

# Is This Assignment Really Necessary?

## QUICK LOOK

- ⇒ To be successful, an international assignment needs to provide an advantage for one or more parties.
- ⇒ Conducting a cost projection helps the company make informed selection decisions when a number of qualified candidates are available for transfer.
- ⇒ A progressive organization is likely to discuss the possibilities with the individual in the pre-assignment stage and proactively manage a repatriation plan during the assignment.

By Vince Cordova, ORC Worldwide

## Establishing a Business Case for an International Assignment

As organizations seek to match their talent pool with human capital needs and development opportunities across their global operations, the ability to assess the appropriateness of an international assignment as the vehicle to help achieve these ends is critical. In some instances, an international assignment with all the usual perquisites might not be the best way to address a particular resource need.

What factors should go into the assessment? These depend, in part, on the organization's capabilities and level of integration in the international arena. Some of the most important factors typically include the job's specification or description, the pool of qualified candidates and where they may be located,

the reporting relationship of the job with regard to home and host management, the impact of the position in both the home and host operations, the projected cost of the assignment over the length of the foreign posting, and, last but not least, who has the final say. As these elements are defined, the organization can better weigh and evaluate the international assignment and alternatives.

### Define the Job

With input from the appropriate parties — human resources, line managers, senior managers, other employees who will interface with the position — the first step is to gather information about the job. Understanding the specifications in as much



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detail as possible would include at least the following points:

- Position description
- Skills, experiences and qualifications necessary
- Specific tasks, projects, goals and objectives to be achieved, as well as the timeline for completion
- Number of employees/positions (e.g., one, a team, a rotation)
- Level of position
- Availability of talent in the local job market who can fill this position now or in the future
- Type of assignment (e.g., one-time out and back)
- Duration (start and end time)
- Potential for extension of the assignment, and under what circumstances.

With a job description and outline of the objectives for the position in hand, the next item to consider is whether management has a particular person in mind. Or, perhaps, the company has a pool of qualified candidates. In either case, is there a selection process in place that can filter out candidates who are unqualified because they lack the requisite skills or experience, or who may not yet be ready for an international assignment due to a personal situation (e.g., unwillingness to relocate an entire family at the present time).

It is also important to determine if the candidate's previous job performance is an issue. In some cases, a manager may nominate a problem employee for an international assignment so as to send the problem elsewhere.

Furthermore, at this stage, it may be helpful to provide the candidate with an opportunity to share, with human resources and others in the selection process, specific relevant experiences or factors that may merit additional consideration in selection of this candidate or design of the international assignment.

## Determine Who Benefits

To be successful, an assignment needs to provide an advantage (achieve an objective) for one or more parties — the home or headquarter office, the host office or the individual going abroad. The benefits should also be defined and measured in a tangible, ongoing way. Consider:

- **Benefits for the home location:** Is there an overall corporate strategy that this assignment will achieve or move forward? Can the individual share any gained international experience with other potential expatriates at the completion of the assignment? Is this individual a high-potential employee whose future is linked to the company's succession planning

or whose experience is necessary for future assignments?

- **Benefits for the host location:** Does this individual fill a skill gap that's missing in the host office? Can the assignee teach a local-national peer the requisite skills needed at the work site and, consequently, turn the position over to that trainee at some point?
- **Benefits for the employee:** Will the international experience — or perhaps the experience gained with a new product or service — further the individual's advancement within the business?

## Determine the Organizational Impact

Input from key stakeholders is once again important. However, this information gathering is not about the job specifics, but about the job's impact on these stakeholders and the areas they support or manage. Questions to consider include:

- Will it be easy to replace the expatriate's home-country position? If the assignment is short-term, can the remaining home-country staff temporarily handle the expatriate's home-country job in the individual's absence?
- How does the host office feel about having an expatriate come on board? Is there resentment? Are there potential morale issues due to salary inequity, corporate cultural differences, or the perception of an unfair privilege or lifestyle?
- Do different parties disagree about whether an expatriate assignment is the best way to go?
- How do line managers see their ownership of, and responsibility for, the individual — shared or as a tug of war?
- Are there administrative difficulties? Can the payroll department handle a split payroll? Are outside experts necessary to address immigration and visa issues, tax treatment of income, language training and so on? Is there

enough lead time to fulfill host-country requirements? Is the accompanying spouse looking for opportunities to work in the host location and, therefore, also needs a work permit?

### Calculate the Cost

As with many organizational decisions, the final result often depends on money. What will the international assignment cost, and how can the company reasonably cut expenses without adversely affecting the expatriate's satisfaction and motivation? (See Tables 1 and 2.)

The first consideration is whether the budget for the assignment is restricted. If so, then it may become necessary to reduce or eliminate certain elements of the package (e.g., a smaller incentive if the assignment itself acts as an incentive) or perhaps shorten the duration of the assignment (if feasible to achieve the assignment objectives). In some cases, the assignee may even go abroad on a host-country pay package, if the location and its economic situation are comparable to home.

Typical elements to consider in an expatriate pay package include:

- **Compensation and benefits:** base salary, bonuses, stock options, position allowance for temporary additional responsibilities, pension, costs and contributions, and international medical insurance premiums
- **Expatriate-related allowances:** signing and completion bonus, spousal/family assistance, home leave trips and expenses, education allowance for dependents, goods and services (cost-of-living) allowance, host-housing assistance, utility allowance, hardship allowance, danger pay, rest and recreation trip, club membership, car or car allowance, and transportation allowance
- **Vendor services:** tax preparation and assistance, security firm/evacuation

assistance, destination services and compensation data

- **Moving costs on expatriation and repatriation:** home-country property management, realtor and legal fees for home sale, rental contract cancellation, home-finding assistance, visa and work permits, relocation allowance, furniture and appliances, shipment, storage, airfare, home/host temporary living, loss on car sale, car lease cancellation, cross-cultural training and language lessons
- **Tax:** income, social and medical insurance tax for both home and host countries.

Employers can do a cost projection as either a rough estimate or using employee-specific data for a more accurate analysis. Conducting a cost projection helps the company trim unnecessary costs, as well as make informed selection decisions when a number of qualified candidates are available for transfer. An additional consideration may be how much more the assignment will cost over a local resource (where available). This measure can be important to not only help evaluate the cost of the assignment, but also help define the assignment objectives (e.g., to train a local resource to replace the assignee).

Having a handle on what a relocation is likely to cost over the term of the assignment is particularly advantageous in times of economic uncertainty, as these costs can be weighed in relation to the benefits that the assignment is expected to achieve.

### When It's Over

In most cases, the organization does not (and, often, cannot) guarantee a specific job upon repatriation. Sometimes, the organization may offer the individual another assignment. Unfortunately, when it's time to repatriate, there is always the risk that the individual will take the international experience gained on assignment and leave the company for another position.

A progressive organization is likely to discuss the possibilities with the individual in the preassignment stage and proactively manage a repatriation plan during the assignment so that there are no surprises when it's time to come home. But even with that understanding, after investing so much in sending the individual overseas, it would be beneficial if the company can use that person's experience within its own ranks. To help achieve this end, an organization should endeavor to educate those

TABLE 1: SAMPLE PAY ELEMENTS AND ASSISTANCE PROVIDED BY EMPLOYERS

Pay element/assistance	The Americas (%)	Europe/Middle East/Africa (%)	Asia-Pacific (%)
Orientation program	75	72	80
Cross-cultural training	68	76	70
Spousal job search assistance	60	60	35
Foreign service premium	52	64	68
Hardship allowance	67	77	70
Danger pay allowance	11	6	5
Cost-of-living allowance	94	90	80
Car allowance	32	21	28
Rest-and-recreation leave	34	22	29

Source: ORC Worldwide's 2008 Worldwide Survey of International Assignment Policies and Practices

employees with whom the returning expatriate will be working (for and with) about the new skills and experiences they are bringing back and enlist their support to promote a successful reintegration.

### Determine Rank

The decision maker for an international assignment can be one or several parties: line managers, human resources, the business unit, senior management or regional management. The person(s) or unit making the final decision depends on several factors:

- Is the company structure centralized or decentralized? Is there a need for someone in say, corporate human resources, to authorize or approve the assignment?
- Is the international position at a senior level, an early career stage, or middle manager or technician level? What are the cumulative assignment costs? Different jobs or more costly budgets may require higher levels of approval.

What if management rejects the use of an international assignment? If approval is denied, consider whether it's possible to postpone the assignment until circumstances change — budgets, corporate

objectives, etc. Are there alternatives? For example, instead of a full-blown international assignment, is it feasible to implement:

- An international business trip or short-term assignment, where the employee remains at the location for a limited period
- A commuter assignment, if the distance is relatively close between home and host locations (or travel between the locations not burdensome), so that the employee commutes between locations on a regular basis
- A virtual assignment, where the employee lives and works in one location, but has job responsibilities in the host location, to which periodic visits are made.

### Conclusion

The first time an organization initiates an international assignment, the decision may be simple: We need employee A in location B for three years, no matter the cost. But as the organization's international mobility programs, talent pools, and resource and development needs expand, these decisions become more complex — more assignee types, more home-host combinations, more policy provisions, more pay options, and so on.

Management should only make the decision to move forward with an international assignment after careful consideration of the factors indicated previously and any others specifically relevant to the organization and its assignment stakeholders. Other alternatives may be easier or less expensive or appear more practical at first. But if an assignment is the best way to go, human resources should support it by a sound business case that has been well developed and agreed to by key stakeholders in the organization. This level of diligence and planning will help define and promote achievement of a wide range of benefits to the organization, the relocating individual and accompanying family members. 

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TABLE 2: SAMPLE INTERNATIONAL ASSIGNMENT COSTS

U.S. Outbound to	London, U.K.	Singapore	Sao Paulo, Brazil
Family size	Single	Married, 2 children	Married, 1 child
Length	2 years	3 years	2 years
Salary	\$165,000 per annum	\$230,000 per annum	\$130,000 per annum
Cost of assignment provisions: cost of living, housing, children's education (if any children), relocation costs, and other provisions	\$320,000	\$850,000	\$610,000
Tax costs — tax equalized	\$180,000	\$250,000	\$340,000
Assignment and tax costs (excluding salary)	\$500,000	\$1,100,000	\$950,000

Source: ORC Worldwide