

Preparing For The New Normal: Why You Should Re-Think Your Expatriate Management Model

Competing Globally In A VUCA World

Despite the recent emergence of nationalistic and protectionist trends, the business environment remains, unquestionably, globally connected. Organisations are increasingly venturing beyond their domestic shores to set-up operations and find new customers. Today's global competition is not only for customers, but also for the best talent, which is increasingly recognised as the key to competitive advantage, as many manual tasks are automated and value is created through knowledge-based roles.

Being able to hire and deploy talent across borders quickly and efficiently becomes therefore a critical element of the competitive strategy and operating model of today's most successful organisations.

But such a hyper-connected business environment comes with many challenges: events in one corner of the world can send shockwaves around the globe, impacting people and markets almost instantly. Geo-political changes, such as Brexit and trade tensions between the US and China, can happen quickly and disrupt global supply chains, creating uncertainty and confusion. Increased regulations in immigration, tax and data privacy laws create a complex compliance minefield. And to top it all, the recent COVID-19 pandemic caught many organisations unprepared for many difficult decisions regarding their international assignees.

This is the "new normal". We can safely assume that "Volatility, Uncertainty, Complexity and Ambiguity" (VUCA) are all features that will characterise the world for the foreseeable future. The question is then, how can organisations compete and succeed in such a VUCA environment?

The Age Of Agility

A constantly changing environment does not only imply challenges, but also many possibilities. Today's most successful businesses constantly find ways to overcome hurdles and capitalise on opportunities by continuously fine-tuning their strategies and implementing leaner and more agile operating models across the organisation. And since international assignments are

instrumental to the execution of those strategies and operations, creating an agile, flexible and resilient mobility programme becomes business-critical.

There are many ways to bring agility into mobility programmes, but it is also essential to understand that there is no single solution that would address all organisational priorities at once. Therefore, before making any changes to a Global Mobility framework, it is essential to specify the key objectives for the change. These objectives are referred to as "design principles", since the re-design of the framework will be done bearing in mind these ultimate objectives. If the goal is to "future-proof" your mobility programmes by making them more agile, resilient and flexible, there are some general principles that have already helped many leading companies.

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Business Alignment Through Segmentation

Even within the same organisation, international assignments could be very different in terms of duration, purpose, strategic impact or geography. Whilst it may be tempting to have a single policy and process for all these different assignment types, this simplistic approach will almost certainly result in increased costs and numerous requests for policy exceptions. Segmentation is a way of recognising compelling reasons for doing things differently, depending on the situation. The outcome of the segmentation exercise is a set of policies and procedures that are officially recognised by the organisation. The importance of a careful segmentation exercise cannot be over-emphasised, as the segmentation criteria will determine which policy will apply to each assignment and each assignee.

Most organisations have at least a very simple segmentation based on "assignment length", which involves having distinct policies depending on the assignment's duration, for example Short-Term assignments, Long-Term Assignments, Permanent Transfers, etc. Some organisations further differentiate assignments based on the "strategic intent", which enables them to differentiate between "business-critical", "technical", "developmental" and "employee-initiated" assignments. Other common segmentation criteria include geographic proximity, seniority, nationality, and several others.

If done properly, a clever segmentation of international assignments will create perfect alignment between the mobility policies, business needs and talent needs. Segmentation also gives the business the flexibility to allocate a different amount of budget and effort to each type of assignment.

Segmentation should be done in the right amount: insufficient segmentation will lead to a policy framework that is not fit for purpose, but over-segmentation will result in too many policies, leading to confusion, inconsistencies and increased administration.

Market Competitiveness And Streamlined Administration

Having the right set of policies is only the starting point. Once the relevant assignment types have been identified, it is essential to

optimise policies and processes to achieve the maximum efficiency, from both a cost and operational perspective. Maximum agility will be achieved through a fine balance between affordability and ability to motivate employees to move. Excessive cost-cutting may make assignments more affordable in principle, but it may result in lower acceptance rates, longer negotiations, increased exception requests and delayed deployment timelines. Market competitiveness is also essential to reduce the risk of assignment failure due to resignation or premature repatriation.

Optimisation should not be limited to cost considerations, but it should also aim to streamline administration, enabling HR resources to focus on value-adding activities, rather than transactional tasks. Organisational agility is greatly enhanced if the HR function is able to monitor, control and continuously improve mobility programmes without being bogged down by administration. HR service delivery can be greatly enhanced by having some level of centralised coordination, technology infrastructure, and the right support from 3rd party vendors.

Operational Excellence Through Centralised Expertise And Service Delivery

The management of international assignments involves a significant level of specialist knowledge and complex administration related to immigration, tax, payroll, relocation, insurances, cost of living adjustments, and many others. Mistakes can be risky and costly, and it is not feasible to have the appropriate level of HR experience in every location that either sends or receives an international assignee. Centralising this specialist expertise and administrative setup is a great way of achieving economies of scale, delivering consistent standards of service and providing support and specialist expertise to the entire organisation.

A global centralised structure also allows much clearer visibility of the cost of the mobility programmes. Consolidated reports make it easier to track the “assignment spend” and track key performance metrics. This would be very hard to achieve with a decentralised model, where each country or region only has partial visibility of the whole picture.

Furthermore, centralisation makes it more financially feasible to justify investments such as technology infrastructure, 3rd party vendor agreements, and international benefit schemes such as retirement and insurance plans to cover globally mobile employees.

Many of the world’s leading organisations chose to centralise at least part of these processes and infrastructure into Shared Service Centres, focusing on transactional tasks, as well as Centres of Expertise (COEs), focusing on the governance and strategic alignment of the mobility programmes.

A special type of centralised structure is a Global Employment Company (GEC), which is a fully-owned subsidiary of the group, which becomes the legal employer of mobile employees prior to their deployment. A GEC is most useful to organisations moving large numbers of “global nomads”, i.e. assignees who spend a considerable part of their career away from their home country. In addition to bringing all the benefits of centralisation mentioned above, a GEC can also help to mitigate corporate tax exposure and provide adequate social coverage to such assignees.

Taking It One Step Further

Centralisation through a Shared Service Centre or a GEC delivers many advantages to the business, but it still represents a fixed cost, in terms of headcount, real estate and IT infrastructure. Furthermore, service quality is highly dependent on keeping staff turnover low and ensuring that the team remains constantly up to date with changes in immigration, tax, social security and employment laws in all applicable jurisdictions. Furthermore, business continuity depends on this team having access to the premises, tools and information required to perform their job.

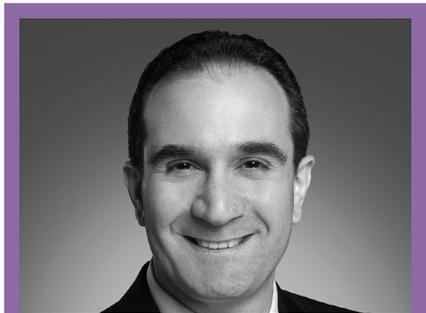
Based on these considerations, many organisations decided to take centralisation one step further, and outsource most, if not all, of the transactional processes. By combining centralisation with outsourcing, these organisations are leading the way in achieving the ultimate organisational agility. Internal resources are able to focus on governance and strategic alignment, whilst a reliable outsourcing vendor keeps the mobility programmes running smoothly, based on pre-agreed policies, processes and workflows. Service Level Agreements provide guaranteed service quality and business continuity, with little or no investment in infrastructure required.

Most importantly, this type of administrative model provides scalability and replaces fixed costs with flexible costs. This means that in the event of a sudden decrease in the volume of international assignments, as seen during the recent pandemic, the company would not continue to be burdened with the fixed cost of a large Mobility team and internal infrastructure, nor would it need to worry about having excess headcount in the Mobility team. Conversely, in the event of a sudden surge in the number of assignments, the organisation would not need to commit more internal resources and infrastructure.

Conclusions

In summary, to thrive in today’s business environment, agility is a critical success factor. The good news is that there are many initiatives that can make organisations more responsive to change. Some of these options require internal transformation, investments and ongoing maintenance of HR teams, whereas others are

more sharply focused on delivering results by outsourcing the investments and administrative processes to expert vendors. Somewhere along this continuum there is an optimal solution for every organisation. To get started, it is often useful to conduct an internal Business Needs Analysis, surveying the current and future priorities of Line Managers, assignees and other HR stakeholders. This internal discussion would also benefit from the input of external experts, who can provide ideas, insights and emerging trends that can help you in your objective of future-proofing your mobility programmes.



MARIO FERRARO

Mario Ferraro is internationally recognised as a Thought Leader in the area of Global Mobility and International HR. During his career he helped some of the world’s best organisations to design and implement effective Global Mobility solutions. His experience spans 3 decades and includes leadership roles with some of the world’s leading consulting firms, as well as global roles in International HR and Mobility. E: mferraro@itx-sg.com.



VINCENT HENNEQUIN

Vincent Hennequin assists international organisations achieve simplification and cost-effectiveness of their expatriation programmes, in full compliance with international regulations. He works with clients to explore their organisational needs and identify suitable interventions ranging from bespoke studies to full operational solutions. Vincent’s experience includes people development and coaching within multinational companies in different industries and geographies, including the Nordic and Baltic Countries, Russia, Germany and France. E: vhennequin@itx-ge.com.