
A worldwide view Successful integration of global mobility programs



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Introduction

The purpose of this white paper is to explore best practices in the successful integration of mobility programs. Any acquisition can cause change to be felt across all areas of an organization. The impact on an organization's global mobility program can even be more dramatic, because so many areas of the organization touch the global mobility arena. From assignee demographics to program strategy, policy and overall administration, no part of the global mobility program is left untouched by organizational change. Dealing with a variance in just one program area may be considerable, but dealing with the differences in all program areas is significant and may even be overwhelming. With organic growth in an organization, there is a natural evolution for the mobility program while in the case of a merger or acquisition, the transaction is the catalyst for immediate assessment and action. Moreover, because global mobility programs involve an active assignee population on the ground in the places that an organization does business, prompt assessment and action can make the difference between successful and unsuccessful integrations.

How should an organization approach program integration and move towards a "best in class" combined program? Being "best in class" is not a function of program size or complexity. Rather it is a series of qualities that exist when the foundation of the program is based on the broader HR and corporate strategic objectives. While specific corporate objectives will vary from one organizational transaction to another, when clarity of objectives and vision for execution are aligned, the integration approach will be decided quickly.

Approach

The approach used for the Global Mobility program is often guided by the integration approach of the broader organization. Basically, there are two different approaches for an organization to consider. - One approach is *integration*, where the acquiring company's global mobility program will absorb all aspects of the other program from strategy, to policy and administration infrastructure. An alternative approach is *harmonization* - this approach allows the combined organization to take the best of each legacy program as well as instituting new ideas to create a new program that is better able to serve a larger population. In some cases, a hybrid approach may be considered. An example of this "hybrid" approach is where the service delivery model of one legacy organization is integrated into the other organization's model in line with the broader HR service delivery model of the combined organizations while the mobility policy framework is harmonized. Whatever approach is taken, as organizations look to integrate and/or harmonize the programs, the usual activities will include:

- Performing a risk assessment (due diligence and risk review at the program and assignee level);
- Defining the "go forward" mobility strategy and program success measures;
- Determining the "go forward" program governance model and organizational structure;
- Determining the "go forward" policy approach (including transition approach for continuing assignees);
- Determining the "go forward" service delivery model (including staffing requirements); and
- Determining the "go forward" global process framework (including system and vendor support requirements).

Risk assessment

Mobile employees are critical to the global success of an organization, and it is therefore important that the organization effectively manages risk and compliance issues along with program costs and compliance issues.

All Global Mobility programs contain some level of risk (e.g., tax compliance, payroll compliance, security, immigration, etc.) associated with the movement of human resources across country borders. These risks may be exacerbated in period of organizational change, significant assignee growth, rapid expansion into new markets, an ever-changing regulatory environment and decentralized business models.

Managing these risks and implementing policies and procedures to mitigate these risks are key objectives for any Global Mobility program. However for many businesses in the midst of M&A activity, maintaining a consistent view of risk can be challenging as information for an assessment is from internal and external sources, there are limited mechanisms to pull together this fragmented information and traditional reporting formats do not necessarily provide a full and risk factors. A global risk profile is developed with the potential for occurrence and the relative impact if the risk was realized:

- Assess risk;
- Response effectiveness;
- Allocate ownership;
- Improvement actions; and
- Monitor and update.

A due diligence review will identify any areas of potential risk for the organization. A broad review of the legacy programs, including program data (policies, processes, chargeback methodology, tax filing positions) and individual assignee data (assignment documentation, immigration status, home and host county tax return filings, home and host payroll and income reporting, social security participation, assignment budgets and accruals, tax equalization balances and trailing liabilities). This review will be the foundation of the Global Mobility program risk profile for the combined organization.

Mobility strategy and success measures

It is critical to understand the business objectives of the new organization so that the global mobility policies and service delivery model may be structured to comprehensively, effectively and directly serve the organization's goals. Gaining this level of understanding may require dialogue with the “program clients”, i.e., the business managers and HR representatives who will use the mobility program and understand both the new long term and short term business and HR objectives. In today's environment, program cost continues to be an overriding consideration and will require the organization to revisit the basic question of their mobility strategy (i.e., why do they have assignees, what is the purpose of assignments?)

“Best in class” programs exist when performance management opportunities are embedded into the day-to-day activities and processes of the program. Familiarity with the program demographics and deliverables are essential to measuring its effectiveness. There will be various program performance statistics for the organization to identify, track and report. This may include the following:

- Key Performance Indicators (accuracy, response time and turnaround time on all deliverables from the Service Delivery team as well as vendors);
- Success Measures (satisfaction levels of all stakeholders, including business managers, HR and the assignees, effective cost structure, exception management, efficient program administration and competitive policies); and
- Return on Investment (connected to specific business or HR requirements such as retention, promotion and diversity statistics; performance on assignment and impact on business (incremental assignment cost to a meaningful business measurement)).

Program governance charter and organizational structure

“Best in class” quality exists when the global mobility organization is structured in such a way that it ensures a connection to the broader corporate objectives. It is more critical in today's environment to establish an organizational structure for the global mobility program that has global ownership, accountability, and authority to manage the cross-functional aspects of program administration by ensuring the consistent, fair, and cost-effective management of the organization's global mobility programs and related processes in accordance with the organization's compliance and controls environment.

Typically, we see this in programs where a centralized governing body exists. At this level, the mobility policies and procedures are established and are the cornerstone of the program. These policies and procedures must be broad enough to meet the current and anticipated demands of the business units, yet detailed enough to meet the needs of the Service Delivery teams. Risk management and cost containment also are essential components. Finally, these policies must position the organization to be competitive globally. In addition to the centralized team, an infrastructure of global representation through the regional support teams ensures that two way communications occur and regional differences are represented and global policies and procedures and disseminated.

Mobility policies

As assignee populations grow, more focus is given to how the organization makes an investment in assignments and on defining the types of assignments needed for the business. Once the policy types are determined, a global policy framework is designed to address all policy types (long term, short term, permanent transfer, commuters, etc.). The framework may include tiers such as executive, technical experts, developmental and employee initiated within the long term assignment alternative to provide pre-defined options for the business managers.

As cost containment pressures continue to mount, business operating models are changing. Flexible policy approaches are becoming "the wave of the future" with a strong trend toward marrying cost containment, business need and assignee need. This is a step beyond traditional policy tiers developed to identify specific assignment types to balance the cost issues with the varied business and assignee needs. With a flexible approach in policy design, the core policy elements are determined by the Global Mobility team ensures control, while other elements pre-defined by the Global Mobility team as "optional" are based on the discretion of the business and/or needs of the assignee. Generally, the flexible policy approach becomes "simpler" even with various alternatives to choose from. The policy guidelines also consider delivery of policy provisions, with some lump sum allowances rather than actual reimbursements to ease the administration of the program.

The policy objectives outlined below are critical for the new organization to manage a combined program effectively:

- Global application for a diverse assignee population;
- Effective cost management;
- Pre-defined options to provide flexibility and reduce exceptions;
- Simpler design; and
- Ease of administration.

Policy transition

Approaches also vary when implementing policies for the current assignee population. Generally organizations follow one of four approaches:

- Grandfather assignees under legacy company policy terms and conditions;
- Grandfather assignees with a special allowance - assignees would be covered under the new program but would receive an allowance for the difference between the current and proposed program;
- Phase-out the legacy policies - similar to the grandfather approach with a special allowance, however, the special allowance is phased-out over time.
- Implement new policy at a specific date - all new assignees would be covered under the new policy and current assignees would be transitioned to the new policy on a specific date.

For large scale M&A activity, there is likely to be an increase in the numbers of assignees and assignment locations in the combined programs. After business reviews and assignee inventories, there will likely be repatriations, localizations and terminations before the assignee population stabilizes. Given this reality, the least disruptive approach for the organization to consider is to continue the legacy policy terms and conditions for the assignees. This will allow time for the business to make critical employment decisions and stabilize the assignee population and for the new policy approach to be finalized. Once the go forward population has been determined, the policy transition approach and timeline can be developed.

Service delivery model

There are certainly correlations between an organization's business model, HR model, the size of the assignee population and the service delivery model. In many cases, the service delivery model replicates the business model retaining a core strategic team to work across the organization for strategic objectives. As the population size increases above 250 assignees, it is common to see some shared services approaches for administration support (i.e., core policy team, tax team and operations or service delivery teams). With assignee populations greater than 500 assignees, we begin to see administrative services provided by regional centers.

As we have seen with the evolution of the service delivery model for many organizations, the regional support teams play a critical role. Initially, critical administrative tasks such as, package development are provided by the Service Delivery team in the headquarters location with the regional teams providing support in specific areas such as, expense management, vendor coordination and assignee contact. This regional model will continue to evolve towards self-sufficient regional teams operating in unison - the regional teams would likely include subject matter experts (advisory services, tax and compliance specialists) who would be responsible for providing consultative services to the business and HR leaders in the region as well as an operations or service delivery team. The Global Mobility team in the headquarters location would continue to own the program, strategy, governance model and policy as well as provide direction to the regional team. As the role of shared services becomes more defined within the organization, some of the more routine, high volume assignment administration activities may be shifted from the regional service delivery teams to selected shared services centers and/or outsourced providers consistently across the organization to maximize overall efficiency (i.e., payroll delivery, cross-charges, invoice processing, etc.)

Process framework

Companies that realize a competitive advantage through the mobility of human resources effectively manage the risks associated with compliance and cost management. Infrastructure is needed to successfully and effectively manage mobility programs. Fundamental to mobility process is a standard set of standard policies, processes and procedures with well defined roles and responsibilities within the governance model that focus on the needs of all of the stakeholders and assignees. Such a process framework will enable the organization to initially mitigate any potential risks in the area of compliance and to incorporate policies and procedures that support risk management.

While the policy design begins to shift to a more simple approach for larger and more sophisticated programs, there is considerable attention and definition on the process framework. Simply stated, the policy becomes simpler while the process requirements become more complex. Given today's ever changing regulatory environment, increases in assignee numbers, non-traditional movement patterns and new assignment locations, there is increased focus on defining all aspects of the process. Additionally, the Service Delivery team must adopt an increased process discipline in the execution of tasks to ensure compliance and minimization of risk for the organization.

With program cost playing a significant factor, there is a well defined program governance model with clear approval requirements for assignee selection, business cases for assignments and extensions, assignment costs and exception requests. With these increased process controls, there are more links to Internal Audit, Corporate Tax and Legal. The organization's global process framework has been determined with these requirements in mind and may be revisited for changes in the governance charter, team structure and policy requirements and then adapted for local compliance requirements for the current and new assignment locations..

The implementation of the process framework is likely to be a phased approach based on the integration timelines for the broader HRIS, Payroll and Financial reporting systems between the legacy organizations. In many cases, there is a longer timeline in place for the integration of the payroll delivery systems and financial reporting systems which may require the organization to continue to operate different processes for the legacy assignees.

About PwC's International assignment services

PwC's International Assignment Services (IAS) practice has extensive experience helping multinational organizations manage the process of deploying an international workforce from start to finish, including all complex tax, planning, administrative and strategic aspects. Whatever the mission—sharing knowledge, implementing management processes, expanding business into new territories—assignees provide the fuel for global growth.

PwC offers a full range of international assignment services to assist companies in harnessing the value of global mobility while managing its risks. Our services include assignment tax services/planning and compliance, global mobility program consulting, and technology services.

IAS understands the “lifecycle” of an assignment. From beginning to end, PwC is there to provide not only core tax services, but to help you take the steps needed to get the most out of your assignment programs. Our extensive knowledge of all aspects of assignment programs—from policy to reward to talent management —puts us in the ideal position to assist you in making sure your mobility program is working at optimum efficiency and help you get the best return on your investment, with the least amount of risk.

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