

A Best-of-Breed Approach:

Addressing the ROI and Retention Challenges of Global Workforce Management

Multinational companies recognize the need to adhere to sound business practices to remain competitive in an increasingly flat business world. Moreover, they realize the critical and increasingly important role that expatriate employees play in managing and maintaining their global operations. In fact, according to Mercer's 2008/2009 *Benefits Survey for Expatriates and Globally Mobile*

QUICK LOOK

- ⇒ A best-of-breed global workforce management solution should offer proactive support and client service, a flexible technology platform and data security.
- ⇒ From an ROI perspective, a best-of-breed global compensation solution ensures that the company is not incurring added expenses.
- ⇒ From an employee perspective, adding an element of self-service — whether it's the ability to track benefits or change compensation allocations — can provide expatriates with a level of transparency.

By Thomas Shelton, HRTtoolbox Inc.



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Employees, the number of employees on international assignments has doubled during the past three years as part of a continuing trend toward globalization.

However, recruiting and retaining such talent may be more challenging in the years ahead. According to a recent KPMG study, it's not just the global economy that is contracting; so is the global labor pool. *The Global Skills Convergence: Issues and Ideas for the Management of an International Workforce* study indicates that we'll see a labor pool contraction during the coming decade that affects countries like Japan, Australia, Canada, China, New Zealand, the United Kingdom, the United States and much of Western Europe. Expatriates may be not only invaluable but also irreplaceable in the near future.

The good news is that domestic and global companies have long recognized that benefits and compensation are key determinants of employee productivity, satisfaction and, as a result, retention. The Mercer survey bears this point out, as the majority of companies surveyed (86 percent) consider benefits provisions for expatriate employees a medium or high business priority. Surprisingly, however, 26 percent admit to having no overarching policy for providing expatriate benefits. Moreover, nearly two-thirds of companies (64 percent) have no specific procedures in place to measure the success of their expatriate benefits programs.

Findings from the study and survey indicate that multinational companies face a two-pronged challenge. First, they need to track various elements of their expatriate programs to ensure consistent administration and quantify a solid return on investment (ROI). Second, they need to address the global economic situation by communicating clearly with expatriates and providing transparency with regard to their benefits and compensation — which, in turn, can promote retention.

As the Mercer report notes, “Establishing an international policy is essential to stay competitive, maintain geographical consistency and control costs. Even against a backdrop of economic uncertainty there is still competition for the best talent. Companies that are lax in this area will lose out.”

To that end, multinational companies should look to a best-of-breed global workforce management solution that can address such issues and, ultimately, meet these two pressing challenges.

Making the Technology Investment

Conventional wisdom might dictate that companies would be scaling back their investment in technology given the times. However, according to Towers Perrin's *Eleventh Annual Study of HR Service Delivery and Technology*, global organizations continue to invest and find value in HR technology systems despite current economic challenges. The study found that close to one-third of the respondents (30 percent) have increased their investment in HR-related technologies (which is somewhat less than the response last year). In addition, only 15 percent of respondents decreased their technology spending in 2008, while the remaining 55 percent maintained their technology budgets at 2007 levels. Clearly, most global companies understand the importance of pressing ahead and investing in solutions that can impact and benefit operations, and chief among those solutions is one that involves global workforce management.

On a broad level, a best-of-breed global workforce management solution should offer the following:

- **Proactive support and client service.** Of course, no best-of-breed solution is complete without a support and client service component to ensure effective implementation. Support should also be evident on a proactive basis to ensure the ongoing efficacy of the solution. For example, periodic

follow-up is automatically conducted in addition to providing immediate response to inbound calls and e-mails from clients requesting assistance or information. Such ongoing communication ensures that client needs are addressed and that, if necessary, enhancements are made to products or services. Note that it is important that support staff speak your language. That is, staff should not only be familiar with the technology, but also with the challenges that multinational companies face in administering and managing compensation in different industries and countries.

- **Flexible technology platform.** By freeing companies from the complex and time-consuming burden of technology management, application service providers (ASPs) help end users better focus on their core business requirements and avoid the risks of making costly planning and implementation errors. In addition, new technologies enable ASPs to rapidly change the solution to meet the specific needs of each client. It should be possible for vendors to make minor changes within a few days or even hours, and complex changes should be measured in weeks, not months.
- **Data security.** While the Internet provides many benefits, the way in which personal data is transferred through the public domain and ultimately stored must be thoroughly scrutinized to ensure the highest level of integrity and security. Additional security features include the capability to track access to the system and any subsequent additions or changes that are made. This includes authentication of the user's identity, secure login, encryption, data filters, secure and restricted navigation, and a sophisticated activity log. Finally, Safe Harbor certification (www.export.gov/safeharbor) can ensure compliance with the European Commission's Directive on Data Protection.

Expense Management

From an ROI perspective, a best-of-breed global compensation solution can provide organizations with a means to collect data and compile reports to monitor a number of areas to ensure that the company is not incurring added expenses. Consider the following:

- **Tax equalization.** When an employee goes on an international assignment, employers often choose to assume liability for foreign taxes, which puts assignees in a neutral position during the assignment. This ensures that assignees neither suffer financial hardship nor collect a windfall as a result of varying tax structures in different countries. Employers typically pay taxes in the home and host location and deduct a hypothetical tax from employees' pay. The hypothetical tax is an estimate of the taxes the employees would have paid if they had continued

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working in the home country. On an annual basis, human resources should work closely with payroll and other departments to monitor and reconcile these tax payments to identify instances where employees may have been overpaid or underpaid in terms of tax equalization.

- **Assignment budgets.** Using a technology solution to manage budgeted versus actual expenses and compensation of an assignment can help identify areas where costs are too high or which assignment locations cost the company the most. In turn, this information can help human resources determine how to reduce expat packages on an individual or geographic basis. In addition, ongoing monitoring and tracking can serve as an advanced warning system to indicate when the dollar amount that was initially set aside for the assignment is being approached.

Compensation Management

Compensation management is key to ensuring the accuracy of calculations and is critical to holding down costs and improving ROI. Not only do multinational companies need to account for exchange rates, but many expatriates also elect a split-pay option where they may allocate which

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allowances — even what percentage of each allowance — should be paid in their home-country currency versus host-country currency.

Given the fluctuating status of the dollar and the turbulence in the economy, many expatriates carefully monitor how their allowances are distributed and, in many cases, can frequently change the distribution of their allowances. There are few, if any, regulations governing these distributions, and multinational companies are more than willing to extend this flexibility to expatriates to improve retention. Note also that while expatriates are operating under different policies and arrangements and in multiple currencies, they are also subject to different employment laws and taxation structures.


On a feature-specific level, the compensation management component for expatriates should offer the following:

- Easily review compensation and taxation information in various currencies
- Easily identify exceptions or regions with unique practices through the use of standard compensation templates that highlight modifications to standard practice.
- Easily manage and update employee split-payroll requests
- Extract data in a format best suited to each end user's needs; end users can include payroll and human resources.

From an employee perspective, adding an element of self-service — whether it's the ability to track benefits,

change compensation allocation or monitor assignments (i.e., view authorization for travel and expenses) — can provide expatriates with a level of transparency. Moreover, such transparency offers reassurance by providing a clear picture regarding figures and calculations and a full understanding of the value of the compensation being provided. In short, communicating the value the organization places on each expatriate promotes a sense of commitment and stability, which can contribute to retention.

Conclusion

The increased competition for global talent, along with the growing dependency on expatriates, means that multinational companies need to adopt a long-term outlook and embrace solutions that can manage and administer functions that are critical to human capital management. However, this business need is tempered by the reality that maintaining an expatriate workforce can be costly and complex. And, as such, the investment must help validate ROI. As the Mercer survey report notes, many organizations miss the opportunity to improve their offerings and sharpen their competitive edge by failing to assess the value of their expatriate programs to the company or the employees themselves. A global workforce management solution that can validate ROI and serve to improve retention offers a win-win for the survival and ongoing success of multinational companies and their expatriates. 

ABOUT THE AUTHOR

Thomas Shelton is the founder and CEO of HRToolbox Inc. in Atlanta. He can be reached at twshelton@hrtoolbox.com or 877-HRTOOLBOX.

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