Executive Overview

Despite the stop/start nature of the global economic recovery, one thing that is perennially on the agenda of CEOs and HR leaders is the war for talent. McKinsey in their latest Quarterly Review suggest that ‘progress towards globalisation’s new era will be uneven for economies and companies alike’. Knowledge in the new intangible assets world will certainly mean power. In the digital global age there will inevitably be a demand for new breeds of talent – emanating from both emerged and emerging countries.

Respondents in PwC’s 2014 Survey ‘Moving People with Purpose’ report that 89% of organisations plan to increase the number of internationally mobile workers in the coming two years. This resonates with the findings of the Santa Fe 2014 Global Mobility Survey Report that there was optimism about the growth in internationally mobile employees. Significantly the consulting and professional services sector were particularly optimistic – supporting McKinsey’s view that cross-border trade will increasingly be underpinned by knowledge-based products and services.

Given this situation, how can international businesses secure competitive advantage and increase their chances of profiting from the new global digital age?

Santa Fe believe that a modern, flexible and responsive global mobility programme can create the platform for international businesses to achieve competitive edge, at a time when the demand worldwide for products, services and skilled people is growing.

This white paper gives practical advice on how your global mobility programme can meet the changing needs of your business and employees. It covers the crucial area of assessing return on investment (ROI), including an attempt to explore how “big data” might, in future, help in tackle this difficult task. Finally, we look at how best to make the case to top management that global mobility can help give the business a competitive advantage.
The economic landscape – a variable economic upturn

After recent ups and downs, overall economic activity around the world is picking up. The World Bank expects overall world economic growth to increase from 2.8% last year to 3.5% in 2016, with the growth rate for developing countries increasing from 4.8% to 5.5% over the same period. PwC has reported that business surveys for the services, construction and manufacturing sectors suggest that activity “should continue to grow at a healthy pace.” Another report said that “the increase in cross-border activity and buoyant public markets promise a surge in mergers and acquisitions activity as investor confidence increases”. The Goldman Sachs World Economic Outlook 2015 points to an acceleration of global growth, therefore businesses will continue to send their leaders to emerging markets and these leaders will become the board level employees of the future. According to the Goldman Sachs GDP global and regional (year on year) forecast (estimates and forecasts based on November 19 2014) world GDP growth is expected to be 3.4%, Emerging Markets at 4.9% and the Developed Markets at 2.2%.

Competition for the best and brightest

Against this more positive economic background, the competition for the best and brightest people is intensifying. A 2014 Recruitment Employers’ Confederation/KPMG report showed that the number of vacancies in the UK was rising at the highest rate in more than 15 years, as employers cannot get enough skilled staff. Indeed, this shortage of skilled people is a worldwide phenomenon: Laszlo Andor, EU Commissioner for Employment, Social Affairs and Inclusion, has declared that “we must recognise that the search for the best talent is a race that takes place at the global level. Companies across the world are competing with one another to attract the brightest people”. The Manpower Employment Outlook Survey (Q1, 2015) highlights that global hiring plans (year on year) are: 48% stronger, 26% relatively stable, 24% weaker, with the top five countries predicting net high employment outlooks as: India (+45%), Taiwan (+43%), New Zealand (+28%), Japan (+21%) and Turkey (+20%).

This competition means that employers appear confident they will see more international assignment activity in the future. Santa Fe’s latest Global Mobility Survey has reported that 2014 is the first year in which expected net growth in assignment numbers is higher than actual net growth in the previous year, thus breaking the trend for cautious predictions on future activity levels.

The global “search for the best talent” is on the agenda of national governments. Some governments are developing schemes both to attract foreign talent and to encourage home-grown talent to stay in the country. Worldwide ERC, the global association for workforce mobility, has noted the “growing support in (US) Congress for increased high-skill immigration to the US”. On the other hand, governments (sometimes responding to political drivers) can put obstacles in the way of talent mobility: as noted in the Financial Times article “Visa curbs on highly skilled migrants hit UK talent pool”. International bodies such as the World Economic Forum do their best to counteract protectionist arguments, and those of us working in the global mobility industry have a part to play in promoting the benefits of international mobility.

The rising number of mergers and acquisitions has implications for the global mobility function. From the business perspective, the global service delivery models (centralised/decentralised) might differ, and suppliers might need to be re-assessed. Communication with international assignees is particularly important in mergers and acquisitions situations, to answer their inevitable questions, such as, What about my repatriation plan? Will my package be affected?

Global mobility – a competitive advantage

So we have competition between companies and between countries for talented people, with cross-border movement being sometimes helped and sometimes hindered by the policies of national governments. Moreover, HR and talent mobility leaders always have to bear in mind the perspectives of their CEOs and Finance Directors: global mobility costs money, and there are many other demands for investment funds.
This is a challenging backdrop, but we believe that global mobility can play a key role in giving your business a competitive edge. As well as our experience in corporate, consulting and service provider roles, there is solid evidence from the field to back this view. A recent report by Michael Dickmann, Professor of International HR Management at Cranfield University, highlighted how important it is for companies which want to succeed internationally to attract, develop and retain the right resources.[12] HR leaders have gone on record on the subject: Ben Bengougam, VP HR at Hilton Worldwide, said that almost every candidate he saw wants to travel;[13] and Dennis Finn, Global HR Leader for PwC, has declared “Our people want to travel the world. So, rather than let them leave for another organisation to achieve this, we offer our people the chance to travel while staying with PwC”.[14]

Also, it can make economic sense to re-deploy people who are already familiar with the objectives and culture of a global organisation, as opposed to recruiting new staff who will take time and money to train. This is particularly true where there is a need to respond swiftly, for example to a new market opportunity.

Four key success factors for Global Mobility

A “business as usual” approach to global mobility, relying on conventional secondments from home base to overseas locations and back again, will not be enough to meet the demands coming today from both the organisation and individuals. So, to give a business a competitive edge, we advocate a modern, flexible approach to global mobility, with a practical “keep it simple” focus by HR and talent mobility leaders on four key success factors.

Success factor 1.

The global mobility programme must be focused on business drivers.

Start with the organisation’s business strategy and objectives, such as developing new product lines or moving into new geographical areas. This business strategy must drive the HR/talent management strategy, which in turn drives the talent mobility actions. Thus each talent mobility action can be linked to a business driver – for example, a business move into a new geographical area such as the Middle East will be supported by a long-term assignment into that region, and also by short-term training and development postings of local recruits in the Middle East to more established offices.

Success factor 2.

The global mobility programme has to respond to the needs and preferences of individuals in the organisation as well as the wishes of prospective recruits not currently in the organisation. Research work has demonstrated that individuals base international career-move decisions on a wide range of “motivational, intangible and non-financial factors”.[15] Many individuals have already travelled widely, and their motivating factors will include professional and career development, family connections, romance and the wish to gain more international experience. We are seeing the rise of global careerists – people who are not just moving within one organisation, but between firms, jobs and even areas of expertise. Their global skill-sets (including cross-cultural awareness, flexibility, project management experience and leadership qualities) mean they do not need to be tied to one organisation to achieve their personal and career objectives.

The first two factors – business drivers and individual needs – lead us to our third key success factor:

Success factor 3.

The need for global mobility programmes to be flexible and responsive.

This means that the full spectrum of global mobility options needs to be available:

- People to jobs – not just traditional assignments where an expatriate goes out to an overseas location for a long period, but also short-term assignments (for example, for recruits to gain experience of more developed businesses).
Jobs to people – where an activity being carried out in one location can be more efficiently undertaken by moving the work to where the right human resources are available.

Project-based/business trips – where individuals are mobile internationally, but often only for very short periods, as part of a project or engagement team.

Virtual – where the mobility is achieved by working together virtually, e.g. via emails, shared databases, video-calls etc.

Individuals need to have the chance to follow different mobility options at different stages of their career. This recognises, of course, that dual career, education decisions for children and the intercultural adaptability required for new emerging business locations play a significant role and often a barrier in mobilising talent from not just a small pool of employees but from the wider organisation.

Such a flexible programme will be more likely to retain existing employees, and to attract new recruits from organisations with a more rigid approach to talent mobility. Your organisation can be seen as a truly global employer in which the international best and brightest can thrive.

Increasingly, employer branding plays a critical deciding factor when choosing a new employer for internationally mobile talent and having a strong brand reputation in the way you manage your global mobility function not only drives value internally but also serves as an external competitive advantage for potential hires.

Global Mobility service providers play a critical front line role in supporting a flexible global mobility programme; the ability to make the initial relocation (including one way permanent host transfers) and the on-going assignment a positively memorable experience can shape how well the employee and family succeed on a professional and personal level. What price an engaged assignee?

Furthermore, the global mobility service partner can also play a significant part in enabling organisations to track their assignees around the world, whatever mobility option they are following, by acting as a single point of co-ordination for the tax, compliance and immigration issues that inevitably arise, and by providing practical insights into appropriate policies and procedures.

Success Factor 4.

The Global Mobility programme needs to demonstrate Return on Investment (ROI)

Are your global mobility actions successful? What are they costing? What benefits accrue from what can be considerable financial investment?

Santa Fe’s research has demonstrated (in its 2014 Global Mobility Survey Report), “virtually all professionals (92%) agree that it’s important to measure ROI from assignments”[3]. However, the Santa Fe report also showed that one-third of organisations don’t even try to measure the success of an assignment, in monetary or any other terms.

Santa Fe advocate that you address this issue directly, and adopt a structured, data-driven approach to ROI. Our experience in advising organisations is that they have more data than they realise, and that they can, given the right framework, analyse the costs, benefits and potential downsides of assignments to make sound business decisions. And it can be argued that ROI is even more important as the business cycle turns upwards – there are opportunities to be grasped, for example in emerging markets and new technologies, but talent mobility initiatives to exploit these opportunities require a reasoned business case.

Global mobility teams that can articulate, in business terms, to their CEOs, the investment and potential payback of international assignments, will really add value to their companies.

Santa Fe’s structured approach takes account of the key factors in the ROI calculation, set out below, looking first at the benefit side – effectiveness of assignment, talent retention and talent development – and then at the cost side. The following example scenario shows how this approach can work in a real situation.
GLOBAL MOBILITY – A COMPETITIVE ADVANTAGE FOR INTERNATIONAL BUSINESS

• Effectiveness. Put simply, this is the impact on the business of the assignment – does it achieve what you want it to? We put this as the first factor in the equation, ahead of cost, because the business purpose of an action should always be the starting point in an investment decision process. While this should be an obvious question, it is surprising how many organisations do not really know what an assignment is meant to achieve. The Santa Fe Global Mobility Survey Report(3) showed that 63% of companies do not require a formal statement of purposes before an assignment is authorised, making an objective assessment of success difficult. We advocate putting a guideline monetary value on the effectiveness factor, recognising that it cannot be an exact science. We go further and recommend that you allow for a negative value for this factor – e.g. if the assignment fails, the consequences for the organisation might not be neutral: a business opportunity might be lost, or there could be “collateral damage” in the host location. (The scenario below mentions this possibility.)

• Talent retention. It’s a truism that the turnover of repatriated assignees is higher than peer group turnover; but, interestingly, studies have also shown that, following the first year after repatriation, turnover rates for returning assignees are lower than for non-assignee peers(17). This suggests that there is a higher risk period immediately after return, on which an organisation would be well advised to focus, if it wishes to retain an individual in whom it has invested so heavily.

• Talent development. This factor often receives less attention than talent retention; but there is evidence that promotion rates are better for assignees than for non-assignee peers – in other words, international assignments seem to deliver a generally positive effect on performance for the organisation. And there can be a beneficial effect on talent development in the host location, as skills and knowledge are transferred by the assignee.

• Real cost. We use the term “real cost” to indicate that all cost elements should be covered: compensation, i.e. the salary received by the assignee (whether this is a more expensive home-driven, perhaps tax-equalised package or a simpler host-driven deal); long-term benefits, such as pension; assignment allowances, such as housing and education; management costs (including tracking, tax calculations, removals, visas, etc. – most of these processes are now outsourced to external providers, but they still need to be captured); pre- and post-assignment costs, such as cultural training and exploratory visits before an assignment and re-acclimatisation on return.

Scenario: good return or bad investment?
This scenario drawing on our experience should help bring to life this data-driven approach to ROI assessment. As we will see, this approach requires you to place objective value on intangible benefits, such as avoiding reputational damage. Companies should already be familiar with this in relation to investment decisions in other areas, such as a marketing campaign, a training programme or a new compliance system.

A multi-national organisation has major quality problems with its business in a large African country.

• The primary objective is clear: in order to raise quality standards, an experienced director from a more established location will be sent on a two-year assignment to the company’s African business.

• A secondary objective is to train a local successor. Using the structured approach advocated above, a monetary value is placed on success – the effectiveness factor.

• The current quality problems are costing us $1m per year in recall and correction costs. Moreover, there is the threat of an investigation by an industry regulator if the problems are not addressed – this could result in a US $500,000 fine.

• There is the negative impact on reputation and future sales – harder to quantify, but the organisation values this at US $2m.
• The value of retaining the assignee on return is put at US $250,000 – this allows for the cost of recruiting a senior person and getting that replacement up to speed.

• The talent development factor is also given a value of US $250,000 – a combination of being able to promote the assignee earlier on return, and of a successor being trained from among the pool of local staff.

• The total cost in this example for the benefit side of the equation is thus US $5m.

Against this potential benefit, the business case for the considerable investment needed for the assignment – a real cost of US $750,000 per year, i.e. US $1.5m in total – is clearly made.

It can also be worth thinking about the cost of the assignment failing – not only would the US $5m not be gained, but if the assignee were for example not properly selected, so that he or she did not have the right cultural sensitivity, they could disrupt the local organisation, and make the quality issues even worse.

Before leaving the subject of ROI, a word on “big data”. This is a phrase we hear more and more, and is generally held to mean data which increasingly comes at high velocity, high volume and high variety. Big data has not been considered much in the context of talent mobility, but Santa Fe believes it could be applied to the assessment of return on investment. As we have noted, the data-driven approach to calculating ROI involves putting a monetary value on subjective factors such as company reputation and the morale of local staff.

In terms of global mobility, the concept of ‘big data’ could definitely help, for example by providing a picture from multiple surveys and sales indicators and media reports on how the company is viewed in the market, or by harvesting social media to see what staff are saying about the employer as a place to work. To explore the potential contribution of big data to our industry. Indeed, it is an exciting time.

Making the business case for global mobility

Our structured approach to ROI brings us to our final point, which is how to demonstrate that global mobility is bringing a competitive advantage to your organisation. As we have just seen, return on investment in global mobility actions can be measured – which should please your Finance Director! You can also point to the fact that your mobility programme features the other success factors we have identified, i.e. that it is focused on business drivers, that it meets individuals’ needs and preferences and that it is flexible and responsive.

However, you can go a step further. In companies which are seeking to acquire or maintain a competitive advantage, the priority questions being asked around the Board table are ‘How can we take advantage of business opportunities?’ and ‘How can we mitigate the business risks and threats facing us?’

You can then show to senior management how global mobility can provide some of the answers to these priority questions – e.g. via an international assignment to a country with an expanding market to exploit growth opportunities, or by establishing a virtual quality improvement group across a region to address a threat posed by quality problems. This business-focused approach demonstrates the key contributions that a well-targeted global mobility function can make to organisational success.
Conclusion
At the 2014 Chartered Institute of Personnel and Development’s annual international conference, CIPD CEO, Peter Cheese, highlighted in his opening address that for HR to be invited to the top table, they have to deliver their value proposition using language that the CEO will understand. For example, talking about conducting employee engagement programmes and surveys without demonstrating the payback and commercial ROI (and the empirical research that supports the metrics) is likely to be seen as another ‘HR fad’.

The same could be said for the Global Mobility function. As we’ve indicated in this paper, the ongoing ‘war for talent’ presents not only a challenge but also an opportunity, provided the function can indeed talk the CEO’s language. Will Global Mobility leaders and teams, supported by flexible providers, reach beyond the effective management of operational processes (essential though this is), to the prize of a role as a valued partner in key strategic talent and business planning decisions?

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