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**NEW FORMS OF
INTERNATIONAL WORKING**

CReme Research R e p o r t

1/00

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INTRODUCTION

The new forms of international working have emerged as a result of companies trying to answer the challenges coupled with the expatriate assignments. The alternative forms of the traditional assignment include short-term, international commuter and frequent flyer assignments. As the number of international assignments continues to increase, and companies are increasingly adopting more flexible approaches to international assignments, it could be assumed that long-term assignments may now form only a small part of the total international workforce.

However, preliminary research shows there is a lack of knowledge on whether the alternative forms of international assignments are helping or hindering organisations in meeting their global strategic objectives. On the other hand, it is obvious that improving HR practices from experience is costly. In facing the challenge of managing global human resources for competitive advantage, increasingly there is a need for a frame of reference for global companies as to the new approaches to managing people in global context. Why is it important? Clearly, evaluating the strategic objectives and effective strategic management of these new forms are necessary for organisations to maximise the competitive advantage of their global human resources.

CReme's ongoing research is assessing the implications of the new forms of international working. The research objective is to provide valuable insights into the level of understanding of the management issues of the alternative forms of international working by international human resource managers. The first stage of the investigation of this new management trend included an initial, short survey of the multinational companies. Of the 407 multinational companies invited to participate in this survey, there were 65 respondents.

This report represents summary of findings of the survey, and provides the background for the second stage of the research project. The second stage will consist of in-depth case studies in some of the participating companies, looking at the impact of these new developments from both the management and individual's perspective. It is interesting to note that more than a third (37%) of the participating companies has shown the interest in case studies. The results of the CReme's study will help international human resource professionals in developing strategy and practice in international human resource management. That will in turn have practical benefits for global organisations and will be essential for companies' competitive advantage.

THE REPORT OUTLINES:***The assignments' profile:***

- *Number of employees on each type of assignment*
- *Trends: recent and predicted future changes in the number of employees on each type of assignment*
- *Reasons for using each type of assignment*
- *Usual length of the assignments*
- *Most cited problems with each type of assignment*

International assignment policy and administration:

- *Presence or absence of a written international assignment policy*
- *Types of international assignments policy*
- *Organisation of HR administration*
- *Responsibility for determining the policy for each assignment type*
- *Assignment cost analysis*
- *Responsibility for cost monitoring*
- *Do costs exceed benefits?*
- *Is there a need to reduce costs?*

Frequent flyer assignments:

- *Presence or absence of the records on the number of business trips*
- *Level of staff*

DEFINITIONS USED IN THE SURVEY

For the purpose of this research project, the four forms of international working are defined in advance, although participants had an opportunity to define more precisely the length of each of them.

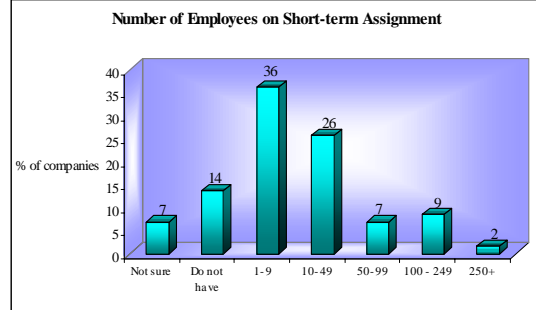
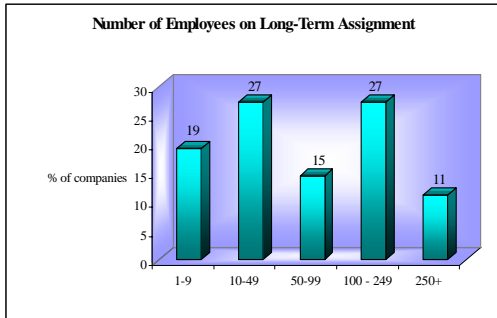
- **Expatriate assignment** (long-term assignment) is an assignment where the employee and family move to the host country for a specified period of time, usually over one year.
- **Short-term assignment** is an assignment with a specified duration, usually less than one year. Family may accompany employee.
- **International commuter** is an employee who commutes from home country to a place of work in another country, usually on a weekly or bi-weekly basis, while the family remains at home.
- **Frequent flyer** is an employee who undertakes frequent international business trips but does not relocate.

THE SURVEY RESULTS

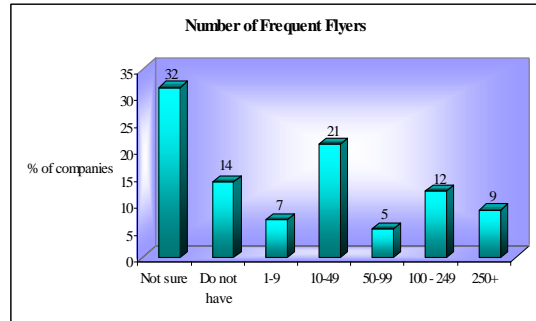
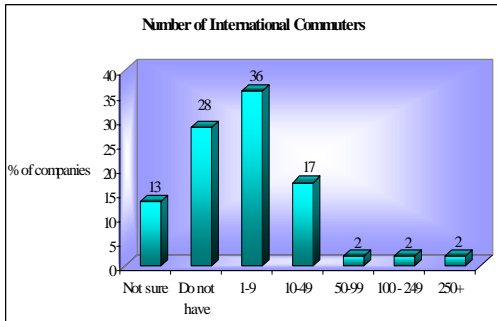
THE ASSIGNMENTS' PROFILE

Number of employees on each type of assignment

A majority of the companies that participated in the survey has either between 10 and 49 or between 100 and 249 employees on long-term assignment (27% in both cases). More than a third of the participants (36%) have less than 9 employees on short-term assignment. It is the same case for international commuters. (Not)surprisingly, even a third (32%) of the respondents is not sure about the number of frequent flyers they have. A majority of the companies who know this number has between 10 and 49 frequent flyers.



It is interesting to note that the percentage of the respondents who are not sure about the number of employees on the international assignments is zero when long-term assignments are in question. Then it gradually increases for short-term assignments (7%) and international commuters (13%), and is the highest for frequent flyers (32%).

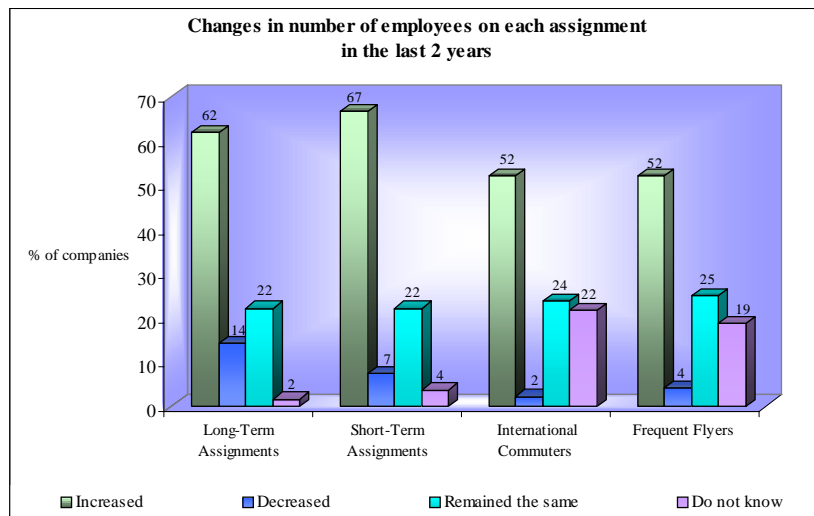


Changes in number of employees on each type of assignment in the last two years

When asked about changes in number of employees on each assignment, majority of the participating companies reported the increase in the use of all four types of international assignment – including long-term assignments. Interestingly, it seems as if the cost pressure had not stopped the expansion of this type of international assignments - almost two thirds of the respondents (62%) reported an increase in the number of employees on long-term assignments. However, the highest increase reported is with short-term assignments (67%). Also, more than a half of the companies participants (52%) stated that international commuter and frequent flyer assignments increased over the last two years. Since people are less willing to move their families and do not want to disrupt their spouse career, choosing to go for shorter periods of time or to commute from home country to a place of work in another country seems as a suitable way to overcome these issues. And, in the case of short-term assignments, makes cost savings to the company as well. Also, as companies continue to develop internationally, it inevitably leads to an increase in number of business trips and frequent flyers.

Around a fourth of the companies reported a “status quo” in the number of all types of assignment, whereas the highest decrease reported (14% of participants) is in using long-term assignments.

The percentage of companies that are not sure in about this change is the highest with international commuters (22%), followed by frequent flyers (19%). In comparison to the percentage of companies that do not know about the change in number of employees on long and short-term assignments (2% and 4%, respectively), these figures are considerably higher.



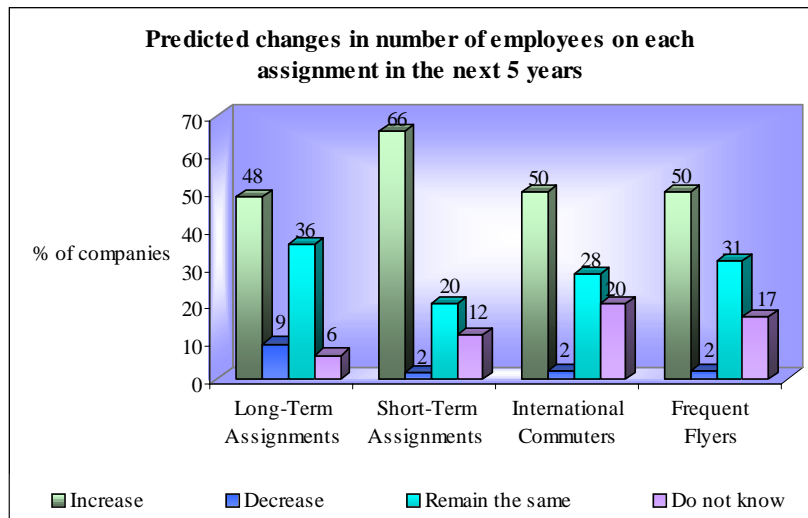
Predicted changes in number of employees on each assignment in the next five years

Continued growth in the number of employees on all types of assignments is expected by a large proportion of the respondents over the next five years. The increase that the majority most of the companies predicted is that of short-term assignments - even two thirds (66%) of the companies think so, followed by international commuter and frequent flyer assignments (50%). At the bottom of this “list” are long-term assignments (48%).

Only 2% of the respondents expects the number of employees on short-term, international commuter and frequent flyer assignments to fall, and just 9% of companies thinks so as to long-term assignments.

Around a third of the companies anticipates that the number of expatriates, international commuters and frequent flyers will remain the same (36%, 28% and 31% respectively), while a fifth of them (20%) thinks that it will be the case with the number of employees on short-term assignments as well.

On the other hand, it is necessary to note that 20% of the respondents did not know what would happen with international commuters. A slightly smaller percentage of them (17%) was not sure about frequent flyers and 12% did not know about short-term assignments. Again, the companies seem the most “confident” when long-term assignments are in question – only 6% of them did not know to predict the changes in number of employees on this type of assignment in the following five years.

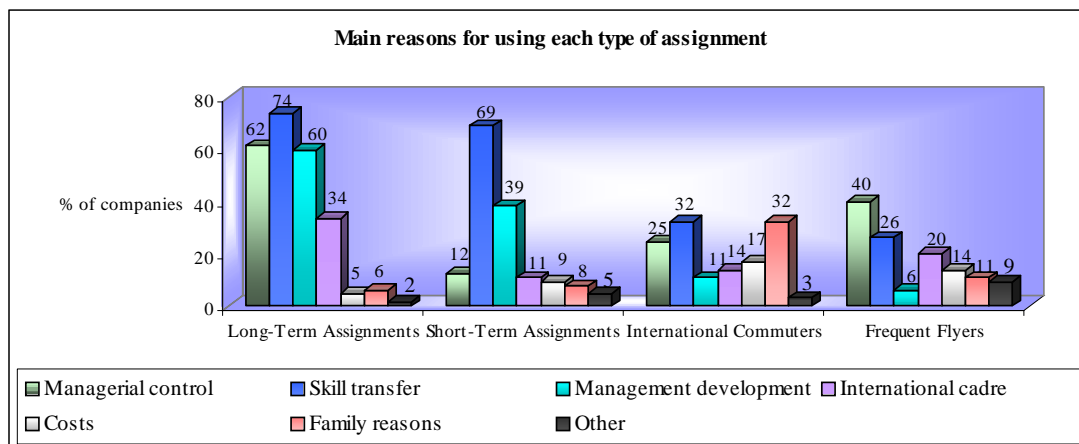


Main reasons for using each type of assignment

Skill transfer appears as the main reason for using all but frequent flyer assignments. Frequent flyers undertake business trips mainly for the purpose of managerial control. As to international commuters, besides the skill transfer, this type of assignment is equally used to address family issues coupled with the traditional assignments.

A considerable percentage of the participants (62%) also uses long-term assignments for the managerial control. In addition, management development, as a way for increasing an assignee's abilities to some future position, is a reason for long-term assignments cited by even 60% of companies. It is also an explanation why 39% of the participants send their employees on short-term assignments. It could be argued that the potential long-term awards from these types of the international assignments are growing. Interestingly but probably not surprisingly, management development is the least used reason for international commuter and frequent flyer assignments.

Creating an international cadre - a company's international team of managers that have consecutive international assignments - is more used for long-term assignments (34%) and frequent flyers (20%) than for other two types of assignments. People moving around the company's operations worldwide are expected to learn from each other, acquire globally applicable skills; deepen expertise and expand their network. Those who have rotated across different countries are assumed to have the global perspective needed at the top of the organisation. Therefore, being a part of the international cadre has implications in terms of both management development and skills transfer.



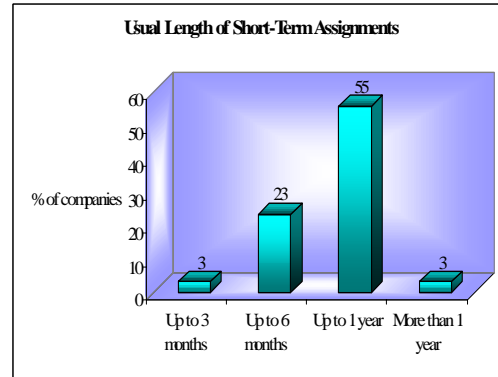
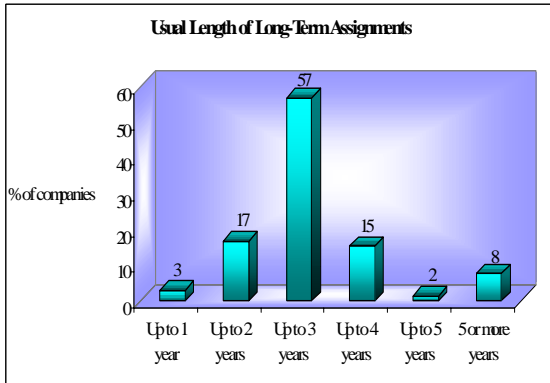
As to the other reasons cited by the companies' participants, for long-term assignments they include a new business development or projects. Employees are also sent to short-term assignments for the operational

reasons and projects. Obviously, sometimes the task simply is not big enough to warrant a long-term assignment. Also, highly mobile teams of experts – so called troubleshooters – are usually sent to a short-term assignment to solve a particular operational problem. That may be the explanation why this type of assignment is the least frequently used for managerial control in comparison to other assignments.

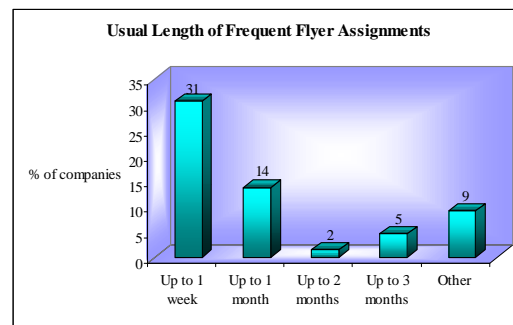
Among other reasons for using international commuter assignments, the participants cited client requirements. Finally, frequent flyer assignments are used for projects, client engagements, and for business development as well.

Usual length of the assignments

A majority of the participating companies (57%) agrees that the length of long-term assignment is up to 3 years. Obviously, the nature of expatriate assignments is changing as the average length of them has been shortened. Also, increasing difficulty in attracting employees to accept long periods of being outside the home country led to the increase in use of short-term assignments. For this type of assignments more than a half of the participants (55%) thinks that it lasts up to 1 year. It seems as if a majority of the participants regarded one year as the cut-of point where long-term assignment starts.



The participants were the most indecisive as to the length of international commuter assignments. Although a majority of them (15%) thinks that this type of assignments usually lasts up to three months, 14% of them stated that the usual length is up to six months or even up to two years. And just a slightly smaller percentage of them (12%) reported that international commuter assignment lasts up to a year. Some companies cited two weeks as well, whereas others claimed it depended on the individual case. Also, few participants answered this type of assignment could be a permanent way of working. All these imply there is still a lack of the experience/definition/policy concerning the international commuter assignment.



Finally, a majority of the participants (31%) agrees that usual length of frequent flyer assignments is up to one week. Among them who ticked “other” as the answer (9%), some think that it varies, or can be ongoing (“normal practice at senior levels”; “split between 2 offices”).

Most cited problems with long-term assignments

Participants had the opportunity to comment upon the practical issues they are encountering with the international assignments. The most cited problems with long-term assignments included:

- **Mobility barriers / Unwillingness to go to unattractive locations**
- **Dual career / Family issues**
- **Repatriation / Career issues**
- **Cost of assignment / administration**
- **Compensation package - terms and conditions**

Companies reported problems in attracting people with right skills/experience. Besides dual career issues, social/family reasons and career expectations of the employee, many participants “admitted” that this difficulty in attracting good candidates is also due to staff unwillingness to go unattractive locations, which is exacerbated by risk exposure in some countries. This represents a particularly evident problem when companies need to transfer specific skills that reside only in specific employees. Locations that are not viewed as desirable by employees can hinder the strategy implementation and company’s growth in those countries. Obviously, mobility barriers - people reluctance to accept international assignments - remain a challenge for long-term assignments.

Since a two-career family is becoming more of a norm, challenges that long-term assignments have brought have considerably increased. Many employees are not willing to accept the assignment away from home because it can affect the career of the spouse. Also, the participants mentioned having problems related to spouse income or finding jobs for spouses. Clearly, the companies are becoming aware that they must give as much consideration to the needs of partners and families as those of employees themselves. Family concerns cited by the respondents are primarily related to children’s education, family relocation, as well as adaptation to the new environment. Issues related to maintaining links with home were also mentioned.

Also, as to the expatriate’s career, the most cited problems include difficulties in career planning and a presence of a greater need to link promotion with international experience. Related issues mentioned by the participants lie in addressing career expectations of expatriates and retention of good employees - due to concerns about future career on the part of an employee (e.g. “fear that they will be forgotten”). Retention, as a strategic issue, is particularly important at the beginning of an international assignment, when the company’s attitudes and practices in giving clear message to employees about the ability they will be given on repatriation to fully utilise that international experience are reflected. That is why it is not surprising that the participants frequently cited repatriation as the issue they encounter with long-term assignments. The expatriate’s career concerns in terms of finding suitable jobs on return is a particularly often cited problem. On the other side, the company’s repatriation strategy is critical to its ability to attract employees, since the key to motivating

employees to accept long-term assignment it their belief that the company values their international experience.

As to compensation, participants cited tax issues, pay and benefit comparison with local colleagues (i.e. “salary scales”, “differentials in salaries between parent, home and third country nationals”), as well as problems in aligning the Balance-Sheet Approach to get all expatriates on the same framework (e.g. “compensation calculation / cost of living comparison”).

Besides the high costs of this type of assignments (some of the related citations by the respondents included e.g. “expatriate packages very expensive”; “high social security costs across Europe”; “allowances too high”), companies also reported having problems in managing and controlling costs as well (e.g. “meeting budget requirements”; “measuring ROI”; “cost administration”). In addition, the problems exist in establishing consistent policy and practice (“focus/customisation of policy”, “benefits and practice to meet local business and individual needs”).

Work permits and visa constraints also represent the issues that some of the participants are encountering with this type of the international assignments.

Most cited problems with short-term assignments

- **Work/life balance**
- **Difficult to establish consistent policy and practice**
- **Tax management issues and compensation terms and conditions**

Some of the work/life balance issues cited by participants include long hours on a project and social/family separation. Interestingly, some of the companies concluded that short-term assignments are only suitable for single employees, whereas others “have no experience of this for married or equivalent personnel”. A few of the respondents stated that short-term assignments suit a particular age group. The social/family separation is cited as a possible mobility barrier as well. In relation to this, some of the companies are “lacking the ability” to encourage employees to apply.

The participants also reported the problems in controlling the number of employees on this type of assignment. Some of the companies cited that, although there is an increased demand for control under a policy/guidelines, short-term assignments “do not tend to be part of an official table menu”. Few companies mentioned frequent assignment extensions (“end by staying longer than planned”) as an issue here.

Although it is acknowledged the high costs coupled with deploying an expatriate have given way to short-term assignments, because they save money and bring significant tax benefits, the companies participants mentioned tax related issues (e.g. “administration to ensure legal tax compliance”; “income tax returns”). In addition, administration of social security appears complex, as is the case with calculation / cost of living comparison. Number of flights home is an issue also cited by the participants. The explanation for this lies in the fact that this number has a direct influence on the costs of this type of assignments. Further, since short-term assignments very often allow the family to remain in the home country, there are the enormous savings on the children’s education, for example. However, it is necessary to note that, as a result the company may assume the employee will not need to buy a lot of things they would ordinarily need if they were going on long-term assignments. It has a negative influence on compensation incentives – an issue also cited by some of the respondents. This, together with the social/family separation issues, may further affect an employee’s willingness to accept the assignment.

On the other side, in contrast to the long-term assignments, the mobility barriers such are dual career problems, career concerns because of “out of sight out of mind” syndrome and the related repatriation issues are decreased by using this type of assignment. Obviously, length of time seems to be a considerable factor in creating or minimising those problems. Companies see this as an opportunity to overcome mobility barrier issues - in trying to increase their candidate pool they are offering more short-term assignments.

Most cited problems with international commuter assignments

- **High costs**
- **Work/life balance**
- **Defining policy terms**
- **Tax management**
- **Cultural differences**

Many participants argue that international commuter assignments cost even more than long term assignments. Also, tax management again appears as one of the issues. In addition, preventing burnout, travel fatigue, a balance between work and life, including “some resentment at time spent away from family” are the problems cited here. Obviously, as the number of employees on international commuter assignments continues to rise, companies should assume a greater role in helping employees to balance their work and family lives.

Defining policy terms for this type of assignment appears as a very often problem. Some companies cited that it is about determining what an extended business trip is; other suggest developing “more nights at home” policies or accompanied policies versus single international commuter.

The issues cited by respondents include cultural differences. Clearly, finding ways for people with different backgrounds and perspectives to work together is a big challenge for multinationals nowadays.

Spousal careers are increasingly an obstacle to long-term international assignments, but it can be seen that they are not even mentioned as an issue related to international commuter assignments. On the other side, high costs of this type of assignment are the trade off.

Most cited problems with frequent flyer assignments

➤ **Cost management**

➤ **Burnout**

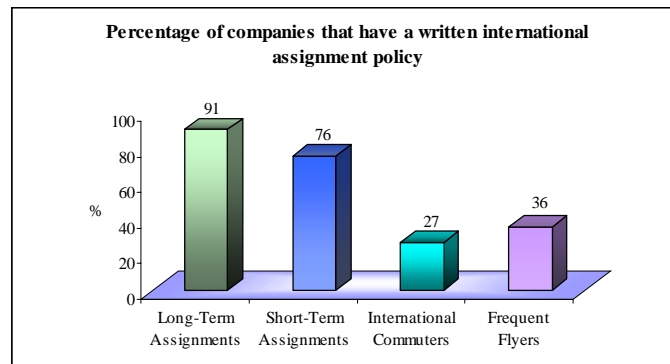
➤ **No policy**

Issues related to cost management appear frequently with this type of assignment. The most problematic areas include cost control, taxation on income, “how to compensate properly”, as well as class of travel. Because frequent flyers are “sometimes urgently needed but not available for they are on a business trip”(also cited as an issue by some participants here), class of travel can be explained as the factor related to the length of time that must be spent on the plane. A business class can probably diminish the latter problem, but will increase costs.

Many companies stated they were seeking to identify frequent flyers within their workforce – due to the absence of a policy for this type of international assignment. In addition, burnout, as well as being away from home, were also cited by the participants as the problems coupled with frequent flyer assignments. Yet none of them argued that these issues could influence an employee’s willingness to accept frequent travel.

INTERNATIONAL ASSIGNMENT POLICY AND ADMINISTRATION***Written international assignment policy***

The overwhelming majority of the participants (91%) have a formal written policy on long-term assignments. However, this number gradually diminishes with other forms of assignment. 76% of respondents have a written policy for short-term assignments, and in the case of international commuters, only 27% of companies have the policy covering this form of assignments. More than a third of the companies (36%) have a written policy for frequent flyer assignments. Some of the participants reported currently being in the process of reviewing or drawing up international assignment policies, due to the increased number of employees being sent abroad and development of the new forms of international working.

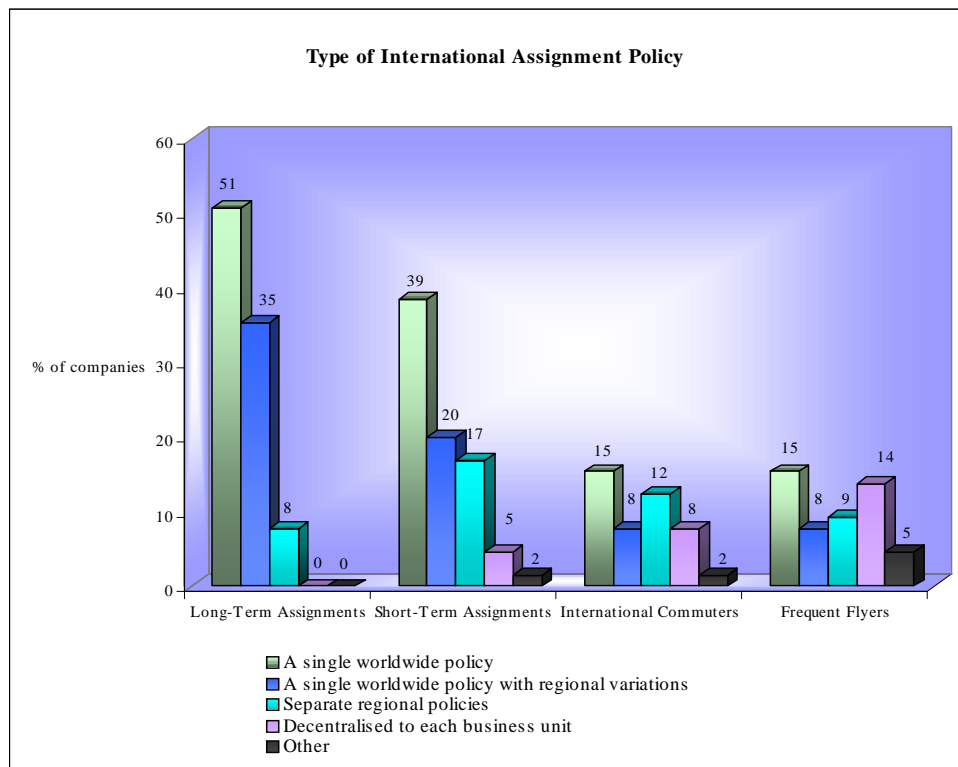


Type of international assignment policy

A single worldwide policy appears as the most frequent type of international assignment policy for all four forms of international assignment. A single worldwide policy with regional variations is also used for long-term assignments in more than a third (35%) of the participants. A fifth of the respondents have this type of policy for short-term assignments as well, while it seems that it is not the case with other two forms of assignment.

Separate regional policies appear as the most “popular” with short-term assignments and the least used for long-term assignments. In addition, while none of the participants have long-term assignment policy decentralised to each business unit, for frequent flyer assignments, this type of policy is almost as frequent as the single worldwide policy.

None of the companies have long-term assignment policy other than the four types given, while for short-term and frequent flyer assignments, other “policies” mean basically an “ad-hoc approach”. Also, for frequent flyers, policy can be decentralised to each country as well.

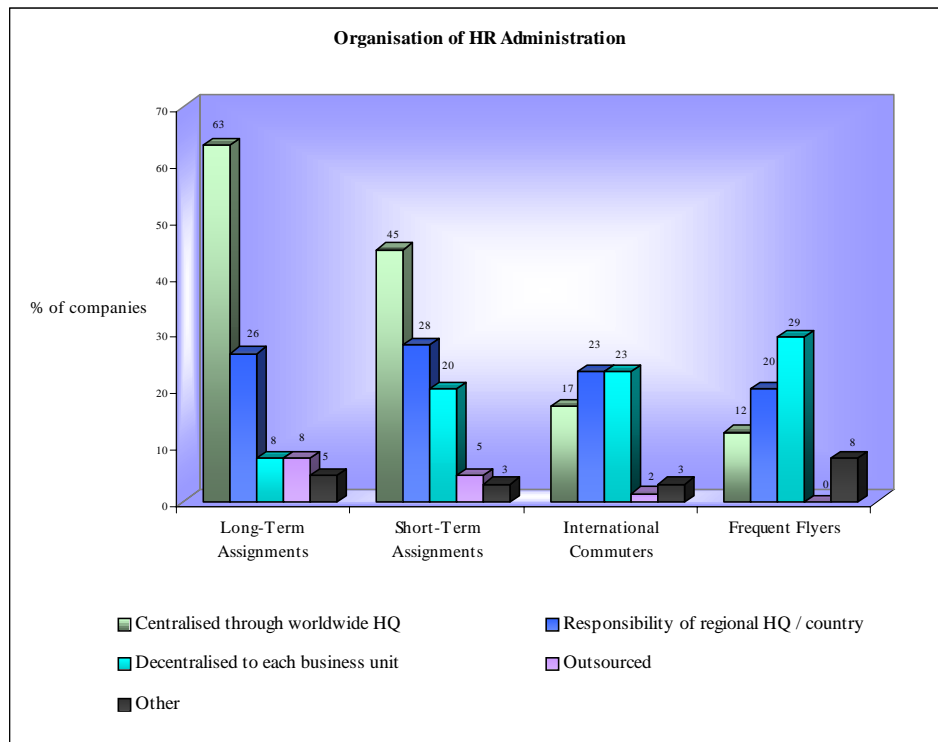


Organisation of HR administration

In a majority of companies, HR administration of long-term and short-term assignments is centralised through worldwide HQ. The centralisation gradually decreases with other forms of international assignments: for international commuter assignments, 23% of participants stated that HR is either responsibility of regional HQ/country, or decentralised to each business unit, while only 17% have the administration centralised through the worldwide HQ. Centralisation of HR administration through the worldwide HQ is relatively rare phenomena for the frequent flyer assignments as well. HR administration for frequent flyer assignments is mainly decentralised to each business unit – it is the case in 29% of the participants.

In 26 % of the participants, HR administration of long-term assignment is the responsibility of regional HQ/country. A similar percentage of the companies have HR administration organised in that way when short-term, international commuter and frequent flyer assignments are in question.

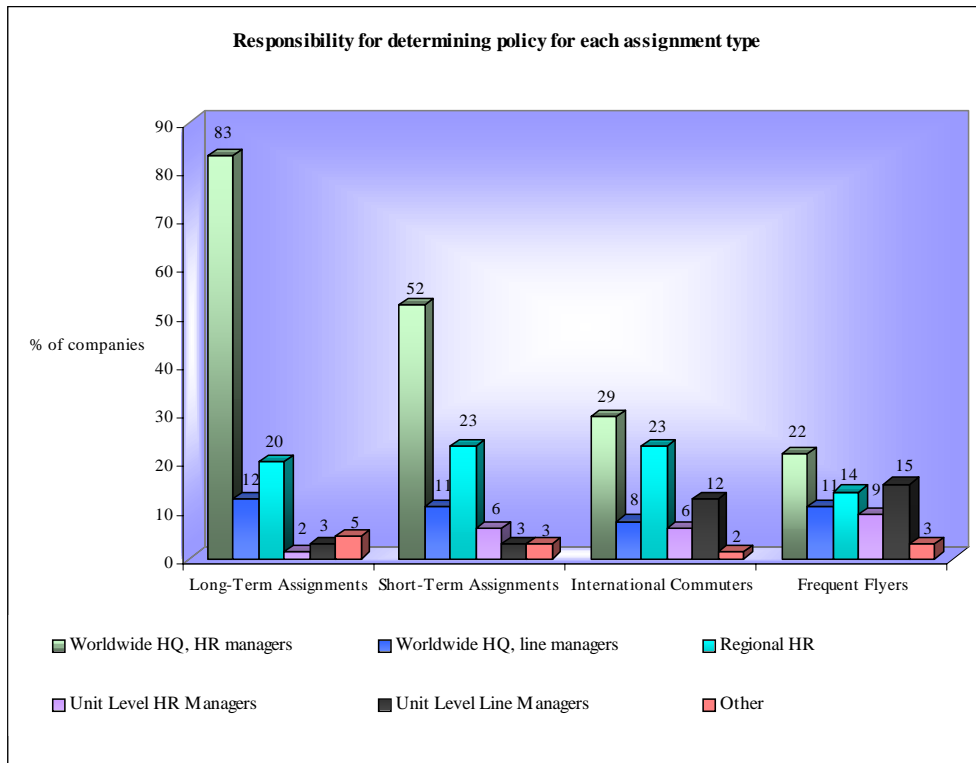
Outsourcing appears a very seldom way for organisation of HR administration concerning all four types of international assignments. In the case of frequent flyers, none of the companies reported having HR administration outsourced. On the other hand, the participants mentioned a combination of the above ways with guidance from HQ as another way of organising their HR administration for all types of assignments. Some of them also cited that their HR administration of all international assignments is organised through the “International HQ”. For frequent flyer assignments, the companies also cited “the individual arrangements”.



Responsibility for determining policy for each assignment type

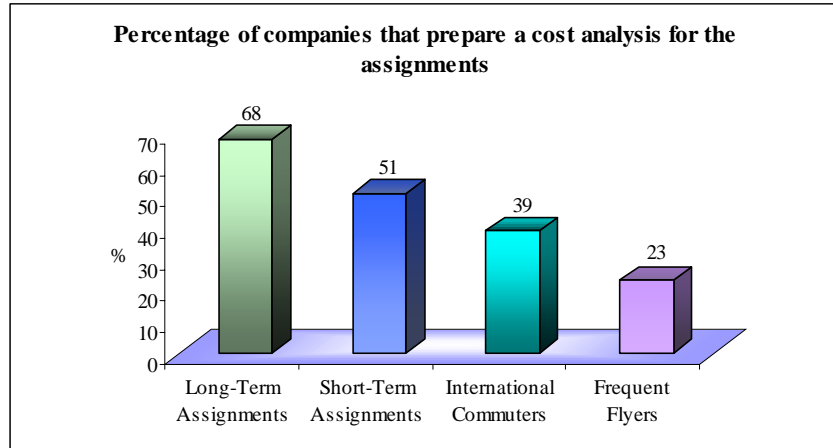
In a majority of cases, worldwide HQ, HR managers are responsible for determining policy for all types of international assignment, long-term assignments in particular. Regional HR is responsible again for all types of assignments in about a fifth of the respondents. Interestingly, unit level HR manager do not appear as much responsible for determining policy for any of the international assignments, while unit level line managers are those who are, besides the worldwide HQHR, the most responsible for determining policy for frequent flyer assignments.

Clearly, these responsibilities are not mutually exclusive, since the companies participants cited HQHR with buy in from line and regional managers as those who are also responsible for determining policy for all types of the assignments.



Assignment cost analysis

Around two thirds (68%) of the participants prepare a cost analysis for long-term assignments. However, only a half of the companies does so for short-term assignments, more than a third for international commuters, and just about a fifth for frequent flyer assignments.

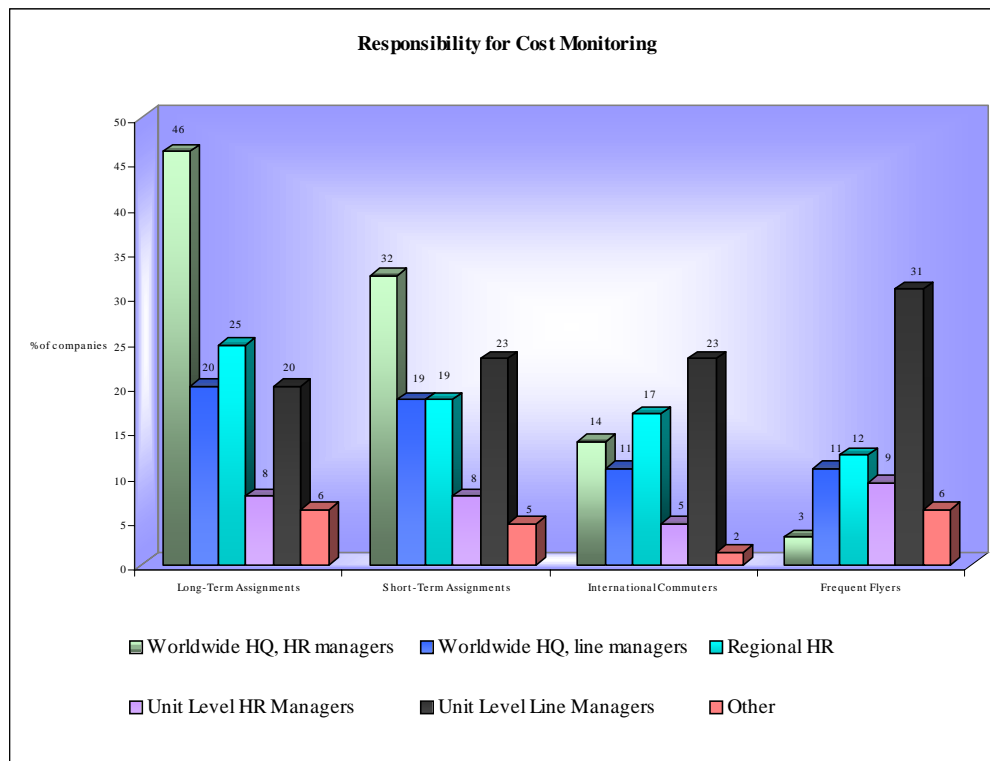


Responsibility for cost monitoring

In a majority of the companies, worldwide HQ, HR managers are the most responsible for long-term and short-term assignment costs monitoring, while unit level line managers have that role for international commuter and frequent flyer assignments. Also, in around a fifth of the participants, unit line managers have the responsibility for monitoring costs of long and short-term assignments as well.

Worldwide HQ, line managers and regional HR managers are equally responsible for short-term assignments cost monitoring, whereas regional HR managers have more responsibility for monitoring the costs of other types of the assignments. Again, it appears that unit level HR managers do not assume high responsibility in monitoring the cost of the international assignments.

For long-term and short-term assignments, companies also cited HQHR with buy in from line and regional managers; HQ finance department; or regional line managers, as those responsible for cost monitoring. The participants mentioned as well that the costs are jointly monitored by line managers and the finance department. HQ finance department was cited as responsible for long-term assignments too. International commuter assignments are jointly monitored by line managers and finance department as well, whereas for frequent flyers, some companies stated that this mechanism is not yet in place, since the cost analysis is a newly introduced tool. Also, besides those who claimed that were not sure about this, some of the companies also cited regional finance department, as well as regional line managers, as responsible for cost monitoring of frequent flyer assignments.

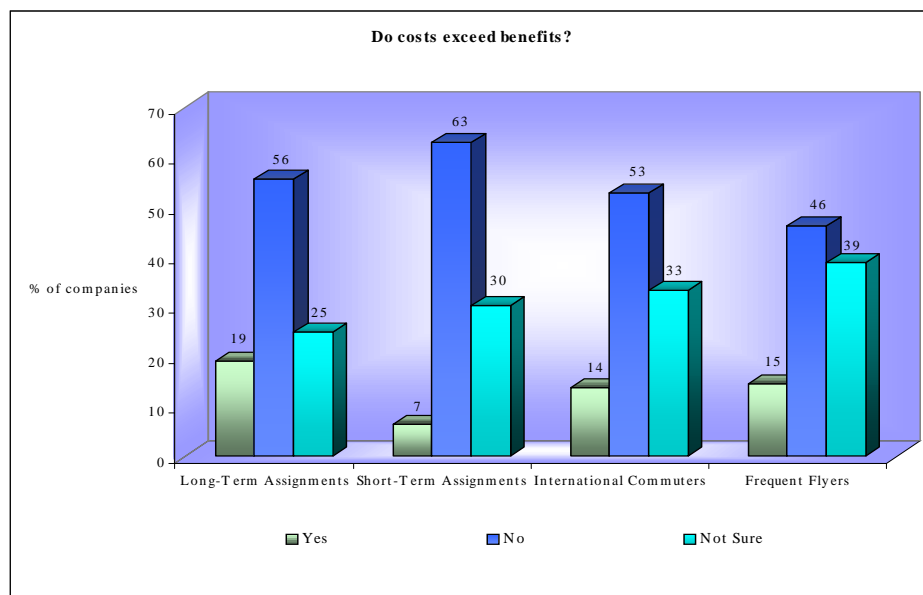


Do costs exceed benefits?

A majority of the participants argues that costs do not exceed benefits. However, a considerable percentage of them stated they were not sure: “Don’t think there is one answer for these – it varies”; “Depends”; “Not measured specifically”; “Impossible to answer”; “Difficult to say (how do we measure benefits?)”; “Since don’t measure ROI, cannot answer” etc.

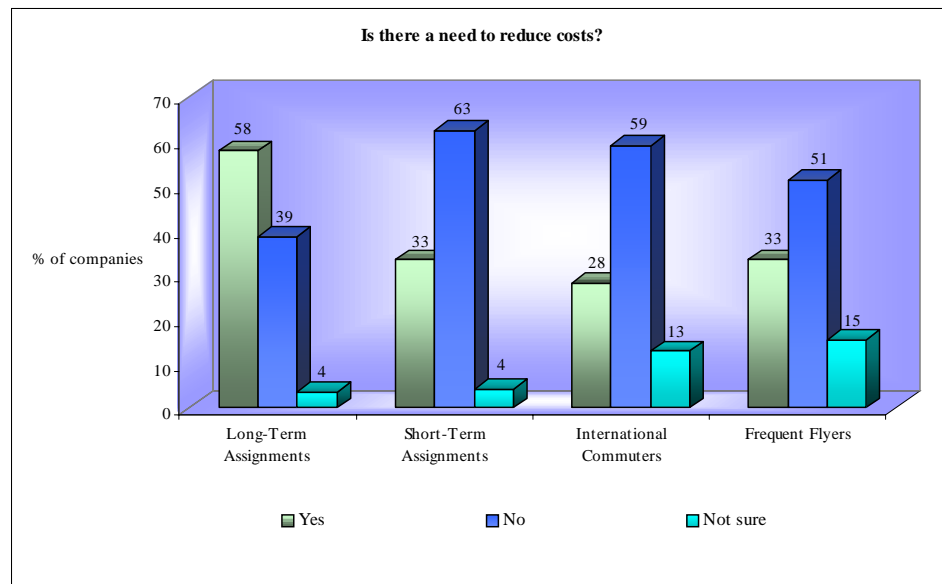
Obviously, current focus of the companies is to refine return on investment analysis for international assignments. Probably the question should have been posed in terms of total costs of doing business abroad. Even “better” question could be, how to maximise value of international assignments while limiting the costs that inevitably result from such assignments?

It is necessary as well as interesting to note that 20% of the companies did not respond as to long-term Assignments, 29% concerning short-term assignments, even 45% when international commuters were in question, and 37% in the case of frequent flyers.



Is there a need to reduce costs?

When asked whether there is a need to reduce costs, concerning the all but long-term assignments the answer of a majority of the participants was “no”. This answer is probably not surprising when short-term assignments are in question, but is interesting for international commuter assignments where the same respondents cited very high cost as the one of the main issues coupled with this type of assignment. The possible explanation for this could be the following fact: apart from 12% and 26% of companies that did not answer whether there is a need to reduce costs on long-term and short-term assignments respectively, a considerable percentage of companies - even 40% - left the space blank as to international commuter assignments, and a third of them (33%) concerning frequent flyer assignments.



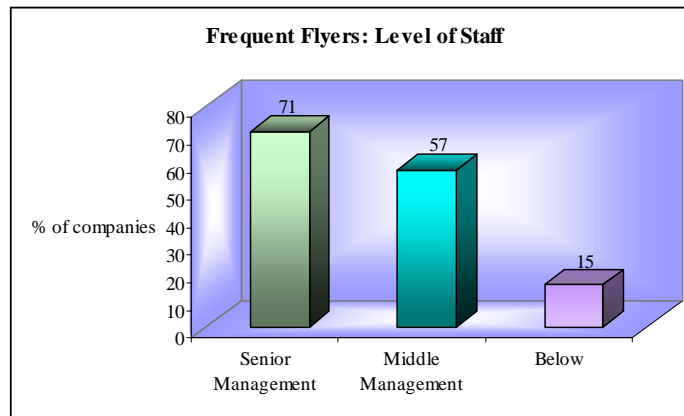
FREQUENT FLYER ASSIGNMENTS

Do you hold the records on how many business trips are made by frequent flyers?

Only 14% of the respondents reported that they hold records on the number of business trips made by frequent flyers. However, when asked about the total number of trips taken by frequent flyers in the last year, only 8% of the companies - mainly large ones, employing more than 3000 employees, from a mixture of sectors, operating in more than 20 countries – new the answer.

Level of staff

Although in a majority cases senior management are those who undertake frequent business trips, in 57% of the companies surveyed middle management are frequent flyers as well.



CONCLUSIONS

The results from this survey on the alternative forms of international working indicate that all categories of international employees are increasing, including long-term assignments. What issues organisations are trying to address by using different forms of international working as an alternative to the more traditional expatriate assignment?

- The mobility barriers such as dual career problems, repatriation issues as well as cost are decreased by using short-term assignments. However, this type of assignment appears to be highly stressful.
- Dual career issues can also be diminished by using international commuter assignments, but there is another problem with this type of assignment: underestimation of cross-cultural difficulties.
- Also, international commuter assignments appear to be very expensive. Actually, apart from short-term assignments, the use of other form of international assignments is still very expensive. Yet they can prove invaluable for the skills transfer.
- Although there is a growing importance of international commuters and frequent flyers, and is the need for better planning and monitoring of assignments, the results show the poor monitoring of costs and lack of written HR policies.

Generally, most companies are introducing new forms of international working as the way for reflecting the global marketplace that continues to increase and calls for flexibility. As globalisation is increasingly imposing new rules, it is clear that only solid international human resource management policies and practices can create successful business results. Not only costs but also barriers to international mobility, dual career issues, domestic arrangements, tax issues, cultural differences, as well as difficulties with recognising the value of international experience in repatriation must be addressed if the companies are to succeed globally.

CReme would like to thank the companies that participated in the survey. We would be pleased to offer advice on this matter. For further information, please email us or visit our website at www.creme-cranfield-orc.com