

Managing Expatriate Assignments Creatively

By Jack Keogh

We are consulting with a very large domestic firm about to send its first expatriates to China. As we discussed compensation, taxation, destination services, educational policy, cross-cultural training and the other elements that affect the ROI of an assignment, I found myself reexamining some of the truisms that I had learnt during my career as an expat and as a relocation professional.

One of the most powerful tools that we have is the ability to transform relocation policies to reduce the costs of benefits provided by **restructuring our approach to assignment management**.

With our client, who is new to international relocation, I found myself starting from scratch rather than merely adjusting existing policies. When given the choice between what might be considered a fairly modest relocation package and not having the opportunity to gain foreign experience, I realized that the **senior-level key personnel were inclined to accept the assignment package, without some of the traditional bells and whistles**. This inclination, of course, presupposes an appreciation of the benefits of an international assignment coupled with the trust that the experience will be valued and rewarded during the employee's career.

In Latin America and the Asia-Pacific region (where competition for talent has historically been fierce and local management is leery of costly expatriate compensation packages used in other parts of the world) I had seen the benefits of what is often described as a **"local plus" package**. "Local plus" is used in situations where an employee becomes a local on the books of the host-country company, but receives certain basic entitlements, such as housing support and home leave, that are not provided to truly domestic individuals in that country. This solution was not applicable, for now, with our client but I did find myself re-examining the option motivated by the recession which tends to give employers the upper hand in the realm of compensation..

Because our client is new to international relocation I was encouraged by our HR colleagues' willingness to **analyze the up-front costs** very carefully and to elaborate **detailed cost projections**. They have followed our recommendations to **maximize the assistance of the third-party vendors** that we suggested by allowing them to contribute their expertise without micro-managing them. There is no point, for instance, in achieving cost savings with the movement of household goods by taking the proverbial "slow boat to China" only to rack up **astronomical costs on temporary living** which the expatriate family waits for the delivery. We will make sure that the Chinese **language training consultant delivers appropriate progress reports** including a full accounting of the number of classes attended. **Cross-cultural training has been set as a requirement** – this service will not be left to the discretion of the expatriate to find an "appropriate" time. Cross-cultural training often falls by the wayside or is less than effective because it is low on the expatriate's priority list. We are **consolidating services** in order to achieve cost-savings and reducing the amount of uncoordinated providers.

Going forward, we recommend an aggressive approach to **lump-sum allowances**. This leaves room for an à la carte approach by first establishing the level of compensation costs that are reasonable and customary and then providing the **employee with the choice as to how to allocate that compensation**.

Included in this approach is a **spousal allowance** in recognition of the importance of her role in the overall support of the assignment and the sacrifices that she (or her) may be making from a career perspective. Furthermore, the **spouse must be involved in the decision** making process from the moment the offer is made. She (or he) should meet with the HR person in order to gain up-front buy in. We know that this **spousal early involvement has a significant positive effect on the outcome** of the assignment.

Why not give some employees the **opportunity to choose how to manage the lump-sums**? For instance, forgo their home-leave allowance and put the extra money toward their housing costs? This allows each expatriate family to determine what is important to them without feeling they have suffered any significant decrease in benefits. In order for this approach to be successful the **line manager must accept the responsibility to manage the budget** and watch the bottom line. High performers should be paid more, and nonperformers should not receive what were once classically considered guaranteed amounts. To do this requires careful **coordination of home and host performance management**.

As our client faces the reality and attendant costs of managing international assignments we insisted that they move to more **clearly define business-traveler and other short-term policies** in order to manage costs more effectively and to mitigate the risk of the serious tax, legal and immigrations consequences when employees overstay the number of days allowed by law at a foreign destination.

Finally, we firmly believe that having a **mentor (two levels up from the expatriate) is fundamental** to maximizing the investment in the expatriate. Mentoring helps avoid the feeling of “out of sight, out of mind” when away from home base. When the expatriate loses the connection to the home office they become **candidates for early departure from their companies**, leaving to seek better opportunities where they can use the new skills acquired on assignment. Of course, the corollary to this piece of advice is that **repatriation is an integral part of the expatriate planning process**. It is a piece of the puzzle that many companies neglect at their peril.