

ISSUES COUPLED WITH INTERNATIONAL ASSIGNMENTS

*by Jelena Petrovic
Centre for Research into the Management of Expatriation,
June 2000*

***Published in Croner's "Managing Internationally Mobile Employees" Issue No5
and reproduced with their permission. www.croner.cch.co.uk***

Last month we presented key findings relating to trends in the usage of new forms of international working and highlighted some of the managerial control issues facing international HR managers. This month, Jelena Petrovic from CReME, looks in more detail at the people and management issues associated with each type of international assignment. These new types of international assignments include short-term, international commuter and frequent flyer assignments. Short-term assignments are defined as an assignment with a specified duration, usually less than one year, where the family may accompany the employee. An international commuter is an employee who commutes from the home country to a place of work in another country, usually on a weekly or bi-weekly basis, while the family remains at home. A frequent flyer is an employee who undertakes frequent international business trips but does not relocate.

The problems with international assignments most cited by companies are summarised in the following table.

<i>Long-term Assignment</i>	<i>Short-term assignment</i>
<ul style="list-style-type: none"> ➤ Mobility barriers / Unwillingness to go to unattractive locations ➤ Dual career / Family issues ➤ Repatriation / Career issues ➤ Cost of assignment / administration ➤ Compensation package - terms and conditions 	<ul style="list-style-type: none"> ➤ Work/life balance ➤ Difficult to establish consistent policy and practice ➤ Tax management issues and compensation terms and conditions
<i>International Commuter Assignment</i>	<i>Frequent Flyer assignment</i>
<ul style="list-style-type: none"> ➤ High costs ➤ Work/life balance ➤ Defining policy terms ➤ Tax management ➤ Cultural differences 	<ul style="list-style-type: none"> ➤ Cost management ➤ Burnout ➤ No policy

Long term assignments

Mobility barriers – people’s reluctance to accept international assignments - remain a challenge for long-term assignments. Besides dual career issues, social/family reasons and career expectations of the employee, one of the main difficulties in attracting good candidates is due to individuals’ unwillingness to go unattractive locations, which is exacerbated by risk exposure in some countries. This is a particularly difficult problem

when companies need to transfer skills that reside only in specific employees. Locations that are not viewed as desirable by employees can hinder strategy implementation and company's growth in those countries.

The growth of the two-career family brings increased challenges for filling long-term assignments. Our respondents confirmed that many employees are not willing to accept assignments away from home because it can affect the career of the spouse. Even if the spouse was prepared to go, companies mentioned having problems related to spousal income or finding jobs for spouses. Clearly, companies are becoming aware that they must give as much consideration to the needs of partners and families as to 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 and maintaining links with home.

The problems cited very often also include difficulties in career planning and a presence of a greater need to link promotion with international experience. Related issues mentioned by respondents concern the need to address career expectations of expatriates and retention of good employees. Retention, as a strategic issue, is particularly important at the beginning of an international assignment, when the company needs to send clear messages to employees about the opportunities they will be given on repatriation to fully utilise the international experience they have gained. That is why it is not surprising that the companies cited repatriation as the main problem they encounter with long-term assignments. The expatriate's career concerns in terms of finding suitable jobs on return are 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 is their belief that the company values their international experience.

As to compensation, participants cited tax issues, pay and benefit comparison with local colleagues, as well as problems in aligning the Balance-Sheet Approach to get all expatriates on the same framework. The idea of a Balance sheet approach is that a company sustains the employee's standard of living throughout the assignment, so that the employee and family do not suffer or profit unnecessarily because of international relocation. However, compensation for international assignees and local nationals is obviously very complex, mainly because of legal factors and taxes.

The high cost of this type of assignment highlighted problems in managing and controlling costs for many organisations. In addition, respondents mentioned problems in establishing and maintaining consistent policy and practice. Work permits and visa constraints also represent issues that some of the participants are encountering with this type of international assignment.

Short-term assignments

Some of the work/life balance issues linked with this type of assignment 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 finding it hard to get employees to apply.

The participants also reported 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”. A few companies mentioned frequent assignment extensions as an issue here.

Although it is acknowledged that the high costs coupled with deploying an expatriate have led to an increased use of short-term assignments, companies still reported problems with tax-related issues. In addition, administration of social security appears complex, as is the case with calculation of cost of living comparisons. The number of flights home is also an issue cited by participants. The explanation for this lies in the fact that this number has a direct influence on costs. 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 lots of the things they would ordinarily need if they were going on long-term assignments. This can have 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 the assignments. 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.

International commuter assignments

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 the assignments appears to be problematic. 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 they were not even mentioned as an issue related to international commuter assignments. The trade off to this is the high cost of international commuter assignments.

Frequent flyer assignments

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. Resource allocation may be problematic here, several organisations stated that frequent flyers are “sometimes urgently needed but not available for they are on a business trip”. Class of travel is often 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 the international assignments. 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 employees willingness to accept frequent travel.

Summary

The survey found that alternative forms of international working were used to address the following problems associated with traditional expatriate assignments:

- 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 the 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 forms of international assignments is still very expensive. Yet they can prove invaluable for skills transfer.
- Although there is a growing importance of international commuters and frequent flyers, the results show poor monitoring of costs and lack of written HR policies.

Generally, most companies are introducing new forms of international working as a way of responding to an increasingly global marketplace. The success of these new forms of working will depend to a great extent on the ability of international HR functions to develop and maintain effective, yet flexible policies and practices. 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 companies are to succeed globally.