International Assignment Return on Investment

A global assignment can be one of the most powerful ways of impacting the perspective and development of employees. It can also be a significant corporate investment; therefore, the need to assure an assignment’s return on investment (ROI) is essential for Multinational Companies (MNCs). However, despite the economic environment of cost cutting and risk mitigation, an assignment’s ROI is not always calculated and used as a tool to assess expatriate costs among global firms.

Defining Assignment ROI
McNulty and Tharenou 1 (2004) have defined expatriate ROI as “a calculation in which the financial and nonfinancial benefits to the firm are compared with the financial and nonfinancial costs of the international assignment, as appropriate to the assignment’s purpose.” This definition implies that in order for mobility managers to calculate an assignment’s ROI, they should:

- Understand the intent of the assignment, i.e. how the purpose of an international assignment is linked to a firm’s overall global strategy;
- Include both tangibles and intangibles when calculating and comparing costs and benefits.

A one-size-fits-all ROI equation does not exist, but there are some concrete factors which can lead to a more accurate ROI calculation and positive impact on return:

- Accurate assignment cost tracking
- A competitive, cost-effective policy as a road map for tracking costs
- A policy that not only fits a company’s mobility needs but is consistently implemented across the organization

Importance of Defining Assignment Intent
The ROI concept uses metrics derived from the assignment objectives. Therefore, measuring return involves first identifying a clear definition of assignment success. This definition does not fit a universal standard and is often evaluated and treated differently among organizations.
As companies differ greatly in terms of industry, organizational culture and overall strategic objectives, they have different reasons for sending employees on assignment, which often include:

- Filling a skills gap/providing technical expertise
- Career development
- Corporate control and governance, particularly for start-up operations
- Strategic planning for succession, leadership and talent management programs

Having HR or mobility professionals involved in the performance of a ‘needs analysis’ helps clarify the assignment purpose in a broader sense, recognizing that position filling, management development and organizational development are not mutually exclusive. In addition, the purpose may serve to indicate the size and type of investment needed.

Upon assignment completion, HR/mobility professionals should be actively involved in employee placement to provide consistency with agreed career path and development of formal systems to utilize and codify repatriate tacit knowledge. With active participation in these stages, HR/mobility departments can be well placed to assist with key talent management.

**Considerations in Calculating Expatriate ROI**
After defining the assignment intent, the next step in quantifying expatriate ROI is to formally track costs. Some of the largest expatriate costs include overall remuneration, housing, cost-of-living allowances (which sometimes include private schooling costs for children) and the actual move (moving employee, family and household goods.) And of course, taxation on many of these items is a significant expense.

Another significant cost of expatriate assignments involves equalization of differences in pay and benefits between home and host countries. To deal with tax equalization and other cost-of-living adjustments, savvy HR/mobility professionals set country-specific housing and cost-of-living allowances based on the latest benchmarks and currency exchange rates. They also refresh their calculations with new data at regular intervals—at least annually, often quarterly and sometimes monthly.

Expatriate ROI calculations should also include nonfinancial costs and benefits in order to capture the long-term, post-assignment benefits—such as skills transfer, global leadership capabilities, succession readiness and other talent management objectives.

**Maximize Return and Minimize Risk**
The aim of calculating expatriate ROI is to measure and maximize assignment returns and reduce potential risks. In order to maximize return, the entire assignment life-cycle needs to be considered: the pre-assignment phase, the international assignment and repatriation. Based on academic and management industry research, it is recommended that organizations consider the following key insights to increase assignment effectiveness:

- **Clear Purpose** - Define a global assignment strategy, set objectives and link them to the business strategy. Ensure that there is an agreed and documented business case that defines assignment purpose and objectives.

- **Assignment Candidate Selection** - Ensure that assignee selection addresses the assignee, home and host sponsors of the organization, and the business goal(s). Industry professionals have found that when recruitment and selection practices are *ad hoc* and reactive, decreases in employee performance and productivity are more likely to occur.

- **Up-to-Date Goals** - If the purpose of the assignment changes, be sure to re-calibrate both the purpose and the corresponding business objectives. Be clear about the individual’s objectives for the assignment and ensure those tie-in with the organization’s overarching business strategy.
✓ **Compensation** – Academic researchers often state that in order to maximize expatriate ROI and minimize risk, the compensation package needs to be tailored to the assignment objectives and cultural conditions – this is often a critical factor in motivating expatriates to accept assignments and perform in difficult locations.

✓ **Cross-Cultural Training** - The training and development of expatriates, in terms of cross-cultural preparation and language programs, represents a financial cost to MNCs in the initial stages of an international assignment. Yet, there are significant, long-term benefits to be gained in terms of better performance and cultural adjustment. Customized training and development programs can lead to more realistic employee expectations, higher levels of cross-cultural adjustment, and increased overall performance.

✓ **Family Support Practices** - Consider providing family support services which are often critical during expatriation in order to facilitate the achievement of assignment objectives.

✓ **Performance Management** - Actively manage expatriate performance by keeping a focus on achievement of the assignment objectives. Track the degree to which performance improves, declines or stagnates. Involve both the home and host country in the process, as well as in the development discussions. Compare appraisals of assignees to non-expatriate peers.

✓ **Repatriation** - Be aware of individual assignee needs and facilitate the transition back home by following a standardized repatriation process. Ensure transfer of gained experiences and knowledge. Take steps to prevent repatriate disaffection and outline the next role in the expatriate’s career development, ensuring this role utilizes the assignee’s overseas experience.

✓ **Cost Tracking** - Track assignment related costs and benefits and benchmark costs internally, as well as with other organizations (a relocation management company can often assist with a benchmarking exercise.)

✓ **ROI Calculation** - Perform the ROI measurement exercise: start by defining the assignment objectives and agreeing on quantifiable measurements. Then identify financial and non-financial benefits and costs and link these to the assignment purpose. Identify HR/mobility activities that could impact ROI. Conduct the calculation at an appropriate time within the context of the assignment purpose.

✓ **Assignment End Date** - If the assignment objectives have been achieved, evaluate when the assignment should end.

✓ **Post Mortem** - Perform a retrospective analysis of each assignment, in which each evaluation area is rated as to the benefit provided, with a direct or indirect ROI impact.

✓ **Stay in Control** – Ensure understanding of the assignee population.

✓ **Policy Review** - Periodically review the performance of the global mobility policy and benchmark results.

✓ **Outsourcing** - Consider outsourcing the non-strategic functions of the relocation program to a supplier. This could decrease overall costs as specialists can generate greater cost-savings, and HR can then concentrate on the strategic aspects of the assignment, such as developing and retaining expatriate talent.

**Conclusion**
Proactively measuring and calculating the ROI of international assignments can be a challenging task, but is an important one. Working with a proven relocation management company who can provide comprehensive cost estimates, cost tracking and best practice advice on achieving the highest program
value can make a considerable impact. In addition, by creating a formalized process and following proven practices HR/mobility professionals can make significant strides towards creating a practical ROI tool – one that will bring added value to the business and global mobility strategy.

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