

International Mobility in the Financial Services Sector:

The Challenges of Individualised Flexibility



Individualised flexibility is both complex to manage and operationally challenging.

Such change can be fundamental both at a functional and enterprise level, but for those companies who opt for this route and are successful, benefits will likely be many.



Executive summary

The financial services sector has not experienced a trading environment similar to that currently being witnessed for a generation. With the share price of many companies in the sector falling by double digits and the spotlight heavily on the way in which financial institutions do business and manage risk, the broader impact on business strategies moving forward, including global mobility, has been considerable.

Through a series of interviews with the mobility leaders at eight world's leading companies in this sector, we set out to investigate whether this current environment is forcing their hand towards a more flexible approach to the way in which they manage mobility. Indeed, is introducing greater flexibility in the hope of ultimately reducing programme costs a false dawn? What were the major challenges experienced by those who have implemented or are in the process of implementing greater flexibility? How were these overcome, if at all? Where should companies seek to introduce flexibility - by policy type, by assignment type or on an individual assignee basis?

This research sets out to address these and other related questions, as well as providing recommendations on different approaches.

Key findings

There are several key findings from the research undertaken. These are summarised below and expanded upon within the main body of this white paper.

Flexibility:

- Most organisations have established high levels of policy standardisation, based on a strategy of centrally managed flexibility and a philosophy of customisation.
- As a general trend, the number of policy options that has been deemed “sufficient” has increased in recent years and it is not uncommon to find organisations offering policies tailored to four or five different populations.
- Forty percent of the organisations interviewed have either implemented a more individualised flexibility approach or are in the process of doing so.

- An additional twenty percent are seriously considering the option.
- The International Mobility (IM) function needs to plan for the broader impact of new behaviours and service demands that come hand in hand with individualised flexibility and to consider the associated resource demands (within the function and externally).

Other considerations for the IM function:

- IM functions need to introduce a range of transition arrangements during the current downturn, but also maximise available resources to sort out existing processes to enable the function to operate more strategically once the recession ends.
- There is a need to rethink the talent proposition with regard to international mobility and focus attention on assignment execution rather than just resourcing.
- Greater transparency needs to be introduced into assignment conditions.
- Longer-term reward structures must be developed.

The challenge facing all IM functions in the sector is their willingness to engage with more flexible programme offerings, coupled with the more strategic advice role that developing such offerings will entail.

Introduction

The approach that IM functions take towards flexibility can be thought about as being positioned along a continuum that ranges between the following:

- Limited exceptions to standardised policy
- Customised flexibility based on a variety of set policy types
- Individualised flexibility

Individualised flexibility can have a significant impact on the governance arrangements to be put in place and requires organisations to be clear about the ways in which it will differentiate benefits.

We are focusing on the last and most recent approach to flexibility (Figure 1). This approach is based on the needs of individuals – needs that, whilst idiosyncratic, are recognised as a legitimate basis for a personalised assignment package – and the basis for a more widely applied offer of flexibility to similarly positioned individuals.

Individualised flexibility can have a significant impact on the governance arrangements to be put in place and requires organisations to be clear about the ways in which it will differentiate benefits: on the basis of hierarchy, geography, demographic segment and associated individual needs, or the type of transfer or assignment.

Opinions vary broadly within the sector on whether individualised flexibility is indeed an applicable approach. Some companies have considered it but rejected it outright because it is not aligned with their corporate culture. Others have considered but rejected it because the skill sets required by the internal mobility team are so far removed from those currently possessed and the transformation is deemed too extensive. Finally, some take a more traditional approach, viewing flexibility more as an exception management process.

Figure 1: Individualised approach to flexibility

- | | |
|-----------------|---|
| Context | <ul style="list-style-type: none">▪ Individual needs. Legitimate basis for a personalised assignment package. |
| Approach | <ul style="list-style-type: none">▪ Some deals still negotiated between assignees and managers in uncontrolled way.▪ IM function using central power to design a flexible scheme with guidelines.▪ Schemes offered to the business (manager, HR Business Partner) and the individual.▪ Schemes designed for decentralised / local discussion. IM has more limited involvement. |
| Options | <ul style="list-style-type: none">▪ Identify individual needs that can be used as a basis for widely applied offer of flexibility to similarly positioned segments.▪ Introduce a range of 'managed flexibilities' into negotiation process.▪ Previously standard policy variations need to be offered on more flexible basis cognisant of personal / family circumstances. |
| Strategy | <ul style="list-style-type: none">▪ Create framework to, negotiate-in, certain policy benefits, rather than having a philosophy based on assumption of universal entitlement.▪ Create market mechanism: for example provide cash value to specific benefits with opportunity to trade up, down, or across without initiating exception process. |

Some organisations find themselves in the due diligence process, analysing how exactly an individualised approach could be implemented and what the broader business ramifications would be – not solely the impact on the IM function. They are also focused on the level of flexibility they can introduce, and making sure that they are doing so for the right reasons:

“... We want to get there for the right reasons... [flexibility] creates a tension. We will continue to look at it so that we find a way to bring in more flexibility to get better outcomes [but] not just for the sake of it”.

Of those companies operating an individualised flexibility approach, none has been doing so for more than eighteen months and therefore the process is still somewhat embryonic. However, the benefits of operating this model have started to be realised (Figure 2).

Figure 2: Key benefits of individualised flexibility

- Overall assignment costs reduced through a policy of, negotiating-in, certain policy benefits, rather than having a philosophy based on universal entitlement.
- More decentralised and business-driven choice process over policy elements produces a better fit between the package and the assignment needs.
- Once investments necessary to make the policy option more effective have been implemented (for example providing the training support), the decisions become more self-managed. The reduced negotiation time required means that central IM resources are subsequently freed up to focus on more strategic concerns.
- The design of policy entitlements more closely aligned with individuals' personal circumstances will improve levels of engagement with IM by providing a value-proposition that is more relevant and attractive to key talent.
- Improved engagement ensures continued high levels of productivity whilst on assignment, and the IM function can thereby provide a better return on investment.



Main components of individualised flexibility

It was evident from the interviews conducted that the various opportunities and risks associated with any decision to implement individualised flexibility had been well thought through. However, some companies chose to focus more on risks than opportunities, and others vice versa, which was reflective of the individual organisational culture.

Moving towards flexibility for the right reasons

Any debates about flexibility, if not underwritten by some clear boundaries as to what is really involved, run the risk of destroying any perceived added-value represented by the IM function:

“...There are good reasons why flexibility should be classed as an exception... Exception trends are good points for discussion when we are looking at policy changes... [but] The risk with too much flexibility is that it dissolves the value-add of the international assignment function in its knowledge and expertise. If we just let people decide the level of accommodation,

schooling, spouse career support that we have justified the provision of, where is the value-add in us?”

Being more explicit about the key principles

IM functions need to be explicit about three key principles:

- The underlying philosophy that they hold about: mobility entitlements; the assumed consequences of flexibility; the opportunities it creates for various stakeholders; the situations in which it does not make sense; and the limits they wish to impose on flexibility.
- The relative importance given to and balance between individual needs, work-life balance and welfare considerations.
- The need to demonstrate a cost and / or operational benefit of the new flexibility that is offered.

The experiences of those organisations that were interviewed as part of this research varied considerably from those who had implemented greater flexibility to those who were considering it, to those who had considered it and ruled it out as a feasible option.



One organisation that has introduced a more flexible policy did so because it faced a double challenge – the need to increase the number of its assignees from 1600 to 3200 by 2010 without increasing proportionate costs in order to improve overall shareholder value:

“...we gave flexibility to line managers to negotiate certain parts of the package... so that we would be able to meet the two goals... a number of duty of care items, mainly tax and healthcare, were non-negotiable, but everything else, including area allowances, mobility premiums, flights home, accommodation, and children’s education, were up for negotiation... this ranged from negotiating a one line item in a standard policy assignment package that everyone used to have, or negotiating every single item”.

When negotiating, assignees can choose to pay tax on a net or gross basis, so the flexibility can have quite fundamental impacts – it is not just about the allowances people are entitled to. They found that:

- About 15% of international assignment packages were taken up on flexible terms in the first year (compared to the estimated 20% of packages).
- Flexibility was most attractive to the Investment Bank operations, where the business culture traditionally supports deal making.
- Relocation and storage benefits were the most popular flexibilities sought.

The observation, that individualised flexibility fitted an Investment Banking culture, is worthy of note – the managed introduction of intelligent decision making around flexibility is best embedded only in those organisational cultures that are mature enough to accommodate the many tensions and trade-offs that have to be managed.

While this research was undertaken under the broad umbrella of financial services, there are considerable differences in internal cultures within these organisations dependent upon business unit and / or department. Such nuances only serve to present more challenges, or possibly

greater opportunities.

Managed introduction of ‘intelligent decision making’ around flexibility is best embedded in those organisational cultures that are mature enough to accommodate the many tensions and trade-offs that have to be managed.

Figure 3: The main risks to assess

- Do we have a baseline sophistication in the way that we manage the existing levels of flexibility?
- What are the welfare and corporate responsibility risks that need mitigation?
- What is our underlying rewards philosophy?
- Do we need to establish a link between entitlement to more flexible benefits and a talent assessment?

Baseline sophistication in existing policy variants

In another organisation, the interviewee pointed out that any debate surrounding flexibility would currently be short-lived. The idea simply does not get off the ground when it is included in discussion at the moment, and it appears that there are valid reasons for them rejecting the introduction of flexibility:

“...We have global standard policies at the moment and we are not comfortable that [we yet] run these [existing] processes really well, so we are not ready to open up to a level of flexibility that would be more

difficult to manage... There is enough challenge in dealing with the questions from the current system, so managing a different package for each person would be a large and difficult system change. Confidence in the stability of the existing system is not strong enough to be able to open it up more”.

A significant concern expressed by a number of IM functions is that every time a new initiative is launched line managers and HR Business Partners (HRBPs) start to introduce new variations on the theme. This creates potential precedents that are often poorly thought through and indirectly develops yet another hybrid of the hybrid scheme already offered by the IM function.

Our recommendation is that if there is not already a mature approach to handling existing levels of flexibility and discretion levels, IM functions should tread warily before individualising it any more. These risks can be mitigated by introducing strong governance arrangements.

Welfare considerations

A second set of considerations concern the staff welfare dilemmas that are inherent in much IM policy provision. Depending on the pattern and type of mobility, there may be organisational concerns about what should be made flexible, and whether it falls under the discretion of the individual assignees or the HRBP. These levels of discretion and choice, in turn, rest on the judgement of whether the individuals have the ability to make wise decisions.

A minority of interviewees felt that many of the welfare issues related to individualised flexibility – such as concerns over equity, transparency, meeting needs or providing entitlement – are not particularly new.

The majority, however, perceived new welfare issues accentuated through the pursuit of individualised flexibility. These fall into one of the following three categories:

- Choices over benefits that create risks to themselves and their families: “... *We need to ensure that we are able to protect employees for their own good. This is connected to the level of maturity in our markets and management teams, and their ability to make the right decisions”.*
- Choices over benefits that create welfare risks to the organisation. Many welfare issues cannot be

divorced from the question of subsequent assignment performance: “... *from a business perspective, we need to stop people from choosing a blend that makes it more likely for the assignment to fail. Previously, employees trusted the policy, but when packages are all negotiable, they start doing a lot of research and won't go if they feel it's not acceptable to them and their families... [we know that] accommodation and schooling are important because if they are cut back on too much, assignments tend to fail”.*

- Choices over benefits that create risks to corporate reputation: “... *Welfare is very important as it comes back to being an employer of choice... We ought to be ... enlivening the internal labour market and looking there first – we must [be seen to have] the core benefits to at least support people”.*

One particular concern was often raised over the risks related to the practice of encashment, where the organisation has large numbers of expatriates operating at more junior levels. Under these circumstances, the following welfare considerations are fundamental:

- **The greater family-unit need:** for less experienced managers the concern is that when faced with an environment where host sites may be under pressure to cut costs, individuals might not have the maturity or wisdom to make the right choice for themselves and their families.
- **Security and assignment productivity:** housing considerations also bear upon security and assignment productivity, especially in hardship locations. Managers new to a market might seek to choose a cheap apartment out of town, only to realise later in the assignment that it is detrimental to performance.
- **Work-life balance:** to be assessed very early on in the resourcing process. This entails further education of key stakeholders to ensure that the issues associated with the individual candidate's personal circumstances were understood by line managers. This can be partly achieved through the provision of e-enabled and self-service support, especially at the earlier stage of the recruitment process. Assignee data is linked to tools for the individual or line manager to demonstrate average costs associated with various choices, taking

some pressure off IM functions. Line managers would, however, still need a baseline level of knowledge to be able to use such tools to guide subsequent detailed discussions. Such investments inevitably have to be weighed up against the other e-tools that enable the development of strategic resourcing plans (e.g. examining potential talent), the posting of international vacancies and the signalling of high-level selection criteria.

“... from a business perspective, we need to stop people from choosing a blend that makes it more likely for the assignment to fail. Previously, employees trusted the policy, but when packages are all negotiable, they start doing a lot of research and won't go if they feel it's not acceptable to them and their families...”

All elements of welfare risk – those to the individual and their family-unit, to the business and to assignment performance, and to corporate reputation – should be tested and options rejected if the assignee population has inappropriate expectations, leading to a potential disproportionate burden on local business units and ultimately a loss of faith in the IM function. These risks can be mitigated by:

- Limiting discretion over certain benefits.
- Removing a cash or tradable value to benefits that individuals may see as low-value but, the IM function is aware, serve a greater purpose.
- Being more explicit about the values the options are intended to support.
- Educating HRBP about the need to mitigate against potential assignee and line manager short-sightedness.

The underlying rewards philosophy: cash or benefits?

Individualised flexibility is often associated with an option for those items that are not included in the package to be encashed. To avoid potential challenges, organisations have to get agreement on and become more explicit about underlying reward principles.

Align new individualised flexibilities with three key rewards attitudes:

- Relative need
- Intended purpose behind the benefit
- Distinctions between a cash or benefits philosophy and entitlement versus need

The stance taken by each organisation in relation to these attitudes differs even within the financial services sector, but all would agree that getting the alignment right is vitally important. The potential exists for creating solutions that cloud the original thought process and disturb the underlying reward philosophy. Although these considerations apply to all sectors, one interviewee cautions that they are particularly important in the financial services sector, where the motivation of employees is particularly compensation-driven.

In twenty-five percent of the organisations interviewed, no flexibility is offered within policies because there is an underlying reward rather than a benefits philosophy. Interviewees signalled the importance of aligning any flexibility in IM benefits with the overall rewards culture of the organisation, of linking judgements about specific allowances to incentive targets, and of understanding how deeper reward values within the organisation might mean that any particular flexibility introduced in cash payments may be corrected by managers through other mechanisms.

In one organisation, there is a clear set of values that sits beneath the benefits policies. Under this philosophy, bonuses are levelled across geographies. The problem that individualised flexibility might create concerning questions about levelling – or the consequence of not levelling – cash payments.

Our recommendation is that IM functions work closely with corporate reward and compensation functions in analysing potential dysfunctional behaviours and consequences that new flexibilities might engender and that they develop a narrative as to how new programme flexibilities support the reward proposition for key assignee populations. This narrative can be used to educate HRBPs and international assignees.

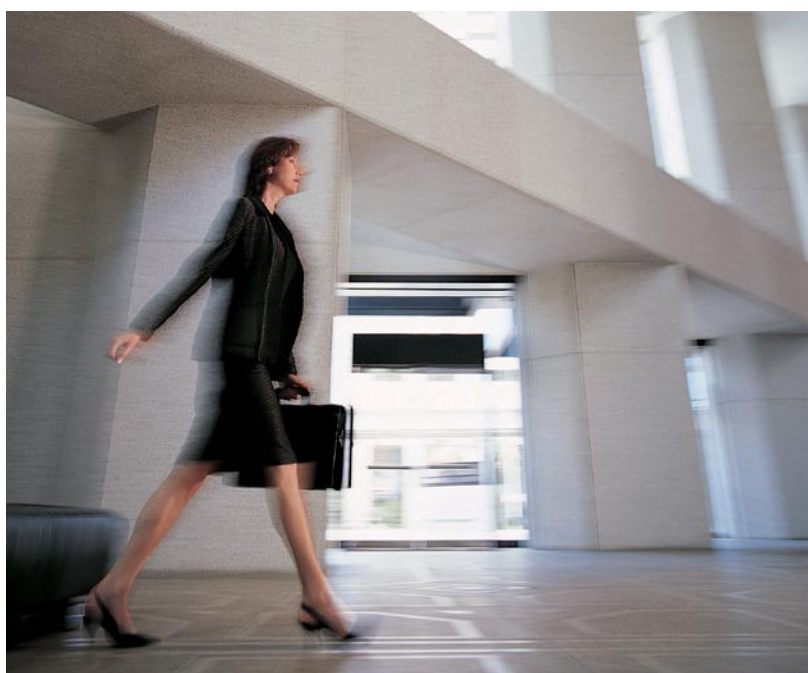
Should flexibility be driven by a talent assessment?

Finally, attention needs to be given to the link between the level of flexibility and whether those assignees afforded access to individualised approaches are seen as key talent.

The level of flexibility should clearly depend on the status of the individual – someone who either has to be enticed to go, or should be expected to go.

One interviewee argues the level of flexibility should clearly depend on the status of the individual – someone who either has to be enticed to go, or should be expected to go (and as a consequence is rewarded for this expectation in other more direct ways, such as a career).

Another organisation conducted a study by a consultancy firm last year, the outcome of which was that they were advised only to send key talent on assignment, but all utilising a full balance sheet approach. The IM Director noted that not only would this be the most expensive option, it ignores some subtle psychological and Human Resource Management considerations that need to be managed with individualised flexibility. If you have enthusiastic people in their mid 20's to 30's in their early careers who crave an overseas experience and the organisation offers them a full package, the risk is that they become spoiled and difficult to mobilise further along the line. The interviewee felt that a full balance sheet approach should not be necessary



for key talent – they are rewarded through higher salary and other support in kind. The most justifiable use of a full balance sheet approach would be for a person in late career with a family and all the social baggage but with a set of skills and influence that was needed to fill a gap in a particular location. The bottom line challenge of making such individualised judgements is that organisations have to know not just about all those in the talent pool, but also those for whom the nature of the assignment means that individualised mobility benefits will pay particular dividends.

The status of being talented alone may not be enough to warrant the use of individualised flexibility.

IM functions should consider carefully the basis on which they differentiate their mobility benefits – this may be on the basis of hierarchy, geography, demographic segment and associated individual needs, or the type of transfer or assignment. The status of being talented alone may not be enough to warrant the use of individualised flexibility.

The experience of managing individualised flexibility

As the discussion so far shows, while there are several major benefits that can be achieved through a more individualised approach to flexibility, the associated management challenges cannot be understated. In this next section we summarise what can be learned from organisations that have already implemented more individualised flexibility.

Shifts in behaviour that occur with an individualised approach

There are some important shifts in behaviour that occur when a more individualised approach is adopted – particularly around the way decision protocols are used, trading behaviours and the areas deemed legitimate for negotiation. An interviewee from an organisation that already offers high levels of flexibility explains:

“...Previously, discussions between the assignee, line manager and business partner had all been set, but the nature of the negotiations meant that more in-passing requests were made [to the IM function] such as questions from assignees on costing scenarios... 80% of the time we still had standard packages, as the problems posed were often too difficult to think about... [but] the more flexibility you give, the less formal the decision protocols that are required”.

However, this interviewee notes that in the new world of decentralised and flexible negotiations, there are still always going to be limits to the trading that takes place:

“... with everything being negotiable, nothing was a policy exception. Only healthcare and tax needed approval and policy exception requests for these were very rare. Also, flexibility means that there's no cap so items can be negotiated up as well as down. We started to see a bit of this at the very highest levels on things like education”.

“...80% of the time we still had standard packages, as the problems posed were often too difficult to think about... [but] the more flexibility you give, the less formal the decision protocols that are required”.

The short-term management challenges

We examined practice in an organisation that has now gleaned over a year of experience in operating an individualised policy. Experience shows that flexible policy is both complex to manage and operationally challenging:

“... The impact has been a slowing down of the time taken to move someone, because it is no longer an off-the-shelf package and line managers must discuss [with the assignee] a number of items... from an employee's point of view, it's about things being taken away... if there is a structure to negotiations [as with flexibility being offered through set policy variants], then variations trigger exception reports. When you take the structure away, it reduces the formal decision process... [but] it slows down the decision-making process as costings and [contract] terms need to be agreed and signed off before getting the CEO's agreement to the assignment”.



Necessary training and system support investments

This slowing down reflects the need for higher skills to be applied to each decision, coupled with a significant increase in the number of cost estimates to be produced for the business. The resulting investment in staff training is significant. A number of stakeholder groups, including line managers, HRBP and reward specialists, will need training and support (Figure 4). If the skill is not developed in these communities, the challenge will fall back upon the IM function. The function potentially has these skills, but may not have the internal resources to cover the increased level of demand.

Figure 4: Key impacts of individualised flexibility

- Line managers need to develop new knowledge in order to understand the implications of the negotiations they enter into.
- Line managers also need high levels of personal support until they come to terms with what they can and cannot negotiate.
- The rewards community needs to understand hypothetical tax situations and distinctions, and have spare resources to provide the service.
- Specialist tax advice also becomes important, as the tax implications of certain negotiated items may vary across countries – for example replacing benefits with cash may affect taxation and produce a false economy for the employer.

The IM function needs to plan for the broader impact of new behaviours and service demands that come with individualised flexibility. It must consider the total system resource requirements (within the function and externally), which may require the development of new processes, possibly across functions but co-ordinated by IM function.

Learning from evaluation

The organisation referred to in the previous section has not changed its mind about the desirability of the flexibility it offers, but as its experience develops, it suspects that the most appropriate type of flexibility to have in place would be a package that sits somewhere between a full traditional expatriate assignment and a local-to-local transfer. Exactly what that new package looks like remains to be seen but its chances of success are greater as it will be borne out of prior experiences – good and bad. To capitalise on such learning it has put in place arrangements to monitor and refine the management of its existing flexibility.

Introducing flexibility is a learning process. Whatever the eventual level of flexibility introduced, there are a few key planning considerations to take into account (Figure 5).

IM functions should run pilots where possible to understand the management implications of significant levels of individualised flexibility. We would recommend that they set in place resources for training and support, map the resource implications across all stakeholders and functions, give attention to the development of new processes, and establish evaluation systems.

Figure 5: Key planning considerations

- The introduction of more flexibility requires the prioritisation of scarce resources.
- There is a need for increased expertise from each stakeholder and function involved in the system.
- An increased variance in package terms and conditions is created, for which the IM function might not have the expertise or capacity to support.
- Supporting informational tools to be developed, such as the electronic cost projection tools and the development of templates that articulate the decision making rules (and associated risks and benefits) that should be applied to particular flexibility options.

Future considerations facing mobility professionals in the sector

We asked interviewees to identify the developments that they considered to be appearing on the radar screens of IM professionals in the financial services sector and these are summarised in Figure 6.

Figure 6: Key priorities for IM professionals in the financial services sector

- Introducing transition arrangements during the downturn.
- Using any freed up resources to sort out existing processes or carry out more strategic activity.
- Rethinking the talent proposition.
- Focusing on assignment execution rather than resourcing.
- Introducing more transparency and longer-term reward structures.

Introducing transitioning arrangements during the downturn

Clearly, some financial services organisations have seen a direct impact on the level of activity in the function. For forty percent of the organisations interviewed, cost pressures were particularly strong. These pressures are managed, for the moment, without any impact on the main policy variations that are offered. For these organisations the current environment is one of volume reduction, but it is not expected to require any significant change in the scope and range of policies.

In one organisation, cost pressures have led to a reduction in both the volume of international assignees and the benefits on offer. Moreover, the IM function's focus is on consistency of local practice, building appropriate business systems, analysing the administrative processes and implementing information systems to control costs and increase compliance. Understandably: *"...With the*

current environment we are concentrating on improving the organisation and administration of the programme rather than meeting the particular wishes and desires of different international assignees".

"...With the current environment we are concentrating on improving the organisation and administration of the programme rather than meeting the particular wishes and desires of different international assignees".

Another has an immediate requirement, under cost pressure, to repatriate a proportion of their expatriates and to offer more cost-sensitive packages for new assignments. More attention is given to governance processes, such as the business rationale and costing for each assignment, changing the level and number of people involved in the authorisation process, and control over assignment duration. For example:

"... We have not been very good at the control process. The maximum length of assignment should be three years, apart from Japan where everyone struggles to bring people in on local terms. But duration was not always adhered to and the excuses were weak... for example paying [a high salary] for [a key skill] and saying it's because that person might leave... We now have a control process for staffing assignments and we're about to introduce it for repatriation".

These pressures have long been in existence. The recession merely legitimates previous arguments about value for money and leads to a more religious adherence to existing governance and control processes.

Paradoxically, there are also strong business pressures in some organisations leading to more mobility, especially where senior managers want more of their employees to sit nearer their clients. In one organisation an internal historical

analysis showed that 2007 had been the busiest year for mobility over the decade and volumes in 2008 were only slightly down from this.

We believe that IM functions in the sector are faced with a need to think more creatively about how to continue to get senior people in the business to take international moves without creating huge precedents or cost pressures on overseas markets already facing a challenging economic market. This requires arguments that attest to the value of a person's contribution.

In an environment of heightened cost awareness, IM functions are treading a careful balance. They need to educate the business that some flexibility currently makes sense and contributes to cost savings, whilst at the same time preventing line managers from choosing the cheapest options because of the potential equity issues that such choices might create.

We draw two observations:

There is greater focus placed now, more than ever before, on the size of the international mobility functions in financial services organisations. Comparisons have started to be

drawn with other industry sectors where internal functions are far smaller for the populations being managed. We should expect to see further examination of what is the mobility function's core expertise.

There is a lot of talk about IM functions becoming more consultative. The question is, are all IM team members willing and able to change the nature of their role and become less administrative?

Enhancing existing processes or carrying out more strategic activity

The contours of a new role are starting to open up for the IM function:

"...One of the current [business] debates is that our policies only stipulate core benefits, but I believe that optional benefits should be highlighted as potential, for debate, and not be hidden from people. I'm trying to be a lever in transparency around the options, so that it puts pressure on the business to say why they're giving support or not. The business has to go through the thought process and justify why it uses a particular policy type and not just look at it from a cost point of view. We can help them do that".

Figure 7: Two future paths facing IM functions

Tidying up the shop

The IM function becomes more explicit about programme design to educate the organisation about the assumptions and principles that in reality underline existing approaches to flexibility, assignee selection and general programme management. Adherence to these is ensured through the design of organisational processes and governance protocols.

Becoming a Centre of Excellence

The function could use the current economic environment to move into a more business bespoke (but potentially more welfare-principled) strategic advice unit, akin to the Centre of Excellence (CoE) role. If the IM function becomes a true CoE, it has to broker not just mobility programme design expertise, but also organisation design services, to constituent businesses and help them understand how to manage international mobility as a strategic organisational capability. It would need expertise in all staffing options (talent pipeline options such as passive local hiring of international external hires, capability building activities to be pursued by short-term and long-term assignments, operation of virtual teams and mutual adjustments to be managed in international teams, and knowledge transfer arrangements). Many of the principles, for example, of cultural awareness transfer beyond expatriate assignments. The key question is do such activities belong in a Talent Management CoE, or are they best understood by those embedded in international management?

Should IM functions in the sector start to become consultants on the different mobility philosophies that businesses might pursue, the benefits and risks associated with various options, and the organization development agenda that would need to be followed? There are two possible paths (Figure 7).

Rethinking the talent proposition

Given current pressures, there may be an impending change in the IM philosophy:

“...In the past mobility has been a key part of management development but the current economic climate makes this less sustainable. Not only do we have to make policies more effective to drive choices and invest in the right people, the talent function needs to review how we develop people. It may no longer be possible to have mobility for everyone regardless of their performance. We will need different ways to manage leadership capability”.

As organisations have internal discussions about individualised flexibility, they bring in a number of considerations, not least of which is the difference between key talent for mobility (those people currently being triggered in the existing talent management systems), and the right talent? Fewer people may be deemed truly talented and capable of providing the necessary leadership in tough times, as one organisation is calling it.

“It may no longer be possible to have mobility for everyone regardless of their performance. We will need different ways to manage leadership capability”.

Although fewer people may be eligible for mobility and support due to cost pressures, those who are should receive greater levels of support because of the greater stress they face when working in a more challenging environment. In

other words: choose fewer people, but do not try to make false savings on those you do choose.

Many IM functions expect to see higher levels of dissatisfaction. As the increased pressure on individuals on assignment filters through, assignees under pressure might operate less effectively:

“... It is easy to be culturally sensitive and aware if you have time and space, but people under pressure may revert to more instinctive behaviour which might not be appropriate in some of our markets. IM needs to be able to identify the early warning signals”.

Focusing on assignment execution, not just resourcing

IM functions are shifting their attention towards effective assignment execution. We suggest the function takes over responsibility for and ownership of the conduct of assignments:

“...Resourcing should be a fundamental starting point... but [International Mobility] does not have a clear owner in most organisations... Policy has an impact on the ability to execute, and different parts of policy [such as resourcing, rewards and operations] have different owners. It's an organisational challenge for us to operate with [these] major stakeholders... not having someone accountable [for the execution of mobility] from an organisation design point of view inhibits the organisation's ability to drive [the IM function] forward”.

How might greater responsibility be achieved? It can be managed through the creation of a case-based governance system, where the relevant professionals within IM (such as immigration, tax, etc.) sit alongside other stakeholders (such as talent management, home and host HRBP) conducting periodic reviews of key talent whilst on assignment.

For a significant number of interviewees the inevitable increased attention given to mobility programme costs, and concerns about the rising stress levels and loss of assignment efficiency, has not yet been translated into deeper reductions in assignment volume. Although this shift

may happen in the future, currently the lack of pressure to reduce assignment volumes is, perversely, stopping the IM function from moving to a new type of mandate.

Greater transparency and moving towards longer-term reward structures

Most financial services organisations have always had transparency to the extent that roles, responsibilities and rewards are required to be detailed in policy statements and assignment contract letters. Several have also voluntarily worked closely with regulatory bodies.

However, a number of interviewees expect that greater transparency will be required by the regulators, reflecting public concerns, and also from within the business, in order to demonstrate that long-term compensation outcomes are more important than short-term reward measures. It is not yet clear, however, how the changing balance between talent management and reward considerations will eventually filter through into the management of expatriates.

One interviewee noted a global trend towards host-based compensation and paying tax on a gross, not a net, basis (this is discretionary at the moment, but it is argued may become more of a norm). This would mean paying bonuses in the host country rather than the home country, although salary increases would still need to be endorsed by the home country so that assignees are not out of line with their peers when they return home. If the functional management of reward sits in the host country, then it is the design of these local pay and bonus arrangements that becomes more meaningful in terms of the performance management of the assignment. Returning to the need to case manage key international talent, insight into and coordination of these local arrangements would be something that has to be considered.

A number of interviewees expect that greater transparency will be required by the regulators, reflecting public concerns, and also from within the business, in order to demonstrate that long-term compensation outcomes are more important than short-term reward measures.



Final thoughts and conclusions

Individualised flexibility has either been implemented or is being given serious consideration by 60% of the organisations we interviewed in the financial services sector.

The main pressures for considering individualised flexibility are:

- Changes in the nature of assignees' roles, forcing greater consideration of flexible programme benefits
- Increased demands from business units
- More employee-driven requests for flexibility
- Increased cost considerations

All of the above create a requirement to ask fundamental questions about the organisation's international mobility philosophy. Despite the obvious challenges, that come hand in hand with individualised flexibility, it is nonetheless a viable option for certain organisations to pursue - as long as a number of requirements are met. Organisations have to become very clear about their principles, and the underlying philosophy that they hold about mobility entitlements, the assumed consequences of flexibility, the opportunities it creates for various stakeholders, the situations in which it does not make sense, and the limits to this flexibility they wish to impose. They also have to be clear about the relative importance that is given to work-life balance and welfare considerations and they need to be able to demonstrate a cost or operational benefit of any new flexibility.

In order to be successful in offering any form of flexibility, the IM function has to be clear about the level of fit that the new flexibility has with the general business context, the style of decision-making that may need to be overcome, the governance challenges, and the key strategies that have to be pursued in order to make the new flexibility successful. Any decision to change current levels of flexibility can only be based on complex political assessments about the level of power that the IM function has, the resources the new approach would entail, but also the consequence of maintaining the current status quo.

The management challenges associated with introducing more individualised flexibility within mobility policies should not be understated. Those companies who rejected the option did so because the current importance placed on cost savings

by reducing policy allowances far outweighed that placed on introducing greater flexibility to both business units and assignees.

Individualised flexibility is both complex to manage and operationally challenging. There is an initial slowing down of decision making, which reflects the need for higher skills to be applied to each decision and in turn a need to invest heavily in training to educate those people involved in the process about how the system works. Furthermore, the IM function needs to plan for the broader impact of new behaviours and service demands that come hand in hand with individualised flexibility, and to consider the associated resource demands (within the function and externally). This will likely require the development of new processes, possibly across functions but co-ordinated by IM, to enable the rapid delivery of tax scenarios to line managers amongst other things.

The choice as to whether to pursue an individualised approach is largely dependent on the individual corporate culture as well as four other key considerations: the need for a baseline sophistication in the way that existing levels of flexibility are managed; management arrangements to mitigate the welfare and corporate responsibility considerations triggered by the introduction of flexibility; alignment of the IM programme offerings with the underlying organisational rewards philosophy; and the establishment of a link between entitlement to more flexible benefits and a talent assessment. Some attitudes towards reward become more important, including a needs-versus-entitlement approach, and understanding the intended purpose of each benefit around which there may be flexibility.

There are many factors which deter organisations from introducing or increasing individualised flexibility. These include the existence of decentralised organisational structures, the presence of overly-powerful business units acting in a limited-interest manner, homogeneous demographics of the international assignee population, concerns about the current level of maturity of other stakeholders in the organization, variable quality of knowledge and insights into international management issues amongst the HRBPs, and fears that a person-based rather than assignment-based approach would be detrimental to the organisational culture. Such considerations have indeed prevented IM functions making precipitous moves towards individualised flexibility – i.e. short-term moves made in response to the immediate challenge of the recession, or moves that have not been associated with a degree of detailed planning, piloting and evaluation.

The future of the IM function – a fork in the road

There are two potential future pathways for the IM function. The first is more explicit about program design: laying out the assumptions and principles that underline existing approaches to flexibility, to assignee selection, and general program management; and then ensuring that these are adhered to through more attention to the design of organisational processes and governance arrangements.

The second is to move the IM function into a business custom-designed (and hopefully also still welfare-orientated) strategic advice unit, akin to a Centre of Excellence role. The unit brokers mobility programme design expertise as well as organisation design services to constituent businesses and helps them understand how to manage international mobility as a strategic organisational capability, alongside other viable alternatives to the total range of talent pipeline options.

The current climate is unprecedented and while it has no doubt created a number of challenges for the IM function, there are also a number of opportunities for evaluating current practices and processes.

It is clear that, while there are several possible routes forward, there is no Holy Grail to implementing a flexible approach to international assignment management. Any solution is very organisation specific, marrying appetite for change with individual corporate culture. This research identifies key considerations for implementing a greater level of flexibility that organisations can use as a guideline for future discussion.

About the Authors

Ian Johnson

Ian is the Director, Global Business Development for Brookfield Global Relocation Services, based in London.

Ian has ten years' experience in international assignment management. Prior to joining Brookfield GRS, he spent three years as the managing director of a large immigration consultancy, advising a broad range of organizations on immigration solutions, compliance and effective immigration planning. Other previous roles include that of general manager of a global relocation company, based in Germany where he consulted organisations on their global mobility programmes and policies.

Gill Aldred

Gill Aldred is the Sr. Director, Consulting Services, based in the Brookfield GRS London office. Gill has more than 19 years experience in international HR management and assignment administration in both corporate and consulting environments. Gill's experience include implementation project management; policy development; compensation and benefits management; recruitment and cross-cultural training.

She has lived and worked in the United States, the United Kingdom and the United Arab Emirates, and spent over four years living in Nigeria. In addition, Gill has been involved in implementing and managing international HR projects in North and South America; South East Asia; Africa; Australia and the Middle East.

Paul R. Sparrow

Paul Sparrow is Director, Centre for Performance-Led HRM and Professor of International Human Resource Management at Lancaster University Management School. He has published over 100 books, journal articles and chapters and consulted with major multinationals, public sector organisations and inter-governmental agencies. His research covers cross-cultural and international HRM, HR strategy, cognition at work and changes in the employment relationship.

Brookfield GRS

Global Locations

Americas Region

Toronto Office

39 Wynford Drive
Toronto, ON
M3C 3K5

Phone: 416-510-5800

email: Reloadadvisor@brookfieldGRS.com

Chicago Office

900 South Frontage Road
Suite 200
Woodridge, IL 60517

Phone: 800.589.7858

email: Reloadadvisor@brookfieldGRS.com

EMEA Region

London Office

One Finsbury Market
London, EC2A 2BN, UK

Phone: +44 (0) 20 7398 8600

email: Reloadadvisor@brookfieldGRS.com

Asia Pacific Region

Singapore Office

8 Shenton Way
#09-01

Singapore 068811

Phone: +65 65350010

email: Reloadadvisor@brookfieldGRS.com

brookfieldgrs.com

©2009 Brookfield Global Relocation Services.

All rights reserved.

Brookfield Global Relocation Services, LLC

Brookfield Global Relocation Services (Brookfield GRS) is the leading full service outsourcing partner of end-to-end employee relocation, assignment management and mobility consulting services for multinational organisations worldwide. Brookfield GRS is a Premier Service® company serving corporations worldwide and managing more than \$2 billion dollars in client 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 GRS guarantees our attention will be focused on supporting the success of your relocating professionals through a single point of co-ordination, regionally located service centres and a globally integrated service structure designed to reach around the world. Brookfield GRS 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.

Brookfield