ANALYZING THE METRICS OF GLOBAL MOBILITY PROGRAMS

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INTRODUCTION

As business activities become increasingly global, the level of investment by multinationals in their international assignment programs continues to grow. The ability to deploy key resources globally has become an integral part of business strategy for many companies. The incremental costs of international assignments are substantial and companies frequently complain about the high cost of global mobility. Depending on the assignment location, the cost of maintaining an expatriate and family can easily cost two to three times the employee's normal salary.

During the last few years, there has been considerable discussion about how to measure "Return on Investment" regarding international assignments. As yet, there is no "magic formula" that would enable a company to say, for example, that one assignment returned an investment of 2.5 times its costs while another assignment returned an investment of 1.8 times.

So why is it difficult to find an effective formula? The business goals for international assignments usually vary considerably and in many cases are difficult to quantify. An executive may be sent on assignment to China for three years to not only help manage and develop new operations there, but also as part of the individual's career development plans. Other employees might be sent to India as part of a project team to help train local staff for a new call center there. In both examples, a series of different factors, both quantifiable and non-quantifiable, would need to be taken into consideration in assessing the success or failure of the assignment.

For project-driven assignments where local expertise is not available, assessing the effectiveness of the assignment can be reasonably straightforward: The key questions to be asked is whether the project was successfully completed on schedule and within budget. Line managers should in most cases be able to answer these questions fairly easily.

The issue becomes complex for assignments of a more general nature. For example, if a company sends an expatriate to be the marketing director of a local subsidiary rather than hiring a local person, the incremental costs of using an expatriate can be quantified. But to assess whether there was a payoff on the additional investment, a number of factors need to be looked. Did the expatriate successfully introduce innovative new marketing programs? Was the expatriate able to identify and develop a local successor to avoid having to be replaced by another expatriate? After completion of the assignment, was the expatriate promoted?

Ultimately, subjective judgment comes into play when assessing if the additional costs of

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EXHIBIT 1

an assignment were worth the investment. Nevertheless, building a post-assignment assessment into the global mobility process is far better than continuing to absorb additional costs without questioning the short- and long-term value of the investment.

Even though there is not one overriding metric to allow companies to evaluate the relative success or failure of individual assignments, there are a number of different types of metrics that can be used to measure the effectiveness of critical aspects of their international assignment programs:

1. Impact on individual careers
2. Customer satisfaction levels
3. Administration costs and staffing levels
4. Level of policy exceptions
5. Tax equalization receivables

THE IMPACT ON INDIVIDUAL CAREERS

Despite the high cost of global assignments, very few companies have established any types of performance metrics to assess the impact international assignments are having on assignees' careers. In a survey on *Global Mobility Program Management* conducted in 2007 by ORC Worldwide and Deloitte among 377 North American and European multinationals, over 80% of the participants do not or cannot track what happens to employees upon repatriation and over the years after their assignment. How many of these employees are promoted following their assignments? How many of them leave the company? Only a small percentage of companies appear to have systems in place to track these statistics accurately. This is surprising considering global mobility programs can represent very significant investments, both financially and in terms of critical resources. However, there are probably three main reasons for this lack of tracking systems:

- *Shortage of human resource staff to manage global mobility functions.* Although the size and complexity of the assignment programs have grown during the last few years, the number of human resource staff expected to manage the programs have not kept pace. Lack of resources was one of the biggest concerns raised by participants in the *Global Mobility Program Management Survey* and this clearly limits the ability of global mobility staff to take on other responsibilities than day-to-day relocation activities.
- *Systems limitations.* For companies that maintain their assignees on a separate payroll or human resource database, it is frequently the case that global mobility administrators do not have ready access to information on former assignees once they have repatriated. Establishing a fully integrated human resource database that includes both domestic employees and assignees can be an expensive and lengthy process and is not necessarily seen as a top priority by companies.
- *Business priorities.* It is still very much the case that most employees are selected for international assignments because of their technical or managerial skills and ability to meet an immediate business need. Executives trying to find suitable candidates are typically focused on filling a position as quickly as possible. What happens to the assignee at the end of the assignment is often unfortunately a secondary concern.

Despite these logistical problems, being able to maintain ongoing statistics about what hap-

EXHIBIT 2

Chart: Variation and Similarities by Group

	U.S. ASSIGNEES		*REPATRIATED ASSIGNEES*		*INTRA-EUROPEAN ASSIGNEES*	
	Satisfied	Dissatisfied	Satisfied	Dissatisfied	Satisfied	Dissatisfied
Compensation Package	90	10	90	10	60	**40***
Communication of Policy	85	15	85	15	50	**50***
Host-Country Orientation	55	**45***	60	**40***	70	30
Repatriation Plan	10	**90***	10	**90***	50	50
Beneficial to Career?	90	10	60	**40***	85	15

**Potential problem areas warranting further investigation*

pens to assignees both during and after their assignments is a very valuable asset. Employees being considered for international assignments are generally very concerned about the potential impact that an assignment may have on their careers within the company. As a result, it can be a very powerful selling point for a company to be able to cite statistics and examples of previous assignees that have been promoted either during their assignment or upon repatriation, assuming the statistics are positive. Similarly, if a company has the ability to track retention rates among assignees after repatriation and finds that more than half of former assignees have voluntarily left the company within three years, that can be a clear indicator that its selection methods and career and repatriation planning processes for assignees are in need of major overhaul.

(See Exhibit 1.)

CUSTOMER SATISFACTION LEVELS

Conducting satisfaction surveys of assignees and their managers can help to assess the effectiveness of global mobility programs. Obtaining feedback directly from the "customers" of the program can provide an invaluable source of information regarding what works well and what doesn't. To gain a comprehensive picture of how the program is being perceived within the organization, it is important to assess the satisfaction of all the key stakeholders—assignees, line managers, and human resources managers—who play an integral part in a successful assignment program.

Global mobility program satisfaction surveys can explore a number of issues, but should attempt to assess the following satisfaction levels:

- Policy communications
- Specific policy provisions (i.e., expatriate allowances and benefits)
- Relocation and family support
- Human resource management support
- Career and repatriation planning

In addition, it is important to make sure that participants have an opportunity to make suggestions for improvements and whether they believe the assignment will be (or was) beneficial to their career.

Satisfaction surveys also allow a company to survey different types of assignees, such as short- term assignees, intra-regional transferees, repatriated expatriates, "inpatriates," and even assignee spouses. The differences and similarities in their responses can provide invaluable feedback on what areas of the assignment program are working well—and where the trouble spots are lurking. *(See Exhibit 2: "Variation and Similarities by Group.")*

There are a number of different methods for conducting satisfaction surveys, including on-line questionnaires, focus groups and personal interviews. Depending on circumstances and company culture, companies may use one particular survey method or a combination of different approaches. In all cases, if participants can be assured that their responses are strictly confidential then they are more likely to provide candid feedback. For this reason, companies will often use a third-party consulting firm to conduct the surveys and interviews.

Questionnaires

Written surveys, for example, typically have a combination of multiple choice and open-ended questions. Multiple-choice questions are easy to complete and tabulate responses. The following is an example:

How satisfied are you with your assignment package terms and conditions?

- ❑ Very Satisfied
- ❑ Satisfied
- ❑ Dissatisfied
- ❑ Very Dissatisfied

The downside is that they do not allow assignees to explain the rationale for their responses or elaborate on particular concerns. For this reason, it is best also to include a number of open-ended questions, such as:

- What type of problems and challenges are you (and your family) encountering at your current location? Have you been given enough support/assistance to combat these challenges?
- Who is responsible for preparing and scheduling repatriation or next moves to another foreign assignment? Have specific plans been established?
- What do you see as the major strengths/weaknesses of your assignment expatriate program?

Using an open-ended questionnaire format can provide the means to gain valuable insight into an issue. The respondent's answers often bring forth unexpected and very specific issues. However, the downside to including too many open-ended questions is the difficulty in quantifying the results, thus requiring a narrative summary and analysis of the issues.

Personal Interviews

Individual interviews can be very valuable in providing a detailed understanding of the issues at hand, albeit time consuming. Personal interviews are a chance for the expatriate, line manager, or HR manager to truly be "heard." This is especially important in getting feedback from senior executives. Some people are more candid with their answers in a face-to-face meeting. However, as the expatriate or line manager might feel ill at ease with an internal interviewer, an outside consultant is sometimes the best person to conduct these interviews. As most individuals do not like to be forced to respond to questions without preparation, it is generally a good idea to distribute the list of questions in advance.

Focus Group Discussions

These discussions can be useful, especially in locations where the company knows there are problems and challenges within their international programs. By providing a safe and nonjudgmental time and place to share ideas and gather information, focus groups can tackle key issues. While they may save time by processing large numbers of respondents simultaneously, focus groups may also intimidate those who feel uncomfortable speaking in front of large groups—particularly if the individual has a negative comment. On the other hand, a good facilitator will usually be able to ensure that everyone is given the opportunity to make a genuine contribution.

Once feedback has been gathered from assignees, line managers, and HR managers, the next step is figuring out how to use the results effectively. Clearly the responses can be extremely valuable for a number of purposes:

- **Identifying Critical Issues:** After the results have been analyzed, most companies will notice major themes recurring throughout all the responses. If there is a critical issue, it will usually be seen in the responses from both expatriates and managers. These issues may be specific to a region (European transferees) or type of assignment (short-term developmental assignments), or affect the entire program. However, knowing exactly which assignees are affected by these issues is critical.
- **Monitoring Vendor Performance:** Responses regarding vendor performance (e.g., relocation, cultural orientation, language training) provide management with an accurate and objective picture of the quality of vendor services. Sometimes, the results of satisfaction surveys will instigate further investigation into vendor performance.
- **Obtaining Management Buy-in:** The output from opinion surveys provides a clear and objective assessment of the strengths and weaknesses of an assignment program. The results are

an invaluable tool to use to take information to management so they clearly see what changes, if any, need to be made to the program. It becomes much easier to obtain management's approval of reasonable and cost-effective modifications to the policy when they have actual credible proof of the need from assignees and managers.

Another important use of the study results is to communicate them to the participants—proving that the survey was not undertaken in vain. The worst feedback is no feedback at all. It is also important not to forget the old story of opening Pandora's Box. Once everyone is given the chance to express their views, be ready to deal with the issues that emerge. Too often, companies embark on opinion surveys and then wait months and often years before taking action on the results.

ADMINISTRATION COSTS AND STAFFING LEVELS

Managing global mobility programs requires specialized staff to coordinate the wide spectrum of activities—from assignment initiation to repatriation. Ongoing activities include briefing potential assignees, preparing assignment agreements and compensation packages, coordinating the relocation process between countries, updating compensation packages during the assignment, and dealing with all types of assignee issues and requests for policy exceptions.

The question is how many employees are needed to manage this process compared to the number of assignees managed? Given the ongoing concern of companies to keep overhead costs under control, the appropriate ratio of global mobility staff to assignees managed is a widely sought metric.

Establishing and comparing staffing ratios is not an exact science. Companies' global mobility organization structures vary considerably: it is not unusual for some of the work involved to be handled regionally or locally or even by other departments. In addition, global mobility departments are being increasingly required to manage a wide range of assignment types in addition to traditional expatriates. These can include short-term assignees, local transfers, and even extended business travelers.

The volume of relocations is also a critical factor. If the average length to assignment for one company is two years versus three years for another, the workload for the global mobility staff will clearly be higher in the first company.

Nevertheless, headcount pressures create an ongoing need for staffing ratio metrics, despite the complexities involved. Among U.S. and European multinationals, studies by ORC Worldwide have shown that the median ratio of assignees managed to administration staff is typically in the one-to-30 or one-to-40 ranges. In the survey on *Global Mobility Program Management* conducted in 2007 by ORC Worldwide and Deloitte, the median ratio for companies with 100 or more assignees was one to 37.

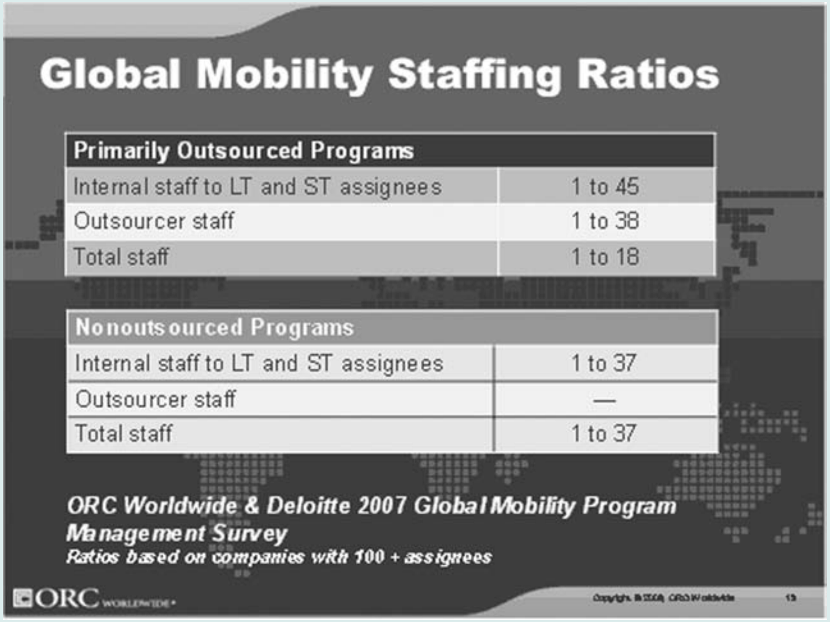
Typically however, staffing ratios among European multinationals tend to be higher than among U.S. multinationals. It is not entirely clear why, but one reason could be that European multinationals tend to update expatriates' compensation packages while on assignment less frequently than U.S. multinationals—generally once per year rather than every three or six months for U.S. multinationals—which can significantly reduce administrative workload.

Concern over administration costs has led many U.S. multinationals to outsource some or all of their global mobility administration to third party providers. One of the original arguments for doing this was that it would provide greater efficiency and help companies to reduce their internal headcount.

In reality, this has rarely proved to be the case. In the 2007 *Global Mobility Program Management Survey,* the median staffing ratio for companies that had outsourced their global mobility administration was one internal staff to 45 assignees, versus one to 37 for companies managing their programs internally. Once all the staff employed by the outsourcers that were assigned to administer the companies' programs was included, the combined ratio dropped to one to 18.

To be fair, reducing headcount is not necessarily the only reason why companies decide to outsource global mobility administration. Lack of specialized staff is often another deciding factor. However, the results of the survey cited, as well as other similar studies, illustrate the importance of establishing and utilizing per-

EXHIBIT 3



Global Mobility Staffing Ratios

Primarily Outsourced Programs	
Internal staff to LT and ST assignees	1 to 45
Outsourcer staff	1 to 38
Total staff	1 to 18

Nonoutsourced Programs	
Internal staff to LT and ST assignees	1 to 37
Outsourcer staff	—
Total staff	1 to 37

ORC Worldwide & Deloitte 2007 Global Mobility Program Management Survey
Ratios based on companies with 100 + assignees

ORC WORLDWIDE

formance metrics to help monitor staffing needs and productivity.

(See Exhibit 3.)

LEVEL OF POLICY EXCEPTIONS

Most multinationals understand that assignment policies can not necessarily by followed rigidly for every assignment. Individual circumstances have to be taken into consideration and may require flexibility in applying an assignment policy. A potential assignee may wish to allow one of their children to remain in the country to finish their high school education and request financial assistance to allow them to do so while the rest of the family is on assignment.

As long as it is properly approved, such a request can represent a perfectly defensible exception to a company's normal policy. However, in order to monitor whether assignment policy provisions are appropriate and are being consistently followed, there is a critical need for approval and tracking procedures for policy exceptions. Without exception tracking systems, a company may believe that almost all of its expatriates are contributing to their housing costs by deduction of a housing norm from their salaries and then find to its dismay that over 50% of them have been "unofficially" granted exceptions for one reason or another.

While on assignment, it is unfortunately very common for expatriates to share information with one another regarding their compensation packages and allowances. When surveyed, most expatriates will admit that their assignment packages are very reasonable. However, no matter how generously they are being treated, they become very dissatisfied if they believe that other assignees have been able to negotiate special deals.

When line managers are trying to persuade a candidate to accept a particular assignment, some have a tendency to agree to policy exceptions, assuming that the employee will keep the special arrangement confidential while on assignment. Any "deals" unfortunately spread quickly through the expatriate grapevine and create a culture where assignees feel that everything is negotiable.

In a survey conducted by ORC Worldwide in 2006 of a number of major U.S. and European multinationals, 60% of the survey participants reported having formal exception approval processes in place. One of the advantages of such approval processes cited by those companies was to allow them to identify aspects of their policies that might need revision. The top three areas of exceptions reported by the survey participants were relocation costs, type of host country housing, and the number of home leave trips. All of these are policy areas where time consuming 'negotiations' frequently occur. Establishing formal approval and tracking systems allowed those companies to assess how many policy exceptions were occurring, if they were justified, and whether certain aspects of their policies needed to be updated or revised.

TAX EQUALIZATION RECEIVABLES

At least 90% of U.S. expatriates are covered by comprehensive tax equalization programs. While on assignment, the company deducts a hypothetical tax from their base salary and any bonus, approximately equivalent to the taxes they would have paid in the U.S. Most companies use an outside tax firm to assist expatriates in preparing their U.S. and host country tax returns each year while on assignment.

At the end of the year, the tax firm will recalculate expatriates' hypothetical U.S. tax liability on their actual final year earnings to determine if the company owes them money because too much has been withheld, or if they owe money back to the company because of under withholding. Whenever expatriates owe money to the company, global mobility staff can find themselves with significant receivables problems.

In a survey conducted by ORC Worldwide of 50 major multinationals, over 40 of the companies reported that nearly 25% of their U.S. expatriates owed money to the company as a result of the tax equalization settlement each year. The average amount owed was approximately $4,000. For a company with a sizable U.S. expatriate population, collecting receivables of several hundred thousand dollars annually can be an ongoing and difficult challenge. Indeed, one of the survey participants reported having a backlog of receivables of over one million dollars.

Collecting settlements from expatriates can become a frustrating and time consuming process. Most expatriates will claim that they do not understand their company's tax equalization policy, leading to lengthy arguments if they are asked to reimburse money to the company.

Under withholding of hypothetical taxes on bonuses and outside income is frequently the problem. For companies using an outside tax firm, this is a good metric to use to assess how well the provider is administering the program. If a company finds that its U.S. expatriates regularly owe large sums of money to the company at the end of each tax equalization settlement, it is reasonable to expect that their tax firm will proactively alert them and advise them on what action to take to adjust hypothetical withholdings to an appropriate level.

CONCLUSION

Because of the wide range of issues involved in managing global mobility programs, it is unlikely that one specific performance metric will ever be established to assess the overall effectiveness of these programs. However, those companies that have successfully implemented some or all of the metrics outlined in this article will attest to their importance in allowing them to identify critical issues and trends in the different aspects of their mobility programs.

Conducting satisfaction surveys of assignees enables companies to establish metrics regarding critical program areas such as communications, relocation support, and repatriation planning. If a formal survey indicates areas of concern such as inadequate communications or lack of settling in support for assignees and their families in the host country, it is much easier to convince senior management that action needs to be taken. Considerable effort can be involved in establishing a range of performance metrics, but once in place the information that can then be provided to senior executives can be invaluable.