USING TECHNOLOGY TO OPTIMIZE GLOBAL MOBILITY MANAGEMENT

By Ed Hannibal and Yvonne Traber

You've heard the siren song of newer, faster, more elegant technology intended to automate every aspect of managing your expatriate workforce, from strategic talent management on the front end to repatriate satisfaction surveys on the back end. But when should you heed that siren song, and when should you keep using low-tech methods? Let's look critically at what parts of the expatriate management cycle are most amenable to technology solutions, then consider when and how to implement them to optimize your processes.

Staff responsible for managing an employer's expatriate workforce use a wide range of technology to help them with expatriate administration, from simple Excel spreadsheets, word-processed templates, and email messages to robust suites of integrated databases, calculators, employee websites and monitoring tools that can turn almost any aspect of the expatriate experience into data.

FACTORS AFFECTING TECHNOLOGY ADOPTION

Several factors affect where your HR function falls on this spectrum of "home grown" spreadsheets to robust expatriate-management software suites:

- **Workforce size**: The first and most obvious factor is the size of your globally mobile workforce. Clearly, a multinational company with only a handful of employees working outside their home countries has much different needs from an employer with thousands of expatriates to manage.

- **Duration**: Another factor is the age of your expatriate program. If you have begun placing employees abroad only in the last few years, you may have fewer concerns with long-term strategies for expatriates careers, or for expatriates with multiple moves from one host country to another. Conversely, if you have cohorts of expatriated workers with a decade or more of time outside their home country, you need to address complex issues of managing retirement benefits, tax liabilities, housing in home and host countries, and long-term career trajectories for repatriated employees. Robust software support makes more sense in the latter case than in the former one.

- **HR staffing**: The more HR personnel you have dedicated to managing your mobile workers, the less you need a sophisticated suite of expatriate management tools. But that does not mean you can sub-stitute more personnel for a robust, technology-based strategy for managing these important human capital assets.

- **Attitude towards outsourcing**: Some corporate cultures embrace outsourcing of HR tasks, from payroll management through to full global mobility management. If your company tends to manage all aspects of HR management internally, you may find that you need to rely more on data, metrics, software, and processes that can be managed in house. But if your company already outsources other aspects of human capital management, you may be more likely to rely on outside providers to handle your mobile workforce – from relocation agencies that manage foreign moves to attorneys who facilitate visas and work permits to consultants who continually monitor expatriate workforce attitudes with surveys.

- **Attitude toward centralization/decentralization**: Employers exhibit a wide range of practice on their degree of centralization. We see everything from complete centralization and control at headquarters to decentralization by region to decentralization to the home country level. In addition, the degree of centralization can be combined with the use – or non-use – of shared services, outsourcers, or co-sourcers for the entire menu of expatriate needs (see table below). Each of these configurations presumes slightly different staffing to manage them. And, depending on where employers are on these multiple continuums, they may have very different attitudes toward adopting technology, developing "home grown" solutions, or relying on standard office software such as email, Excel and Word.

- **Industry**: The use of technology to support expatriate management varies by industry. Some employers, such as financial services firms and retailers, have more predictable patterns, with most of their expatriates assigned to positions outside their home country for two to five years. Other employers, such as energy exploration firms, may have many workers on remote rigs for years at a time – with much more syncopated terms on-site, off site, moving between sites, and R&R time off. Tracking compensation to more complex patterns may require more technical power than an Excel spreadsheet can provide easily.

- **Technology sophistication and ease of use**: Whether employers choose an outside technology product for any part of their expatriate man-agement depends in part on the software's complexity, its modularity, its ability to integrate with existing HRIS systems – and, of course, its cost. Simple, modular programs get adopted more quickly than complex, fully integrated ones that require customization before they can work with existing technology. From the employer's perspective, the risk of adopting new technology increases with that technology's difficulty and cost. (Of course, the risk of not adopting new technology also increases with the cost of potential errors resulting from ad hoc, home-grown systems.)

THE TECHNOLOGY MENU

The decision whether to go high-tech or stick with simpler tools is not binary. Many employers look at the entire life cycle of assignment management and decide for each element whether they can manage it in house using simple desktop tools or need help from technology or advisors. This table shows the pros and cons of handling each element in house or using outside software:

Element of Expatriate Management	Why manage in house?	Why use outside technology/ data providers?
Allowing for differences in the quality of living in host and home countries	There is general trend toward reviewing "hard¬ship" methodologies carefully, especially since the global economic downturn; some younger expats don't expect them	Using objective measures of the factors that affect deficits in the quality of living in the host city vis-à-vis the home city can provide defensible, quantifiable hardship allowance figures
Addressing how to adjust for hypothetical taxes on remuneration	Depending on the host countries involved, tax situations may not be that complex	In many cases – particularly with expats who may move from country to country without coming "home" – tax situations can be highly complex, and computing hypothetical taxes can aid both the employer and the employee in planning
Addressing exchange rate fluctuations	In times of relative economic calm, exchange rates may not fluctuate enough to justify addressing them systematically; even in more volatile times, fluctuations in one period may work the other way in a later period	Depending on the host country, exchange rates can change rapidly (Argentina, e.g.), putting expatriates at a disadvantage depending on the currency they are paid in
Determining social security contributions	In some cases, employers can treat this factor as a one-time percentage to be determined and used for expats to a specific country indefinitely	Social security rules change continually around the world; without access to outside data providers or software that flags such changes, employers can get out of compliance with social security laws in home countries, host countries, or both
Choosing and managing retirement programs	Employers can – and do – choose to keep many expatriated employees on their home plan	Once employers have expatriates in a larger number of host countries, and a wider range of expatriate types on assignment for more than a few years, retirement planning can become much more complex; using outside technology or data providers can help manage overall retirement plan costs coherently
Setting housing policies and choosing appropriate housing	Employers often perceive housing as a "once and done" decision that does not need software to track	Continually updated housing data and software allows employers with larger expatriate populations, and finer distinctions among types of expatriates, to make more granular decisions on housing within a host city
Preparing expat and family for life in their new host country	Some employers handle the "indoctrination" process themselves using off-the-shelf resources, so have less need for continuous access to information on local cultures	Employers sensitive to the negative effect that unhappy spouses, partners, and family have on expatriate placements can smooth out-of-country moves by using on-line third-party resources available to expatriates 24/7
Moving employees and family members to the host country	This process is often outsourced and perceived as a "fixed" cost of expatriation (within limits) – but is not always managed on an ongoing basis	Even if the moving process is outsourced, employers can use software to track overall program costs, identify trends, and ensure that outsourced providers are performing as contracted
Preparing assignees for repatriation at end of assignment	Many employers handle repatriation ad hoc, paying little attention to the need to place returning employees until just before their assignment ends	Coordinating the repatriation process with overall talent management software can promote more successful moves home, improve retention rates for former assignees, and improve employers ROI on their expatriation programs

WHAT ARE EMPLOYERS DOING IN PRACTICE?

Mercer recently completed its most recent biennial "**Worldwide Survey of International Assignment Policies and Practices**" for 2011/2012. This survey has been conducted since the 1950s and is the largest in the industry, used by multinational employers to benchmark their programs. Here are the survey results responding to the question, "What tools do you use to track and manage assignments and their related costs?":
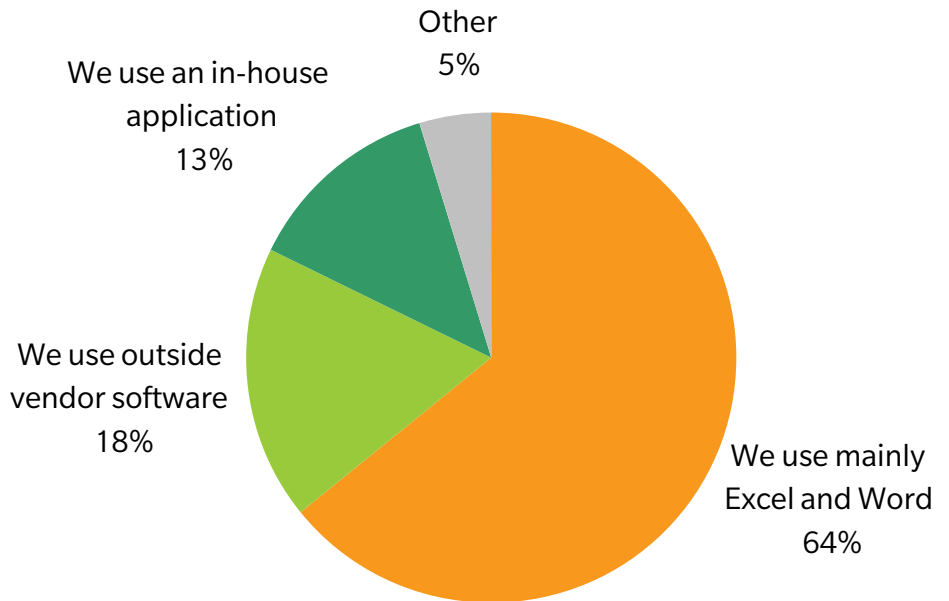
Source: Mercer's *Worldwide Survey of International Assignment Policies and Practices,* 2011-12 (N=735)

While almost two out of three employers surveyed (64%) still rely on Excel and Word to manage their programs, that percentage is down from 71% in Mercer's same survey two years earlier. Use of outside vendor software varied significantly by region, with the percentage of surveyed employers using outside vendor software ranging from a high of 25% in North America to 16% in Europe, only 7% in Asia-Pacific, and 0% in Latin America.

HOW TO DECIDE WHETHER TO ADOPT NEW TECHNOLOGY TO MANAGE EXPATRIATES

We would not advise the continued heavy reliance on simple MS Office tools to manage complex expatriate assignment programs, as those tools carry inherent risks. One "unflagged" calculation error or failure to update an exchange rate or tax rate could result in costly and hard-to-undo allowance mistakes. If could also impair the reputation of the HR team responsible for managing an employer's assignee population.

Psychologists tell us that people change only when the pain of staying in the same mode is greater than the pain of changing. The same can be said of oganizations – including multinational employers, and HR functions. Sometimes it becomes obvious when it is time to add more staff to manage the expatriate function. Sometimes an acquisition that significantly expands the pool of expatriated employees will force the issue. And sometimes a change of personnel – anywhere from the CEO level down – can lead to a change in the level of technology that an employer is willing or able to adopt to manage this important part of the workforce.

With or without a triggering event, whoever manages your company's expatriation administration should periodically ask themselves the following questions to help determine whether your company is using technology appropriately in this area:

1. What is our headcount for expatriated employees? Has that number changed recently? Obviously, the smaller the number, the less likely it is that you need the latest, high-end technology. And, as noted above, different employers have different tolerances for ratios of management to staff, for outsourcing, and for centralization. But at some point, it is prudent for employers to at least consider getting regular data updates from third-party providers and also to consider tracking and automating parts of their expatriation administration process. We suggest that the threshold is between 50 and 100 expatriates working in five or more countries.

2. What is the cost of an error compared to the cost of technology? The cost of an error in managing even one major expatriated executive can reverberate loudly. Expatriates talk to each other – both within your company and within the expat enclaves they often live in. So they often have a clear idea of how their total remuneration packages – including base pay, housing, cost-of-living adjustments, quality-of-living adjustments, retirement benefits, etc. – compare with those of other expats. A large error can mean years of overpaying for a portion of their stay, or paying the wrong amount of tax, or embarrassing backtracking or even audits to get those expats back in line with company norms. That cost could exceed the cost of the technology you have been putting off.

3. What is the ROI of our expatriate program? Most multinational employers are looking critically at the costs and benefits of the employees they have assigned outside their home countries. If your company has not relied on technology to provide objective, consistent data to support all the major elements of expatriate compensation, you may have numerous, significant exceptions to stated policies. If you compute each expatriate's compensation using a common Excel spreadsheet that does not tie in to your other HRIS systems, you will be hard pressed to identify and justify total costs when asked.

4. How many types of expatriates do we have? Are we segmenting the elements of expatriate support appropriately among those types? Globally mobile employees come in more and more types, from frequent business travelers to "global nomads" who never return "home". Newer companies with fewer, younger expatriates will have different needs from multinational employers with larger, more mature expatriation programs. Whatever their size and stage, mobility programs can make useful distinctions among skilled positions needed urgently to get a project underway in a new market versus developmental positions needed to train future leaders for senior roles. In each case, technology can help you craft, articulate, and maintain specific expatriate remuneration profiles tailored precisely to the goals of the assignment.

5. Are we keeping good track of our expatriates? Compared to domestic employees, expatriates can be difficult for HR to track. You should know who is on assignment, exactly where they are (including specific addresses), what dependents are in country, how long visas are valid, countries of origins, and even medical coverage. If you can't produce accurate reports on that information quickly, you may need better technology.

6. Are our expatriates happy? Periodic simple attitude surveys can help determine how satisfied your expatriates are with their assignments – and that information can help you determine whether to invest in more technology. If some of your expatriates are about to jump ship because they are not getting paid on time, their families are miser-able, or their taxes are fouled up, it may be time to move beyond Excel and email to manage these valuable human resources.

Answering these questions, and considering each item on the menu of expatriate support separately, can help you determine whether your company is using technology appropriately to manage your globally mobile workforce.

Ed Hannibal is a Partner in Mercer's Information Products Solutions business and leads Mercer's North American Global Mobility practice. With more than 18 years of experience, he advises clients on international pay policy and conducts seminars on international compensation. He has presented on expatriate compensation at many forums around the world. Ed is based in Chicago, and you can reach him at **edward.hannibal@mercer.com**.

Yvonne Traber leads Mercer's Global Mobility Technology Solutions for the EMEA region. She helps employers to resolve global mobility issues and challenges. She develops and designs international compensation solutions and cost-of-living approaches for multinational firms and governments, and presents regularly at Mercer's Expatriate Management seminars around the world. Yvonne is based in Geneva, and you can reach her at **yvonne.traber@mercer.com**.

MERCER

For further information, please contact
your local Mercer office or visit our website at:
www.mercer.com

Argentina	Mexico
Australia	Netherlands
Austria	New Zealand
Belgium	Norway
Brazil	Peru
Canada	Philippines
Chile	Poland
China	Portugal
Colombia	Saudi Arabia
Czech Republic	Singapore
Denmark	South Korea
Finland	Spain
France	Sweden
Germany	Switzerland
Hong Kong	Taiwan
India	Thailand
Indonesia	Turkey
Ireland	United Arab Emirates
Italy	United Kingdom
Japan	United States
Malaysia	Venezuela