

Saratoga
Human resource services

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What's happening at PwC Saratoga

The key activities at PwC Saratoga include:

- **July 12, 2010:** PwC Saratoga releases the 2010/2011 US Human Capital Effectiveness Report. This year's report consists of more than 330 metrics based on data submitted by nearly 300 organizations.
- **July 16, 2010:** Data collection concludes for PwC Saratoga's Latin American Human Capital Effectiveness survey. Results will be available in late August. To learn more about this effort, please contact [Jon Burton at jon.burton@saratoga.pwc.com](mailto:jon.burton@saratoga.pwc.com); (408) 817-7440.
- **August 24, 2010:** PwC Saratoga will host a webcast titled "Planning and Prevention: Measuring Financial and Physical Health of Your Employees" with CFO magazine at 1 p.m. EST. More details about this webcast will be e-mailed shortly.
- **September 15, 2010:** PwC Saratoga Metrics 101 course will be held in New York City. On **September 16**, PwC Saratoga will host its Metric 200 course. The Metrics 200 course will still be part of our foundational metrics series but will have a deeper focus on dashboard development, data analysis, and utilization of metrics to build business cases. To register for either course, please copy and paste the following URL into your Web browser: <http://www.meetpwc.com/saratogaworkshops>. Additional Metrics 101 and 200 courses will be held in San Francisco in October and Atlanta in November.

To learn more about any of these activities, please see the final page of this newsletter for the contact information of your local Saratoga representative, or call 1-866-727-2864.

Adjusting talent strategy to support cross-border growth

In the aftermath of the worst economic crisis since the Great Depression, much of the business world has been pushing hard to win new work in an exceptionally competitive marketplace. The state of today's markets, painful though it is in the short term, may present an elegant business solution driven by expectations of a key emerging workforce segment, the Millennial generation.

This new breed of workers has a global orientation and sees international assignments as highly valued career development opportunities, which they rank ahead of cash bonuses as an attractive benefit.¹ But overseas growth and international assignments come with obstacles as varied as the people who fill them and the countries that host them. Is your company up to the challenge?

Leaders weigh in on economy

Massive reverberations in the credit and financial markets have shaken economic confidence worldwide, from the C-suite to the consumer on the street. In fact, 65 percent of CEOs surveyed in 2010 by PwC are concerned that the downturn in major economies threatens growth.²

CEOs have registered a lack of confidence since the economic downturn set in: Only 31 percent said they were "very confident" they would see increased revenue over the next 12 months. It remains clear that concerns loom over the economic outlook with more than three-quarters of CEOs expecting that global banking system conditions will raise the cost of credit and restrict access to finance; and about two-thirds saying that they may be forced to delay investment plans and curb their growth expectations.³

¹ Managing tomorrow's people, Millennials at work — perspectives from a new generation, PwC, 2008

² 13th Annual Global CEO Survey, PwC, 2010.

³ 13th Annual Global CEO Survey, PwC, 2010.

Moving people to build business

Building business in the global market means moving people to meet opportunity. Travel, including short-term assignments and long-term commitments, is an inescapable reality in today's business environment, one that comes with a host of responsibilities as organizations broaden their horizons to support growth during turbulent economic times.

Expanding the globally mobile workforce presents an array of hurdles and calls for ongoing vigilance on the part of leadership. Those who hope to delve effectively into global opportunities will need to increase their ability to perform proactively and agilely or risk missing opportunities for the organization, its growth, and its people.

International assignments can produce a dizzying array of management challenges. The greater the number of assignees and destinations, the murkier the picture and the higher the stakes can become. Clearly, such moves take time and money; they also can result in unforeseen complexities and risks that demand the right response with little time for reaction and little margin for error.

In fact, leadership may not recognize these issues until they have negatively impacted management and employees. Accurate expatriate cost projections; reliable information on immigration requirements; labor laws; and local health, safety, and security issues can have a critical impact on delivering projects on time and under budget. Major projects tend to rely on sizable teams of in-house staff and external contractors and may involve multiple efforts in numerous locations.

Lack of foresight and strategy can sap international assignment effectiveness for employers through unforeseen tax and Social Security costs, heightened revenue authority scrutiny, and frustrated, discontented workers. Among the many matters employers need to expect and plan for are resettling and appropriately compensating and recognizing expatriate employees and their families in new environments and complying with host country taxation, regulations, and Social Security for employees and the business.

Companies that have expatriate populations numbering in the thousands need to plan still more carefully to develop and launch an effective policy for managing overseas assignments and international recruits. They should:

- Provide appropriate host country support for assignees and their families
- Know how the company will develop, motivate, and retain international assignees on an ongoing basis, including upon their return from host countries
- Manage the costs associated with international assignments
- Remain alert to compliance obligations and risks, including immigration, tax, Social Security, and local employment regulations

Know international assignment costs, savings, and valued measures

Direct and ancillary international assignment costs should be scoped in advance so they can be managed effectively. The company should have a process for calculating the cost implications of in-house and external service providers and fully investigate potential tax savings in each host country. At the same time, leadership needs to affirm that double taxation treaties are reviewed to identify potential tax liability in host countries in which the company may recharge costs.

International assignment policies should be followed consistently throughout the organization, remain flexible enough to respond to market conditions in a variety of countries, and enable the company to dispatch expats to hosts within a time frame that aligns with the business's overall response time for embarking on new market endeavours. To identify trips that may evolve into international assignments and be ready to respond appropriately, the company should monitor developments when staff is sent abroad to conduct on-site bids and other business.

To reinforce employee retention among crucial human capital, international assignment policy should include concrete measures for motivation, development, and retention of skilled staff. The company should review extra compensation packages for international assignments to assess whether they are competitive and whether they accurately reflect the range of living and market conditions abroad. The company should also systematically track post-international assignment retention rates and benchmark them against its overall performance on this metric.

A new generation enters the workforce eager to depart for distant shores

PwC's 13th Annual Global CEO Survey suggests that many organizations grasp the deep connection between talent management and international mobility, but few have responded with a strategy predicated on that underlying synergy, often failing to align assignment policy to overarching enterprise objectives. Issues such as recruiting, rewarding, and retaining top talent are vital, given economic and demographic indicators and acute skills shortages in particular industries. It may seem a stretch to think about threats such as global labor shortages in these economically challenging times, but the crunch for talent going forward will be a reality as surely as the credit crunch is today.

As businesses struggle to recruit and retain talent with key skills in coming years, the Millennial generation,⁴ for whom career development and international work opportunities are expected to be major draws, will gain traction in corporate corridors and on trains, planes, and automobiles. Millennials have already started to emerge in significant numbers: Their workforce representation grew by 18.5 percent from 2007 to 2008. At the same time, Generation X employees comprised more than 50 percent of workers for the first time, according to a recent PwC survey.⁵

Millennials are mobile in their thinking, whether that means access to actual travel or to the technology that enables them to bring their lives along with them in a pocket on the fly anytime and anyplace they desire. And they perceive international exposure as a main component in career development. Eighty percent of Millennials surveyed by PwC want to work abroad, while 70 percent anticipate using other languages in the course of their careers.

Companies should look closely at their own talent-management capabilities with a specific focus on international assignment policies and their implications for remuneration and retention. At a time when skilled talent is scarce and becoming more so, international assignments are an investment in expertise and a crucial individual and organizational ingredient for successful global operations.

Talent retention: Sending top performers abroad to keep top talent onboard

With talent wars looming and substantial knowledge exiting along with a large outflow of mature workers, retention of highly valued talent and roles should be a critical component of human resources strategy and global assignment determinations. For companies looking to expand the borders of their operations, project managers will be key players and will increasingly be drawn from the up-and-coming Millennial generation.

Given a project-driven environment, companies are increasingly focused on identifying and developing local talent and looking to the subsequent placement of this growing pool of high-potential employees in other project locations around the world. Such a focus enables companies to provide a better mix of experienced expatriates while also remaining competitive, as local nationals tend to be less costly compared with typical Western expats sent to other locations.

⁴ Born between 1980 and 2000; also known as Generation Y.

⁵ Saratoga 2009/2010 US Human Capital Effectiveness Report Executive Summary, PwC, 2009.

A systematic approach to talent management with respect to international assignments can be a tremendous ally in a company's bid to reward and retain top performers. This will be a crucial area in which employers can distinguish themselves in the perceptions of tomorrow's workforce, with 98 percent of Millennials we surveyed calling out strong coaching and mentoring as an important developmental component.

Prized repatriated staff in key roles such as project management should return to a receptive home base and appropriate rewards. Despite cost concerns in challenging economic times, companies investing in international assignments and career development will not realize significant gains if they lose returning expats when the jet lag wears off. Management should agree on an effective incentive program based on one-time bonuses, share-based incentives, or cash-based plans.

A classic winning approach to conquering new vistas

As economic conditions bring forth new business realities, companies increasingly seek out fresh opportunities in new and emerging markets. The terrain may vary widely, along with regulatory and compliance demands, but some imperatives remain decidedly focused and clear: Companies need to adjust to changing times while managing talent issues with the same foresight and broad-based view that has always been a chief distinguishing characteristic of sound leadership.

Talent management doesn't recede into the jet stream as assignees take off for distant lands. If anything, it becomes more important than ever. Shortages of skilled labor indicate a growing need for careful, consistent people processes. Remember that tomorrow's top performers will often look to foreign assignments for growth of their own, even as the company looks ahead and abroad for revenue growth. Your company can find a place where these interests can coexist and mutually thrive. But first, it takes a plan that makes sense for the enterprise, its markets, and its people.

Keeping your top talent (part 1 of 2)

Today, employees are more likely than ever to view themselves as free agents who can easily switch teams. As we saw after the last recession, when the economy recovers, many employees may do just that. Recruiting is bound to pick up as companies try to take advantage of dissatisfaction stemming from pay freezes, benefit cuts, and increased workloads. And this time around, it will be even easier to identify top performers because the Internet has made the talent market more transparent.

Companies can take steps to engage their key people so they don't walk out the door. Providing top talent with new, rewarding challenges that help position companies better for the future can pay off in the near term.

Managing in a world of free agents

Though the trend toward free agency pre-dates the Great Recession, it's likely to accelerate as the economy recovers. The reasons are partly generational. Workers under 30, known as the Millennial generation because they came of age in the new millennium, are more likely to switch jobs than previous generations. They tend to view jobs as a way to build their resumes and careers rather than as steps on the corporate ladder.

Many older employees aren't feeling very loyal, either. No one really expects to work their entire life for one company anymore, especially after the widespread layoffs of the past two years.

Nearly half of the 450 human resources practitioners surveyed in December 2009 by PwC Saratoga said they expect an increase in voluntary employee turnover. One in eight expect turnover to increase by more than 10 percent. The results are in line with surveys of employees, including one last year by Adecco Group in which 54 percent of employed adults said they were at least "somewhat likely" to look for a new job once the economy recovers. The percentage (71 percent) was highest among those under 30. The numbers don't include passive job candidates, who aren't thinking about leaving but might be lured away by a competitor.

In another survey, the Conference Board recently found that only 45 percent of respondents were satisfied with their jobs—the lowest level in two decades.

Recruiting efforts are already picking up in financial services, where many firms that took government money during the financial crisis have already paid it back. It's also happening in technology, entertainment, and marketing, a recruiter recently told The Wall Street Journal. It's no accident that 43 percent of the 1,400 chief information officers surveyed by Robert Half Technology said retaining employees is their top staffing priority in 2010.

CEOs are focusing on talent

CEOs, who have spent the past two years concentrating on cost control, are already shifting their attention to talent management. In PwC's 13th Annual Global CEO Survey, 70 percent of US CEOs said they intend to change their strategies for managing talent.¹

Voluntary employee turnover, of course, isn't necessarily a bad thing. If mediocre or poor-performing employees leave, you may have an opportunity to raise the talent level of your organization in a way that more than compensates for the cost of replacing people. Departures can also clear the way for promotions.

The trouble is that, unless you take steps to retain and motivate your key employees now, you're more likely to lose the very people you want to keep. Employee engagement is critical. Taking steps to motivate top performers tends to boost morale and make a wide range of employees more productive and committed to their work. Numerous studies have found a correlation between high levels of employee engagement and corporate performance, especially in the area of customer satisfaction.

By doing nothing, you risk having disengaged employees who aren't productive and might even hurt your company's reputation in the market place.

Next month, we will discuss steps companies can take to increase engagement of key talent.

¹ PricewaterhouseCoopers 13th Annual Global CEO Survey, <http://pwc.pdfgen.beehive-media.com/PDFOutput/20100215091406597.pdf>

Metric of the Month: High Performer Salary Increase Differential

As US economic indicators continue to suggest signs of improvement and unemployment rates begin to decrease, organizations are increasingly focusing on retaining top talent. Metrics tracking the turnover rates of high performers are part of many workforce scorecards, and this metric provides an assessment of a problem that is difficult to fix: that is, the high-performing employee has left the organization. Although the motivations of high-performing employees can vary from one organization or individual to another, one key area PwC Saratoga sees driving high-performer retention is the ability to appropriately reward high performers.

One of PwC Saratoga's key metrics to help assess pay for performance is the High Performer Salary Increase Differential. Focusing on professional and management employees only, this metric compares the average salary increase provided to high-performing professional and management employees and compares it with the salary increase given to all professional and management employees. PwC Saratoga's formula for calculating this metric is as follows:

$$\left(\frac{\text{Average Increase in Compensation for High Performing Professional and Management Employees}}{\text{Average Increase in Compensation for Professional and Management Employees}}\right)/100$$

So, for example, let's say organization A provided high-performing professionals and management employees with an average 6 percent pay increase while the average pay increase for all professional and management employees was 3 percent; the High Performer Salary Increase Differential would be 2.0. Let's say organization B provided high performing professionals and management employees with an average 6 percent pay increase while the average pay increase for all professional and management employees was 4 percent, the High Performer Salary Increase Differential would be 1.5. In this example, organization A's pay for performance is stronger than organization B's pay for performance system.

Other important measures to track high-performing employees include employee engagement scores and drivers of retention, which can help identify problems with high performers before they occur; exit survey data, which provides evidence-based information around what drove high performers to depart the organization; and high-performer turnover rates.



To learn more about PwC Saratoga's measurement programs, visit www.pwc.com/saratoga or call (866) 727-2864.

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