the traffic between hubs begins to focus on new geographical locations, IM functions have to understand new assignment contexts specific to the particular geographies and the challenges of resourcing people who are both willing and capable of carrying out the work.

The applicability of current policies to emerging markets is now being questioned by some pharmaceutical organisations. An interviewee explains: *"…We now face some challenge… and it is how applicable are our policies for our expatriates going to these emerging markets? We have, now, two types of expatriate: first are those who go out and back; then there are others who* *float from country to country. The challenge is to develop new packages for the permanently mobile employees. However, managing this [new] global cadre of employees is typically more expensive"*. This organisation used to operate two types of policies based on grades. One policy was for general manager grades and higher and the second 'expatriate lite' policy was for all levels below. They are now in the process of moving away from two grade level policies to a menu-based single policy that affords much more flexibility in what the individual can be paid based on the situation of the assignment.

A trade-off between finding people committed and willing, versus being the most competent, is often considered by IM professionals to be a significant issue.

However, the interviewees from the pharmaceutical sector seemed to be relatively relaxed about this: *"…We don't have a rich policy. We try to make it very clear that the benefit one is getting is largely from the career development perspective. We don't really face a commitment versus competency trade-off. We do have occasional situations that we deal with by making exceptions for that individual"*. A second interviewee confirms: *"…from my experience, I haven't seen a lot of push back on an offer for an international assignment. We normally don't see too many people turning down an assignment"*. For a third interviewee, this issue arises rarely but where it does it is in the area of manufacturing activities: *"… There is an element of trade off when we send junior people to our manufacturing plants, which are not always in the nicest locations. Perhaps we have [about 5 percent] of assignments that would fall into that category – lower grade technology transfer activities. It is just one of those things. By and large our commercial operations are in capital cities and so are attractive locations"*.

A fourth notes that: *"…there are few people who can't move for family reasons and we respect that and don't send them but I don't think so that we are currently doing any trade-off in this regard. There are one or two locations that are hard to fill, such as Columbia and Russia, but, normally, we have sufficient people who are ready to go on international assignment"*.

One reason for this perception that commitment to assignment is not really an issue in the pharmaceutical sector might relate to the centrality of international mobility to careers, stressed early in the recruitment and career management process. An interviewee explains:

"…Our expatriation is increasing because the talent pool has become more amicable to moving globally. About two years ago we started to ask, in recruitment interviews, if people were globally mobile or not. If they were not it would be discussed during the recruitment process". The consequence is also clear: *"…If the company offers someone an international assignment and they turn it down for personal reasons, they will not be offered it again and that really impacts their career"*.

Clearly, for pharmaceutical organisations, operating in emerging markets creates little pressure to change the basic design of policies. The assignee needs that any one policy has to manage, however, do appear to require some sensitivity. An interviewee notes *"…We do try some regional approach but it is very dangerous to lump all of Asia together in terms of cultural attributes. One has to be sensitive to that"*. This is made all the more complex because finding the right talent can be difficult and remains a key challenge in operating in emerging markets. The same interviewee explains their organisation's approach to this issue: *"…Western global assignees don't fit well… our Chinese business has taken off after we took expatriates out and put in people who could speak Chinese. Basically, it has been picked up that having Western assignees does not necessarily work in negotiations with government. At times, we use assignees from other developing countries. For example, [we used] 14 people from India for assignments working in nearby Asian countries. Emerging-to-emerging markets cost is not an issue. The real issue is to have effective people. We move our key talent"*.

Linked to this is the reality that each market is in a different stage of development. An interviewee from another organisation explains: *"…Take India. I would say* *it is not in the same stage of development as China, but it is emerging as a market not only in terms of one that we will sell more to, but also as a centre of our resources (such as service operations delivered out to the world such as HR) but also product development or research… When it comes to international mobility, the issue is can we move people there? Can we enable this? Then we find that it is not as easy as we thought. People don't know about these markets, they do not have so many people that they can ask what is really going on there"*.

This is creating two key challenges for pharmaceutical organisations:

- Speed of setting up establishments in location. *"…You have to be very quick. You cannot have lengthy discussions with the employee. A young professional here having always wanted to go abroad sometime normally would not think about an emerging market. They have to make this decision in a very tight timeframe"*
- Familiarity – how familiar is the network of existing expatriates about conditions?

Because there is little time to sell the proposition, for one interviewee the only way to cope with it is *"… the package. In this kind of market you have to negotiate more with the employee. For the employee, they want to see what the company will really pay for me to do this. Our Chinese site is one and a half hours away from (major city] and it is not that easy for the employees. We need a lot of them and they do calculate more than someone who is sent to [a developed market]."*

Given the above discussion, what insights are needed to manage in emerging markets? Considerable tacit knowledge is needed, including the:

- Level of competitiveness and whether expatriate packages still need to be offered to people who have been active in the region for some time and so might not be expected to get such a package elsewhere
- Requirement to flex core packages to cope with specific needs, such as hardship or transport provision, a general heightened expectation of service from assignees being sent to such markets
- Availability of mature service providers capable of operating to standards expected in other regions

IM functions are learning how to respond to each market in different ways. Although provided with general data by suppliers, this tacit insight is built through expatriate roundtables and advice networks in the region.

Changing the IM operating model to accommodate larger regional flows of expatriates

The shift in geographies is creating the need to alter the operational model used to deliver IM services.One interviewee is currently in the process of setting up an Asia-pacific centre of expertise: *"…My department is a central corporate one, but as a product of us having huge traffic to [a major western country] we established a centre of expertise in that country. Now I am looking for people to resource or staff a centre of expertise in Asia-Pacific. We believe that, due to the growing importance of the region, we need someone from my department there in the region"*.

There is another development taking place, which is a shift towards more permanent transfers: *"… When people are going into emerging markets, are they going into these markets temporarily or permanently? In China, we have been looking at the opportunity of moving people there permanently to help build infrastructure. That is something that we are starting to look at this year… However, this would change the whole equation. What pay scales do you give these people? Do you treat them as local individuals? They are not global assignees. Do you treat them as some kind of hybrid? We have a local enhanced package. They are treated like local employees but they get some additional things that local employees would not get…. I think it will create* *tensions, but we have not done it long enough to find out what those tensions will be!"*

These developments may also change the operating models of some IM functions in the sector. They also raise two important questions:

- Can these developments be managed by centralising the function?
- When located in different places and distributed around the world where the necessity is, what will be the most appropriate balance between standardisation and localisation?

BUSINESS MODEL CHANGE

To adopt a strategic workforce planning or predictive manpower planning approach and inform investments in local training centres of excellence or other strategies to develop skills in country, there needs either to be a stable business model, or a sense that the model is about to shift markedly. The business model represents the core logic that creates, captures and leverages value in a way that generates both profitable and sustainable revenue streams. It is the dominant performance logic that specifies:

- How business is done, who the customers are
- Where the costs and profits are
- How and why the organisation works as it does
- How financial and non-financial resources have to flow through the organisation
- What organisational capabilities are necessary to ensure such joined up implementation of the business model

Before considering this issue, any interpretation of findings from the pharmaceutical sector should bear the following in mind. The typical pharmaceutical sector business model involves three common elements of R&D, manufacturing and marketing. As the cost of drug development continues to grow, pharmaceutical organisations face significant regulatory, pricing and competitive threats. The cost of bringing drugs to market can be as much as $800 million and can take up to 15 years. Around five out of every 5000 drugs tested reach a clinical trial stage and only three out of ten marketed drugs recover their R&D costs. During the last decade, pharmaceutical organisations outside the industrialised world have also become increasingly sophisticated in reverse-engineering. The sector is, therefore, seeking opportunities for outsourcing some business processes (particularly the more expensive ones such as analysis and testing). In terms of solutions, blocks of business processes within the organisation that can be carried out independently (without requiring daily interaction with the drug company) may be carried out through agents. A range of service capabilities such as analytics, testing, paperwork for dealing with regulatory agencies, market research, strategy, portfolio management and regulatory compliance strategy may be kept in-house or outsourced.

Therefore, even within this sector, it should be expected that individual organisations will be working to different business models and their IM strategies will be influenced by these unique factors accordingly.

Moreover, as organisations internationalise, the potential is there to also change the design of their business model. This business model change, rather than the emerging market opportunity, becomes the real driver of the international mobility requirement in terms of the sorts of capabilities that need to be built in a market. Where this is the case, IM functions find themselves playing an important strategic role in helping the organisation execute its strategy.

Industry analyst reports note that opportunities for pharmaceutical organisations, outside of their mature markets in Asia, Latin America and Eastern Europe, are ripe for investment. Indeed, several organisations are investing in becoming insiders and partners of the healthcare system, taking stakes in such things as the development of pharmacotherapeutic and preventive areas of focus. In 2005, market growth rates across all three areas in China, Korea, Turkey and the Russian Federation were 20.4%, 14.6%, 54.3%, and 19.9%, respectively.

This said, through the eyes of the IM function, there was only very limited evidence from the pharmaceutical sector that the growth of emerging markets is associated with any significant business model change (in other sectors examined in separate reports, such as financial services and high technology, business models do appear to be changing and impacting IM functions). One interviewee responded: *"… Business model changes taking place? We have business model changes, but it has no effect on global mobility. Are we bringing IAs in or out in relation to business model change? I would say no"*.

"...We do not differentiate whether it is an emerging country or emerging market or not. We differentiate how we approach these countries in relation to our strategy."

For another interviewee, the growth of operations in emerging markets, such as China, follows on from board-level decisions made about appropriate investments. *"…We do not differentiate whether it is an emerging country or emerging market or not. We differentiate how we approach these countries in relation to our strategy [business model]. For example, in China we decided several years ago to build up a large materials science capability. This was a huge investment that required a lot of resources from different functions to be moved over there"*.

The consequence, nonetheless, has been a significant increase in levels of mobility and unpredictability of resourcing within Asia: *"…This is something that we have to plan in a different way than would be the case for other countries. For example, in the U.K. we would know how many expatriate positions we would have – it is more or less predictable. But in China… if the board decides to approve an investment, then from one day to another we have to send 25 engineers over there. It is not as predictable as in developed markets….In total we had to send around 150 engineers over there"*.

In another pharmaceutical organisation,such shifts in the location of capability might hold out the prospect for future business model change: *"…We have had to set-up a centre of expertise for IM for the Asia-Pacific region to manage the growing movement to that region. This has a potential to change the line of reporting"*.

As a recommendation, IM functions within the sector could consider the unique development paths inherent in their organisation's business models and consider whether there will be new demands on the role and services required from the IM function in the future. Specifically, what types of knowledge and capability are needed in various countries both now and in the near future, and how equipped is the IM function to help deliver this capability through its mobility policies? The next section looks at some of these issues.

TYPES OF KNOWLEDGE BEING TRANSFERRED: COMPONENT KNOWLEDGE AND ARCHITECTURAL KNOWLEDGE

The GRTS asked respondents if a clear statement of the assignment objective (business justification) is required to obtain funding for a relocation/assignment: 56 percent of respondents in the pharmaceutical sector answered no, with 64 percent saying no cost-benefit analysis is required as part of the business justification for a relocation or international assignment. Such a statistic can, of course, be misleading. It might just reflect the different allocation of responsibilities across the life cycle of the international assignment afforded to IM functions.

One way of understanding the role being played by international assignments in emerging markets is to consider the different types of capability and knowledge that are being created or transferred in-country by the assignments. A distinction can be made between component (operational) knowledge and architectural knowledge.

Component knowledge refers to an understanding of the nuts and bolts of the operations of the business, often also associated with specific products or functions. It is based on knowledge of the parts of the business rather than the whole. The questions are whether and how the assignment can develop this type of knowledge deeply enough within not just the individuals involved, but the surrounding host operation.

Architectural knowledge, on the other hand, requires a shared understanding of how the new strategy and business models require interconnections between all of this operational (component) knowledge. In short, how do things fit together?

What does this component or architectural knowledge look like? One interviewee considers that for their organisation: *"…the examples for architectural* *knowledge that we look for is the ability to lead and drive a particular aspect of a business; for example, on the commercial side, an individual should be able to drive up sales. For component knowledge, examples are international assignments on the technical side; where the international assignee should have the knowledge of the required technology that needs to be transferred"*.

The balance between these sorts of capability transfers seems to be very different both across individual organisations within the pharmaceutical sector and across the different business functions within pharmaceutical organisations. To reinforce the last point, one interviewee argues: *"…The type of knowledge that needs to be transferred varies for different business functions. If the mobility is for R&D, it is largely for component knowledge; if it is marketing then the move is of people having architectural knowledge of the business as a whole"*.

In two organisations, the split was considered to be 80 percent component and 20 percent architectural knowledge transfer: *"…Most of the assignments are project specific, so the ratio would roughly be 80/20 in favour of component knowledge"*.

For another two organisatins, there was a clear view that it is architectural capabilities that need to be transferred. The first interviewee argues: *"…a third of our expatriates are those having architectural knowledge and the other two thirds are assignees with component knowledge. We are moving manufacturing operations and a lot of finance and quality assurance people are going out. So we need assignees with both type of knowledge. One of the challenges for us, in the IM function, is to ensure that international assignees with architectural knowledge are able to train local people in these skills"*. The answer given by another reminds us that, in some instances, architectural knowledge transfer is a feature either of moves associated with corporate governance or a part of key development programmes: *"…most of our international assignees are people with architectural knowledge who have an overall knowledge of the business. We have a programme called the International Development Programme. These are high potential individuals that go on assignments. These are our future talent that we train to be leaders"*.

Although most interviewees could see the relevance of the differences between component and architectural types of knowledge transfer, many were wary of using this differentiation to alter terms and conditions. An interviewee explains: *"… This works, but the distinction [of assignment purpose] should not have any impact on the package. This was different in the past but we now need transparency for the people going abroad – whether that is from India to China or from Germany to the U.S., whether it is the architectural capabilities or shifting and moving knowledge from one market to another, for everybody it is the same. One global [menu-driven] policy with the same conditions"*.

This is where the overall HR structure and organisation, discussed earlier, also becomes important. The same interviewee explains: *"…We do not want to have negotiations where we, at mobility management, as an enabler, have to negotiate with employees. I am not in the position to be able to judge how important this employee is for the country or for the business or whatever"*. These types of negotiations are best carried out by the home management, business partner and expatriate themselves.

It is clear from the study that when architectural knowledge types of assignments become more important, this creates a particular challenge for IM functions. This is the need to understand the networks that provide them

with the connectivity to build architectural knowledge, and to do this the IM function itself has to be able to demonstrate its own architectural knowledge about the organisation and the organisation's development path.

Such challenges show how important it is that IM functions now become involved in a more strategic organisation development agenda where emerging markets are concerned. A salient message echoed in all the strategy documents (such as annual reports) of the pharmaceutical organisations interviewed, and corroborated by interviews with the IM directors, is the importance of creating a good network (intra-company or inter-company) between strategic business units across national boundaries to facilitate a seamless flow of knowledge, skills and key talent. International assignees, working across these national boundaries, are key players in the creation and successful functioning of these networks. This moves us to the final issue of return on investment.

MEASURING VALUE OR RETURN ON INVESTMENT FOR ASSIGNMENTS

Return on investment (ROI) has been discussed for many years within academic and practitioner circles in terms of the measures to be used, ways to capture it and at what point any measurement should occur. Given the growth in emerging markets, for example, should ROI be measured during the assignment, immediately post assignment, or after an appropriate time when any capability transfer might be expected to have happened?

The GRTS data shows that the IM function is monitored largely for its business justification but not for its ROI. Only two, out of 17 respondents to the GRTS in the pharmaceutical sector, reported measuring some form of ROI, and even then these calculations were qualitative rather than quantitative in nature. For the vast majority of interviewees, ROI is a work in progress. One interviewee bluntly notes: *"…That's not my responsibility. I have to be honest, I do not think that they have been doing it up to this point"*. Another expands: *"…We do cost projections but not really ROI. We don't have any measure for ROI"*. Another reflects the same position: *"… Currently we don't measure ROI. We do look at costs and have cost projections"*.

*"…We do cost projections,
but not really ROI.
We don't have any measure for ROI".*

Some interviewees mentioned that they were currently reviewing the way they control costs of the IM function. The question they are asking themselves is: *"…are we exerting too much control over our senior value creators?"*. The debate within most organisations suggests that there is a fine balance between managing the cost of their IM function and damaging the effectiveness of the mobility it manages.

How is international mobility generally evaluated? One interviewee explains: *"…the performance of expatriates is measured but it is not done centrally. In the new policy, our people are measured against their annual goals, but there isn't anything formally established vis-à-vis their international assignment"*.

Perhaps some of the scepticism about measuring ROI can be traced to the following logic: *"…real cost control is [through] sending the right people. Too many organisations send people without rational reasons"*. Another interviewee argues: *"…it is very difficult to do an ROI on an individual basis. The investment is in future leaders and if we are able to get future leaders through international mobility then the investment would have delivered its return many times over."* It is worth noting that this particular organisation had the IM function reporting under a talent management umbrella. Most of the organisations that develop talent through international mobility as a primary aim do not see it as a cost and, thus, do not feel the need to report an ROI for the IM function. As one of the interviewees explained: *"…the primary aim for IM is to develop talent, particularly leadership development, and not simply filling up skill gaps. We could possibly buy some of the skills that we lack in a particular business in a given country but we don't want to take that route. We prefer to develop our own talent to fill these gaps using the IM function."*

Despite such concerns, there has been debate about the merits of using short-term measures that might look at the success of a particular assignment, or long-term measures that assess whether mobility in general has assisted in developing the capabilities of an emerging market. If a shift towards longer-term measures occurs, a logical step would be to then evaluate the ROI of the whole IM function using such metrics.

As a recommendation, the development of international mobility frameworks to service growth of emerging markets, whilst not currently associated with the development of sophisticated ROI models, affords the opportunity to consider these issues anew.

For most pharmaceutical organisations – indeed for most organisations – questions about the ROI of the whole IM function have only been considered as part of decisions as whether to out source specific aspects of the function, with ROI intimately tied in with general perceptions of service and recognition of overall success in resourcing. The proportion of pharmaceutical organisations who participated in the GRTS and who currently outsource various aspects of IM in the pharmaceutical sector, are shown below:

	Currently Outsource	Plan to Outsource
Policy consulting	25%	6%
Programme administration	19%	6%
Vendor management and co-ordination	25%	6%
Financial management (expenses, invoicing, payment)	25%	19%
Payroll administration	19%	25%
Compliance (tax, social security, immigration)	88%	6%

This pattern is not the same across all sectors. For example, the above figures show a moderately higher level of outsourcing in the pharmaceutical sector compared to the financial services sector in all areas other than (perhaps not surprisingly) for financial management, which is more likely to be outsourced in financial services firms, for example. The data clearly demonstrates that it is legal and financial compliance (tax, social security, immigration) that is largely being outsourced. Most other aspects of IM are still managed in-house in the pharmaceutical sector.

It is interesting to note that, although several pharmaceutical organisations consider that IM is acquiring a more strategic role in its functioning, and in some instances were party to consultation with the Board of Directors in forming the organisation's future strategy, almost 25 percent of respondents to the GRTS across all sectors do not think on similar lines.

CREATING VALUE, LEVERAGING VALUE AND PROTECTING VALUE THROUGH INTERNATIONAL MOBILITY

The value contribution of the IM function to the business has been of interest for a long time. This value contribution can be thought about in three ways:

Value creation

Value is created by ensuring that the organisation has the ability to build and acquire talent and, in turn, develop the value proposition inherent in the business model. One interviewee explains that this comes largely from a commercial perspective: *"… We tend to be rather black and white when we look at the aspects of value creation. If the job of a person was to conduct a technology transfer, then their value creation will be judged by their success in doing so"*.

For IM functions value creation requires:

- Being able to answer the ROI question, and focusing senior management on what the function does well and how this is achieved
- Managing immediate and sustained talent challenges that are associated with resourcing emerging markets, transferring necessary start-up capability and establishing new operational hubs if necessary
- Developing HR processes that help move to talent to market and support the positioning of people in those markets to create economic value
- Understanding the new organisational capabilities central to the business model and establishing new processes to deliver this

Value improvement and leverage

For IM functions, value improvement and leverage requires enhancing the business model as it develops and learning how best to execute the business strategy by:

- Developing international mobility frameworks to help transfer knowledge and maximise the benefits associated with the role. Examples include cultural training and language training to make sure people in the role get the maximum benefit, having policy provisions to support this and, also, unlocking internal networks and knowledge
- Assisting in the optimisation of policies and practices. This is judged at the individual level by determining whether people are receiving the right package at appropriate costs and at the functional level by the organisation getting the best service for its money
- Managing the learning that results from any change or execution process associated with market and business model development. This might include conducting experience audits and analysing the networks and connections that international assignees have
- Having multiple channels of connection that ensure engagement of the business with such issues. This may be leveraged through the relationship between the IM function and other HR functions and parts of the organisation, or through good cross-functional co-ordination between the IM, corporate tax and group legal functions
- Depending on the level of commercialisation of the IM function, being able to add value to the organisation's own clients
- Leveraging future international mobility investments to develop talent in the organisation and enable future strategic development

Value protection and preservation

For IM functions, making sure that any value that has been created does not then get lost may be seen as one of the most critical processes to get right. Managing risk is often an important part of the activity carried out by IM functions. One interviewee considers value as follows: *"…There are some people that we send to preserve the value of the company to newly established business. Value is created when people come back from assignments and share good working practices and things they have learned from their international assignment. But we don't have any formal mechanisms in place to capture this knowledge being created and it all happens at an informal level"*.

Value protection and preservation requires:

- The design and maintenance of effective governance processes
- Constructive surfacing of the risks inherent in a business or resourcing model and appropriate mitigation strategies. For example, reputational or governmental compliance risk management is important for IM functions
- Ensuring that the IM function has a strong reputation across a range of stakeholders, building up stronger relationships with the business, understanding their

needs and providing good advice.

- That the organisation is able to retain its best capabilities (both people and systems), through effective repatriation and successful post-assignment retention

In short, articulating how the IM function contributes to the creation, improvement and leveraging of value represents a central challenge.

CONCLUSION AND RECOMMENDATIONS

The first question asked was what factors appear to determine the role and responsibility of the IM function in pharmaceutical organisations? The answer is the extent to which the function has been embedded into a broader three-box Ulrich HR model, the consequent division of responsibilities across the life cycle of the international assignment and the whether the recruitment philosophy is driven by a high personal touch ethos or not. The choices made about the HR operating model do not fall into any common pattern – either within sector or across sectors. The values held by the organisation about the centrality of international mobility to senior careers also determines the extent to which organisations want to maintain control of the function, influencing the level of outsourcing of international mobility activities.

Preferences for a single service centre or a series of regional service centres reflect the volume of moves especially around emerging markets. In reality, each market has very unique features in terms of economic opportunities, political stability, level of physical and institutional infrastructure and people development (pools of labour, wage and skill shortage levels).

An important question to ask is, should international mobility (or associated expatriation activity) become a centre of excellence in its own right, or should it report via another centre, such as talent management? To the extent that the development of emerging markets is a central strategic concern, then linkages to talent management appear to offer a good solution. Moreover, given the growth in regional hubs or service centres to manage the new geographical patterns of mobility, a standalone centre of excellence might not be necessary. By far the most important influence on the relationship and split of responsibilities between central IM specialists and in-country or in-business division HR partners was the structural reporting relationship of the IM function. The solution chosen affords or denies the IM function entry into a range of HR issues now also being linked to international mobility. Many IM functions, by dint of history, still report into a compensation and benefits function. They are the function that defines the terms, conditions and financial package for expatriates.

There is a trend within IM functions in general, although in the pharmaceutical sector a situation seen perhaps only in those organisations that already have mature international markets, towards aligning IM under a talent management umbrella. This structural choice seemed to be a pre-requisite for the organisation being able to do two things:

- Manage through the entire international assignment lifecycle, thereby joining up work on assignment purpose, selection of expatriates, agreeing on assign-ment terms, monitoring performance and measuring ROI
- Approach the resourcing of emerging markets from a more strategic workforce planning perspective; undertaking capability development activity such as localisation and acculturating new operations, whilst also managing important transfers of knowledge into operations

The second development raises an important question. How does a localisation policy serve to develop more capability in a host country rather than a reliance on international assignments? The answer, it seems, is that once a policy of localisation is pursued, other sourcing strategies will become availalbe, and the use of all of these sourcing options together as part of a coherent strategy can ensure that the necessary capabilities become deeply embedded in the organisation.

Expatriates are but one brand of international manager and the choices now require co-ordinated management of all options, ranging from frequent commuters to various expatriate packages, and including the management and building up of forward skill supply, market mapping strategies to enable strategic local appointments, passive recruitment of self-initiated movers and immigrants, use of teams and networks, virtual or physical centres of excellence and various sourcing and shoring options. Rather than capability residing in a cadre of global managers, or through the advice networks that expatriates often bring, ultimately it has to be embedded in the systems, structures, protocols and behaviours of local management.

To the extent that these broader capability development activities are important, embedding IM under talent management would seem to be an obvious recommendation, but this comes with an important caveat. The historical compensation and benefit reporting means that IM functions have a much sharper financial and cost capability than is often found in talent management functions. To lose this sharpness might be as damaging a loss as would be missing the opportunity to link IM and talent management approaches.

What are the pressures/forces that are driving greater standardisation in policy and practice, or more localisation of terms and conditions and a "lighter" touch from the centre? Here the picture is simpler. Flexibility is being managed by two educative processes.

- Providing the business line with a greater variety of policies to suit the different mobility populations, the price for which is more rigorous adherence to such specified policy
- Once the line proves capable of understanding these choices, moving to a re-simplified set of policies built more along the lines of a cafeteria benefits approach, providing a "cost plus" approach that allows more individualised (to personal situation, not type of employee) package solutions

In handling mobility to emerging markets, there is an inevitable trade off between sending those who are willing to go (having enough people committed to assignment) versus being able to send the most talented (competent). Given that many IM functions are not involved in selection, the true extent of this trade off is not always known. However, the consensus across most of the IM professionals interviewed seems to be that it is easy to overstate the issue. By the time individuals get to assignment, the uncommitted have been weeded out and, to the extent that mobility is embedded within the culture, concerns about competence become less pressing.

In the pharmaceutical sector, evidence of true business model change associated with growth in emerging markets was sparse. There has been some relocation of R&D capability to other international markets and also the establishment of a network of strategic alliances across organisational boundaries, but, for the IM functions concerned, there is little sense that these business changes are, as yet, changing their main role and purpose.

It is worth questioning how long this picture of a slow shift in capability towards emerging markets will persist? Sales growth rates of 12 to 13 percent a year are forecast for countries such as China, India, Brazil, Russia, Mexico, South Korea and Turkey. More mature markets will grow at a low single digit percentage rate. Pharmaceutical sales in emerging markets will be equivalent to the revenues generated today from the United States and Europe's top five markets combined.

Those IM functions in the sector that have begun to deal with significant growth in emerging markets are having to learn now how to adjust their strategies, structures, policies and practices . This learning that will likely be a benefit to those organisations in the next few years.

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ABOUT BROOKFIELD GLOBAL RELOCATION SERVICES

Brookfield Global Relocation Services is the leading full-service outsourcing partner of end-to-end employee relocation, assignment management and mobility consulting services for multinational organizations worldwide. Brookfield Global Relocation Services is a Premier Service® company serving corporations in more than 110 countries and managing more than a billion dollars (U.S.) in relocation related transactions for our clients. With the broad reaching strength of Brookfield behind us, we offer a combination of business-to-business services unmatched in the industry.

Whether expanding into new markets or considering a strategic acquisition, Brookfield Global Relocation Services guarantees our attention will be focused on supporting the success of your relocating professionals through a single point of coordination, regionally located service centers and a globally integrated service structure designed to reach around the world. Brookfield Global Relocation Services offers you the peace of mind that comes with guaranteed service levels, scalable resources and the convenience of one point of accountability from start to finish..

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