

THESIS

Do cost reduction and process efficiency goals at multinationals on a central level come at the expense of customer service and compliance at local level within Global Mobility?

MasterCourse Human Resources and International Mobility

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Thesis: Research Question

Do cost reduction and process efficiency goals at multinationals on central level come at the expense of customer service and compliance at local level within Global Mobility?

Research questions:

- *Cost reduction Shared Services Centers
How can standardization and globalization In Global Mobility lead to cost reduction for international companies?*

- *Process Efficiency Goals
How does bundling administration tasks at Shared Service Center (SSC) help to controlling compliancy risks?*

- *Compliance within Global Mobility locally
What challenges does the local company face in the light of country specific expertise with the implementation of the FSS ?*

- *Optimization
Is moving to SSC the most effective way of cost reduction? When and how can set further cost-reduction goals be monitored and measured in Global Mobility?*

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Definitions

Central Level – Headquarters of a multinational company Parent-company country refers to the country in which the organization's headquarters is located

Local Level – Local office in The Netherlands, but part of the multinational company

SSC - Shared Service Centers

Expatriate – or expat is a person who is temporarily or permanently residing in another country other than that of their citizenship.

Customer Service – Support provided internally within the organization (eg. Business Unit, HR Business Partners, Management)

ROI – Return on Investment

Chapter 1: Introduction

1.1 Introduction

“Expatriation is a big topic and will be even bigger in the future .Over 200 million people worldwide now live and work in a country other than their country of origin”.¹ More and more companies operating internationally and employees seek to be internationally mobile in order to have a rich and fulfilling work-life balance and advance their careers.

The solution to both organizational and individual needs is often company-sponsored expatriation. Millions of those who live away from their home countries are not permanent migrants but professional and managerial staff who have been expatriated by their multi-national companies. Tens of billions of dollars are spent annually by organizations to move such expatriates around the world. Expatriates originate in all parts of the world, travel to all parts of the world, and are vital to international business. Expatriation, in short, has become a critical organizational practice. (See figure 3)

There is much in the detail of expatriate management, its corporate purpose, its links to company strategy and human resource management, specific issues about the selection, compensation, careers, and families of expatriates that calls for a distinctive, well-informed practice of expatriate management. However, expatriation is changing, with the familiar “there-and-back” models of the past being supplanted by a great diversity of new and complex patterns of mobility which create new challenges and opportunities for expatriates and their organizations.

The global mobility industry is a master of reinvention: it sparks new opportunities and calls for new solutions every year. Because it is so dynamic, is growing so quickly, and is so sensitive to slight yet meaningful changes in its complexion, it’s essential to assess the environment with increasing frequency.” You know the drill: knowledge is power. Even better: knowledge clarifies and makes for a more powerful business strategy”.²

Expectations are increasingly higher in terms of what Global Mobility will offer – both to the individual and to the organization – but budgets are tighter than ever.

“The problem overwhelmingly lies in the poor delivery of effective expatriate management which is frequently handicapped by a lack of understanding of international careers and the forces that drive competition in the “global war for talent,” an increasingly short-term profit-driven focus and

¹ McNulty & Inkson, *Managing Expatriates – A return on Investment Approach*, p. 18

² *Ibid*, p. 18

a failure to adopt the rational strategic approach that organizations automatically apply to other areas of their business”.³

In the immediate wake of the financial crisis in 2008, many companies revised their mobility policies by reducing benefits and dropping allowance amounts. Now, many companies are saying that those cuts simply weren't enough. Global mobility programs have a high spend associated with them, and the pressure on cost reduction has not diminished; but rather, over time has continued to grow. According to Brookfield Global Relocation Services 2015 Global Mobility Trends Survey, 74% of respondents said that there had been a push to from the previous year's survey. What's more, 98% of respondents said that compared to the last year the pressure to reduce costs had either increased or stayed the same.

1.2 *Aims and Objectives*

The aim of my thesis is to further analyze why outsourcing tasks to Shared Service Centers is cost effective and how it can be of influence on compliancy on a local level.

This study will consist of theoretical background of international management and international mobility. It will identify what the triggers may be for multinational companies to choose to move global mobility tasks to Shared Services Centers.

Secondly, I will briefly define how this journey effects the local offices and how it helps to control compliancy risks within the field of Immigration, Taxation, Social Security.

The implementation of Shared Service Centers sheds a new light on the role of the Global Mobility Specialist. Moving from a more service-oriented function to a more strategic function with the company.

1.3 *Methodology*

As there is very little to be found, I combined a literature research with the analysis of corporate HR information in the field of Global Mobility within several multinationals. The literature study was mainly based on the research of others and the policies and procedures of the multinationals

In addition to our my research, information is also gathered from the research which has been done by others. As there is are not many books to be found on this matter I have gathered information mainly from reports and publicatiosn of big global consulting firms.

³ Ibid, p.18

According to the researcher's literature analysis, most studies on Shared Service Centers have been conducted using questionnaires or surveys. Due to the fact that the perception is subjective, it is understandable why researchers have chosen to use questionnaires or surveys in the past, as it limits and standardizes the responses.

1.4 *Limitations and Further Research*

As with all studies, the limitations and further research opportunities should be highlighted when interpreting the research findings. The first limitation concerns the restricted scope of qualitative findings.

There is still so much to be done in the world of Global Mobility. My thesis is based mainly based on research and findings within several multinational companies where access to information in terms of policies and processes was made available. However, for the scope of this thesis, I will generalise the information.

Within multinationals, strategic goals are often defined at Headquarters and implemented within the local entities. In most cases it is a "one-fits-all" approach and the local entities may struggle with local rules and regulations when implementing these defined policies and goals.

However, for the sake of this thesis and because the spectrum of Global Mobility is very broad, I will limit this research to the effect of the Shared Service Centers and the effect on compliance and customer service. I will therefore not elaborate on the topics of Social Security, Immigration and Taxation as in my opinion, these topics are very extensive in itself.

Chapter 2 : Cost Reduction and Process Efficiency Goals

2.1 Globalization

“Globalization and internationalization of businesses has not only led to the growth of new markets, but has also led to increased competition among companies, both on a national level and on an international level”.⁴ It is therefore crucial for organizations to have the right people, with the right skills in the right place at the right time. This often requires employees to accept an international assignment in order to fulfil a certain job or to gain a required skills-set. “The number of international assignments is expected to double by 2020”⁵. This has far-reaching consequences for the field of human resources, as HR policies and practices need to effectively align both external factors such as cultural differences and regulatory differences as well as internal factors such as varying modes of operation and diverse mechanisms of coordination.

2.2 Standardization

How can standardization and globalization in Global Mobility lead to cost reduction for international companies?

Most, if not all organizations, are operating in an increasingly competitive market. Many also have growth strategies targeting new and emerging markets. In this changing global landscape, with an increased scrutiny to deliver on cost reduction objectives, organizations are evaluating how to best deliver their products and services.

With this in mind, organizations are considering and implementing changes to their service delivery model and back office to drive efficiencies and lower cost. Transforming an organisation’s back office to be more service focused, when planned and implemented correctly, can help organizations to deliver on these targets.

We focus on Shared Service Centers where specific tasks and processes are carried out from a shared location (generally at a lower cost, in an offshore location). Given the increase in the use of talent mobility, continuing pressures to justify and manage assignments costs and a rise in the strategic focus of the Global Mobility professional, the establishment of a Shared Service Center for Global Mobility has become increasingly popular over the last ten years.

Why organizations may consider a Shared Service Center to carry out Global Mobility tasks and what can be seen in the market on how organizations can manage the transition to a Global

⁴ Budhwar and Sparrow 2002 *Human Resource Management Review*, 12, p. 36

⁵PWC, Talent Mobility 2020 and beyond, p. 4

Shared Service model given the “one-fits-all-approach” is unlikely to be effective in the light of the complexities of Global Mobility.

2.3 Shared Service Centers

Many triggers that influence organisations to consider the implementation of a Shared Services Center to outsource a defined list of particular Global Mobility tasks. The triggers are likely to be a combination of internal and external pressures; a Shared Service Center is implemented with the aim of delivering benefits to both the organization and to the expatriate, as a response to these pressures.

Internal Factor

Multiple locations and operating units – standardize and centralize systems and processes to drive economies of scale and process efficiencies of moving talent from one location to another

Inflexible cost structure –link between talent and mobility (appreciating the importance of a global workforce) the cost of sending individuals on assignment is scrutinized more than ever before. If a Shared Service Center is designed and implemented correctly, one of the key benefits is an overall reduction in Global Mobility costs per assignment.

Administration focus - talent mobility is becoming more critical to achieving overall business objectives which requires individuals with Global Mobility experience to become strategy focused and provide consultative support to the organization. Typically, a Shared Service Center would provide support by delivering high volume, standardized transactional tasks related to Global Mobility, such as the production of assignment letters or preparing assignment cost projections. This frees up time for Global Mobility professionals with the Head Office or regional hubs to provide a high touch experience to the assignee and the desired strategic support to the business thus driving and enhances service focus for all parties.

External Factors

Increased focus on controls and compliance - As tax legislation and industry regulations have not been adapted for the complexities that surround cross border moves it has resulted in many organizations finding it difficult to manage their global compliance risks. In turn, this has led to an increase in audits and media scrutiny for organizations by both tax authorities and industry regulators. By consolidating and centralizing the bulk of Global Mobility compliance administration, organizations can go one step towards reducing their compliance risk and developing a governance framework to support this.

Globalisation – Due to the setup of international trading groups, technological advancements and the demand for global experience within the employee talent pool, there is a requirement for the organization to become truly globalised in all aspects of the business which equally applies to the fundamental structure of the organization

Mergers and Acquisition – with mergers and acquisitions, approaches to talent mobility can develop on an ad hoc basis (eg. policy approaches, level of touch provided to the assignee and type and use of Global Mobility Technology). The implementation of a Shared Service Center can help to centralize the approach to Global Mobility practices ensuring the approach is consistent throughout the organization, eliminating duplication of effort and systems.

2.4 *Expected Benefits*

The perceived benefits of a Global Mobility Shared Service Center can help to mitigate some of the existing pressures cited above (cost reduction and process efficiencies). However, the implementation also provides an opportunity for process re-engineering and the rejuvenation of the service delivery model. By adopting a methodology based approach to process design, processes are well thought out, documented and designed for negligible errors. “Companies surveyed identified cost reduction, process efficiencies and internal controls as the top three benefits derived from Global Shared Services.”⁶

Whilst the benefits derived from a Shared Service Center are clearly evidenced, many organizations consider that the benefit take too long to become realized and therefore the implementation of a Shared Service Center demands a very long-term approach and appreciation of the level of investment time required.

2.5 *Global Contract with Service Provider*

When outsourcing to Shared Service Center it is also wise to look into Global framework agreements with providers to ensure a smooth and correct way of delivery product. Most multinationals use global tax providers for both corporate tax as well as assist the assignee with the tax returns in case of tax liability during the assignment. Contracts with Global Moving Companies and Relation Agencies are very often seen.

⁶ Brookfield Relation Services, Global Mobility Trends Survey, p. 17

Chapter 3: Process Efficiency Goals

3.1 *Controlling Operational Processes*

Corporate executives struggle with competitive pressures to be aggressive in the market, but often lack the required capital to develop important administrative and support processes. In too many instances, corporate functions act alone and fail to provide a convincing cross-functional business case. For example, IT organizations may attempt to invest in applications without close linkage to operations, marketing or other important functions. Other times, functions focus too much on their own operational efficiencies, instead of their contributions to broader corporate objectives. For instance, HR organizations may outsource their processes to drive down administrative costs, but fail to build a business case that provides (or develops) highly talented, cost effective human capital to global operating units. (See figure 2)

To accelerate business benefits such as lower cost of operations and improved business processes, the vast majorities of organizations centralize some functions into shared services and outsource various others to third-party service providers (see Exhibit 1). While these initiatives are often singularly successful at providing benefits to the individual function, research shows that these initiatives have, in most situations, failed to improve comprehensively the broader corporate strategic objectives of these organizations.

3.2 *Technology Support*

In the process of re-evaluating allocation of spend and making new technology/business process decisions, organizations are running into uncoordinated, suboptimal outsourcing and shared services decisions to which their disparate businesses and functions have previously committed. Managing disconnected shared services, existing outsourcing contracts with limited flexibility and large service providers with dissimilar motives is a significant challenge

3.3 *Transitioning to Shared Service Center*

How is this special mix of regional administration and central program direction both possible and effective? With another great blend: expert international leadership, sophisticated technology and effective outsourcing.

Fundamentally, companies are taking full advantage of sophisticated mobility and communications technologies that help global teams work together in real time, sharing screen views, chatting over video and even getting to know each other personally through social media.

These allow global teams to better collaborate, to view and assess the program holistically and access tools to operate consistently and effectively on the local level. Even more importantly, global teams are wisely leveraging global mobility outsourcing. A familiar business practice in US, until recent years, outsourcing has been less commonplace in other areas. Currently, we're seeing an outsourcing upswing in some regions (Europe and APC).

Administrative consistency is one feature that makes this service appealing. Additional advantages include global reporting abilities and regional support to local HR; and compensation collection support, benefit in kind and direct employee relocation or assignment management support.

Chapter 4: Compliance

4.1 *Controlling compliance risk with Shared Service Centers*

Companies have found they can be more nimble and consistent by centralizing their global mobility programs and maintaining regional administration. More administrative pre-alignment is required, but centralization improves compliancy, reduces risk, helps monitor and assess the entire program, and leverages regional insight.

- Increased global mobility outsourcing (in particular, Europe and APAC) brings more administrative consistency, improved global reporting abilities and regional support to local HR.
- The transparency gained through more and better data, metrics and reporting plays a considerable role in the decisions made by global mobility professionals and their companies, and help secure senior leadership support for global mobility program changes.
- Internal program ownership is changing: we are increasingly seeing companies shift to an HR “Shared Services” model, with Global Mobility reporting in to this department. This sets the stage for more specialization, centralization and standardization, and offers more potential for a solid internal customer service approach with a more seamless transition to an outsourced provider. (See figure 6)

Some elements that support a company’s ability to raise their compliance success include a more centralized global mobility structure and heightened awareness of areas where non-compliance might surface. Other processes that can be implemented to improve a company’s ability to stay compliant include global compensation accumulation, travel approvals, and tracking extended business travelers (EBTs).

Administrative and compliance issues still take large amounts of time. Yet to add real value to their organization and to become more influential at board level Global Mobility teams need to become more strategically aligned to talent management and build their organisation’s future capability.

4.2 *Immigration*

Anyone who has travelled internationally has noticed that many country governments have developed increasingly sophisticated methods of tracking business travelers. Aside from obvious security concerns, why would countries spend so much time and money monitoring travelers? First of all, governments want to make sure that business travelers are not outstaying

their stay in the country. Secondly, they are protecting their economies by restricting visitors from engaging in work that otherwise would have been offered to the local workforce. And thirdly, they derive substantial income from both corporate and individual violators of immigration and tax rules as they pertain to business travelers.

However, there are now countries whose government align with multinationals when it comes to immigration procedures for workpermits for example. In some countries filling in an online tool is sometimes already sufficient. At the same time, the Netherlands for instance, has the Knowledge Migrant Procedure, allowing the company to be held directly responsible for the obtaining the right information in their systems, which can speed up the procedure for a work-/residence permit.

Audits will act as a way of controlling and ensure compliancy within Global Mobily.

4.3 *Taxation*

For multinationals compliance with an increasing number of tax rules, more rigorous and coordinated enforcement by tax authorities and ongoing staffing constraints continue to be a challenge.

Degree to which a taxpayer complies (or fails to comply) with the tax rules of his country, for example by declaring income, filling a tax return and paying the tax due in a timely manner.

Compliance across all taxes, statutory accounting and tax reporting is becoming increasingly complex. Companies are struggle to do more with less while driving value out of their tax and financial functions. The centralization of finance and accounting functions presents additional challenges when dealing with complex local rules, disparate technologies and manual processes during the compliance cycle. This results in a greater risk of compliance failures and minimal time for strategic forecasting or planning.

Many companies are rethinking their approach to domestic and global compliance and reporting by taking a closer look at their technology, processes, resources and service providers. Leading tax functions strategy are using co-sourcing/outsourcing as a critical component of tax function strategy and a means to better align tax function investments and use of talent with organizational goals.

4.4 *Social Security*

Growing your business often means moving employees between countries and that means fulfilling local social security obligations. In an environment where regulations change continuously and scrutiny from the authorities is on the rise, it's becoming harder to get it right.

Though there is no single best way to combat this problem, a recurrent argument has been made for centralization as this is thought to bring economies of scale and help coordinate audit and record-keeping activities.

Social security organizations are contributing positively towards enhanced contribution collection and compliance by making necessary changes that lie within their institutional mandates. First and foremost, this is being done through a wider pursuit of improvements in administration and governance.

4.5 *Minimizing Operational and Reputational Risk*

Regulatory pressures are on the increase particularly in the areas of tax and immigration as governments come under public pressure in many parts of the world to step up the enforcement of laws and regulations. Within surveys done, it highlights concerns in these areas, with compliance cited as second only to the cost of international assignments as a critical assignment management challenge.

The operational, financial and reputational risk of falling foul to either the tax or immigration authorities in important markets, poses a serious threat to business success. CEO's have an opportunity and should therefore endorse the importance of compliance in Global Mobility with the wider business, to set priorities and support the mobility function in implementing tools and processes to avoid their company's exposure.

It's the nature of global expansion that the risk increases exponentially with opportunities for growth. The more global and mobile the workforce, the greater the potential for immigration, tax, legal and regulatory missteps.

Depending on the countries and regions where one is conducting business, compliance challenges can be constant, subject to change, difficult to track and address, and administratively puzzling. The consequences of getting it wrong are costly, and could damage a company's reputation in a country – or worse.

We've seen some elements recently that support a company's ability to raise their compliance success, such as a more centralized global mobility structure, and better internal communication and awareness of areas where non-compliance might surface. Looking toward the future, there are processes that, if implemented, improve a company's ability to stay compliant, such as global compensation accumulation, benefit-in-kind reporting, travel approvals and tracking extended business travelers (EBTs).

Another area where companies are aspiring to "best-in-class performance" is with their internal partners, as finance, payroll, and accounting become more critical and visible stakeholders in global mobility programs. The ability to forecast, budget, and accrue for mobility spend demands close and healthy collaboration between the global mobility department, finance, and suppliers. It's a partnership that calls for exceptional calibration of how costs are budgeted, when they accrue, and when expenses are invoiced; as well as the ability to design sophisticated forecasting models and exceptional tracking tools.

Chapter 5: Challenges at Local level

5.1 Local Global Mobility Role

Companies continue to find an ever increasing gulf between the demands of their businesses and the supply of candidates with the required education, skills and future potential necessary to fully execute on both the opportunities and the challenges identified by Senior Management teams.

“The HR functions are faced with the challenge of talent mobility as a key contributor to an organization’s overall success. Yet, there are still gaps between the expected role of the Global Mobility functions and the capabilities needed to successfully meet and execute on the associated challenges”.⁷

A greater alignment to talent management practices whose global mobility programs show signs of delivering new levels of strategic contributions. Gaps exist in the integrations of international assignments into overall career management process.

Currently the Global Mobility function is focused on ensuring globally mobile employees receive optimal levels of service support and provide expert advice to stakeholders throughout the company.

When looking to attract top talent, a global organization can utilize its mobility policies and programs as a means to differentiate from the competition.

Global Mobility leaders are in a good position to leverage their understanding of the cost of assimilation support versus total assignment cost and to educate their organization about the benefits of a greater use of these resources.

Pressure on Human Resources and the nature of global mobility has moved well beyond its traditional form and the mobility function is no longer restricted to delivering services to assignees and other stakeholders; it will become a vital strategic tool that requires a predictive rather than reactive mindset. (See figure 1)

Modern mobility has widened the demands placed on the global mobility function, which must now:

- *manage compliance and risk*
- *understand, report on and manage costs*
- *make sure that the organisation gets the best value for money and report on the return on investment in a mobility program*

⁷ Chynoweth, Global Mobility is the biggest HR role in 2015, People Management, 2015 p. 3

- *contribute to developing a sustainable talent supply*
- *promote the rapid deployment of key skills and talent*
- *develop meaningful management information to aid business strategy and decisions*
- *partner with the business, understand the wider business strategy and then develop effective communications, policies and processes to deliver the talent mobility strategy*
- *and deliver a good, or preferably excellent, assignee experience so the worker can concentrate on their new role*

And at the coalface, the workforce will become increasingly diverse as mobility increases. This puts enormous pressure on HR and global mobility functions, skills and policies, which may struggle to keep up with the pace of change.

Change is both constant and rapid, which makes having an agile mobility program difficult when internal corporate hierarchy requires substantial vetting before shifting gears, however slightly. Many companies have found they can actually be more nimble by centralizing their global mobility programs and maintaining regional administration.

On the challenging side, this approach requires careful calibration of more perceptible components like equity, structure, compliancy and oversight with harder-to-measure elements like flexibility, autonomy, local empowerment and regional realities/differences. And there is a significant time and effort commitment to develop or revise policies, structure operations, cross-train staff and secure global buy-in. But here's the big payoff: keener oversight of global programs, and improved insight on current activity and performance. That means compliancy is improved, risk is reduced, and there is more ability to both monitor and assess the entire program. And clients also have noted that they're more motivated to take on the challenges of centralized management when the outcome brings greater consistency.

5.2 *Challenges*

As organizations adopt a global business services model, executives are realizing that administrative costs are already low, but the allocation of administrative spend is suboptimal – too much of it is simply being spent in the wrong and fragmented ways. Moreover, executives are struggling to advance functional capabilities to drive corporate strategies, and traditional outsourcing simply has not delivered these outcomes. Quite a few companies have effectively reduced operating costs through outsourcing, other than meeting compliance and regulatory requirements they have only somewhat effectively received other benefits of outsourcing.

Whatever motives organizations have when they adopt shared services or outsourcing, the first critical point they must reach is to save the money they had intended at the beginning of the initiative.

“These cost savings targets are being met – and being met well, with over 95 percent of current outsourcing clients viewing their engagements as effective for reducing their operating costs. Half of them are very pleased with their cost-reduction progress, and the other half sees their progress as “somewhat effective.” However, that’s pretty much where the good news tapers off, as the rest of the business benefits are relatively modest.”⁸

⁸ Brookfield Relation Services, Global Mobility Trends Survey, p. 28

Chapter 6: Customer Service Optimization

6.1 *Stronger Focus on Technology*

In an effort to improve service to internal and external customers, companies that use Shared Service Centers are investing in a slate of technology enhancements, including analytics, vendor self-service and e-procurement solutions. The number of Shared Service Centers is growing and IT investments are being made to continue to enhancing productivity. Service Centers are increasingly adopting technologies to improve the customer service level and the customer experience.

Big, new technology ideas are often sold to Shared Service Centers. When they are implemented and fail to meet everyone's unrealistic expectations, these ideas are often deemed as failures.

Technology can play a major role in enabling process efficiency and facilitate a successfully operation Shared Service Center. It is crucial that Shared Service Centers work closely with the IT team to ensure that any new technology works in harmony with the new processes.

When we talk about outsourcing we mainly refer to the outsourcing in the areas of administrative and operation, managing customer service, finance and accounting, human resources tasks and back-office processing

However, the success of automation and new technology initiatives often hinges on an organization's ability to standardize core technologies and processes. The efficiencies and economies of scale that standardization often delivers are primary value drivers in the Shared Service Center model.

Unfortunately, standardization is often an elusive goal for Shared Service Centers and for IT operations in general. Exceptions are made and should be taken into account but one must not undermine the standardization efforts.

As such, the success of Shared Service Centers customer responsiveness initiatives will depend mainly on the ability of Shared Service leaders to manage expectations more effectively.

The journey through the technology standardization process starts with managing the scope of an initiative and then continually managing the expectations of stakeholder. When stakeholders clearly understand the value drivers behind a standardization effort and have a realistic

understanding of a process or new technology's capabilities and limitations, managers will likely have more realistic expectations about the outcomes.

Service providers and vendors doing the same work as internal organizations previously did but without the necessary interfaces to make them work seamlessly will fail to deliver optimization.

.If and when functional areas outsource operations to service providers which provided key applications, it is often done to avoid internal IT oversight. However, these applications may not always be easily linked and they rarely operate using the same security and privacy compliance requirements set by multinationals.

6.2 Governance Organization

In some cases, organizations discover a variety of issues underlying their organizations' shared services and outsourcing efforts. This issues are mostly caused by a lack of a well-integrated, and strongly positioned global business services governance team. Some of these issues often include:

- Functional shared services centers inhibit cross-functional synergies.
- Business cases were vague and are no longer managed
- A series of change orders and/or delays in execution have eroded the value and focus of the initial strategy.

Service providers have used their influence to sell services to different business owners, which has increased their leverage, but at the same time it calls for a structured alignment of the company's strategy.

Often driven by the need to make dramatic improvements in costs, most existing outsourcing contracts and Shared Service functions run into dead ends when organizations fail to take into consideration that they need to align corporate strategies as well.

A strong governance team can see to it that the Shared Service Centers continue to deliver and execute the policies and procedure effectively and efficiently and at the same time focus on the company's goals and strategies.

As multinationals mostly have their headquarter office in one country and regional offices elsewhere in the world, they strongly focus on having a solid governance team in place.

6.3 Challenges

In recent years, larger companies (multinationals) have moved away from a headquarter-centric approach and are much more likely to take advice and representation from the regional hub. Headquarter-centric means that the global mobility policy and assumptions behind it, are primarily driven by the culture of the country in which the headquarter is based.

The regional hubs reflect the shifting importance of regions such as Asia Pacific and Africa. This approach has influenced Human Resources and Global Mobility significantly. We are now moving towards a model, where Global Mobility policies are developed with input from all global regions. The quality and flexibility of newer policies has to be higher and it needs to be aligned with business strategy.

Since the year 2000 many Human Resources departments have been restructured and adopted an organizational model with HR Business Partners, centers of expertise and Shared Service centers according to the Dave-Ulrich-model. Some forward-thinking Human Resources professionals claim that we have to move away from our traditional ways of working and sharing work. Structures have become flatter and more fluid. HR Leaders and Business line managers seek input from Global Mobility Professionals directly and earlier in the process.

Organizations are increasingly using global process owners to drive process efficiencies and standardization across the Shared Services Organization. Even traditional corporate functions, such as tax, relocation services, finance, payroll and legal are moving towards a transactional Shared Service Centers or outsourced model.

Chapter 7: Conclusion

7.1 Summary

The high cost of Global Mobility programs and the focus on cost reduction is a continuous and ongoing process. With the multinationals, I noticed that more effort have been done to reduce mobility program costs in response to business and economic conditions.

The containing of cost of international assignments is equal in importance with compliance and risk management as the most challenging factors in managing international assignments.

Many companies seem to be answering cost cutting demands by reducing the number of assignments. While reducing the number of assignments unquestionably reduces program costs, eliminating opportunities for international assignments could also have other unforeseen opportunity costs, particularly in terms of talent development and retention of key employees.

Creating visibility to estimated and actual assignment costs is recommended to achieve optimal cost results and to facilitate internal discussions concerning the business case for overall spending levels.

Demand for data leads to operation effectiveness so that data drive decisions can be made.

Mobility leaders not only need accurate data to quantify their program's value, but also to initiate more meaningful conversations within HR and with business partner stakeholders.

For those companies at an earlier stage in this evolution, there may be near term opportunities to strengthen the connection between Global Mobility and both business and talent management goals. These alignments may be accomplished by the GM function implementing improved practices concerning cost management, for example, and reporting results to outcomes viewed by the business as being most important.

Global mobility should become a strategic driver and are enablers to help cost management and have a more positive outcome of their programs

7.2 Study Summary

The goal of this thesis was to elaborate on the aspects to find out if the cost reduction goals at multinationals on a central level come at the expense of customer service and compliance at local level within Global Mobility.

Shared Service Shared are useful and beneficial for multinationals as a tool for controlling compliancy. More centralization doesn't mean it diminishes the importance of regional mobility teams. In fact, it further defines their value. They not only bring their regional experience and perspective to the table, which benefits employees and vendor management relationships, but they also give solid internal support to its Business Unit Managers.

Early Shared Services Centers were set up with a clear objective: efficiency and centralization in pursuit of cost reduction. Many companies have successfully trimmed costs in this fashion, and the ability of Shared Service Centers to generate impressive one-time savings is indisputable. Shared Services Centers typically focus on initiating and stabilizing operations with their sights firmly set on delivering savings. Unsurprisingly, they are tasked with transactional processes within a single function; and frequently within a single region as well. Often the journey begins in a small way in response to changes within an organization.

Technology helps with data analysis and reporting, which allows for better controlling of assignment costs. The optimization of internal processes serves for better delivery of the output of data. Sophisticated IT tools can be used for the expatriate management which in turn can help multinationals make data driven decisions within Global Mobility.

Another area where companies are aspiring to "best-in-class performance" is, with their internal partners. Finance, payroll, and accounting become more critical and visible stakeholders in Global Mobility programs. The ability to forecast, budget, and accrue for mobility spend aspects close and a healthy collaboration between the global mobility department, finance, and suppliers is crucial. It's a partnership that calls for exceptional calibration of how costs are budgeted, when they accrue, and when expenses are invoiced; as well as the ability to design sophisticated forecasting models and exceptional tracking tools.

In many cases, the discussions at the multinationals I looked at have been focusing away from cost alone and instead have broadened to include efforts to educate the business about the value of Global Mobility. But in the end, companies that take a broader approach to cost reduction and redesign their Global Mobility programs accordingly, will likely show net cost savings in the end.

In response to the demands on central level, some companies still chose to redouble their cost cutting efforts, reducing even more benefits and slashing allowances further. However, there is an alternative approach. Faced with increasing cost pressures, some Global Mobility leaders are implementing a more holistic, strategic approach to cost containment. While this approach does not include making cuts to benefits for reduction, it looks at the program as a whole and where it fits into the wider business environment, questioning if the program is structured

correctly. This method examines how business needs have changed over the past five years and how the profile of the assignee may have changed. They then redesigns the program to match that evolving landscape. (See figure 4)

According to the 2015 Global Mobility Trends Survey results showed that those companies considering a change to their program structure, the most common change was to look at what drives their assignments. Instead of the traditional single policy for all assignments approach, they were planning to develop new policy types, such as strategic, operational developmental, with benefit packages designed to achieve an aligned set of objectives. The second most planned change was to create a core/optional program. Both of these approaches afford additional flexibility to the business, and equally important, if structured correctly they can manage and drive down the overall program costs.

The 2015 Global Mobility Trends Survey also asked companies about the specific policies they were considering developing in the next one to two years and a similar pattern emerges. Localization, developmental assignment and local plus transfer policies are among the top policy types noted and companies are gravitating toward them primarily out of a desire to create options and better manage costs.(See figure 5)

Shared Service Centers also continue to strive to be seen as a valuable partner to the business, versus just a lower-cost alternative and analytics is regarded as an important lever to increase value.

Meeting obligations around program compliance and employee “duty of care” are perhaps the areas that are most likely to induce sleepless nights for today’s Global Mobility. The Global Mobility function is expected to help ensure cost containment and act flexible when sending employees on assignments, while at the same time having to balance this against the needs of increasingly active tax and immigration authorities. All this against a backdrop of ever-improving technology which lessens the scope for organizations to shy away from their obligations.

Whilst these areas offer some of the biggest organizational risks (financial and reputational especially) they also provide great opportunities for Global Mobility to demonstrate real value. Understanding and managing these risks is of course the key. These are technical areas and having competent and forward-thinking service providers to help navigate through the myriad of possible issues makes a key partnership crucial.

Chapter 8: Recommendations

8.1 *The importance of measuring ROI*

The cost impact is only part of the long-term solution, so you must look elsewhere for value. Whether it was the economies of scale that resulted in functional centralization or “cost was king” approach were the early successes of cost-reduction initiatives. So to add value you must emphasize on improving insight or enhancing revenue

When and how can set cost-reduction goals be monitored and measured in Global Mobility?

Successful ROI in Global Mobility requires continuous and pro-active management of ALL stakeholders involved in the process, to ensure that strategic and tactical objectives are achieved while controlling costs and minimizing risk.

In order to effectively manage costs, companies need to ensure they have good, basic practices around cost estimating, expense tracking and exception management in place.

If companies have robust cost tracking in place, they can consider working towards ROI evaluation. While the development of a ROI framework and platform will take time and effort, having the right program metrics in place to discuss Global Mobility in a broader organizational framework, can prove invaluable.

Making efforts to elevate the Global Mobility costs discussion allows mobility leaders to concentrate more on value instead of being constrained to focus only on cost. In the end, this will not only help position themselves and their program for long term success, but it will also ultimately help meet the company’s wider business objectives.

There’s been a lot of debate about the purpose and the future of global mobility and the role it plays in contributing to business success. Ongoing research indicates that the volume of international mobility is increasing or remaining at current levels and that talent mobility is here to stay but needs to evolve.

8.2 *Positioning Global Mobility*

As seen in survey reports the top two initiatives needed to position their mobility program for success are: better alignment of mobility policies and programs with the broader business objectives and establishing a link between the mobility function and the talent management function in their companies.

One of the most revealing correlations I saw in the data collected is the relationship between the talent management and mobility functions. Where a formal reporting relationship exists, significantly more companies require a statement of the assignment objectives and business justification at the outset of an international assignment; are more likely to have a formal career management process in place, measure ROI; and report better outcomes in terms of reduced assignment failure and assignee attrition.

Not all companies may be able to easily change reporting lines, but a more structured relationship between mobility and talent management and an ongoing, open dialogue about the role of international mobility in global succession planning and workforce management will improve the internal perception of the value of international assignments. I also believe that CEO's then have an opportunity to articulate a more strategic vision for the role of global mobility, the reasons for international assignments, potential advantages for both employees and the employer, the use of expatriate skills to impact business performance and to support the creation of a truly global company culture.

8.3 The pressure to reduce costs and the importance of ROI

In the 2015 Global Mobility Trends Survey respondents reported that the pressure to reduce costs has increased or stayed the same over the past year. Clearly, the mobility function must manage costs, but a narrow focus on reducing assignee benefits is unlikely to continue to set substantial savings and may actually be harmful to the overall goal of talent mobility. A clear understanding of the value of global mobility and the return on investment (ROI) in mobility should be a priority. The 2015 Global Mobility Trends Survey indicates that most companies don't measure the return on their mobility investment. The Survey also highlighted that only 62% of the respondents systematically track assignment costs and many generally lack robust assignment governance processes. Until fundamental data collection and governance processes are in place and in robust working order, measuring ROI will remain difficult and perhaps unattainable.

CEO's of multinationals have an opportunity to support the mobility function in leveraging the maximum value from the company's mobility investment rather than by using a line by line focus on its cost. In addition, Global Mobility leaders should be encouraged to use the analytical skills that exist in other company functions to analyze available data and contain the cost of global mobility more systematically.

They are vested in how well their company's global mobility program functions, particularly in the areas of value creation, cost management, compliance risk mitigation and the development

and retention of key talent. They are in a position to encourage a constructive dialogue among mobility and other business functions to more closely align the international assignments with business objectives, as well as to chaperone the implementation of more robust tools and processes for measuring the value of global mobility. In this way, Global Mobility will be better positioned to be able to truly contribute to companies future success.

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Figure 1:: The Role of the Global Mobility Function

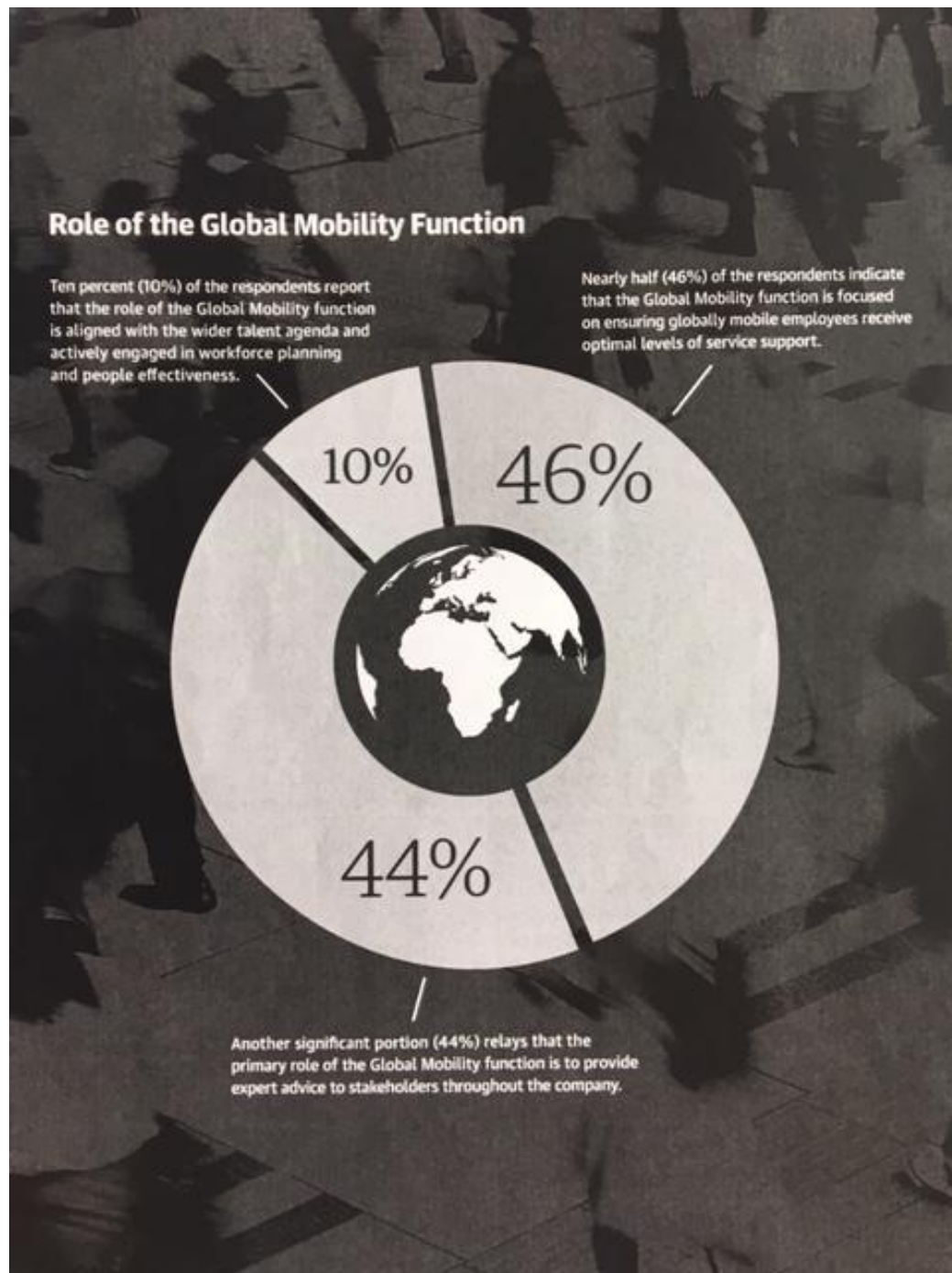


Figure 2: Cross-border Assignments

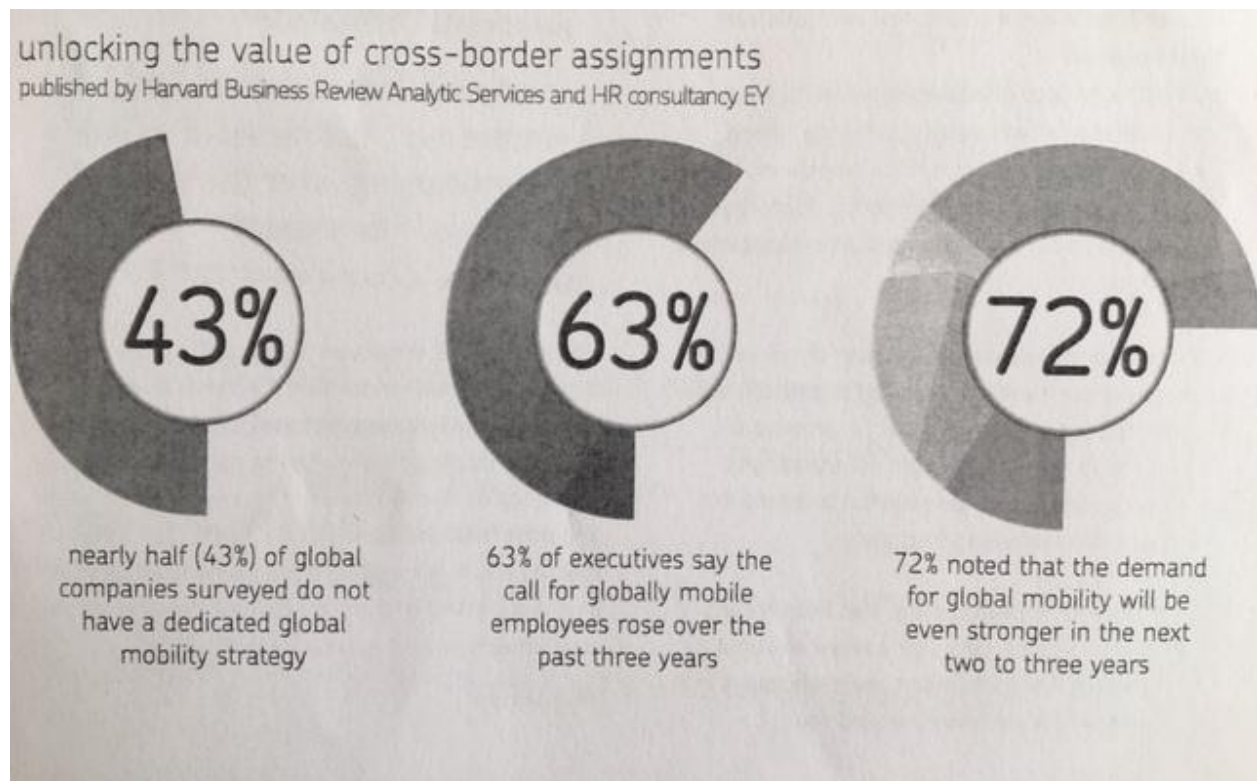


Figure 3: International Assignments

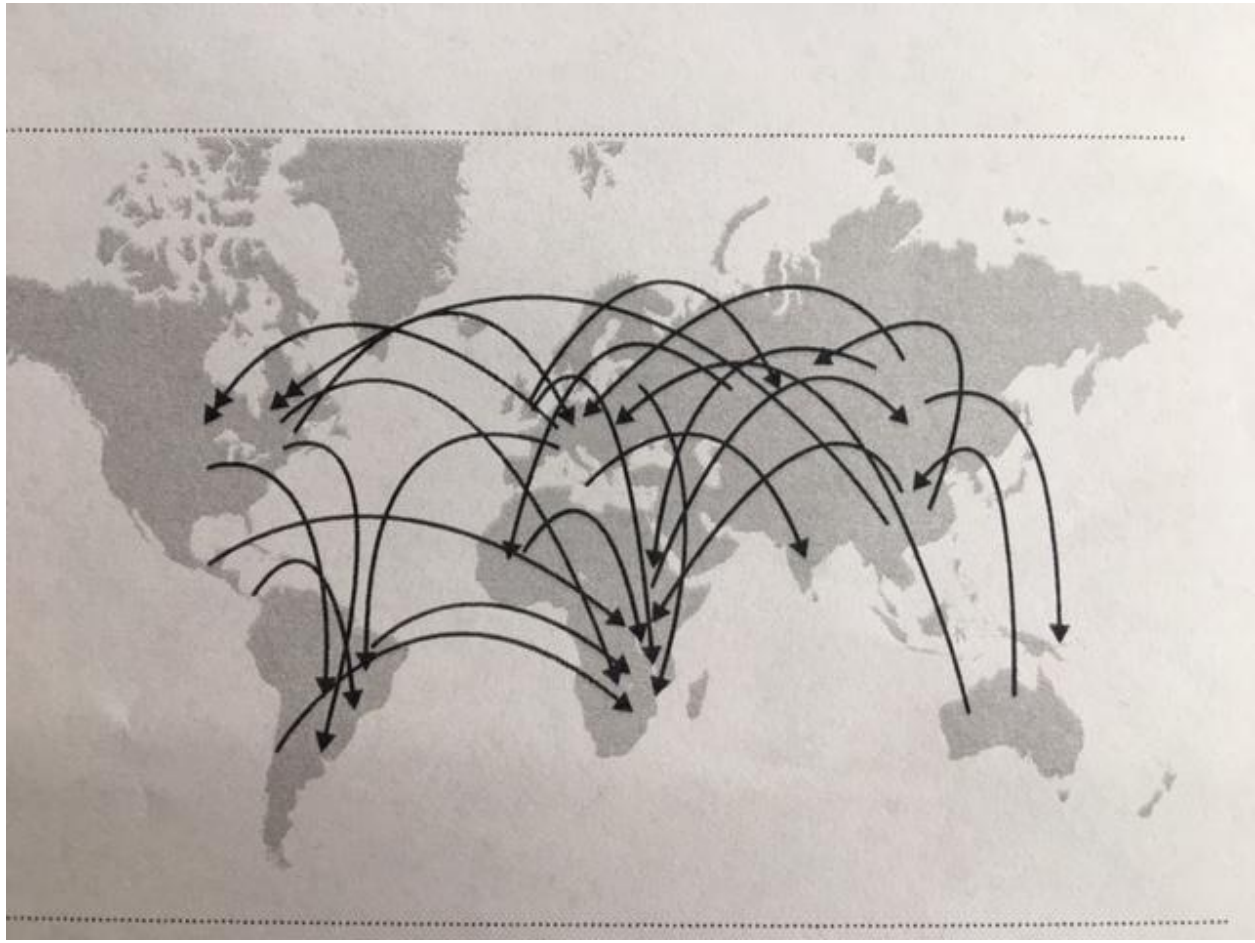


Figure 4: Survey findings

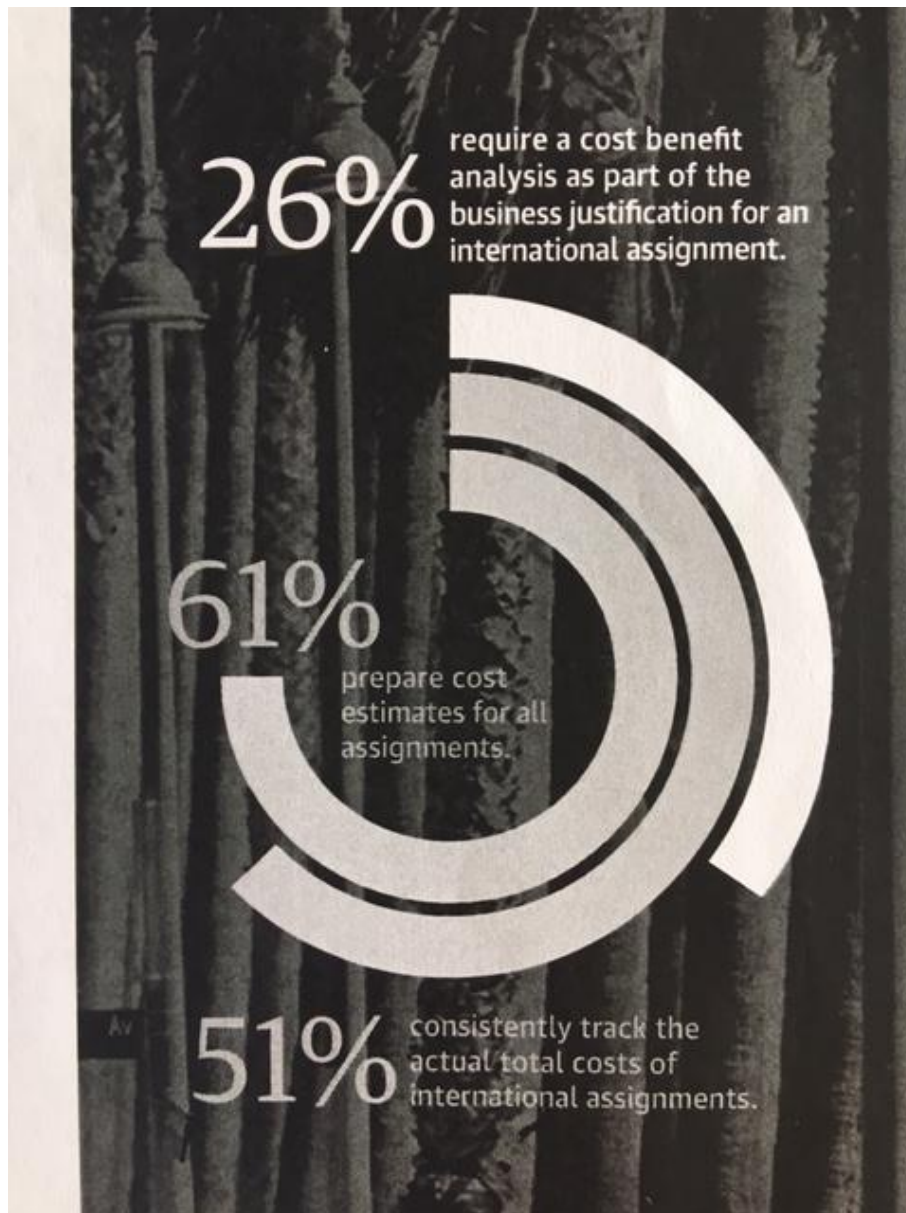


Figure 5: Centralization with regional administration enabled by technology and outsourcing

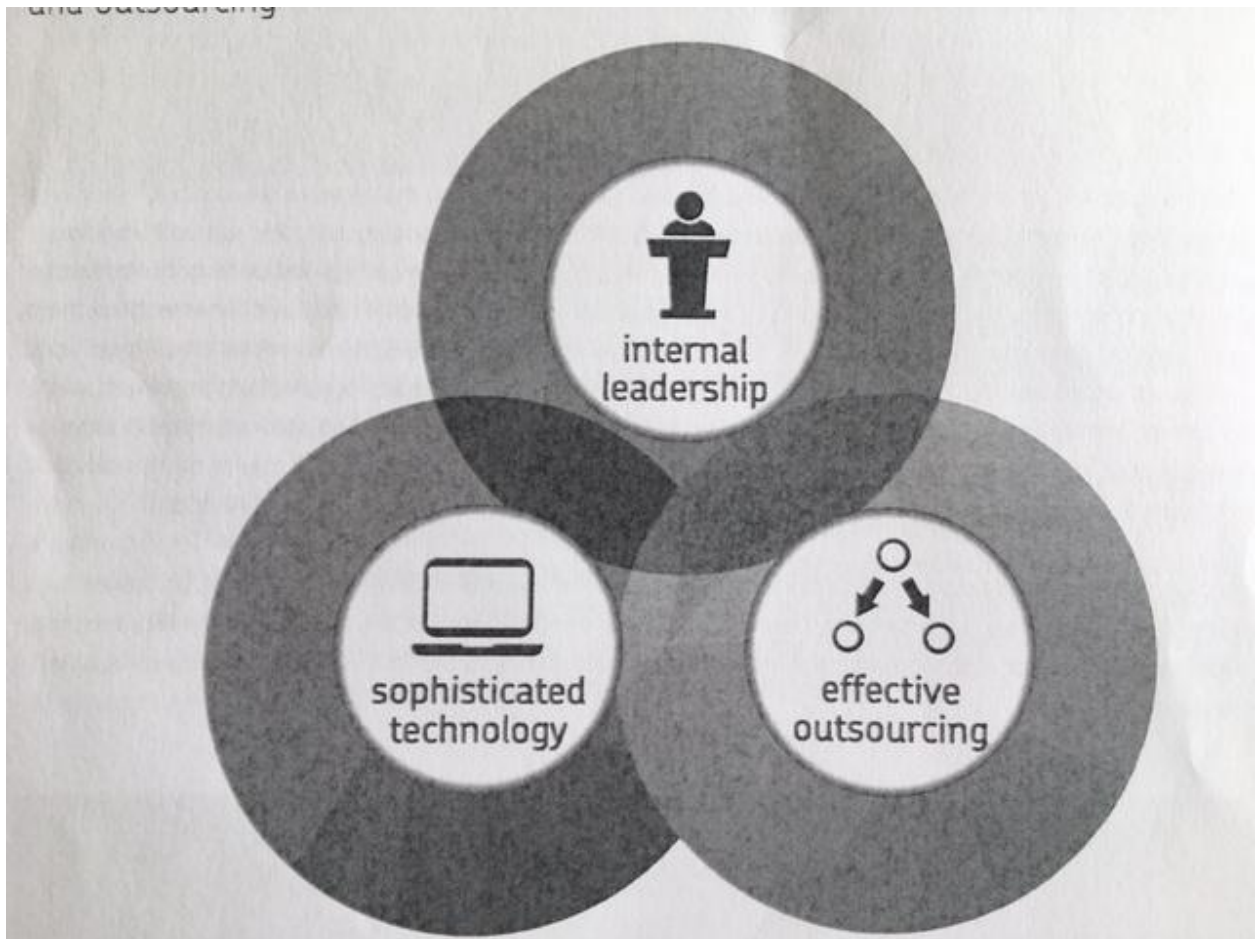


Figure 6: Compliance is serious business

