International Assignment Services

A worldwide view*

Volume 1

Global mobility in a downturn—managing through and emerging stronger

*connectedthinking

PricewaterhouseCoopers

Introduction

These days, you can't pick up the newspaper or listen to the news without hearing someone express an opinion about managing businesses in the downturn. Every facet of a business is impacted by the burgeoning global economy, and naturally this has an impact on global mobility programs. Decisions made in this time of turmoil will differentiate between the winners and losers of tomorrow. Reactive changes or scale-backs may seem necessary in fear of today's environment, but once the economy turns (and it will turn around), companies may end up regretting such decisions.

In this document, PricewaterhouseCoopers wants to explore best practices for managing global mobility programs in the current economic downturn as a means to emerge stronger on the heels of an upturn. In these times, a natural reaction may be to stop further assignee movement, wait for recovery and then start again. While there can be no doubt about the short term benefits—surely, taking this knee-jerk approach could result in an opportunity missed. Such an approach has the potential for greater disconnect between business strategy and the mobility program in the short term and does not plan for shifts in business strategy when markets recover. From a best practices perspective, now is exactly the right time to reassess current mobility policies and practices for short-term wins and prepare the program for longer-term strategic enhancements.

These are challenging times for all organizations, and the impact on the organization's global mobility program can be even more dramatic, because so many areas of the organization touch the global mobility arena. From assignee demographics to program strategy, policy and overall administration, no part of the global mobility program is left untouched by any type of organizational change. Moreover, because global mobility programs involve an active assignee population on the ground in the places that an organization does business, the function needs to demonstrate agility and be able to respond quickly to organizational change.

Approach

Assignee populations and related program costs have soared in recent years due to huge economic growth globally. Currently, the challenge for many organizations is how to manage cost reduction mandates while supporting global business growth objectives and retaining and rewarding the best performers. Now is the time for performing an assignee inventory as well as completing an effectiveness review on overall program performance.

This program effectiveness review will likely include an assessment of the following:

- Mobility strategy
- Program costs
- Governance charter
- Service delivery model
- Mobility policies
- Process framework

Assignee inventory

Most organizations track and report on their assignee population on a regular basis. The assignee inventory takes reporting on assignee demographics a step further—focusing not just on assignee name, location and assignment duration but also on assignee specific data such as, performance record, capabilities assessment and next likely position. The assignee inventory provides much needed data to enable the organization to determine the success of each assignee, his/her fit for the purpose of the assignment, the return on investment in the individual's assignment and even the next appropriate position for the individual (if any). The information is critical to the business's ability to determine reassignment, repatriation, localization or separation. For these movement decisions, the mobility team needs to ask themselves the following:

Reassignment

- Is the current process to move assignees from the old location to the new location quick, efficient and painless?

Localization

- Is there a localization policy and process in place?
- Do we understand rules of notice based on various home country employment agreements?

Separation

- Is the policy robust enough to address both scenarios where the assignees return home and where they remain in the host location? (Note: for the first time in recent history, individuals are choosing to remain in the host location to test the local employment market)
- Do we understand the notice period, regulatory requirements, acquired rights concerns, severance payment process and related tax reimbursement issues?

Mobility strategy

It is critical to understand any changes in talent management strategies and the overall business objectives of the organization so that the global mobility policies may be structured accordingly. In today's environment, program cost continues to be an overriding consideration and will require the organization to revisit the basic question of their mobility strategy (i.e., why do they have assignees, what is the purpose of the assignments they sponsor?) and how global assignments will fit into the revised business and/or talent management strategy.

- Will the program continue to be used for talent management and development?
- How are we using our mobility program to reflect the shift in expected revenue streams?
- Will the organization continue to send high potential employees onto specific international projects or placements or will the focus be only on business critical locations?
- Is there any opportunity to use resources from developing markets to train and transfer knowledge back if these economies are still showing growth potential?

In general, companies are continuing to initiate new assignments—however, there is a more thoughtful selection process, more thorough development of assignment objectives and a more rigorous assignment approval process. We are seeing a trend of fewer assignments at the senior executive level and more mid-level movement as well as less movement to developed markets and more to business critical locations where business growth is essential to revised business plans. Coupled with these changes is an increase in leveraging assignments as a developmental opportunity within the people planning process.

Program cost

What is the total cost of your mobility program? This may sound like an age old and obvious question, but accurately capturing this information has proven difficult for many organizations. It is difficult to commit to a savings goal for your mobility program without understanding the baseline cost and with more and more organizations mandating cost savings plans, this issue is quickly coming to a head.

This exercise allows the organization to analyze program costs in a variety of ways—total cost, by region, by business unit, by location, by assignee and even costs related to exceptions. The assignee analysis will help you understand average spend per assignee and highlight assignees with an above-average spend and the cause of the additional costs (i.e., length of assignment, level, exception related, etc.).

Program governance charter

Accountability, risk management and cost containment also are essential components of the mobility program governance charter. We are seeing more rigorous and higher levels of approvals required for new assignments and policy exceptions. Cost considerations are often a required component of the approval process. Though exceptions may impact only a percentage of the assignee population, aggregate exception costs can be high with ongoing annual costs and related tax gross-ups.

- Are assignment approvals in place, at the right level?
- Are assignment costs approved, at the right level?
- Are exceptions and related costs approved, at the right level?
- Is the corporate cross charge protocol used for all assignments?

Service delivery model

There are certainly correlations between an organization's business model, HR model, the size of the assignee population and the service delivery model. In many cases, the service delivery model for the mobility program replicates the business model, such as centralized or decentralized with core team to work across the organization for strategic objectives. Many companies are experiencing challenges in services delivery with unexpected headcount reductions. As the role of shared services becomes more defined within the organization, some of the more routine, high volume assignment administration activities may be shifted from the regional service delivery teams to selected shared services centers to provide consistent service across the organization and maximize overall efficiency (i.e., payroll delivery, cross-charges, invoice processing, etc.).

Mobility policies

As assignee populations grow, more focus is given to how the organization makes an investment in assignments and to defining the types of assignments needed for the business. Once the policy types are determined, a global policy framework is designed to address all policy types (long term, short term, permanent transfer, intra-regional, commuters, etc.). The framework may include variations or tiers for within the long term assignment policy to address different assignee demographics such as, executive, developmental opportunities, no-tax locations and employee initiated assignment. Some organizations may take a more flexible approach to address the varied assignee demographics using optional policy elements (based on company discretion) and lump sum payments. As cost containment pressures continue to mount, business operating models are changing:

- Does an above-market policy approach continue to be appropriate in the current environment? Would another market benchmark be more defensible?
- Are modified packages appropriate for emerging markets and developmental assignments?
  - Are local plus options appropriate?
  - Is tax equalization the approach for all assignment types?
- Is a flexible policy approach needed to align cost containment, business and assignee needs?
- Do you need to consider the delivery of policy provisions to ease the administration of the program?
  - Allowance versus reimbursement of actual expenses
  - Delivery in kind versus cash
  - Frequency of cost of living and exchange rate reviews

Process framework

Infrastructure is needed to successfully and effectively manage mobility programs. Fundamental to mobility process is a standard set of policies, processes and procedures with well defined roles and responsibilities that focus on the needs of both the stakeholders and assignees. Such a process framework will enable the organization to initially mitigate any potential risks in the area of compliance and to incorporate policies and procedures that support risk management.

With program cost a significant factor, there is a need for a well defined program governance model with clear approval requirements for assignee selection, business cases for assignments and extensions, assignment costs and exception requests. With these increased process controls, there are more links to Internal Audit, Corporate Tax and Legal. It is the right time to review the processes that touch the other functional areas that support the mobility program—this is not the time for any surprises in terms of compliance concerns or unexpected assignment costs.

Given the focus on program costs, there has been considerable focus on assignment budgets and accruals:

- Are assignment cost projections prepared?
- Do all of the business units understand the flow and timing of assignment-related costs?
- Are budgets and accruals managed centrally, regionally or locally?
- What are the cross charge arrangements?
- How are balances (i.e., TEQ settlements, tax refunds) due the Company tracked and received?

Look to the future

The program assessment and assignee inventory are critical in the short term—but what is the longer term goal for the mobility program? In today's environment, the organization needs to revisit the basic question of their mobility strategy (i.e., why do they have assignees, what is the purpose of assignments?) as well as determining how you will measure success of the program.

Best-in-class programs exist when performance management opportunities are embedded into the day-to-day activities and processes of the program. Familiarity with the program demographics and deliverables are essential to measuring its effectiveness. There are various program performance statistics for organizations to identify, track and report. This may include the following:

- **Key performance indicators** (accuracy, response time and turnaround time on all deliverables from the service delivery team as well as vendors);
- **Success measures** (satisfaction levels of all stakeholders, including business managers, HR and the assignees, effective cost structure, exception management, efficient program administration and competitive policies); and
- **Return on investment** (connected to specific business or HR requirements such as retention, promotion and diversity statistics; performance on assignment and impact on business (incremental assignment cost to a meaningful business measurement).

Summary

This is an opportune time to take a long term view to global mobility while dealing with the short term economic challenge to ensure that the program can respond to the changing business requirements. The organization will need mobile people to respond to market opportunities when the economy recovers more than ever. These market opportunities may be in current assignment locations, but will likely include new assignment locations and even new locations for the organization. The global mobility program needs to be positioned to deal with the shifts in business strategy today and emerge stronger and well-prepared for the challenges of tomorrow.

About PwC's International Assignment Services

PwC's International Assignment Services (IAS) practice has extensive experience helping multinational organizations manage the process of deploying an international workforce from start to finish, including all complex tax, planning, administrative and strategic aspects. Whatever the mission—sharing knowledge, implementing management processes, expanding business into new territories—assignees provide the fuel for global growth.

PwC offers a full range of international assignment services to assist companies in harnessing the value of global mobility while managing its risks. Our services include assignment tax services/planning and compliance, global mobility program consulting, and technology services.

IAS understands the lifecycle of an assignment. From beginning to end, PwC is there to provide not only core tax services, but to help you take the steps needed to get the most out of your assignment programs. Our extensive knowledge of all aspects of assignment programs—from policy to reward and talent management to succession planning—puts us in the ideal position to assist you in making sure your mobility program is working at optimum efficiency and help you get the best return on your investment, with the least amount of risk.

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