



Strategic AdvisorSM

Volume 10 • Number 96 • March 2014

International Group Moves - Trends, Challenges and Opportunities

Recent trends indicate that despite sustained pressure to reduce costs and ensure operational cost efficiencies, companies are experiencing growth in their international mobility volume. A portion of this growth is driven by the increasing prevalence of international group moves.

Both an international and a domestic group move can be a very complex and time consuming initiative for a corporate Mobility department, but the complexities and uncertainties of an international group move bring with it unique and additional challenges. Along with these challenges come significant opportunities, allowing the organization to capitalize on the international group move.

In order to gain a better understanding of the unique challenges and opportunities in international group moves, Brookfield Global Relocation Services (Brookfield GRS) Consulting Services conducted a Pulse Survey in late 2013. Input was analyzed from 38 companies representing a cross section of industries to examine international group move trends. Select results of this survey will be referenced throughout this article in addition to highlighting the challenges and offering some suggested solutions and opportunities afforded by international group moves.

What makes an international group move different?

While there is not an exact definition of the term “group move,” a general definition is the movement of a group of employees as a result of a common business initiative. Unlike ongoing mobility activity, group move activity is generally focused more on strategic locations and business objectives and is less likely to focus on talent development. Group moves can range from small groups impacting key talent in critical functions to very large groups impacting thousands of

jobs across all levels and functions. Not all jobs need to be moved at the same time for the initiative to constitute a “group move” and many times there are group moves with employees moving in phases that can span several years.

An international group move entails crossing country borders which differentiates these group moves from domestic group moves, which stay within the borders of one country. Sometimes international group moves involve a group of employees who are all transferring from the same departure work location to the same destination work location. However, often there are multiple countries of departure and multiple destination countries which can make the international group move even more complex than a standard domestic group move.

International group moves can also involve a combination of permanent transfers as well as temporary long term assignments. This is more common if the group move is the result of a project or a special initiative, and the company has identified “business critical” employees whom they need to ensure stay engaged to lead the project. This mix of permanent transfers and temporary assignments results in differing employee and family needs and makes the business and communication strategy especially challenging and critical.

International group moves also add an extra layer of complexity as employees and their family members may find it difficult to adapt to a new culture, lifestyle and social and economic environment in the new country. Adjusting to living in a country with a different language and integrating into the local school system may present a significant challenge. Securing the appropriate residency and work authorizations may be difficult,

if not impossible, for some individuals based upon their nationality, job level or work skills/education level. Unlike international assignments in which the ability to secure the proper immigration documentation is determined prior to the assignment offer, employees involved in a group move may be at differing job and skill levels and may face greater challenges in this area than a typical assignment situation. Unlike most domestic group moves, the international group move may also result in significant financial differences in compensation and benefits.



International Group Moves Are Trending Upward

Based on the results of the recently conducted Brookfield GRS Pulse Survey, 47% of respondents indicated that they had experienced at least one group move in the past three years so we can confidently say that international group moves are on the rise. The frequency of group move activity varied considerably with 17% having experienced one group move over the past three years to 14% reporting more than ten group moves in the same three year timeframe.

International Group Move Business Drivers

Business initiatives driving the need for international group moves often entail consolidating business operations, expanding into new markets, closing an operation or facility, merger and acquisition activity or the transfer of critical skills.

Based on the Brookfield GRS Pulse Survey, 54% identified business consolidation as the primary driver of international group move activity. Another business driver closely tied to consolidation initiatives included the need to transfer critical skills (46%).

Thirty-one percent (31%) of survey respondents cited the need to support growth and/or expansion into new markets and thirty-one percent (31%) also cited special projects as their primary driver of international group move activity.

The Challenges and Solutions

An international group move represents a challenge for the Mobility department as well as the relocating employees and their family members. Because those impacted in a group move are usually relocating due to a business initiative rather than career development, they generally comprise a broader mix of employees and families that may not have experienced, or contemplated, an international assignment or move previously. International group moves add an extra layer of complexity resulting from the cultural and social challenges associated with moving to a new country, the tax and immigration requirements, as well as differing compensation and benefits structures.

Let's explore some of these challenges noted by the Pulse Survey respondents, as well as suggested solutions in more detail.

Culture and Adaptability

Because the international group move may involve a number of employees and families who have never relocated before, nor lived, worked or even traveled abroad, they may have little to no familiarity with the destination country. This can present challenges to the employees and families, as well as to the Mobility department. Many of the cultural and logistical challenges that are familiar to experienced international assignees may be completely new challenges to some employees and their family members.

The destination country may be one which has unfamiliar culture and traditions, language and customs. Employees' quality of life may be an area of concern, depending upon whether differences exist between departure and destination countries in language, crime rates, environmental conditions such as pollution and traffic, weather conditions and the availability of familiar goods, foods and services.

Offering extensive pre-departure support services, such as an area familiarization trip, will be critical in this situation. There are also a number of intercultural competency assessment tools which can be used to help identify and raise the awareness of some of the challenges that the employees and families may face when they begin to settle into their new country. These support services often offer customized training and coaching programs to help develop the skills that

will be needed to learn to successfully adapt to their new country.

Language

Moving to a country in which the employee and family do not speak the language can be one of the biggest hurdles faced in the move. While the employee may be able to continue to speak in the home country language with business colleagues, the challenge is often greater for the spouse/partner and children who have to live and function in a country in which they don't speak the language. This is especially challenging for children who may require extensive tutoring or may need to attend a special program or international school for a period of time until they develop strong enough language skills to integrate into the standard classroom. These programs and/or international schools may also pose a financial burden on the family. In addition, if the spouse/partner attempts to secure employment, knowing the local language will usually be essential and could prohibit, or significantly impact, the timeline in which the spouse/partner is able to secure employment in the destination country.

Time permitting, the optimal solution is for the employees and family members to begin language lessons as soon as they are aware of the relocation. They will have a greater comfort with the move if their fears of the language differences are reduced or alleviated ahead of the move. While total immersion is often the most efficient way to learn a new language, having at least a basic proficiency prior to the move will reduce the anxiety and allow employees and their families to focus on other aspects of the relocation without the language difference emerging as the primary barrier to relocation.

Immigration

For group moves involving permanent transfers, permanent residency and work authorizations must be secured which may be problematic based upon the employee's destination country, work skills and nationality. There may be some employees who, based upon their nationality, are not able to secure the required authorizations to live and work in a particular country. In addition, based upon the individual's job level, education/credentials or salary level, they may experience problems securing required work or residency authorization.

Even if the employee is able to obtain the required residency and work authorizations, the spouse may experience similar problems

securing a work visa. Unlike the employee, the spouse may not have secured employment prior to the relocation and may experience difficulties or delays working in the new country. Even if the work visa can be obtained, the spouse may not have the language abilities or the necessary work skills to easily adapt.



The key to a successful immigration strategy is advance notification and accurate citizenship information. The further in advance that the Mobility department is aware of the group move and receives confirmation of the destination location(s), the sooner the planning process can begin. It is also key to have complete and accurate information about every employee and each family member's nationality and citizenship status. A great deal of time and money can be saved if this information is accurately maintained and the immigration strategy and process is in place, eliminating delays in the immigration process once Mobility is notified of the group move.

Taxes

The amount and type of taxes will impact the employee's amount of net or "take home" pay (total cash after taxes). In most countries, income is taxed in the country or jurisdiction in which it is earned. However, in some countries, such as the United States and Australia, taxes are due on worldwide income based on citizenship regardless of the country in which the income is earned. This can create double-taxation situations which can make working outside of the home country an expensive proposition. While there may be tax treaties in place to limit the consequences of double taxation, it is still cumbersome and can create the need for careful taxation strategy and planning.

The best strategy for managing the tax obligation is to be aware of the various taxes, understand the impact to the employee's net pay, and determine the Company's tax strategy ahead of the group move. Deciding whether the company will offer any tax filing assistance and for what period of time, as well as determining whether any tax equalization benefits will be provided within the group move relocation policy is a key consideration and should be clearly communicated. The impact of taxes will be one of the key concerns that employees will have once they begin to research the financial impact of the move, so having a clear position on tax policy before initiation of the group move will help with the communication strategy.

Compensation and Benefits

Compensation is different in every country with different philosophies on total compen-

sation and the mix between base pay (i.e. fixed guaranteed pay) and variable pay (i.e. non-guaranteed pay). Cash bonuses, sales incentives, profit sharing and other types of performance incentives will differ from country to country and may result in a very different mix of fixed and variable pay compared to what the employee was familiar with in their departure country.

Even if the gross pay is roughly equivalent, the take home pay may be significantly different. Because take home pay is impacted by taxes, countries with high federal, provincial and/or local tax rates may severely impact the amount of take home pay. In addition, payroll taxes or social security taxes may be significantly different from one country to the next and also have a large impact on take home pay. Engaging a compensation specialist as part of the company's internal group move project team will be critical to the success of an international group move. Providing employees with a "gross-to-net" analysis of their new compensation package is a tool often used effectively to help employees understand and evaluate the financial impact of the move.

In addition to cash compensation, healthcare and pension/retirement benefits may be very different from one country to the next. In countries such as Germany and France, a large portion of the healthcare benefits are provided through government funded social insurance programs. In other countries, such as the United States and Brazil, much of the benefits are provided by the employer, so the delivery and funding of benefits may vary significantly by country. The potential elimination or reduction of a pension/retirement plan in the departure country may be a significant barrier to the employee's acceptance of the relocation.

Similar to the compensation challenges, it is critical to engage a benefits expert as part of the group move project team. It is helpful to include an individual(s) who has extensive knowledge of the benefit programs in the departure country as well as the destination country. Employees will be very concerned about the impact of the relocation on their healthcare and pension/retirement benefits. Being able to answer their questions with confidence and with accurate information will lend to the credibility of the company and other information provided during the group move.

In addition, the company should evaluate the financial implications to employees of the potential loss of pension/retirement benefits in the departure country and the type/value of benefits that are available in the destination country. If the loss of pension/

retirement benefits is significant, the company will need to explain the financial impact honestly so that employees can make their decisions with complete and accurate information. Depending upon their employee retention objectives for the international group move, some companies also consider addressing the financial loss of pension/retirement benefits. Loss of benefits can be a significant barrier to relocation, so having a full understanding of the differences in benefits between the two countries, and explaining these differences to employees early in the communication/education process, will help to alleviate this concern and help employees to accurately weigh the pros and cons of the relocation.

Cost of Living Differences

The cost of housing, goods and services will have a substantial impact on the standard of life experienced by the relocating employee and their family. Even if the take home pay is roughly equivalent, the cost of goods and services may be very different in the destination country. The availability and cost of housing is also a major consideration as housing comprises a significant component of the household budget. The relocation timeline can also be greatly impacted by the time it takes to find and secure affordable housing.

Companies have different strategies for communicating the impact of cost of living differences to their relocating employees. The internet makes it easy for employees to research cost of living information and they will do so extensively. However, much of the information on the internet is confusing, contradictory and often inaccurate. Some companies take a proactive approach and provide employees with cost of living data purchased through reputable data providers in an attempt to help employees evaluate their new standard of living. Other companies don't provide this type of data but focus more on providing strong communication around the new compensation and benefits package and the opportunities that the group move may present both financially and professionally.

There Are Opportunities as Well

An international group move often provides opportunities for both the company and the employee. Moving to another country may provide advancement opportunities for the employee or the employee may gain additional skills and experiences which add



value to the employee's marketability within the company and externally. The destination country may represent a higher income opportunity or better standard of living and quality of life for the employee and family.

Even if the employee eventually returns to the departure location, the international work experience that was gained may present an invaluable work experience for the employee and cultural learning experience for the family.

The opportunities that a group move may bring to the company include effective talent deployment, cultural change, efficient resource leveraging and future operational efficiencies.

Effective Talent Deployment

One of the first decisions that a company will have to make at the onset of an international group move is what positions will be moved, which individuals will be offered a relocation and the company's strategy for employee retention.

Based on the Brookfield GRS Pulse Survey, a variety of approaches are used in selecting employees who receive a relocation offer in an international group move, with equal frequency of selection based on job function, "cherry picking" individual employees and documented performance measurements.

While offering relocation to all employees whose positions are impacted by the group move was more prevalent a decade ago, respondents now report using this approach in only 22% of their international group moves in the last three years.

Please see graph on page 4.

Tied to the selection process is establishing a company's strategy for employee retention. The Pulse Survey asked about participants' primary employee retention strategies for international group moves and the most frequently applied was to drive retention within certain skill sets and have tolerance for attrition among other skill sets impacted by the group move. As the below survey data indicates, group moves often present an opportunity for employers to initiate a workforce reduction, eliminate lower performers and "right size" the operation's labor costs. It is often not the goal of a group move to retain all affected employees.

Please see graph on page 4.

Organizational Culture Change

As a by-product of the group move, some companies take advantage of the opportunity to change organizational culture. Group moves are often initiated as a result of a consolidation or acquisition and multiple, and often divergent, company cultures may be working together for the first time. This is an opportunity to either develop a new blended culture or reinforce desired attributes of existing company culture in the new organization.

Resource Leveraging

In group move situations that involve a large number of employees who are being moved at one time, to and/or from the same location or a short list of locations, there are some efficiencies that can usually be gained. The additional support services that will be needed can be purchased based on the increased volume of moves allowing the company to potentially leverage the size of the move to negotiate better rates and/or expanded service offerings from the various relocation service providers. For example, household goods shipments can be consolidated rather than individually shipped in separate load shipments amounting to less than the full container.

During the group move, the spotlight is often on the Mobility department to ensure the success of the group move initiative. This focus can present an opportunity to highlight aspects of the program or policy that need closer examination or additional resources. It may also provide an opportunity to adjust select policy provisions to address differing challenges and employee demographics or job levels. Expanded services, additional service providers or temporary mobility resources which are engaged specifically for the group move may become permanent if the value of the services and the return on investment can be demonstrated.

Future Operational Efficiencies

An international group move can be a very expensive initiative. Companies would not undertake the expense of a group move if they didn't expect to achieve significant financial and operational efficiencies in future years. To ensure that the operation achieves the expected results, it is critical for the Mobility department to ensure they are included in the planning phase as the organization will need a clear understanding of the complexities and costs associated with the group move. By understanding the complexities, an accurate project timeline can be

developed which will be needed to calculate an accurate project cost projection.

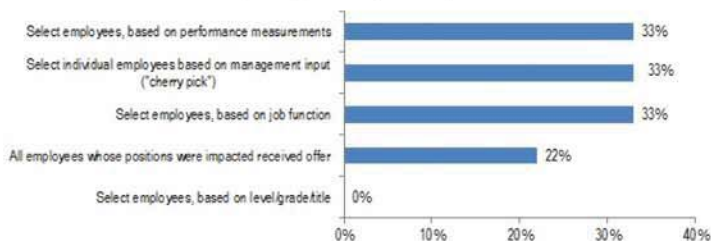
Concluding Thoughts

International group moves are increasing as companies look for ways to increase operational efficiency by consolidating or closing business operations, expanding into new markets, transferring critical skills or through merger and acquisition activity.

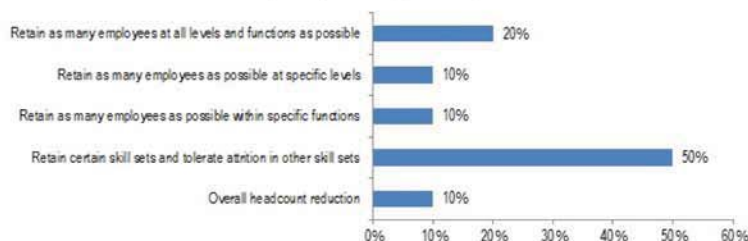
A domestic group move presents resource, coordination and communication challenges and can be one of the most complex and time consuming initiatives that a Mobility department will encounter. An international group move adds additional complexity resulting from challenges such as the cultural and social challenges associated with moving to a new country, the tax and immigration requirements and differing compensation and benefit structures.

Despite all of these challenges, an international group move does offer opportunities which include effective talent deployment, cultural change, efficient resource leveraging, future operational efficiencies and new opportunities for employees.

Basis for Selection of Employees Receiving Move Offer
(Multiple Responses)



Primary Employee Retention Strategies in International Group Moves
(Multiple Responses)



Karen Cancroft

This article was authored by Karen Cancroft, GMS Director Group Move Consulting Services, and co-authored by Lisa Burkard, Independent Consultant with Spectrum Group Consulting at Brookfield Global Relocation Services, LLC (Brookfield GRS).

For questions regarding this article, or assistance in any other services provided by the Brookfield GRS Consulting Services department, please contact Jill Taylor at strategicadvisor@brookfieldgrs.com or 1-630-972-2280.

Brookfield Global Relocation Services (Brookfield GRS) is the leading full-service outsourcing partner of end-to-end employee relocation, assignment management and mobility consulting services for organizations worldwide.

We passionately believe that our integrity, transparency, flexibility and commitment to our clients and each other enable us to deliver a cost effective Premier Service® experience to everyone we serve. Our employees operate from regional offices in Asia, Europe and The Americas to support the success of our clients and their relocating employees around the world. We have the local knowledge and worldwide presence to develop and implement global employee relocation solutions.

Brookfield Global Relocation Services is an operating company of Brookfield Residential Property Services, a leading global provider of real estate and relocation services, technology, and knowledge. With the broad reaching strength of Brookfield behind us, we offer a combination of business-to-business services unmatched in the industry.

www.brookfieldgrs.com