Look Before You Leap: Managing Global Mobility

By Kristin Sampson, GPHR
Area Vice President
Global HR Services
Multinational Benefits & Human Resources Consulting
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Introduction

The global economic recovery, though still soft, has played a significant role in the growing use of international assignments across most business segments worldwide. Global employees’ mobility is an increasingly important business issue as companies expand operations to both traditional and emerging markets. Despite rising costs, more government scrutiny in the areas of tax and immigration, and other complexities, this practice has become an integral component of the modern workplace.

According to Atlas Van Lines’ 47th Annual Corporate Relocation Survey, 37 percent of firms saw international relocation volumes increase in 2013. Additionally, 25 percent or more presume further increases in relocation volumes both overall and internationally.¹ These findings and similar results from other industry surveys indicate that global assignments are a business practice that isn’t likely to fall out of favor anytime soon. For this reason, it is critical that organizations become aware of the compliance issues, cost and benefit associated with various types of assignments.

This paper discusses current trends in global assignment practices and takes a look at the cost, benefit and compliance concerns related to long- and short-term global assignments, as well as other employer and employee considerations. Employers should carefully weigh these factors when determining the optimal assignment type for employees, in order to make informed decisions that support the organization’s immediate and long-range growth goals.

Current Trends

Topics of concern about global assignments vary from immigration to tax laws and currency fluctuations, to global benefits coverage. At the same time that employers work to address the challenges brought by these issues, they face other ongoing pressures. They need to manage assignment costs and employee expectations, and ensure compliance with multiple regulations.

With all of this complexity, why are more companies going global? The reason is simple: To be successful in today’s business world, employers must commit to developing new leaders and providing them with the required experience to expand traditional markets and grow new opportunities overseas. The need for global presence and expertise far outweighs the costs and difficulties associated with global assignments.

Employers can get a handle on competing needs by honing in on country-specific business practices and regulations, while also considering overall business and assignee needs. It is important to note that one size does not fit all – every assignment situation is unique.

A flexible approach is key as companies continue to use varied assignment types that include short- and long-term stints, developmental, extended business travel, intra-regional, commuter, permanent transfer, localization and others. The selected global mobility program must be able to support ever-changing business needs and the compliance requirements of home and host locations.

Due to the many complexities of international assignments, managers continue to spend an excessive amount of time and effort on administration. However, integral to the success of any assignment is careful planning and solid, market-competitive policies and procedures.

No matter which assignment option is chosen, it is important to communicate expectations and gain buy-in from all parties involved. To ensure an efficient and effective program management experience, employers should also develop a strong working knowledge of the global assignment processes as well as immigration and tax regulations, and/or partner with an outside consultant who offers this insight.

A recent KPMG Global Assignment Policies and Practices (GAPP) Survey found that businesses worldwide are taking an active interest in global mobility programs, with international assignments on the increase in companies headquartered in Nordic countries and the Asia Pacific region. Organizations that have established programs, headquartered in the U.S. and the U.K., for example, continue to expand and adapt them to fit business objectives and changing needs. Interestingly, although most survey participants invest in a global mobility program to support their organizations’ business, only 12 percent say that cost control and confidence about return on investment are important.2

Looking to the future, most organizations – 86 percent of KPMG survey respondents – plan to either keep the number of international assignees the same or increase that count. This was especially the case with organizations in the energy industry (93 percent) and those headquartered in Europe (90 percent).2

The Traditional Long-Term Assignment

Traditionally, international assignments range anywhere from one to five years. These long-term assignments are expensive and require a considerable commitment from both the employee and the employer. However, the investment can really pay off for meeting certain objectives. Long-term assignments are well suited for strategic positions where qualified locals are not available to broaden global management skills, initiate mergers and acquisitions, introduce new products or services, develop global thought leadership in a particular market or region, and meet other ever-growing business needs.

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Long-term assignments allow employees to remain on home country benefits and participate in home country social and retirement plans. These arrangements also make it possible for assignees to immerse themselves in the culture and business environment of the host country, develop relationships with local teams and act as an impetus for further growth upon their return home.

Potential drawbacks of long-term assignments are the multiple costs involved in moving household goods, international education for children, family home leave, family housing and utilities, property management or home sale costs, as well as host payroll costs. Tax equalization, home and/or host taxes and applicable gross-up costs on these benefits are additional factors. Organizations should carefully consider and accurately estimate these sizable expenses to properly budget and minimize their investment outlay.

The Rise of Short-Term Assignments

Global growth is partly due to the rise of short-term international assignments. Unlike customary long-term assignments, which can last from one to five years, the short-term assignment is typically two to twelve months and completed within a year. This type of assignment allows for increased flexibility, convenience and cost savings when moving employees overseas.

Short-term and developmental assignments are increasing in popularity, largely due to their ability to mitigate many of the inherent challenges that accompany long-term assignments. The main intent of a developmental assignment is to broaden the experience of the employee and provide a career development opportunity. Compared to their long-term counterparts, short-term and developmental assignments are usually single-status, meaning the assignee is traveling alone. These types of assignments are normally reserved for operational projects, which can include training and development, transfer of knowledge or skills, and projects focused on filling a skill gap.

Areas for cost savings with short-term assignments, compared to traditional assignments, can range from tax equalization and shipment of household goods and family housing, to children’s education and cost of living adjustments. There are also fewer complications associated with family expectations and cultural assimilation.

Other drivers influencing the rise in short-term assignments are an increase in the number of dual career couples, ongoing economic instability and unemployment rates in the United States. An uncertain employment market has raised employees’ concerns about job security upon their return from a three-to-five-year assignment. The need for cultural training and “settling in” services remain and are critical to the success of short-term assignments.
Determining the Right Assignment

Prior to determining the correct “type” of assignment, business goals and expectations need to be understood. It is impossible to force fit an assignment into a specific category. In the end, the assignment will define itself, and the necessary course of action will need to follow.

Prior to moving forward with any assignment, it is important that management understands all associated costs. Organizations should always calculate cost projections to allow for line-item clarity, include the tax differential cost to the company, help identify ways to save money and provide a budget to management. In addition, a Letter of Understanding (LOU) acts as a “mini policy” and serves as a reference tool for both the assignee and management; it helps to set and manage mutual expectations. Finally, as families make the transition, cultural training and “settling in” services are critical to the success of the assignment. The greater the help up front, the better the outcome of the support given to assignees and their families. Taking a proactive approach reduces anxiety along the way.

Get It Right the First Time and Win

To remain competitive on the global stage, organizations must embrace a global mindset. The need for international assignments is growing, and therefore, so is the need for an all-inclusive, strategic approach to a company’s global business plan. The fundamental concepts of global mobility must be applied to the constantly changing needs of the business. Whether long- or short-term, these assignments are on the upswing and contribute to building a flexible, culturally competent workforce that is better able to support the future growth of organizations. Whatever the rationale for a global assignment, it is imperative that companies do their research and “spell it all out.” This ensures clarity and alignment from the inception of the assignment through the repatriation, ultimately leading to a successful execution.

With a sound vision backed by the proper resources, companies can and should plan to win in the global market. From increasing shale production in Europe to the emergence of competitive markets in Southeast Asia, the need and the opportunities for a global presence have never been more apparent or abundant.

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About the Author

Ms. Kristin Sampson is a Vice President of the Multinational Benefits & Human Resources Consulting Practice for Arthur J. Gallagher & Co. With over 20 years of experience in international business and finance, Kristin has extensive knowledge of global compensation and benefits, policies, competitive practices, strategic planning and tax compliance. Her enthusiasm for global mobility is demonstrated in her cost-effective solutions for managing international assignments. Prior to joining Gallagher in 2007, Kristin was responsible for developing and managing Bausch & Lomb’s international relocation and global mobility program, as well as providing hands-on service to senior management, global human resources and employees around the world.

Kristin Sampson, GPHR
Area Vice President
Global HR Services
Multinational Benefits & Human Resources Consulting
Arthur J. Gallagher & Co.
Kristin_Sampson@ajg.com
585.641.2575
www.ajg.com