

Saratoga  
Human resource services

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# Highlights from PricewaterhouseCoopers' 11th Annual Global CEO Survey

Since 1996, PricewaterhouseCoopers has conducted a survey of global CEOs to get a pulse on the issues impacting them. This year's survey explored ways CEOs seek to balance the risks and opportunities of competing and collaborating in the face of enormous uncertainty and change. The survey was conducted with 1,150 executives from 50 countries. The survey also provides personal views expressed by individual CEOs, giving perspective on how their organizations are rising to meet the challenges and opportunities created by unprecedented change. This article summarizes the results of the latest PwC study; to view a full copy of the results, please click [here](#).

## The global business environment

This year's results marked the first time, since the survey's inception 11 years ago, that CEOs have cited a potential economic downturn as a top threat to their business growth prospects; other major threats were a shortage of key labor skills and over-regulation. Other risk factors –including energy and natural resource supplies, global climate change, and terrorism–declined as business threats compared to last year's survey.

As a result of these risks and threats, business confidence among CEOs has decreased for the first time since the 2003 survey, and closer examination reveals deep regional differences. The decline in business confidence was most pronounced in North America and Western Europe, where just 35% and 44% of CEOs, respectively, said they were 'very confident' about growth. Meanwhile, CEO confidence in Asia Pacific, Latin America, and Central and Eastern Europe showed marked increases to about 55% each. This burgeoning confidence is led by China and India, where 73% and 90% of CEOs, respectively, professed themselves to be 'very confident' about the prospects for growth in the next 12 months.

The findings suggest that the combined effect of the credit crunch, rising energy prices, political uncertainty and the slowdown in the Western economies means the threat of recession looms especially large for CEOs in the established economies of the US and Western Europe. In the newly-emerged economies such as Asia, the continuing strength of CEOs' confidence may reflect the fact that they have experienced nothing but rapid expansion for a decade or more.

## Asia takes the lead on M&A and climate change

A further reflection of Asian CEOs' higher levels of business confidence is that interest in cross-border mergers & acquisitions (M&A) is also highest in Asia, where Asian companies have increasingly become the acquirers rather than the acquired. Only 23% of Asian CEOs have completed at least one cross-border deal within the past year, but 34% –a higher percentage than any other region–say that they intend to do so within the next 12 months.

Asian CEOs also lead the way on supporting government action on global warming. Despite the ongoing and highly visible debate, just 34% of CEOs worldwide cited climate change as a concern. Support for increased government intervention was highest among CEOs in Asia (90%) and lowest in North America (64%). These shifts underline the changing nature of CEOs' preoccupations as the implications and effects of globalization continue to evolve.

## Collaborative networks: an emerging business model

In looking at how this global change is impacting business models, one finding this year is the emergence of business networks as a front-line response for managing risks and exploiting opportunities.

What differentiates these new collaborative networks from companies' existing business relationships and alliances? The key difference is that most companies currently collaborate on an opportunistic basis to achieve a specific objective, such as reaching a new market or launching a new product. In contrast, a business network is a group of participants who come together in an open community of equals to conduct transactions with one another in order to produce capabilities and outcomes that advance a set of shared business goals.

These participants may include customers, distributors, suppliers, channel partners, logistics providers, regulators and other bodies – such as standards associations, community members and non-governmental organizations (NGOs). They may be companies, individuals, loosely defined groups or other entities; they may simultaneously collaborate and compete with other participants in the same network; and they may participate in more than one network.

While findings clearly show these collaborative business networks have gained global currency, most companies have yet to develop a systematic method of capitalizing on them.

### The key ingredient: people

Irrespective of the business models they adopt in response to ongoing global change, the skilled labor shortage remains a key concern among CEOs worldwide, ranking second only to a potential economic downturn as the biggest threat to business growth. Our findings show CEOs continue to believe that people are a key factor in achieving success, but that it is difficult to find people with the right combination of technical and commercial skills.

Among our research sample, CEOs in Asia were the most concerned over the availability of key skills and were the most likely to believe that their organization needs to change the way it develops talent. However, CEOs' commitment to hands-on involvement in people issues is highest in North America, where 85% of CEOs – 18 percentage points more than the global benchmark – believed their time was best spent dealing with the people agenda.

More generally, global CEOs said that combined technical and business experience, global work experience and leadership skills are the most difficult areas for their companies to recruit.

### The way forward: connect and succeed

Overall, perhaps the most pervasive theme of this year's CEO survey is the tension between collaboration and collective action on the one hand, and competition and individualism on the other. This tension reflects the fact that the connected world is still largely uncharted territory, and that many of the changes currently taking place are not merely refinements of traditional business practice. Given this ground-breaking trend, the next decade could well prove to be an extraordinary era for business and society – a period in which companies and governments work together to produce an environment capable of supporting wealth creation and social cohesion around the globe. Simply put, the world is connected as never before and, as this year's CEO survey shows, the full power of collaboration is now beginning to emerge.

# International assignments: costs and benefits

As international mobility programs grow into useful and often necessary business tools in today's increasingly global marketplace, the need to understand how to fully utilize them also grows. The lack of research available on this topic is both troubling and costly. Organizations lose up to 40% of employees returning from international assignments within 12 months, and one organization calculated that it is losing as much as \$25 million annually in relation to its program.<sup>1</sup>

In conjunction with PwC Saratoga and Cranfield University's School of Management, PricewaterhouseCoopers developed the International Mobility Insight project to better understand the financial impact, both directly and indirectly, of sending employees on international assignments. Completed late in 2006, the study involved nine multinational organizations from the US, UK, and continental Europe and covered four relevant subjects:

1. Assignee selection
2. Performance during the assignment
3. Financial investment in the international assignments program
4. Repatriation, retention and career development

## Key findings

According to the research, one in every five senior management employees has been on an international assignment with their current employer. International assignments are even more common at the board and executive level, with approximately one in every four board and executive employees having worked internationally. But actually selecting which candidates should work internationally is difficult because an employer has to consider three key issues: how much to pay the employee, how the selection will fare and how likely the selection is to stay with the organization upon returning from the assignment.

In the past, the cost of international assignments may not have been significant enough to monitor, but currently the average assignment costs \$311,000 per year.<sup>2</sup>

As previously mentioned, one organization is losing as much as \$25 million annually solely because of the loss of international employees. Clearly there are problems with the structure of international assignments that need to be explored.

One of the more insightful aspects of the International Mobility Insight program is that many organizations struggled to accurately capture spending on international assignments at all. When asked how they respond to employee problems on international assignments, many organizations said they simply paid employees more money in the hope that would solve the problem. But results from this study show that companies that paid the highest salaries/allowances did not have the best on-assignment employee performance. Another interesting fact is that using the "destination pay" approach, in which an employee is paid at comparative market rates to peers in the host location (with relocation and home leave costs added), affects neither assignment performance nor retention when compared to the balance sheet method (which ensures an employee's net compensation will be equivalent to what they would have made had they stayed home). This is surprising because the balance sheet method is typically much more expensive.

As previously mentioned, organizations lose up to 40% of their returned international assignees within 12 months of returning home. When compared with the 13.9% Total Turnover Rate from Saratoga's 2007/2008 Human Capital Effectiveness Report, there is a clear vulnerability for employees who are returning from international assignments. While the presumed goal of international assignments is to develop leaders, the results of this study show that many organizations fail to focus on reintegrating international employees upon their return, and fail to capitalize on their skills learned and connections made.

The results of the International Mobility Insight project clearly illustrate the need to better understand international assignments. If you are interested in learning more about this topic, please click **here** to see the survey results in their entirety.

<sup>1</sup>Cranfield University School of Management/PricewaterhouseCoopers LLP. (2006). "Measuring the value of international assignments" P. 25. Retrieved April 17, 2008 from <<http://www.pwc.com/extweb/pwcpublishations.nsf/docid/33709149FA9584E7802571B100587329>>

<sup>2</sup>P.7

# Metrics of the month: Generational metrics

What do George W Bush, Bill Clinton, Sylvester Stallone, and Dolly Parton have in common? All will turn 62 in 2008, and all are members of the baby boomer generation.

There has been a great amount of focus by the media and employers on the impending retirement of the baby boomer generation and the impact it will have on subsequent generations. In response to client demand and in an effort to help organizations better understand how the makeup of their workforce compares to others, Saratoga has added a number of a generational metrics to its 2008 Human Capital Effectiveness Survey.

Saratoga is focusing on the following generational breakdowns:

- **Baby Boomers** (those born between 1943 and 1960)
- **Generation X** (those born between 1961 and 1981)
- **Generation Y** (those born in 1982 or later)

Generational metrics measured by Saratoga include:

- Percent of overall workforce in each generation
- Voluntary turnover
- External hiring rates

The results of these metrics can help organizations better plan and execute their talent management programs.



Have an idea or topic that you would like Saratoga to write about? If so, we would love to hear from you! Please send your ideas and/or topics to [saratoga@us.pwc.com](mailto:saratoga@us.pwc.com).

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