



Event report June 2006

# MANAGING GLOBAL MOBILITY

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Event report author:

Peter Williams

# Managing global mobility

At a recent conference on managing global mobility, about 80 CIPD members from the International Forum, Seniors Forum and from overseas gathered to hear from leading academic experts in the fields of international resourcing, development and reward. The main thrust of the debate was around the shift in employers' approaches to global mobility from expensive long-term assignments towards the use of more temporary, cheaper assignments. Speakers from several global organisations also shared with delegates their approach to recruiting, rewarding and developing international assignees.

## Executive summary

The traditional expat is dead, according to Michael Pitfield. Instead, the role has changed – the new-style expat is an international troubleshooter who has a high level of cultural sensitivity. Today's expat will look to the effect on their family of moving abroad – dual-career considerations are important – and they're therefore likely to be young pre-family employees or older people with grown-up children.

Tanvir Haque explained the issues of global mobility at Standard Chartered Bank. The processes are handled through a shared service centre, but rapid growth means that processes and operations need to expand and adapt, so there's a need to invest in technology and systems.

Exploring the reward dimension, Professor Stephen Perkins contended that the expat solution still stands up as being economically effective and, while employees are prepared to make the family and personal sacrifices necessary to pursue a global career, they do expect to be adequately financially rewarded. Companies are looking closely at rich remuneration packages for expats and trying to move away from expensive packages, partly out of cost consideration and partly out of equity for other employees. Naturally, this is resisted by the employees concerned. HR has to ensure that there are

clear standards, policies and procedures while offering flexibility to cater for individual circumstances.

Liz Spencer and Anja Hanses told how Cadbury Schweppes supports global mobility as a fundamental way to ensure the company has access to a cadre of managers with multi-culture and multi-country experience. But maximising value from international assignments is an important consideration from both a talent management and reward management perspective.

Dr Hilary Harris told the conference that to embrace the global economic and geopolitical challenges, organisations need to focus on nurturing major talents across the globe, identify and develop high potential, and work out methodical, sophisticated ways of supporting these people through international management development (IMD) programmes. Only in a few instances is this happening.

Diesel – a visionary Italian clothing company with a reputation for flair and creativity – is developing an IMD programme to produce successful leaders. The programme fosters talent and potential and yet isn't seen as compulsory; rather, it's tailored to the needs and desires of the individual manager. The company has learned that it's as important to identify potential as it is to develop high-performers.

Managing global mobility remains a complex, contentious area in which HR needs to work alongside the business to secure the right talent in the right place at the right price.

# Conference report

Chair of the conference, Martin Ferber, Executive Director, HR, International Region, Research and Development, Pfizer Ltd, and Vice-President, International, CIPD, said there had been dramatic change in global mobility. The area presents a huge challenge. The question for both national and international organisations is: where is the talent coming from? Ferber said, 'There are strange demographics going on. We don't have the right people in the right place on a worldwide basis.'

## **Global mobility – then and now, the trends**

Michael Pitfield, Director of International Business, Henley Management College, has followed the issue of global mobility for 20 years. In his presentation, he went back half a century to when management guru Charles Handy was a graduate trainee. Handed the keys to the executive bathroom, Handy was told by a senior director of the company that he was now 'a company man'. His future was assured. He would journey around the world living in colonies in far-flung places. He (and his future wife) would be corporate ambassadors representing company and country. And as a country manager he would eventually retire in considerable comfort.

When Charles Handy told Pitfield that story in the 1980s, the job Handy was promised no longer existed, nor indeed did the company, nor many of the countries where he may have lived. The future is not what it used to be.

But, even in the 1980s, expats were still in evidence. These people who ran corporate operations were white, upper-middle-class men hired straight from university. They were 'company and country' men. They considered themselves to be their company's expert on the country in which they lived. They had a large house, servants, use of the company boat.

There was conspicuous consumption and they socialised mostly with people from a similar background.

The achievements of these expats were considerable. They ran complex operations around the world, and did so in a time without the modern methods of communication which we take for granted. They were thoroughly trusted by their employers. In many ways, they were like plenipotentiaries responsible for making major decisions. They were also responsible for creating wealth and a good reputation for the home country.

But, by the 1980s, that type of expat was disappearing. In fact, Pitfield suggested that they disappeared overnight, forced out by greater global competition and ease of communication. They were also victims of cost-cutting measures, with questions raised over justifying the total cost of expats and their lifestyle. With better methods of communication and travel, companies didn't need international bases. Also, the overtones of the imperial model became unsustainable, and the idea of certain jobs being given to foreign people rather than local people unacceptable.

At the same time, the tradition of corporate men appeared outdated, with the rise of equal opportunities and dual-career families. And employees were reacting against mobility at the whim of the company.

### **Case study**

Pitfield described how one international financial company, which had traditionally been managed by British expats sent out from head office, in 1990 decided to transform the nature of the organisation. Focusing on management development, the company looked to high-potential local people and brought them together in diverse groups. The company promoted networking and organised training workshops across the world. It enabled electronic communications, not an obvious step 16 years ago, but it sent a strong signal about the nature of working. The innovative programme contributed to cultural change. Today, the head office in London resembles the United Nations in terms of the diversity of its staff. Traditional expats are almost nowhere to be seen.

### **Trends**

#### **Today's expat**

The death of the expat hasn't actually happened. However, the role has changed enormously. Today's expat is more like an international troubleshooter who is close to the senior management team.

This individual is highly responsible, highly culturally sensitive – at ease travelling at short notice, and confident about making decisions quickly. The expat supports the local people and reaches his or her decisions with knowledge and awareness of the corporate objectives.

Often today's expat will eschew the Holiday Inn, staying instead with local managers and using local transport in a bid to get in and connect. These are often young pre-family or older people with grown-up families. Their experience determines how successfully a company can operate internationally. People entering the workplace today don't want the constraints that were accepted by the expat 50 years ago. They're less likely to work for the same company for a long time. Before moving, they're likely to look at the effect on their relationships, the wishes of their partner, and family commitments. This clearly places constraints on the organisation. But organisations don't now have the certainty expressed by the 1940s executive talking to Charles Handy. And that's the global mobility challenge organisations have to face.

### Managing international mobility

Explaining that the strategic intent of Standard Chartered Bank was to be the world's best international bank, Tanvir Haque, Head of International Mobility, said that the bank's core values 'create our unique culture and drive us in everything we do. They define and inspire us, influencing our evolution.' One of the bank's core values is to be international. One way this can be demonstrated is by simply walking around the London office where the 'diversity is truly amazing'. Haque said that the bank's approach to engaging employees and driving performance is to align people, products and services consistently across the bank. 'We tend to talk about managing for performance. We configure our key people, processes and products to change behaviours.'

Why does the bank need international mobility? 'There are various reasons for having an international mobility programme, but looking at the bank now, mobility is actually driven by our current rate of growth. For example, Standard Chartered acquired Korea First Bank, the largest acquisition in the history of the bank, and needed global mobility to help with both skill transfer and culture transfer.'

'An international assignment profile can be divided into three parts – needs, planned and strategic – driven by different business drivers. So, skills shortages and/or skills that don't exist in the local community may force an international assignment. Assignments can be planned around providing knowledge transfer and process transfer, and, finally, there is the strategic element of talent management and planned career development.'

All of these provide challenges for HR. How does the bank ensure the assignee hits the ground running? How does the bank get knowledge payback and how does the bank leverage the talent it invests in?

Steps have been taken to tackle such issues. For example, cultural awareness training is now mandatory for all international assignments. This training focuses on how an employee may need to adapt behaviours to do business effectively in their new environment. To avoid information overload, lots of general information is on the bank's intranet.

The approach to talent management within the global mobility context has three distinct phases. First, talent management covers assignee selection, including defining the selection criteria and sourcing the candidates; performance management of international assignees, including setting out the assignment objectives; career management; mentoring; learning and development; and retention, which covers repatriation, reintegration and succession.

Second is reward. A subject Haque describes as highly emotive, and which requires someone with a great deal of subject matter expertise and, most importantly, the empathy and sensitivity to deal with such matters. This splits into three areas: assignment remuneration; assignment benefits; and variable compensation. Standard Chartered has group reward principles, assignment reward models and assignment benefit provisions. There are international mobility policies which vary, depending on the organisational context and the mobility type.

Third is the process. This covers the risk aspects (including legal, regulatory and tax compliance, and employment and assignment terms and conditions), cost management (tax and social security planning, cost recharging and tax equalisation).

## Standard Chartered Bank (continued)

In terms of managing the process, traditionally this had been outsourced. In 2001, Standard Chartered launched its 'fit for growth' strategy, which led to the creation of SCOPE International, a shared service centre – a wholly owned subsidiary of Standard Chartered based in Chennai, India.

As part of the global HR transformation project, from February 2002 the HR shared service centre has managed the international mobility programme. It employs 300 people, and the international mobility team of 18 staff manages the end-to-end assignment lifecycle for 600 expats across 46 countries.

In terms of bands and grades, most of the bank's expats are in middle and senior management grades. The programme also seeks to facilitate moves for high-potential employees to provide them with international exposure early in their career. The bank has broadly three types of international employee – assignees, explorers and short-term assignees.

The wholesale bank is the biggest customer for international mobility. The wholesale bank is transaction-focused, which means it often requires people to be working on assignment very quickly. In the past, international assignees have been predominantly UK outbound but now the trend is changing towards a more diverse population of international assignees. 'In fact, our outbound population from the Asia-Pacific and south Asia regions outnumbers the traditional UK outbound assignee.'

### Key lessons and issues

Haque warned that managing an international mobility programme remotely, from a process perspective, does present many challenges and they should not be underestimated: 'Good people in Chennai are in demand and salary levels and staff turnover are big issues. If Standard Chartered and the demand for international mobility continue to grow at present levels, we'll need to ensure a scalable and sustainable model is developed and implemented quickly to satisfy the needs and requirements of our business. We also need to ensure that our key customers, the international assignees, receive the best possible service and advice.'

International mobility has complex policies and processes and remains a highly emotive area: 'Employers need to look to refine global policies and standardise processes. There's a need to invest in technology and systems to deliver integrated solutions and service. It's also necessary to define clearly the role of a shared service centre and the roles of local HR teams.'

# Managing international mobility: the reward dimension

**Professor Stephen Perkins, London Metropolitan University, presented the results of his research.**

**There were four agenda-setting questions:**

- What are the primary themes perceived as the major influences on the design and application of remuneration to support international mobility?
- Why do multinationals still accept the economics of international assignments on expat terms rather than following an external market solution?
- What do multinationals say they're doing about expat remuneration?
- What are the strategic issues for practitioners?

## **Influences on expat reward planning**

### **Survey findings**

Dual-career issues do have an impact on the majority of organisations to some extent (only 14.5% of respondents said there was no impact at all). Similarly, security-related fears affect employers' co-operation with organisational aims (on this question 22.6% answered 'no effect at all').

Foreign travel remains an attractive intangible reward to those required to be internationally mobile (only 9.7% answered 'not attractive at all'). And executives are willing to prioritise work versus spouse and wider family commitments (1.6% said they weren't at all willing to do this). Similarly, all but 6.5% were prepared to make sacrifices to their private lives in the interests of building an international career. However, for these sacrifices, employees' expectations of the compensation on offer have risen (here, fewer than 13% said that expat expectations of high compensation had not risen at all). In broad terms, enablers around international mobility are the attractiveness of foreign travel, and the willingness to put work above family commitments and make private-life sacrifices. The barriers are dual-career issues, security-related fears and the expectation of high compensation.

## **Classical economics logic**

Why reward the expat as a specific category? The traditional expat may be dead, but there is a lot of mobility on various forms of international terms and conditions. However, economists would still challenge HR academics and practitioners over why people are still rewarded on an expat basis.

Multinationals acting rationally will seek an external (not internal) labour market solution. Compensation levels will be a function of the interaction of supply and demand in labour markets and managerial time should not be devoted to worrying about doing anything beyond paying what the market dictates.

The prescription – pay what other local employers pay to get labour resources.

But it's not like that in practice. Although the number of expats on long-term assignments (three to five years) may be reducing, the great majority of companies continue to compensate those who are assigned beyond their country of origin following the traditional 'home-based balance sheet' approach. This applies to both global and intra-regional moves.

In human capital terms, compliance and regulation may mean that the skills aren't available locally, so it makes sense to deploy on international terms. Using people from 'soft currency' countries can be a less expensive operation.

Gaps between compensation received by the local employees and expats may not be the main issues. People compare themselves to 'similar others'. So, are the expats so different to local counterparts that they're not meaningful social referents for one another? There's certainly a need for expats to be sensitive to lifestyle issues (for example, the corporate yacht) and

organisations need to be willing to invest locally in order to build winning teams. But there are almost two markets for pay and benefits in operation.

Professor Perkins had evidence that some companies were trying to move to a destination-based approach because of fears of a rich system spinning out of control. While multinational employers may be pursuing standardisation, key mobile employees may demand (and expect to be granted) a chance to negotiate the reward package within the policy framework. HR has the opportunity to educate the business about the costs and how those costs can be managed. HR can also set corporate standards of fairness and equity. Perkins suggested that HR is not the corporate police but it does need standards on issues such as international mobility. HR needs to explain how much it will cost the business in terms of moving a business internationally, but then the business needs to budget for and explain the cost up the line.

People have choices and what the organisation may see as value-added may not be viewed with the same perception by employees. Though there is a need for standardisation, it should be possible to negotiate the reward package within the policy framework.

The strategic issue for practitioners is the need to align vertical and horizontal global reward management. Vertical strategic alignment has to deal with the business unit stage of development and focus, and, at the same time, examine the expat role type in terms of project and brand guardianship. Horizontal strategic alignment is about contract clarity, both transactional and relational, integrating expat and local reward planning and ensuring line involvement, not only in selection but in managing 'transactional cost' decisions. The research suggests plenty of situations in which the expat solution still stands up as being economically very effective.

### Maximising value from international assignments – the reward challenges

Liz Spencer, International Rewards Director, and Anja Hanses, International Assignments Manager, outlined the approach for managing global mobility within Cadbury Schweppes, which is seen within the context of the reward design principles. These principles are aligned to business strategy and culture, reinforcing desired behaviour, and a key element is performance-based variable pay.

The reward design principles have four elements, one of which promotes and encourages international movement and the development of management talent.

Cadbury Schweppes is committed to growing globally, which means that there are an increasing number of regional or global roles and there is an increasing emphasis on international skills, experiences and backgrounds. The company wants a cadre of managers who have multi-culture and/or multi-country experience.

‘The company globally advertises [internally] all its junior management positions [550 Haypoints+] and high-potential employees are globally managed jointly by regions and functions.’

Cadbury Schweppes has set out guiding principles for its international assignments. These include:

- supporting the development of international leaders and facilitating movement of skills
- establishing competitive reward practices, ensuring equitable treatment for assignees of all nationalities
- ensuring assignees do not suffer financial hardship or make excessive financial gain
- making sure assignments are cost-effective and encourage mobility.

The programme is divided up into four tiers – temporary transfers/development; permanent transfers; short-term (3–12 months) and long-term (12–36 months). Currently, the company has 200 assignees across the Americas, in the Asia-Pacific region and the Europe, Middle East and Africa region (EMEA), involving 25 different nationalities and 67 different country combinations. Top-sending countries are the UK, the USA and Australia, and the top-receiving regions are the EMEA and Asia-Pacific. But new players are emerging – China, Japan, Singapore, South America and Africa.

Of the international assignee population, 50% are married; 50% have children; the gender split is 23% female, 77% male; and 30% are in senior executive positions or above.

Spencer and Hanses discussed recent trends. The number of assignments is increasing slightly year on year, and the diversity of assignees and the number of serial assignments are both increasing. But there is a noticeable increase in dual-career concerns.

The company is developing ‘alternative assignments’. These are temporary transfers in which there is a host package (that is, a local-equivalent package) and host support. There is a deliberate policy of avoiding a multitude of different programmes.

Cadbury Schweppes has also introduced some recent policy changes, such as phasing out of the foreign-service premium and the introduction of a spouse allowance for career counselling, job search or study.

## Cadbury Schweppes (continued)

The company realises that there are reward challenges. For instance, how does it incentivise in the future when there is a shortage of candidates in undesirable locations?

Many companies recognise that they are poor at dealing with reintegration issues such as 'the entitlement trap'. There are technical issues such as tracking total assignment costs globally, coping with global tax compliance, including handling the tax treatment of deferred compensation, which is increasingly complex and open to misinterpretation.

Companies also have to face the contradictory pressures of trying to standardise packages against the need to offer flexibility: 'The company is beginning to take the attitude that if people want to stay longer than the company desires, they must face the consequences. If they go native, they may lose entitlements and become locals. If the individuals don't want that, they must come home.'

# Round-table discussions

## Key points arising

### International reward

Go local whenever possible, use temporary transfers; go for simplicity, localise from day one – for example in terms of education.

In motivating assignments, look at the non-financial rewards.

Consider consistency versus equity and flexibility – for example, is the individual married or single? For a family, the home leave element may be important; for others, greater travel opportunities might be more attractive. The guiding principles should be based on the equity of the value of the package but variable structure. There is a need for 'cafeteria expatriation packages'.

### International management development

Think about the need for cultural development using structured training sessions or a mentor. Perhaps there's

also the need for a softer approach rather than a 'sink or swim' company culture.

Develop an international mindset, for example a set of cultural competencies, cultural intelligence and language fluency. And the company or organisational culture is just as important as understanding different country cultures.

### Global resourcing

How is this activity being driven? Is it through annual appraisals or is it through contractual employment terms for individuals to be mobile?

Are companies employing traditional workforce management techniques, such as control and talent management, when they should be (and may be claiming they are) using open resourcing in which there is an adult relationship between self (the company) and staff? Would open resourcing help identify talent that otherwise would not have been identified?

## Trends in IMD

Dr Hilary Harris of Cranfield University School of Management said that measuring the effectiveness or efficiency of IMD was a holy grail. The nature of employment is changing. The nature of the psychological contract is shifting from long-term to transactional. Companies are asking not only how do we retain, but do we want to retain.

An unpredictable global economic and political environment makes succession planning difficult. Organisations need to envisage the future in order to identify the type of competencies that will be needed from leaders.

People want to develop their own career capital and companies can't necessarily keep those people.

Dr Harris defined career capital as being made up of 'know how', 'know why' and 'know who'.

To create an IMD programme, senior management has to be involved and there has to be alignment with the global strategy. HR and line capabilities need to partner each other to take responsibility.

Managing the IMD process requires the establishment of international leader competencies. Organisations have to decide how to develop these competencies (multi-method, top-down, bottom-up, consultative approach) so that they reflect and respect the diversity of the organisation's staff and work out how to embed them in the organisation's culture. If the organisation doesn't achieve this, the process is useless.

One of the key elements is to create diverse senior teams. Companies should audit for diversity in the 'high potential' pool through organisational processes, cohort analyses and interviews with individuals about career blockers and enablers.

Few companies have methodical processes for evaluating IMD programmes and those that do are relatively unsophisticated.

At the individual level, an IMD programme should:

- increase intercultural skills
- provide greater flexibility and adaptability
- broaden understanding of global business
- expand social networks.

At the organisational level, IMD should support:

- strategic and operational outcomes from international projects
- high retention rates of high-potentials
- the development of strong global networks to foster international learning and capability.

To embrace the challenges, organisations need to focus on nurturing key talent across the globe, truly embrace diversity, identify and develop high-potential cadres globally (with support through IT tools) and continually search for creative ways to integrate learning and development into management processes.

## The IMD programme in Diesel

Sergio G. Caredda, Training and Development Co-ordinator, Diesel Group, explained how the company had embarked on its programme to develop successful leaders.

Diesel, the Italian jeans and clothing manufacturer and retailer, has a turnover of €1.5 billion, 4,500 employees in 17 countries and currently 200 stores, which it plans to expand to 300. Diesel's founder is Renzo Rosso, who is hailed as the visionary leader of a company with a visionary, entrepreneurial culture. The company realised it was facing enormous challenges in developing successful leaders.

The goal of Diesel's IMD programme was to create an international leadership culture across the whole organisation, to move from being a pure product- and sales-oriented organisation to having a more sophisticated managerial mindset.

The project's principles were to identify and foster:

- talent and potential
- uniqueness through individual development programmes
- team spirit through international cross-functional training modules
- engagement through self-development tools
- quality through continuous feedback and corporate leadership
- change through multiple approaches and models, rather than a single style.

Caredda said the company hasn't found a holy grail in terms of training programmes that are working properly. Instead, it uses multiple models and providers of learning. In 2002, it undertook a project to assess the level of management competencies in the company. The results showed high results-orientation but weaker relational competencies.

As a result of the assessment, each manager was given the opportunity to create an individual development plan as part of an international leadership development programme. However, nothing in the training programme is compulsory. The training was delivered through the Diesel Campus, the Diesel Academy, self-development, and continuous learning on technical competencies.

Caredda said that the company was keen not to be complacent and didn't want to take the attitude of 'we don't want to learn from anybody else.' 'The company needs to learn from other sectors, especially in the areas of logistics and marketing.'

Renzo Rosso is quoted as saying: 'Strategies, processes ... OK, but how do you feel about it?' Caredda said that the company doesn't have to justify return on investment because you can justify feelings. He went on to explain that his company had learned that it was vital to emphasise the importance of management and people skills as well as technical skills. The formal processes for assessing and developing people come from the business, while HR provides the tools to make it happen.

While it's easy to identify high performers and to manage talent effectively, it's also important to identify potential.

An assessment programme enables line managers to deal professionally with people when talking about their development and then supporting them.

Rolling out an assessment and development programme globally requires adapting to local cultures and languages. This reinforces the message that the individual and what they have to offer is valued.

'Managing the growth of Diesel means creating a mindset where instability, change and speed are a daily requirement. There is not the typical management style.'

### **Summary**

Managing global mobility is a complex subject that has increasing importance to a growing number of organisations. It's about business strategy, not HR strategy. The ultimate objective has to be the creation of a cadre of managers who can think and act globally.

In terms of rewards, there is an increasing move towards local pay as opposed to home pay, but the key to motivation is understanding the incentives that are required. This is an area where honesty and planning is needed in order to find the right people to do jobs globally.

People entering the workforce are increasingly thinking about their internal career capital rather than corporate capital, and organisations have to adjust to this way of thinking.

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Chartered Institute of Personnel and Development  
151 The Broadway London SW19 1JQ  
Tel: 020 8612 6200 Fax: 020 8612 6201  
Email: [cipd@cipd.co.uk](mailto:cipd@cipd.co.uk) Website: [www.cipd.co.uk](http://www.cipd.co.uk)

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