

# How Effective Compliance Management Gets A Seat At The Top Table

**In the current business and tax ecosystem the impact of mega trends, changes in employee cross border working and the ever-changing compliance context have put a new lens on employee Global Mobility. In this changing world, new stakeholders, new dynamics and new requirements have become a changing yet defining part of the landscape.**

It is on this change in the international compliance context which PwC and the RES Forum were keen to shine a light - how are companies coping with these changes, are they cognisant of the risks and opportunities and, dare we say it, do they even care? How does this awareness (or lack thereof) impact the global mobility team's contribution to the business and talent agenda? What could this mean for the global mobility function of the future?

In summer 2015, the RES Forum and PwC instigated a research project with the aim of investigating these very themes, the findings of which are captured in their report entitled report, "Developing Global Mobility for the Future – Will your tax compliance strategy lead you there?". The research and analysis set out in the report is based on a survey of 86 professionals from multinational organisations across the world, who are involved in managing or leading Global Mobility programmes within their organisations. Here we share an insight into the report's findings, and provide perspective on how solid, high

performing and organisationally well-positioned Global Mobility functions can prepare themselves for the future.

## How Can A Global Mobility Function Be Effective?

Exactly where a mobility function's focus should be to enable it to add value to an organisation's mobility programme and to operate strategically, is a topic that is much talked about by those involved in the mobility value chain.

Professor Michael Dickmann went further than this in the RES Forum annual reports in both 2014 and 2015, categorising the four areas of effectiveness of the practitioner (and the key areas of focus in the function) as Strategy, Compliance (being a tax & NIC expert), Workforce planning and Talent management. Whilst this PwC-RES Forum joint study focuses on the mobility function's contribution to the first two areas, there are interfaces between all four aspects and one could argue that a lack of effectiveness in one area could lead to limited impact elsewhere.

As the results of this study show, ultimately many organisations have a long way to go to reach a point where they are truly thinking about Global Mobility (GM) in a strategic way, and likewise GM practitioners are struggling to make an impact (and will continue to do so) when there is limited strategic or value add contribution.

There is hope though as we see through analysis of the survey results,

the foundations for making a strategic contribution to the business, and getting a seat at the top table, rely on getting the basics right. If GM leaders and their teams can become subject matter experts on those areas of compliance which can cost the company a lot of money should there be a failure, this will help them to achieve their ultimate goal. In many ways, 'failure demand' can open the door to a more value-add conversation with the organisation on GM, which may in turn lead to that desired seat at the top table for an organisation's senior GM team.

## Strategy - Is Your GM Function Aligned With The Strategic Objectives Of Your Organisation?

As with other HR functions, mobility and HR commentators propose and encourage the mobility function to demand its place as a strategic contributor to the business and people agenda. What is clear though is that in practice, the right to sit at that top table has to be earned rather than given. Once this seat is earned, value has to constantly be added to maintain that position.

Looking at the survey results it is clear that mobility still has some way to go in terms of influencing the HR agenda, never mind the business agenda. Only 25% of GM teams are involved in creation of the people strategy linked to the business strategy.

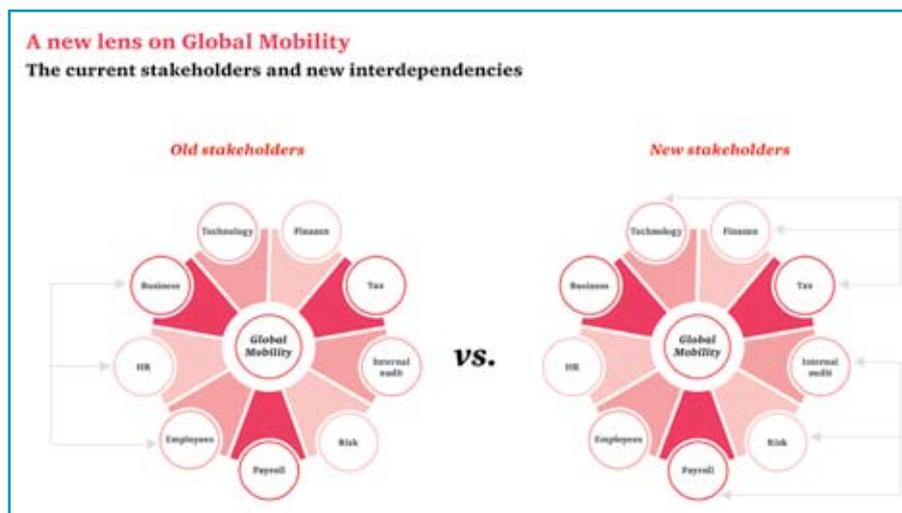
Members who responded cite that their engagement with the business is often through the HR function and therefore as a filter is effectively applied, their impact is limited:

"Sometimes I think that HR pick and choose what they share with the customer, and mobility therefore becomes an island."

Despite the lack of involvement, several respondents saw the value in being involved, described as:

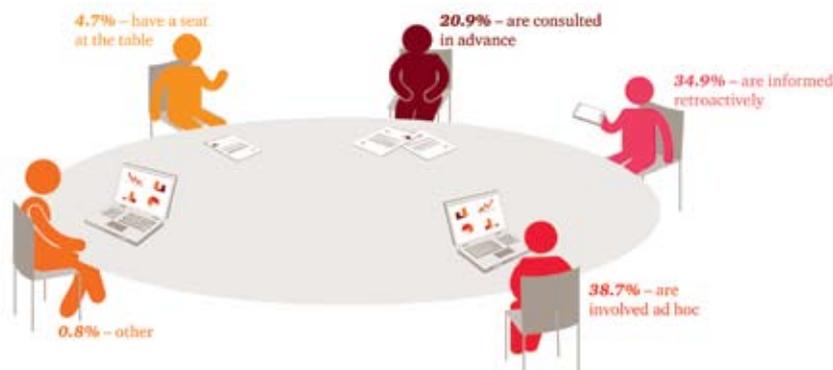
- More appropriate candidate selection
- Better education to managers on complexities rather than just seeing the function as a 'blocker'/bureaucracy
- Cost for assigning better understood and more effective deployment.

Recognising that direct involvement is the key to better engagement with



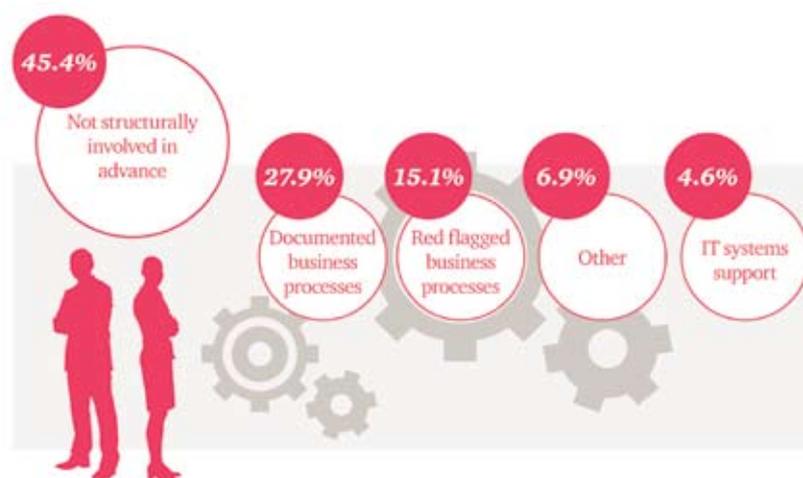
### Business tax environment

Where is your GM department positioned when determining the people aspects of global strategic objectives?



### Business operations

Global Mobility is embedded in the business operations in one or more of the following ways:



the business and their (international) deployment of employees, it might be worth considering the emerging trend in HR of specialist HR areas expanding their own expertise and positioning themselves as 'business partners' who have more direct contact with the other areas of the business. Indeed one respondent implied this when they stated:

"GM closely interacts with the whole finance community so not specifically seen as an island."

Could this direct relationship with the business and non-HR support functions be the key to a more strategically effective mobility function?

The final word on strategy and strategic involvement comes from one respondent who summed up the challenge for GM perfectly:

"You need to earn a place at that table... showing up as a transactional function with no value add means you will never earn the invite."

### Business Operations- How Is Global Mobility Embedded In Your Organisation's Business Operations?

Moving on from business strategy to business operations, given the limited strategic focus that GM has, it does not come as a surprise to see that GM is not involved when decisions are made to undertake cross border activities (45%).

Again we come back to the 'island' analogy as being both a consequence and outcome of the lack of strategic impact of GM departments:

"The involvement of global mobility is at the mercy of HR or Finance – this usually works but is reliant on collaboration and understanding and is not guaranteed to catch all."

Whilst many GM practitioners are confident in their knowledge (if not their influence), an expensive mistake or compliance failure can often be the key event, which brings them into the

discussion. Education on the pitfalls can then be positioned appropriately:

"A current project is underway to better educate the business on the impact of cross border activities and their impact, and also align GM more effectively with other functions."

"I am working on a GM fundamentals session for HRDs and HRBPs so that I can raise awareness of GM issues and barriers."

Finally it is worth noting that when respondents were asked what their biggest achievement was with respect to their global mobility programme, several companies cited better integration of their work into the broader HR function and/or business operations. Perhaps then there is hope after all...

### Business Tax Operations. Does Your Organisation Maintain (Pro)-Active Relationships With Internal And External Stakeholders About Global Mobility (Tax) Compliance?

55% of respondents stated that GM is aligned with other internal tax functions in their organisations.

Throughout this survey, many respondents cite their programmes as being too small to achieve scale and strategic value within their mobility programme, and this lack of alignment with other internal tax functions is arguably a consequence of that same scale factor.

Interestingly though, some respondents realise that they need to speak the language of corporate tax, transfer pricing and permanent establishment to integrate themselves as well as being integrated. This two-way street is maybe the key to success of integration with other departments including tax.

When asked about the biggest improvement in relationships with tax departments GM practitioners cite:

- Better communication
- More regular meetings
- Understanding their requirements and vice versa.

By following the above key steps and improving interaction and integration, Global Mobility can contribute value as the need for tax transparency and reporting grows.

### Tax Risk Management- Is Your Organisation Well Equipped To Manage The Key GM Risks?

Survey results demonstrate that it would appear that a small majority of

organisations are comfortable with living with the risks of a mobility programme which may be triggering compliance issues. 44% of respondents do not monitor the identified key risks for Global Mobility (tax) compliance and 12% 'do not know' if they monitor the identified risk for GM (tax) compliance, (which we can assume means they do not).

Failure to monitor risks is mainly due to the absence of a robust GM control framework and a lack of resources or systems, but smaller companies with smaller programmes seem comfortable that their informal means of identifying risk will suffice, using methods such as expecting individuals in relevant departments (HR or corporate tax) to recognise risks based on their own experience.

### Monitoring And Testing- Compliance And GM Budgets

PwC and the RES Forum were keen to ascertain how companies with limited or no formal alignment with other functions, and no formal GM control framework, were then able to monitor exposure to compliance issues.

In the absence of integration, a manual approach to reviewing days or recharges may in some cases be the trigger point; however, this is dependent on individuals and sometimes whether they accidentally find out about a situation as opposed to a structured process or systemisation – a risk in itself.

"When international tax or I hear of a situation that raises a risk we let the other side know."

It is interesting that a lack of resource or budget for a system is repeatedly given as the reason why no formal integration and tracking exists. Will it take an expensive penalty or compliance failure to push monitoring up the ladder in terms of the attention it should be given?

Moving on to monitoring compliance with external requirements, when asked about whether regular discussions with authorities would be beneficial, feedback was mixed with only 21% of respondents having proactive conversations with the tax authorities.

The size of a programme seems to determine whether this would be relevant. One responding organisation found tax authorities generally to be 'reactive only' as opposed to immigration authorities where "authorities foster more cooperative relationships."

This may be a factor of programme size; are you big enough to be relevant and are the issues big enough to cause the organisation problems? Yet where

good proactive relationships and beyond that agreements exist there are identified benefits, and these benefits are not restricted to small programmes.

"This has resulted in fewer worries about compliance and over regulation around submission of data."

There are opportunities, however, like Short-Term Business Visitor regulations in the UK or Modified PAYE in the UK; this requires quid pro quo in giving the authorities what they need when they need it, otherwise the agreements fall apart and so does any good will from the tax authorities.

There is another area of 'monitoring' worth commenting on and that is monitoring of assignment costs versus what was budgeted at the assignment costing stage. The RES Forum has worked on programmes where they have seen first-hand the benefits of proper assignment costing up front. In a slightly strange way, a measure of success in this regard can be when assignments are rejected due to cost where this might never have happened before due to poorer quality cost modelling.

Sadly, our survey illustrates that GM teams generally struggle to make this costing data available up front or if they do have it, they do not compare actual spend with budgeted spend, which in turn can undermine the strategic impact of the function and how it is perceived. Reasons cited are:

- "Lack of centralised data"
- "Difficulty in collecting data from multiple sources and recognising the costs"
- "Management not wanting to know even when the information is made available."

The benefits of having such structures in place are that it can, "bring to life immediately the cost to company"; can it be put any better than that?

The final indictment of GM and their relevance to compliance and monitoring is evidenced by how few respondents received the outputs of internal audit findings. Is the GM function so passive in the internal audit process that it is not identified as a key stakeholder in the audit findings, or does the absence of a robust GM control framework limit the opportunity to report on the status of GM compliance?

### Tax Assurance

So where does your organisation go from here? Adding a framework and a methodology to managing compliance control will help organisations to achieve compliance control. Much talked about,

but much less frequently implemented, GM departments who keep abreast of global trends in this area and who are well prepared to proceed may finally be recognised as being strategic contributors. Perhaps then the goal of being at the top table and contributing towards the organisation's future may be within reaching distance?

### About This Article

This article is based on the joint research collaboration published by PwC and The RES Forum, in November 2015 entitled "Developing Global Mobility for the future - Will your tax compliance strategy lead you there?" To request a copy of the report, please contact The RES Forum or PwC (contact details below).

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