

International Mobility: Impact of the Current Economic Climate





Although the current economic conditions represent powerful forces, it would be wrong to assume that they will have an equal impact on all International Mobility functions and programs. There is evidence that in this recession, a more mature approach to the changes in the economic environment is taken by many organizations.

Executive summary

As the world is coming to terms with the widespread impact of the economic crisis, many companies are reacting more cautiously than might be expected. This is also true of International Mobility (IM) functions. How will international mobility fare in an economically challenging environment? Sixty seven percent of companies who participated in the Brookfield GRS 2009 Global Relocation Trends Survey expect the number international assignments to either decrease or stay the same.

This paper is based on a series of in-depth interviews with senior IM professionals from 17 organizations in the pharmaceuticals, manufacturing, consumer products, industrial services, professional services, IT and telecommunications, retail, utilities, and financial services sectors with aim to uncover more detail behind these statistics.

The interview material has been used to identify four important themes:

- Formal responses to the current economic conditions.
- Changes in the types of international assignment and associated changes to the profile of candidates.
- Assignment scrutiny and approval processes, governance protocols and control processes.
- Balancing short-term pressures with longer-term strategic objectives.

One of the major findings of this research is that although the current economic conditions represent powerful forces, it would be wrong to assume that they will have an equal impact on all IM programs. There is evidence, that in this recession, a more mature approach to the changes in the economic environment is being taken by many organizations. Many of them have learned in the past that ill-considered and short term focused reactions can be damaging to strategic plans and initiatives, and international mobility now seems to fall into this category.

We found two main reasons why the impact is not yet as significant as might be expected. First, although we

expected to see the cost of assignments highlighted and targeted, for many IM functions, it has long been good practice to review these costs on a regular basis and this continues, regardless of the recession. Second, the general level of globalization has increased in many organizations. As a consequence, international mobility has become more important and more enmeshed within the organizational and management structure of these organizations and closely tied to their financial success. During a recession, it becomes important to consider and avoid action that might have a damaging effect on mobility as part of the broader management of talent in the longer term and its ability to drive profitability.

Our research shows that the IM function could currently be facing one of four possible situations in terms of assignment volume and these will be examined in greater detail later in this paper. The four situations and the sectors affected by them can be summarized as follows:

- A reduction in the volume of assignments that is due to the recession. We identified this particularly in the automobile manufacturing, IT services, and financial services sectors.
- Changes in the volume of assignments, not directly caused by the recession. We identified this particularly in high technology, engineering, retail, financial, logistics and information services organizations.
- No impact so far, but expecting a general tightening soon. We identified this particularly in the pharmaceutical, food and consumer products manufacturing, clothes manufacturing, and logistics sectors.
- An increase in the volume of assignments, regardless of the recession. We identified this particularly in the telecommunications, oil and gas sectors, and in some professional services firms.

Continued and sustained rationalization within organizations is creating some complex future challenges for IM functions. It has opened up new strategic debates between the IM function and senior management. For those currently facing high levels of rationalization and change, the IM function

has to understand how the following factors will impact the ability of companies to sustain the cost of expatriate assignments:

- Reductions in overall structural costs.
- Negotiations over how operations will be adjusted.
- Complex national and pan-national deals over pay levels, work time adjustments and unemployment rights.
- Uncertainties about the ability of budget funding to cross borders.

The IM function also has to understand the impact the recession is having on the value of international moves (i.e. which moves are revenue generating). There may be changes in the proportion of different assignment types and new candidate resourcing routes should be monitored. Organizations will need to assess the impact of changes associated with the significant re-sizing of complex multinational businesses on the affordability of existing policies and make co-ordinated changes to assignment scrutiny, governance and control processes.

In some cases, there has been a reduction in the volume of assignments, but if we dig a little deeper, we find that current economic conditions have not necessarily caused this. The recession provides a backcloth to general cost reductions but some of these are actually triggered by the need to integrate organizations owing to prior mergers or acquisition; to move the IM program to a more mature operating model; to integrate previously discrete and autonomous regional businesses; or to divert resources to develop global leaders locally to support ongoing international expansion or future growth.

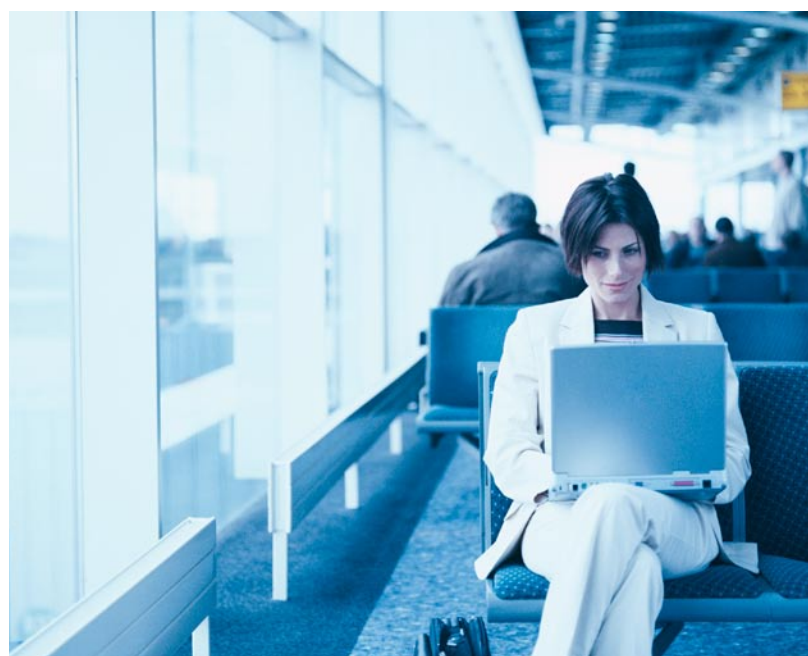
In these organizations, the IM function must ensure that the short-term pressures and organizational changes being put in place to respond to these, do not damage the underlying evolution of the function. There is an opportunity to leverage the current circumstances to re-focus and emphasise good practice by examining service delivery models to ensure the most efficient use of suppliers; by improving existing processes; and by introducing more global standardization of key processes. All of this to be better positioned for when the upturn comes and to have the talent and systems in

place to take advantage of it.

Some organizations are experiencing no impact of the current economic conditions beyond a general heightened sense of cost awareness. They may even be benefiting from the recession occurring in other parts of the economy or from changing consumer behavior. Their general portfolio of businesses may be in areas that have not been subject to major market declines. Increasing globalization may still be leading to a growth in expatriation, as sales and production in emerging markets continues to grow.

In other, somewhat rarer, situations there is currently an increase in the volume of international assignments, despite the recession. This is generally the case where an organization is involved in a merger or acquisition; is moving into new international partnership arrangements; is developing emerging markets; is creating global tools, processes and programs; is creating a cohesive culture or employer brand and a cadre of global leaders; or closing long-term global capability and skills gaps.

These organizations face different challenges. We recommend that the IM functions take time to examine their mobility programs to negotiate and establish sound mobility protocols, and to improve service delivery to support international talent development.



The formal responses to current economic conditions

The current economic conditions do not have equal impact on all IM programs, with some sectors more recession-resilient than others. In a number of instances, the tightening of cost control or reduction in expatriate volumes may form part of a bigger set of changes and may be caused by more strategic developments. The current economic climate may just make it more timely and easier to address cost issues.

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Below we feature the current experiences of a number of IM functions, each operating in a different business sector and in a different mobility context.

There has always been a cyclical attention to costs on one hand, and creation of better incentives to move on the other. Many of the issues faced in this downturn – better scrutiny of assignments, improved cost management – are not new:

“... The debate comes and goes. Early in the century it was about taking costs out. Then we were struggling to get people to move because of dual careers. This might be heightened during a downturn as a partner might be more reluctant to leave a job. On the other hand if a partner loses a job, assignment becomes possible where it wasn't before. It could go either way, but [incentivizing mobility] is still a big agenda for organizations”.

However, as indicated in our introduction, there is evidence that organizations are taking a more considered approach.

“... I'm not seeing a major panic in the market... [most of us] have still got a lot of expatriates and if you are running a global business you probably need them and you need to treat them with a degree of

common sense... otherwise you may get short term gain in terms of reducing costs but longer term as soon as we get out of this current economic scenario people will move on. People are trying to play a sensitive game in terms of ensuring that they can retain their long-term talent”.

In order to understand what is happening in terms of overall trends in the volume of assignments, it is necessary to examine the underlying business drivers behind the four different situations that the interviewed companies find themselves facing (Figure 1).

The challenges faced in each of these situations are explained in the next four sections.

Figure 1: Possible situations IM functions face in terms of assignment volume

- A reduction in the volume of assignments that is due to the recession. This was identified particularly in the automobile manufacturing, IT services, and financial services sectors.
- Changes in the volume of assignments, not directly caused by the recession. This was identified particularly in high technology, engineering, retail, financial, logistics, and information services organizations.
- No impact so far, but expecting a general tightening soon. This was identified particularly in the pharmaceutical, food and consumer products manufacturing, clothes manufacturing, and logistics sectors.
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Reducing volume of assignments due to the recession

Some organizations are facing a clear reduction in the volume of assignments, in particular in automobile manufacturing, IT services and financial services sectors.

For example, a major multinational in automobile manufacturing has an assignee population of over 1600 but is experiencing a 25% decline in the number of expatriates during 2009. It has been hit hard by contracting markets in some parts of the world and, as a result, no longer needs the same size of operations in these markets:

“... We are sizing our expatriate population more realistically... I have someone today talking to three locations in a single country where we are doing new business deals and we will have expatriates going. So the strategy has not changed. We're not going away with our expatriates, but I think we are looking more realistically at what the company needs to be looking like and what we need to be doing in terms of support, and for what reasons”

At first sight, the impact on the internal IM function in this organization is not as marked as might be expected. Operating a fully outsourced and variable cost model, the volume drop means that their vendor has to support fewer moves. The in-house IM function continues to work on policy issues, site-specific policy, internal controls and audit issues, benchmarking, and the tax and cost of living issues associated with specific country-to-country combinations (local policies for housing, special transportation needs, security issues).

So, when asked if the volume reduction is having an impact on the type of work and projects managed by the in-house IM function, the simple answer is: *“No, not yet”*. However, in this organization, the impact on international mobility in its totality is actually quite marked. These impacts will be highlighted later in the paper when discussing changes in assignment governance protocols.

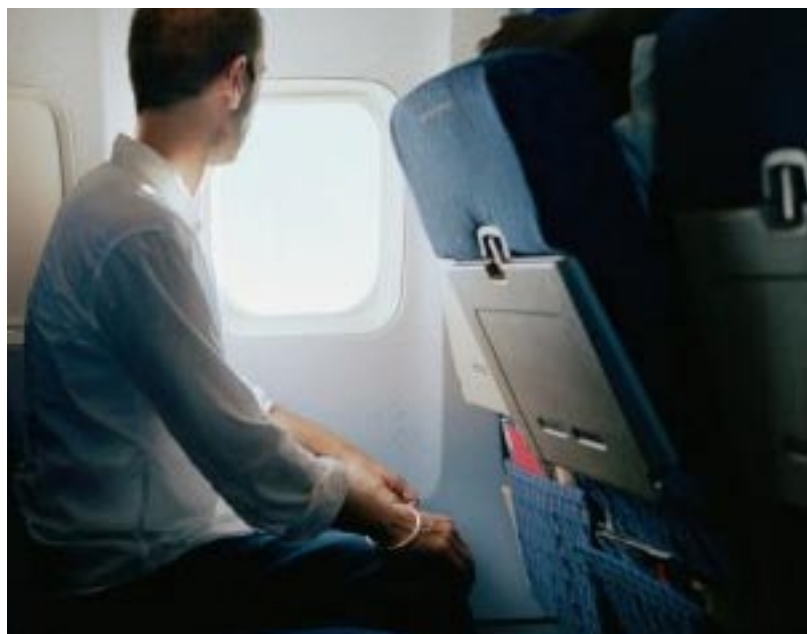
In other sectors, IM programs have also been impacted by the recession. In one IT services organization, the last quarter of 2008 saw a complete standstill on all new

assignments. In early 2009 there was a slight loosening of this policy, but the assignment approval process remains at very senior levels – the CEO and the Board. The IM function now has to service a different portfolio of international moves, reflecting cost containment pressures. Mobility is of two kinds, that which generates revenue and that which does not. ‘Revenue generating roles’ consist of consultants moving as technical experts to provide knowledge to particular projects or overseas operations; and ‘non revenue generating roles’ consist of functional support and senior management positions.

Revenue generating roles have experienced virtually no cutbacks and, in some instances, volumes have increased given their financial contribution. Amongst non revenue generating roles, only executive roles, such as CFOs, are still being initiated.

In a second IT services organization, as a consequence of the overall recruitment strategy, around 70% of the staff moved internationally were new hires. The volume of overall recruitment has fallen dramatically and, because of this, so also has the number of new international moves.

A different situation exists in another organization, which also faces an overall recruitment freeze; because no formal approval processes are required for international new hires, volumes have not yet been impacted.



Pressures caused by factors beyond the current economic climate

The situation faced by some of our interviewees is a reduction in the volume of assignments which, if we dig a little deeper does not appear to be caused by current economic conditions.

We found several instances where an impact on international mobility volumes and budgets is a consequence of events that took place before the recession or were created by other strategic drivers. The recession has simply provided the impetus to push ahead with general cost reductions.

As an example, in one organization, the underlying driver behind recent attention to volumes and costs comes from a prior merger:

“... Most definitely [there is an impact on international mobility] but... in terms of the recession being responsible for this, it’s a tricky one to put your finger on... We’re actually going through a merger at the same time... and it has driven the actions we have been taking for the last two years... because of legacy policy issues, individuals being sent or that are already abroad on old policies... this is reducing our initial expatriate headcount. A lot of change have already been done but this is continuing on a downward trend”.

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Increasing globalization of the organization may also move the IM program to a more mature operating model which puts pressure on costs. A large information services organization has seen no changes to IM policy and strategy in the recent past, because, a few years ago, they

introduced processes that were highly sensitive to costs. It is believed that this has made them more resilient to the current economic situation:

“... From a strategy standpoint, there have not been any overt or explicit statements or mandates changing the way we do assignments with respect to the economic downturn. I do have a big caveat though. Eighteen months ago, before there was any noise around the recession, we had a big review of our program because we felt it was getting out of control. We had already started a concerted effort to constrict the number of assignees we had and to be a lot more strategic around the way we used assignments. So that has positioned us very well for the current environment, but it was done independently”.

One of the logistics organizations interviewed faces the need to integrate a range of previously discrete and autonomous regional businesses, again as a consequence of previous acquisition. The global headquarters transferred across the Atlantic, creating a short surge in the number of expatriates. In this case, restructuring rather than cost pressures was the primary driver of changing volume levels:

“...The number of expatriates is currently declining [by 10%], not as many people who are returning are being replaced by other expatriates... and new hires will be found locally now. But it’s not the economic downturn, it is for business [global restructuring] reasons”.

Moreover, with a population of 800 to 1000 assignees out of a workforce of 500,000 employees:

“... in the whole field of HR... the costs associated with mobility tend not to be so high on savings potential. The population is very small, very vocal and the package we offer is rather lean already... [and] in Asia we also face the war for talent – talent that we need to attract and retain to keep our business going”.

Another strategic issue is the desire to maintain global leadership development in order to seed future growth. In one high technology engineering organization, the CEO

stresses the importance of cross-divisional thinking and the development of global leaders. Although the IM function is balancing the business need to have people to fill positions as cost effectively as possible, in the current environment, there is still a keen awareness that assignments are necessary to grow the business.

Similarly, a large UK retailer currently in the process of managing a cyclical wave of expatriation reinforces the observation about talent demands remaining in force:

“... there is a war for talent especially in emerging markets. That war for talent isn't all of a sudden going to disappear. We've got to be sensitive to that”.

This company's number of expatriates grew from 180 three years ago to around 500 as it began a rapid period of internationalization, and is currently down to around 350 expatriates overall. There has been a reduction in assignment volumes in Europe, which is seen as a mature talent market, but programs in China, Thailand and Malaysia have seen expatriate numbers go up, as talent demand outpaces local supply.

In this situation, current attention to costs is driven by the deeper process of internationalizing the organization, not by the recession. The organization has a fairly unique structure, with Mobility reporting to an International HR function (alongside Talent and Compensation and Benefits), which in turn reports to an International Management division. HR issues are therefore closely aligned with international expansion:

“... We are at an interesting stage in evolution... we've only been international for 12 to 13 years and are coming to the end of the first stage, which was throwing money at people to go on assignment... as a financial benefit... [the second stage is to consider] the kind of career management and global mobility aspects”.

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From the interviews, it was clear that the recession provides an ideal opportunity for IM functions to bring long-standing messages to the fore as these have now become even more relevant. This retailer has a mission statement saying that it wants local management to run local businesses. During the current climate, attention can be given once more to the need for expatriates to train a local successor and for talent systems to identify high potential locals at all levels of the organization.

We recommend that in sectors where current attention to volumes and costs masks deeper strategic change, the IM function takes an opportunity to:

- Ensure that the short-term pressures and organizational changes being put in place in the immediate future do not damage the underlying evolution of the function.
- Capitalize on any historical introduction of highly cost-sensitive processes and current resilience to reductions in assignment volumes, by re-emphasising initiatives such as the need to identify and develop local talent.
- Examine delivery models, more efficient use of suppliers, better processes, and more global standardization of key processes to be better positioned when the recession ends.

No impact on volumes seen yet, but a general tightening expected

In some organizations there currently appears to be no impact of the current economic conditions, beyond a heightened sense of cost awareness. As we have said, this seeming immunity arises from the way that some sectors are able to benefit from certain activities in other parts of the economy that are recession driven such, as growth and other structural changes; and by virtue of being in industries that are relatively unaffected by the recession. This characterizes a number of organizations in the pharmaceuticals, food and consumer products manufacturing, clothes manufacturing and logistics sectors.

In some sectors, the industry model may follow counter-cyclical patterns of growth. This situation applies to one of the pharmaceutical organizations:

“... The current economic downturn hasn't had an effect on mobility because pharmaceuticals tend to follow a different economic pattern. We are facing tightening budget constraints, but these are to do with product life cycle, products coming off patent and future gaps. In a downturn, pharmaceuticals tend to be the type of stock people buy into... as the banks went down, we went up... although... the economic climate creates more pressures, and a greater impact comes from what we have been driving internally... Of course, with these two coming together I do see more ruthless decisions being made around talent assessments”.

The main pressure facing the IM function is the need for better integration with other HR functions such as talent management. Beyond a general cost-cautiousness, the impact has been low.

A second pharmaceutical organization similarly notes that people still need core drug treatments even in a recession and sales of many products are growing. Moreover, the future development plan is one where increased globalization is expected to lead to a growth in expatriation, as sales and production in developing regions, such as Asia, grow. The main pressure facing the IM function is the need for better integration with other HR functions such as talent management. Beyond a general cost-cautiousness, the impact has been low.

In one of the logistics organizations, there has been no significant impact on the IM program and assignment volumes for two reasons:

- There are only 70 expatriates in a firm employing 160,000. Business reasons for assigning people are already clear and the need for these roles does not fluctuate in relation to economic activity.
- The number of assignees has grown because of the economic turmoil. During 2008 and 2009 a high degree of restructuring was needed to develop new regional co-ordination activity, requiring many people to move from one country to another within regions.

In a food and consumer products manufacturing organization overall assignment numbers remain stable at around 300, although this figure hides considerable variation across each geographical and product market. However, there are cost pressures that have begun to impact mobility:

“... We maintain fairly steady numbers and where we see decreases in one market they are offset by increase in another... we are the sort of organization where it is very normal to get on a 747 to fly to work. People just go across borders without even thinking about it. However, in the last four months we have had a travel ban on, so even [a small regional journey] requires an executive to sign it off. We are really focusing on reducing our overhead cost in the organization”.

In another food and consumer products manufacturer, the general portfolio of businesses spans areas that have not been subject to any major market decline. The volume of

assignees has gone up from around 300 to 400 where numbers are expected to stabilize. The organization is in a business cycle that means that the IM function has very different challenges to many of those outlined in this paper:

“... I am not in a position where I have to reduce packages and cut mobility premiums. The review over the last year didn't have a cost driver. Of course, if there are ways to increase efficiency, we'll do it. We're going against the tide by introducing a mobility premium while others are trying to slash it. We are trying to grow. We are opening new factories and operations around the world, so (we) badly need mobility in order to be quick and efficient”.

However, except for those sectors where the industry model benefits from recessions in other parts of the economy or from consumer behavior during a recession, or where increasing globalization is still leading to growth in expatriation, it may only be a matter of time before any prolonged recession begins to have a significant impact.

Our recommendations for IM functions in sectors where there has not yet been an impact on volumes include all of those made in the previous section such as:

- Resist short term pressures that may have damaging effects in the longer term.
- Leverage the current situation to further embed existing initiatives regarding the development of local talent.
- Continue to examine and improve service delivery, key mobility processes and global standardization of initiatives and process so as to be well positioned for better economic times.

Increasing volumes of assignments, regardless of the recession

Finally, there is a somewhat rarer situation in which we are seeing an increase in international mobility, despite the recession. This is seen in the telecommunications, oil and gas sectors, and in some professional services firms. Again, we found assignment volumes are driven by unique strategic drivers, with increases in mobility reflecting longer-term changes, often associated with an overriding need to globalize the organization at a rapid pace.

Strategic issues that drive increased assignment volumes have been identified as:

- Mergers and acquisitions.
- New international partnerships.
- Developing emerging markets.
- Organizational aspects of globalization.
- Closing long term global capability and skills gaps.

“... We would look to have more local hires and to grow local talent... but there are certain roles around the business where it is critical to take an international manager...”

For example, in the telecommunications sector the economic downturn has, so far, had very little impact on international mobility. In this sector, corporate strategies involve the acquisition of national providers and various component technological businesses, moving into new international partnership arrangements, and developing emerging markets in Africa, the Middle East and parts of Asia:

“... We would look to have more local hires and to grow local talent... but there are certain roles around the business where it is critical to take an

international manager... the growth strategy of the business is to develop key emerging markets... As we move to different markets, over the last 18 months we have seen a 30% to 50% increase in assignments”.

In a professional services organization an increase in expatriate numbers is driven by the underlying need for globalization. It has 93 member firms covering 490 offices in 100 countries which operated as a loose knit network, rather than as a single cohesive organization.

Until two years ago:

“...mobility never really got off the ground in anything other than an ad hoc manner – member firm to member firm, deal to deal – each time being reinvented... for development... to fill an operational gap... to develop a strategic presence... to support movement in a direction... done on an individual deal basis”.

The expansion of overseas member firms, especially within emerging markets, and the need for the delivery of a consistent and distinctive client service against standard methodologies have created a huge need for knowledge transfer. Mobility is a newly created directorate that forms one part of a fourfold drive: increasing international mobility; creating a range of global tools, processes, and programs; creating a cohesive culture and cadre of global leaders; and developing a vision and set of values based on a series of guiding behaviors that serve as a global employer brand. The challenge facing this kind of business:

“... is more than mobility. It is important that we recognize that mobility is the creation of a global business process”.

This need to close global capability gaps is also an important factor in an engineering and construction company operating in the oil and gas industry. Assignment volumes have gone up, as the upstream energy industry has been less impacted. This security during a recession means that the IM function can develop according to a long-term plan:

“... We are using this time to position ourselves for where we want to be when the upturn comes. We have seen a lot of initiation of assignments that we would call overhead assignments. New offices, getting some fast-track development assignments done for our talent. A re-purposing of international assignments away from a very project-based money maker orientation more towards a strategy based on investment in talent and geography”.

To summarize, we recommend that in sectors where assignment volumes continue to grow, the IM function should focus on:

- Negotiating and establishing sound mobility protocols and baseline data on the return on investment, reflecting the generally “young” nature of the IM function in these internationalizing organizations.
- The need to close global capability gaps, by establishing talent management and mobility processes within business units that enable new international talent to be developed and retained.



Changes in the types of international assignment and associated changes to the profile of candidates

As the previous sections show, the contours of the economic downturn are very different from one industry sector to another. Having reviewed the formal responses to the current economic conditions, we asked interviewees about associated trends and changes in the profile of candidates.

Figure 2 shows the key characteristics of international work and the main responses, in relation to types of assignment, made in response to the current economic environment in six very different industrial settings: automobile manufacturing, engineering and construction, high technology, retail, pharmaceuticals, and telecommunications.

Two key conclusions can be drawn from the examples outlined. Most changes in the type of international assignment are not driven by the current economic environment, but are much more closely tied into:

- the internal business changes taking place, some of which reflect a general response to the new economy but most of which reflect a more fundamental restructuring of work, and;
- the specific nature of international work that is now carried out by expatriates.

Although there are not many generally applicable trends in the

types of international assignment, there remain some common challenges. When planning how to approach these challenges, we recommend that IM functions pay particular attention to the following changes in the types of international assignment and manage the associated changes in the profile of candidates:

- The profile of candidates and the types of assignment utilized are becoming very company specific and much more strategic in nature. The war for talent is not over.
- There is more mobility at lower job levels in several sectors. This is surprising since it contradicts the 2009 Global Relocation Trends Survey information which suggests that the expatriate workforce is older this year overall. We believe that the particular industry sectors of our interviewees explain this in that some of them, particularly from the oil and gas sector, have an aging workforce much of which is on the verge of retirement. As such, they have a critical need to recruit and develop for the long term.
- In some sectors there is a trend towards longer durations for assignments of all types. This is being driven by cost considerations and by a requirement to provide stable leadership or as part of a strategy to build up the capability levels of a series of key strategic projects.
- In sectors where significant business model transformations are taking place, whole business functions are being relocated and new centers of expertise set up on a global basis. As these transformations are dictated by strategic global mandates, mobility levels are more resistant to the current economic climate.

Figure 2: Key characteristics of international work and changes in the types of assignment

Sector	Pattern of international work	Response to current environment
Automobile manufacturing	<ul style="list-style-type: none"> - Global engineering platform structure creates high need for technical and engineering managers to move internationally. - Home-host combinations in 50 countries - Multiple sites within each country. - Full spectrum assignments from career development to senior leadership roles that provide governance for component businesses. - Mature int'l workforce - 44% aged 40 to 49. 	<ul style="list-style-type: none"> - Stable numbers of short-term assignments and localizations. - More temporary assignments to help with new start-ups and special project engineering teams. - Extended duration for long-term assignments.

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Sector	Pattern of international work	Response to current environment
Engineering and construction	<ul style="list-style-type: none"> - 50% of international moves classed as “overhead moves” (costs cannot be set against client jobs or projects) and; - 50% classed as “project-based moves” on client sites (costs recoverable). 	<ul style="list-style-type: none"> - Opportunistic response to recession with extended duration assignments, required to build up new offices and local capabilities. - Lowering the age of assignees from engineers in their 40s and 50s to a younger cadre.
High technology	<ul style="list-style-type: none"> - Moves required to establish account management and technological infrastructure in key international locations. - Project based work enables team or network based resourcing decisions, i.e. skill may reside within an individual expert, or across several contributors to a network. - Physical moves needed to co-locate experts, but remote ways of transferring knowledge or capability into a team are possible. - Employees move on a traditional expatriate assignment contract, professional contract, project contract, or through business travel. 	<ul style="list-style-type: none"> - Strategic assignment planning based on talent databases (skill sets, geographical location and scope of potential moves with requisite immigration permits). - Development of detailed information about assignees at lower levels of the hierarchy. - Converting career expatriates with a long history of consecutive moves on to ‘local plus’ benefit plan. - Tracking systems for short-term assignments under development. - Fixed term local contracts in the host country with expatriate benefits and an offshore pension. - Extended duration of project transfer contracts (to up to one year). - International local hires managed more flexibly.
Retail	<ul style="list-style-type: none"> - Int’l work driven by need to manage business expansion. - Expertise mobilized in the home operations with senior expatriates guiding overseas markets and developing local resources. - India developed as center of expertise for administrative processes and now involved in all new international business start-ups. 	<ul style="list-style-type: none"> - More mobility at lower job levels and senior-level corporate control roles. - New assignment types for general assistant level employees sent out from India to learn roles in mature operations in order to transfer business processes and IT work to service centers in India.
Pharmaceutical	<ul style="list-style-type: none"> - Strategic relocation of work on a global basis in order to cope with products coming off patent, shortage of products in specific locations, new product development, and difficulty bringing new products to market. 	<ul style="list-style-type: none"> - Re-alignment taking place between existing portfolio of people on expatriate assignments and a new definition of global talent. - New expatriate roles now being created for individuals who can manage complex local interventions.
Tele-communications	<ul style="list-style-type: none"> - Significant numbers of people moving internationally because of global shift in and relocation of operations. - Whole business functions - such as marketing and procurement - being relocated. - Rapid growth in new markets, such as Vietnam, Russia, etc. - Considerable poaching of key talent across firms in the sector. 	<ul style="list-style-type: none"> - Change in profile of expatriates: handful of people considered capable of developing new markets. - Commuter assignments not being taken up. - Duration of both short- and long-term assignments getting longer.

Assignment scrutiny and approval processes, governance protocols, and control processes

There is a broad range of pressures on many organizations to reduce expatriate numbers and realign processes. Even those that are keeping existing or increasing assignee numbers are realigning processes proactively.

The key developments associated with this are:

- Additional review around the purpose of individual assignments.
- Development of better processes to estimate and track assignment costs.
- Tighter examination and control of exceptions.
- Greater promotion of flexible approaches to assignment packages.
- Requirement to improve process efficiency and data capture.
- Required assignment approvals at higher levels in the hierarchy of management.
- Reduction of overall program costs.

We recommend that IM functions explore four particular issues in more detail:

- Better candidate selection and understanding of assignment purpose.
- Managing assignment execution more effectively.
- Improving efficiency and effectiveness.
- Ensuring continual alignment of the desired new behaviours.

Better candidate selection and understanding of assignment purpose

In a large information services organization, as noted earlier, a prior program review had already made the organization sensitive to costs, and the current downturn has had

only a marginal impact. The new arrangements included a wide range of elements. A business case justification process was established that required sign-off by the CEO. The rationale and status of assignments for the whole of the current expatriate population were reviewed with the business units and HR Business Partners. As a result, the senior leadership supported the case to reduce expatriate numbers by 18%.

Even companies that are keeping existing or increasing assignee numbers are realigning processes proactively.

The new approval process required consideration of why an expatriate was needed versus a local employee, the objectives of the assignment, the employee development opportunities, a talent profile of the position and of the candidate, the most recent performance review, and the candidate's readiness for progression. This was supported by detailed cost projections, so that priorities could be aligned. The new processes were established as a basis to measure any future return on investment:

"... you have got the real data at the beginning. You know what they are going to do. Did they do it, yes or no? Even if no, did they develop? Are they moving on to the kind of role that you thought they would do? Why was the projection more or less than actual costs?... It is difficult to quantify what that return on investment is... so it should be pretty high-level measurements, with 'yes' and 'no' answers, that you then boil down [into a judgement] did you get out of the assignment what you put into it?"

In one of the consumer goods manufacturing organizations, there has been a similar review process over the last year, brought about not by economic conditions but by the need to restructure operations in order to deliver a change in mobility strategy:

“... In the past, there has been ‘lazy resourcing’ to plug gaps. Part of the review was to bring more rigour into the approval process and produce a business case for each international move. We don’t want to block them but to make people go through the right thought processes for filling a job with someone from another country to make sure they put in the right resource. We don’t want to be in a position where we make people redundant 3 years down the line because it wasn’t done properly in the first place”.

These two strategic shifts in approach, that both took place before the recession, have made both organizations more resilient to the changing economic conditions.

There is nothing new in arguing that better cost control can be achieved by understanding the purpose of assignments and managing them accordingly. However, as an interviewee from a financial services organization notes:

“...Everyone’s been searching for this mythical magical equation that will help organizations around the topic of ‘return on investment’. Realistically, have we done anything about it? We have a performance process. Do we try to understand whether or not performance was as expected or below par on international assignment, or even if it was a development assignment? No! It is something we will certainly have to come to, but for now, no”.

It is also accepted by many IM functions that, although they may wish to have a greater influence on assignee selection, their existing decision processes are still inadequate:

“... On the one hand we complain about this, but on the other hand we don’t really have the tools in place to give management and the HR business partners a decision process at hand to see if the employee really is the best one to send on assignment. We are partly to blame for this... It is one of the things that always falls off your plate and that you don’t get the resources to start a project on”.

Other organizations have made more progress where the recession has stimulated new strategic debates between the IM function and senior management such as around the

business drivers for assignments and talent management:

“... I would say that we are working differently. My team is working with the business leaders looking at the implications of various business scenarios for expatriates...”

“... I would say that we are working differently. My team is working with the business leaders looking at the implications of various business scenarios for expatriates. Our talent management group taking the end-to-end processes and really focusing on integrating those into an automated management tool... part of the increased emphasis on better managing this set of employees”.



In other areas, several attempts are being made to improve the level of HR information system reporting at corporate level in order to better understand the reasons for and the cost of assignments and to exert more control. For example, a high technology organization added functionality to their international transfer request form and online system to improve the tracking of the reasons for assignment. In this organization, the approval process for long-term assignments now requires sign-off at a Vice President level. Under the guidance of the HR function, there has also been a shift in the role of regional mobility partners.

We would recommend that IM functions adopt more rigorous approaches to assignment approval, scrutiny and candidate selection in order to offset the impact of the recession and that they seek to access existing performance databases and benchmark systems to monitor the success of key international resourcing initiatives.

Managing assignment execution and costs more effectively

The need to manage the execution of ongoing assignments more effectively and cost are closely linked, but lower cost is not always the primary driver. For example:

- In a retailer that is expanding its operations overseas, although costs are being constrained, the overriding need for the expertise in-market to enable critical business developments has led to an additional criterion to measure effective assignment execution. This resulted in the development of formal succession plans for all assignments
- In a consumer goods manufacturing organization, the recent lull in assignment volumes allowed them to look at their existing expatriate population and pull together a view about overall assignment costs on an individual and on a market basis. As a consequence, the IM function considers it now has much better discussions about how the business can drive a return on investment in mobility.

We already noted significant attempts being made to improve the level of HR information system reporting to better understand the reasons for and the cost of assignments and to exert more control:

- One of the logistics organizations, as part of a wider project to understand and control its mobility program, developed a business case to support cost projections.
- In an oil and gas engineering organization, which needs to control costs and maintain project margins, improvements in general technical systems have enabled the provision of detailed project performance metrics. This data has been used to improve the way that assignment cost projections are created and managed.

There is clearly an opportunity to leverage cost information more effectively. For some companies, the first step towards this is to begin to estimate and track costs.

There is clearly an opportunity to leverage cost information more effectively. For some companies, the first step towards this is to begin to estimate and track costs as part of an overall improvement in predicting, tracking and utilizing cost information in the planning and approval of assignments.

Organizational effectiveness

For a number of organizations, the recession means that this type of housekeeping has only just started. In the language of one of the interviewees, the next few months create an ideal opportunity for IM functions to 'tidy up the shop'. As the volume of assignments begins to fall, spare resources can be devoted to tackling efficiency and effectiveness issues in preparation for the upturn. For example, for the last three years, a clothes manufacturer has been grappling with problems caused by a historically decentralized approach to mobility, but with little progress. The recession has made it legitimate to re-advance the arguments and to integrate and harmonize policies.

We recognize that not all IM functions have the breathing space - or organizational support - to undertake these

special projects. In addition to hidden increases in workload, such as a rise in early repatriations, behaviors arising from the pressure to save costs make it difficult to engineer a more strategic use of time.

“... You would think that there is more time available at hand for these kind of special projects... all the things that you always wanted to do, but what is happening is that because everyone is so cost conscious, everything just takes a longer period of time. You just go through more and longer cycles of discussions with managers, HR business partners and employees. We have noticed that the time saving is non-existent... if you look at the numbers [you could ask] why does mobility still need the same amount of headcount. Maybe we could slightly reduce the headcount, but not in proportion to [volume of assignments] because everything is just tougher to negotiate”.

We would recommend that, where resources are available, IM functions seek to put in place basic disciplines and behaviors that will enable the function to be more effective in the future management of costs, the provision of new service offerings, and the continual alignment of desired mobility behaviors.

As the volume of assignments begins to fall, spare resources can be devoted to tackling efficiency and effectiveness issues, in preparation for the upturn.

Ensuring the continual alignment of the desired new behaviors

In one pharmaceuticals organization, the mobility process is based on principles of both employee advocacy and global leadership:

“... We’ve tightened all the control processes to drive change. We’ve tightened the authorizing processes and people have to go through a more rigorous process to get

things signed off. Once we are sure we have people with the appropriate attitudes, the processes can subsequently be relaxed by the HR Business Partners. It’s a way to get the organization more mature”.

We recommend that in order to drive such changes, the IM function adopt a more organizational development perspective. This means that in recommending any package of new policies and processes, it also asks the following key questions, and puts in place transition and change management processes to engineer the desired outcomes.

- To what extent are new behaviors required in the organization in order to make the new control processes work effectively?
- How will we develop and manage these new behaviors?
- What are the more dysfunctional or negative behaviors that we must guard against?



A mature approach to change is clearly more important for some organizations than for others. The economic downturn is having a number of hidden impacts on mobility behavior. As an interviewee from the financial services sector noted:

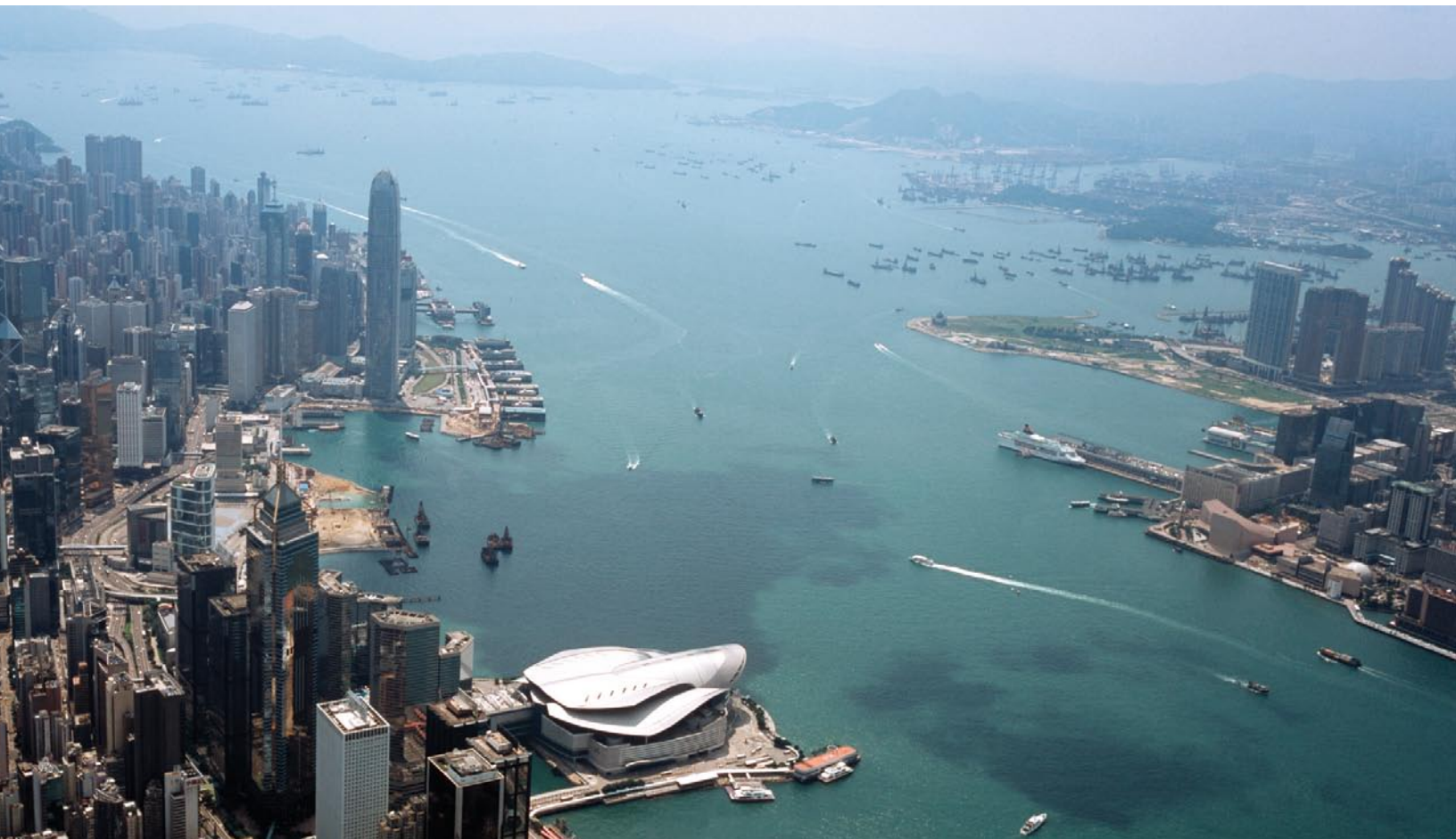
“... We don't want to disenfranchise our talent”.

We recommend that the IM function guard against developments such as:

- The blocking of assignments which would previously have taken place.
- Travel bans being imposed in an arbitrary fashion.
- High rejection rates for assignment requests based on ill-considered or over cost-conscious considerations.
- Early termination of assignments.

The last observation, about early termination of assignments, reminds us that the currently prevalent efficiency and effectiveness perspective should not just be applied to the initiation and execution of assignments, but also be extended to consider when the assignment should come to an end and when repatriation should begin. This is a key part of ensuring that a return on investment has been delivered.

The costs of poorly managed repatriations are likely to become more apparent as the recession lengthens. In the current economic climate, organizations are bringing expatriates back into an environment where there are fewer jobs in the home location, organizational structures have been reviewed, and openings are more scarce. It raises the question of whether organizations should practice some positive discrimination towards returning assignees by ensuring that there are job opportunities for them.



Balancing short-term pressures with longer-term strategic objectives

A significant challenge facing IM functions at present is the need to balance short-term pressures with longer-term strategic objectives. An interviewee from the financial services sector, where the reduction in expatriate numbers is an ongoing concern, warns of the dangers of a piecemeal approach in response to the economic downturn:

“... We start from the basis that during hard economic times you can kill people with a thousand paper cuts. ... we could move a little bit in ways that would save us some money, and I have many helpful team members supplying me with these... But at a time like this it is the number of assignees that drives the cost most dramatically. The biggest thing we can do to conserve cash is to reduce our volume. We shouldn't be messing with people's school tuition or making them move to cheaper housing or telling them we won't pay for their utilities. We need to make the big decisions that have the biggest, fastest impact”

However, responding too quickly to short-term pressures also presents risks:

“... We are far too quick to react to short-term pressures and the whims of senior management. ... I am concerned we will lose our focus on long term goals. ... One of these goals is more about listening to our assignee population. If you truly want to achieve a better cost equation for your expatriate assignments... you have to do more around the topic of engagement and understand where they see value in your processes. I think these longer term strategic goals get sidelined in the desperate rush to bring costs down”.

The response, in this organization, has been to explore the question of expatriate engagement and to run assignment management focus groups to explore questions of cost

versus value in international assignments. The conclusion is:

“... Spending money on incentivizing an employee to go [has to be balanced by] ... are they receiving value from money that is spent? If you focus on the areas where the majority see value, then if you want to bring the cost down... you can focus on where employees want to see more action from you. Spend a limited budget on the things that really matter”.

There are many predictions about the likely length and depth of the recession but it is certainly expected to continue into the foreseeable future. Circumstances may deteriorate further but, in this recession, it seems that many organizations are taking a more thoughtful approach to the management of international mobility:

“... We seem to be taking a more mature approach than in the previous recession. Businesses are given the flexibility to choose what to invest in and what to cut back on, or not invest in... so far it [international mobility] will be an investment area”.

Two developments that are enabling a longer-term perspective are:

- broadening the attention to the whole talent pipeline, and
- consideration of different resourcing options before committing to definite resourcing plans for an assignment.

“The biggest thing we can do to conserve cash is to reduce our volume. We shouldn't be messing with people's school tuition or making them move to cheaper housing...”

More critical questions are being asked about whether an expatriate is needed, how teams should be designed, if local talent or sub-contracting options exist, and how much time is needed to deliver the project objectives. A more flexible but realistic thought process is being applied to the challenge of resourcing internationally.

Slowly but surely, organizations are moving towards a deeper consideration of what globalization means for them:

“...The short-term business case is weighed against market definitions and market trends. As we define ourselves as a global company, we ask do we need expatriates, because you are supposed to be internationally mobile, but we have not pursued that strategic thinking yet... but you can see kernels of it popping up in the various discussions we have had”.

These developments auger well for many IM functions, but not all organizations are so analytical. Some interviewees are realistic about the level of progress that has currently been achieved:

“...Let's be frank, I don't think that anything we have has yet got to a point where its been able to strategically look at how the concept of talent and international assignments are interwoven”.

We would recommend that in order to ensure an appropriate balance between short and long term considerations during the economic downturn, IM functions should:

- Achieve cost reductions through adjustments to volume or program, but avoid an uncontrolled process of short-term cost cutting by reducing the conditions of those still on assignment.
- Draw attention, as we have done throughout this paper, to the broader strategic context within which decisions about international mobility need to be made.
- Devote time to expatriate engagement - reassuring them that their best interests are important in any changes made to the conduct of the assignment.
- Give more attention to repatriation issues, especially where the early termination of assignments is being triggered.
- Exerting influence to ensure that attention is given to the whole talent pipeline, and that the slower pace of decisions brought about by the recession is used to consider different resourcing options before local businesses commit to definite resourcing plans for an assignment.

Final thoughts and conclusions

In summary, the research shows that the contours of the economic downturn are very different from one sector to another. It also shows that changes in the type of international assignment in the main are not always driven by the current economic environment, but by internal business changes that are taking place. Some of these changes reflect a general response to the new economy but most reflect a more fundamental restructuring of work and changes in the specific nature of international work that is now carried out by expatriates.

What does this signal to IM functions? One significant message is that mobility functions should plan for a number of changes in the types of international assignments used and for related changes that will be required to the profile of candidates.

The war for talent is not yet over. There is more mobility at lower job levels in several sectors such as retail, engineering and construction, high technology and financial services. There is a trend towards longer durations of assignments, of all types, where there is a requirement to provide stable leadership or build up the capability levels within key strategic projects.

Significant business model transformations are taking place whereby whole business functions are being relocated and new centers of expertise are being set up as global functions. These transformations are dictated by global mandates and so mobility levels are much more resistant to the effect of the current economic climate. There is an opportunity for the IM function to negotiate and establish sound mobility protocols and baseline data related to return on investment and to establish behaviors, process and support tools within business units that enable new international talent to be better identified and retained.

We conclude that despite the resilience of a number of IM programs to recessionary pressures, there is a broad range of pressures on many organizations to reduce expatriate numbers and realign processes. There are a number of key developments associated with this, including: increased scrutiny around the purpose of an assignment;

pressure to develop a better estimate of assignment costs; fewer exceptions tolerated; greater promotion of a more flexible policy approach; a requirement to improve process efficiency and data capture; and required assignment approvals at higher levels of the management hierarchy. To deal with all of this, the IM function has to foster better candidate selection processes, better definition and communication of the reasons for assignment, more effective management of assignment execution, and the creation of new behaviors among line managers which will allow them to align and fully utilize the benefits of these improvements.

At the same time, the function must guard against a number of short-term, 'quick wins' which may turn out to be damaging. Examples of this are: the elimination of assignments that are really needed and that would previously have taken place; the imposition of arbitrary travel bans; high rejection rates for assignment requests based on ill-considered or over cost-conscious considerations and the early termination of assignments. We argue that that the costs of poor repatriation will come to the fore again as the recession lengthens.

Finally, in order to ensure an appropriate balance between short- and long-term considerations during the economic downturn, IM functions must avoid an insidious reduction in the effectiveness of the structures and processes that underpin a successful expatriate program. Cost reductions should be achieved through adjustments to volume and structure of assignment programs, rather than paring down the conditions of those already on assignment. Organizations should devote time to increase expatriate engagement and give more attention to repatriation issues, especially where significant numbers of early returns from assignment are triggered. They must ensure that attention is being given to the whole talent pipeline and that the slower pace of decisions brought about by the recession is used to consider all resourcing options. Finally, they must ensure that attention is focused on the broader strategic context within which decisions about international mobility now need to be made.

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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.

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