

Expatriates Assignments Study



| Profiled Organization | Industry | Employees | Countries Worldwide | 2010 Revenues |
|-----------------------|----------------------|-----------|---------------------|---------------|
| Best Buy | Consumer Electronics | 180,000 | | \$49 billion |
| BMW | Auto Manufacturing | 95,000 | 20 | \$87 billion |
| Saudi Aramco | Oil & Gas | | 10 | \$225 billion |
| NGC | Aerospace & Defense | 117,000 | 25 | \$34 billion |
| PepsiCo | Retail | 285,000 | | \$60 billion |
| | | | | |

Primary Brief

The study seeks to identify the strategic outlook of global organizations on expatriate assignments and their role in organization development and global talent management.

Summary

INTRODUCTION

In an article written for Diversity-Executive, Kellye Whitney states: *“to compete and win in today’s marketplace, global companies should reflect the populations they serve and focus on talent, cultural adaptability and inclusion”* (Whitney, 2011 *Diversity-Executive*). As such, competitive organizations must spend time creating a people strategy that includes the expatriation and inpatriation of their global talent. Determining selection criteria, organizational goals and expectations, and adequate preparation of talent must be on the radar if success is to be effectively evaluated. The study which follows examines the practices of organizations in a variety of industries and seeks to identify current practices for global talent management with specific focus on expatriation. The goal is to identify best practices which currently exist and determine feasible recommendations for better resource management, clear performance metrics and quantifiable ROI.

Research Methods

Research methodologies included interviews with participating organizations and a review of relevant literature from academic and business sources. The study was not limited to any particular industry. The single most significant criteria for inclusion into the survey is an organization’s presence in the global marketplace.

Where possible, the researchers identified an individual within the target organization that held a responsibility for or a strategic interest in the organization’s expatriate/inpatriate strategy. The data was gathered either through telephone interviews, or by having company representatives complete an online survey.

The survey questions were carefully selected to ensure the collection of appropriate data that could be classified as **transactional elements** and **transformational elements** of each organization’s program approach.

Industry Analysis

Although the research approach was careful to include the practices of varied industries, the retail industry played a significant role in data gathering, trend observation, international growth and leadership development. Other industries studied include travel, telecommunications, and outsourcing/offshoring. Secondary research data was used for this industry analysis.

According to Plunkett Research Ltd., the retail industry is poised for sustainable growth as more companies capitalize on emerging markets with the rapid global advancement of the middle class. Many U.S. retailers are already actively engaged in markets such as China, Asia and India. Some companies' ranking as global organizations is based on their "massive overseas customer bases" which still have not reached their full potential. The Plunkett Research Ltd analysis of the retail industry outlines some of the challenges to be faced by retailers as "the need to understand local consumer tastes and requirements regarding packaging, displaying and advertising retail merchandise, ... daunting government regulations..., and frequent encounters with difficulties in securing building permits and business licenses."

The travel industry, from hoteliers to airlines maintain a robust global presence despite the recent financial crisis. Many of the world's hotels and airlines have found fertile ground in the Asian market. "Globally, some of the best growth markets in the world for hotels, resorts and airlines are in Asia. Booming business markets from Beijing to Mumbai to Kuala Lumpur have led to the opening of tens of thousands of new rooms in order to accommodate the rapidly growing number of business and leisure travelers." (*Plunkett Research Ltd.*)

Many global firms use outsourcing and offshoring as a cost management strategy. But this practice comes with significant risks regarding the protection of intellectual property and trade secrets. To minimize these risks, they "set up company-owned offices, assembly lines or laboratories in lowercost nations." (*Plunkett Research Ltd.*) The offices are then manned by existing managers from their home offices who ensure the hiring and training of local employees while navigating government regulations and requirements which can be quite different from doing business on home soil.

The telecommunications industry connects people and resources across the global network. Major global players include Apple, Cisco, Microsoft and Blackberry (RIM) all producing solutions that make information easier to access, and communication across global borders more accessible and immediate.

How do these industry trends impact expat/inpat strategic planning?

It is evident that business in the 21st century is being conducted in a global market. Competitive companies worldwide have already begun capitalizing on the opportunities presented by this trend. However, doing business overseas upsurges a myriad challenges for organizations from logistics, to protecting intellectual property and deploying human resources. While this research seeks to identify the overall strategic outlook of global expatriation, there is a particular interest in the human resources aspect. Since globalization is the new normal, answers to questions such as "*how do companies determine which employees are best suited for expat assignments?*", "*how do companies prepare expat assignees for their overseas assignments?*" and "*how are performance expectations communicated and measured?*" become critical.

The research findings and analysis which follows includes both primary and secondary data sources, and outlines the practices in some major global corporations regarding their approach to expatriation.

Analysis of Transactional Elements

Transactional Elements

| | Assignment types and duration | Funding management strategies | Process mapping documentation | Success metrics and ROI expectations | Nomination/selection criteria and process |
|--------------|---|--|-------------------------------|---|--|
| Best Buy | Exposure and experience mostly based on need 6mths – 3+yrs | No set budget Generally apply rule 3X local spend home country pays | N/A | None that are quantifiable Mostly intangibles | Nothing formal |
| BMW | Exposure and Experience 80% based on business need 6mths – 3+yrs | Host country pays | N/A | None | Skill set and manager's recommendation |
| Saudi Aramco | Exposure and Experience to meet specific business needs 2 – 3+yrs | Home country pays | N/A | Technical competence; new skill development; academic achievement | Performance Potential Technical expertise |
| NGC | Exposure and Experience mostly based on business needs related to existing contracts 6mths – 3+yrs | Both home and host country pay | N/A | Meeting requirements; customer satisfaction | Manager recommendation |
| PepsiCo | Exposure – A combination of business need and development opportunities for career growth 6mths – 3+yrs | Host country pays | N/A | Under review; Not formalized | Managed through the people planning process |

Despite the realities of globalization faced by today's organizations, companies struggle to define success when it comes to expatriate/inpatriate assignments. As a general rule, the companies that participated in the study indicated that expatriate/inpatriate assignments are mostly based on a business need for which the required resource is unavailable in the host country. As such some organizations' definition of success is reflected in the assignee meeting the schedule requirements and maintaining customer satisfaction. Beyond that, there is little indication of a more formal set of metrics by which the success of the assignment, program or individual's performance are measured. This fact is evidenced in the surveyed organizations through the lack of a formalized process map that outlines expatriation activities from selection to repatriation.

The transactional elements of the expatriate assignment process are similar among participating organizations. Managers select assignees based on the specific business need, and the candidate's performance and skill-set. In most of the organizations studied no other assessments are used to determine the assignee's global capability nor is there an evaluation of fit between assignee, organizational need and cultural environment. It is also notable that there are no established process-mapping strategies for expatriate assignments, suggesting an ad hoc approach that is possibly not linked to the talent management and development process.

Analysis of Data Transformational Elements

Transformational Elements

| | Consideration for and involvement of family | Exceptions to criteria, process or expatriate policies | Mentorship Expectations | Support infrastructure | Successful Repatriation |
|--------------|---|--|---|---|--|
| Best Buy | Believes in meeting needs of family; funds family relocation to host country and back to home country | N/A | None formal | Cultural diversity prep; geographic diversity awareness; No other special training or preparation scheduled | Employees typically placed in comparable position upon return. Not necessarily a promotion |
| BMW | Pre-assignment. Families eligible for a look-and-see visit to host country prior to relocation | 10% usually related to family needs | Key to successful repatriation | Language and cultural training | Assignees are paired with mentors who are responsible for their successful repatriation |
| Saudi Aramco | Pre-assignment | 5%-10% based on family size, hardship factors, constraints in host country, available education for children | Extensive mentorship for interns and those on developmental assignments | Working Globally Program (company specific) | N/A |
| NGC | Pre-assignment | 1% involve medical or special needs of family members | Mentored by in-country manager | Briefings with HR and security | N/A |
| PepsiCo | Post selection | Exceptions are made and will vary by region; require approval by HR | Not provided but under discussion | Available for all assignments | N/A |

Successful global assignments require that companies not only keep tabs on the transactional elements but also the transformational elements that ensure assignees are well-prepared to not only work, but also live in their new locale. Participating companies indicated a varied approach to preparing the expats for their new assignments. Some organizations provide services for families prior to relocation ranging from informational briefings in preparation for the move, to “look-and-see” trips where families can become familiar with the new environment and begin making plans for the move. Most companies indicated very traditional funding models for expat assignments which may or may not take into consideration the loss of income for the accompanying spouse.

An interesting finding was the general lack of specialized training and cultural preparation for the assignee and the family. One participating organization has developed company specific tools as part of their Working Globally Program. Other organizations provide some training in the form of language preparation and cultural awareness.

Analysis of Data Transformational Elements (cont.)

However, most surveyed organizations indicated the availability of talent development resources for the general employee population but little or no special resources for expatriates. Furthermore, mentorship across companies varied in scope and availability. The possible scenarios included mentoring for families-by-families, mentoring on an as-needed basis and mentoring as a key component of the repatriation process.

Given that most expatriate assignments, as discussed by participating organizations are based on business needs, it is feasible that performance evaluation is based on the outcome of the assignment. Meeting the outlined business objectives and keeping the customer happy are key performance indicators for most of these organizations. Beyond this, the normal performance evaluation process is observed and utilized. Participating companies were unable to provide specific developmental performance goals for assignees.

Secondary Data Analysis

IBM's chief diversity officer, Ronald Glover, in an interview for Diversity-Executive Journal states: "We operate as a globally integrated enterprise with resources deployed around the world, but not necessarily providing services only, exclusively or even primarily to the locations they actually reside in... Our people form and re-form teams to build solutions for our clients' most difficult problems, which means they have to learn to work together effectively across time zones, geographies, across all the differences that exist in the human family. We make sure we have the skills and capabilities at the leadership and the employee level to operate that way." (Whitney, 2011 *Diversity-Executive*)

To fully understand the scope and impact of the global assignment organizations must evaluate at three levels:

- **Individual**
 - personality characteristics
 - culture shock and cultural adjustment (or the lack thereof)
 - person-environment fit, role transition, and role expectations
- **Organization**
 - HR Process – selection, training and adequate preparation
 - Performance management
 - Organizational control
- **Societal**
 - Cultural distance
 - Rule vs. relationship based governance
 - Level of development of host country

(Claus, Lungu, & Bhattacharjee, 2011) conducted a review of the variables that impact individual performance on international assignments. Their findings clearly outlined the importance of organizations taking each of these levels: individual, organizational and societal into consideration prior to selecting and expatriate and/or assigning a project. There are complexities that should not be underestimated or understated when it comes to international assignments. For this reason it is imperative that leaders carefully consider the various attributes of the assignment, including goals, organizational impact, individual capabilities and developmental needs, and the desired outcome of the assignment prior to selection and assignment.

To date, research and analysis on expatriate performance is loosely based on any of the three dimensions here listed. In most cases, the analysis is done from the organization's perspective, based on identified needs, and assignees are selected based on their skill-set and performance at home. Little consideration is given to the individual's needs, whether the assignment is a good fit for the individual and their family, or the level of cultural

SECONDARY DATA ANALYSIS CONT.

adjustment that will be required. (Claus, Lungu, & Bhattacharjee, 2011) in their research suggest there is a need for evaluation at all three levels for every assignment to maximize the chances of success.

Yet, although the push towards globalization is immediately felt in 21st century organizations, the concept of expatriation is by no means a modern phenomenon. Many major global organizations already require international experience for key leadership positions. Best Practices LLC, in a report on best practices in career path definition and succession planning highlight the practices of GlaxoSmithKline, Novartis and Clorox.

GlaxoSmithKline's rising stars at each level of the organization are tapped to fill acting positions and six-month project leadership roles in international assignments. These assignments are critical to the development of leaders at GlaxoSmithKline, a direct reflection of its global, and particularly transatlantic, culture. The company's International Leadership Program helps the top 600-700 people in the organization develop their international leadership experience.

Novartis pays special attention to matching development opportunities with development expectations. Candidates are tested to determine their true ability. Managers at Novartis take into consideration an individual's breadth of experience rather than focusing only on their current role with the company. Therefore, development for high potentials at Novartis will include assignments that enhance the candidate's ability to work in a cross-functional unit, rotations through various business units, and international expatriation assignments.

Employees of all levels at Clorox are assessed on leadership capability and have the opportunity to develop their leadership skills through the varied programs and opportunities offered by the company. High potential candidates are assessed based on their long-term growth and leadership potential. Candidates who demonstrate a breadth of experiences including international experience are considered the better candidates for leadership development. These candidates are then "shepherded" towards positions that increase their visibility within the organization, particularly expatriation assignments to gain breadth of corporate initiatives. They are assigned a high-level mentor who will develop and assist them in their career at Clorox.

Expatriate Assignments Study

SUMMARY OF FINDINGS

What does this all mean?

It's a given that companies operating in today's economy recognize the power of the global marketplace. Many are capitalizing on the potential for expansion and have launched auxiliaries in global emerging markets such as Asia, Latin America and Africa. Expatriate activities, loosely called expat programs abound in most global organizations. However, there are many challenges. Purely transactional challenges relate to being ready to respond when a business is identified; having adequate protection in place for patents and other intellectual property; understanding the nuances of international and host country laws as it relates to doing business; mapping out a process that will facilitate a smooth project execution each time.

Considering that global business is here to stay, at least for the foreseeable future, it behooves organizations to not only ensure a sound process for the execution of projects, but also to adequately prepare their bench strength to lead on a global scale. HR departments need to function as business partners and work closely with executive leadership to adequately augment talent management practices. Organizations can ill-afford to continue operating in a reactive mode when it comes to expatriation. Business needs will always be a factor in expatriation, therefore companies might consider capturing some of their best practices to streamline the process and strengthen their global leadership pipeline.

(n.d.). Best practices benchmarking report: career path definition and succession planning. *Best Practices Benchmarking Report*.

Claus, L., Lungu, A. P., & Bhattacharjee, S. (2011). The effects of individual, organizational and societal variables on the job performance of expatriate managers. *International Journal of Management*, 28(1 part 2), 249 - 271.

Lockwood, N. R. (2006). Talent Management: Driver for Organizational Success. *HRMagazine*

Plunkett Research Ltd. (July 2011). Guide to the outsourcing & offshoring industry. *Plunkett's Build-a-Report*

Plunkett Research Ltd. (July 2011). Guide to the retail industry. *Plunkett's Build-a-Report*

Plunkett Research Ltd. (July 2011). Guide to the telecommunications industry. *Plunkett's Build-a-Report*

Plunkett Research Ltd. (July 2011). Guide to the travel industry. *Plunkett's Build-a-Report*

Whitney, K. (2011). IBM: Making global business personal. *Diversity-Executive*, 5 (3), 40; 48.