SANTA FE
RELOCATION

WHITE PAPER

Part 1 (of 2)

The future of work and the impact on Global Mobility

In this two part white paper, we explore some of the key business and geopolitical drivers behind the latest mobility trends and their potential impact on the deployment of internationally mobile employees. Many long-serving industry professionals have been heard to say ‘there’s nothing new in mobility, just new people learning it for the first time’. That underestimates the tide of change that is flowing throughout the global economy, and with it, the global mobility industry.

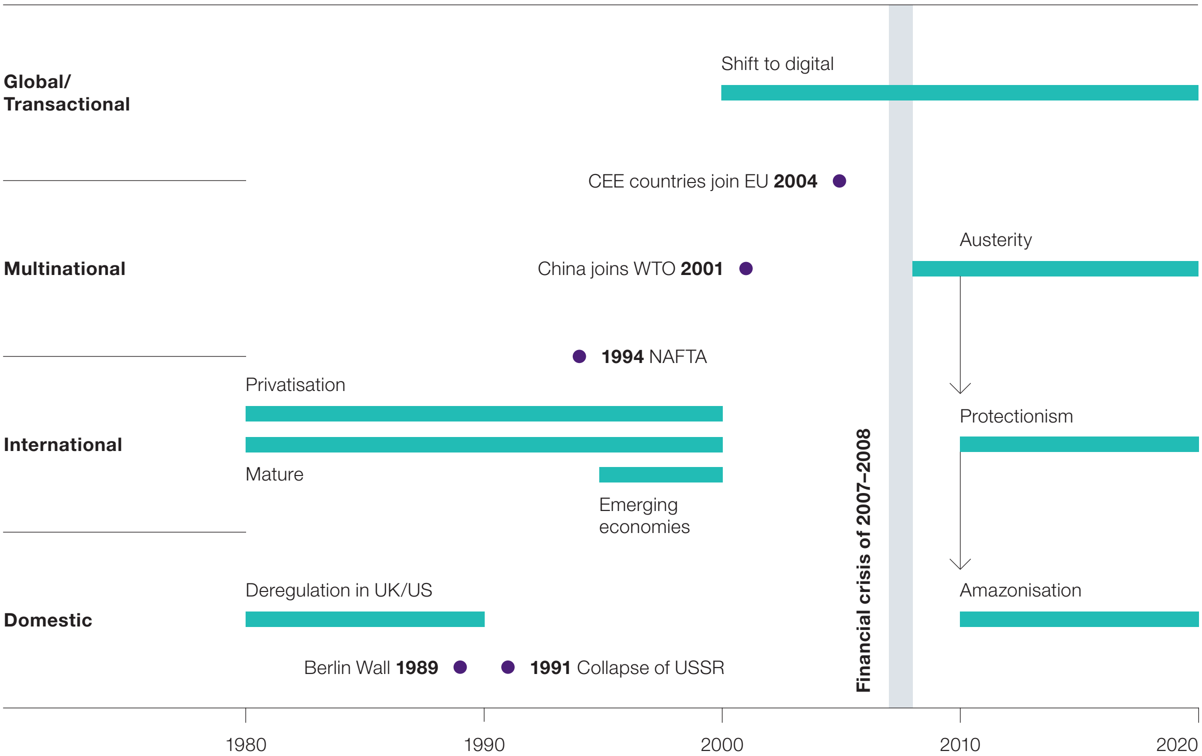
This Paper is intended to reflect on how your own organisation is evolving and adapting to shifting global economic patterns, and the companion piece to draw up your action plan to ensure that you react accordingly.

Globalisation? It's everywhere these days…

Globalisation enjoyed a one-way growth spurt for a quarter of a century as a result of waves of economic reform. Between the 1980s and the 2007 global financial crisis, most of the economic trends reinforced the growth of globalisation in business, and the need to move talent to support that. This arguably started with de-regulation of major economies in the mid-1980s, followed by the opening up of the Central and Eastern European economies from 1989, the 1994 North America Free Trade Agreement and in 2001 China's move towards accession to the World Trade Organisation. This series of events and others like them caused a massive increase in the numbers of companies that moved from being International, to Multinational to Transnational and ultimately Global. Combined with the rise of technology, ever-smaller companies were able to join this global economy. This meant a substantial one-time surge of assignees, as pioneers from head office established new businesses, sourced local champions in privatisations, or built new factories closer to customers, or in areas with lower labour costs (depending on who they were explaining it to).

Fig. 1: Milestones impact globalisation

Note: Indicative timeline for illustration purposes only.



From around 2007 onwards, that trend line stopped moving in one direction only. There have been a number of boom-bust cycles, 'double-dip' recessionary periods and periods of austerity that have impacted many traditional organisations' ability to continue to grow and remain sustainable. In parallel, however, geopolitical and ideological conflicts and war, combined with acts of terrorism, to say nothing of the vogue for economic protectionism and nationalism have created new tensions and dynamics for organisations with a mobilised workforce. Post 9/11 the international uncertainty reduced the number of assignments dramatically for two to three years, but the broader impact on securing employee acceptance of assignments necessitated a re-think of talent and policy to off-set concerns about host country environments. Meanwhile, the growth of technology and digitisation has started a re-think of the need for mobility at all.

2018: Green shoots of growth rather than blooming economies

As we now enter the fourth industrial revolution, organisations recognise that traditional business models that worked for them in the past, won't necessarily work as effectively in the future. E-commerce and the dynamic impact of artificial intelligence (AI) and digitisation of many business functions has created disruption and challenge – certainly for those operating in mature, traditional markets.

McKinsey highlights optimistic growth, closer to home markets[1]

Even in the midst of trade-related threats, respondents remain enthusiastic about their companies' prospects… Accordingly, when asked which countries will provide their companies with the biggest growth opportunities, the responses vary by region—though the United States is cited most often, followed by China. By and large, the most common responses are either respondents' own countries or nearby markets. In developed Asia, for example, respondents most often cite China and Japan, followed by the United States and Australia. In Latin America, Brazil is most common (46 percent name it, compared with 8 percent of the global average). In Europe, Germany is cited most often, followed by the United States, China, and the United Kingdom.

Brexit—should I go or should I stay now?

One of the key defining events that marked the turn from an outward looking global focus to a more national based one was the UK's Brexit decision in 2016, and its implementation. It can be easy for those of us living in that market to forget that this is of minimal interest to the rest of the world, and the impact on global mobility between other countries may only be marginally affected.

However, Brexit has been a catalyst for organisations to re-think where they see greatest benefit of locating their headquarters, research laboratories, and other key high value or geography-dependent sites. Financial institutions that require passporting rights to operate across the EU are, for example, looking at options in Paris, Frankfurt and Madrid. Unilever, the Anglo-Dutch giant recently announced in March 2018 that they would be moving their Head Offices to Rotterdam, rather the current UK/Netherlands set up. The question remains at what stage Global Mobility enters the process to ensure compliance for those currently on international assignments and any prospective 'group moves' has a well thought through strategy for operational execution. Those on assignments from the UK may find that their return 'home' is something very different.

It is not however, one way traffic out of the UK and in fact, using Fig. 2 below (Source: The Santa Fe Global Mobility Survey 2018[2]), the UK remains one of the top sending and receiving destinations, with 2% net increase in sending internationals from the UK but with the UK level as a destination. While the final outcomes from Brexit are still unclear on many fronts, this is a time of unprecedented change and indeed opportunity to prepare for the next decade and beyond in this 'brave new world'. The list of most common destinations and sending locations hasn't changed significantly from 2017. (The increase in Spain may represent an increase in Spanish companies in the survey compared to last year).

Fig. 2: Top sending and receiving countries according to 654 global mobility/HR respondents in the Santa Fe Relocation Global Mobility Survey 2018

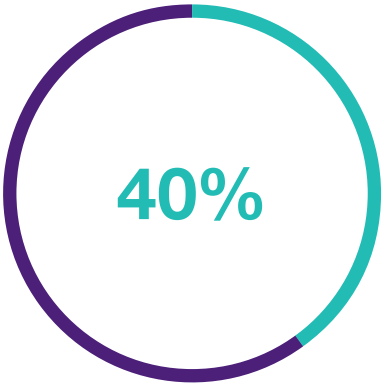
Destinations (% most common)	2017	2018
US	18%	14%
China	11%	13%
UK	8%	8%
Singapore	5%	6%
Germany	5%	6%
France	4%	5%
Australia	4%	3%

Sending from (% most sent from)	2017	2018
UK	9%	11%
France	5%	10%
US	14%	10%
China	7%	8%
Spain	3%	6%

Furthermore, the Survey also reports that China has also reclaimed top spot as the most challenging destination to which to send assignees, over India and the US:

#1. China	15% **(+6%)**
#2. India	8% **(+1%)**
#3. USA	7% **(-2%)**

The change suggests that new companies entering China do find the fast-paced nature of a highly competitive market a challenge, especially now as the investment flows into the second and third tier cities rather than the largest. Building on the shifts in the global economy, discussed earlier, globalisation will see China and India playing an increasing role in coming years not only as a receiver of but also as a sender of expatriate talent, although whether these people are sent on 'expatriate' terms is not so clear.



40% of global mobility respondents in the Santa Fe 2018 Global Mobility Survey also report growth into new locations in 2017.

For the more traditional ‘Western’ clients, Fig. 3 below reflects that while organisations may be looking to domestic and nearby cross-border regional markets for growth (based on the McKinsey survey), there will still be a continuing need to grow into developing locations, where the organisation may have limited or no prior global mobility experience.

This offers an interesting set of dynamics for Global Mobility professionals and the broader HR community, partnering with their businesses to source, grow and quickly deploy existing and new talent into new projects and countries as organisations seek to take advantage of changing industry conditions and opportunities in emerging economies. While many Global Mobility teams have a firm grasp of existing locations, the triple impact of geopolitical changes, new locations and greater diversity are likely to require more support than well-trodden assignment locations. This leads to issues with:

+ **Compliance:** Immigration and employment taxation compliance (which will include payroll obligations), combined with an uncertain political climate.
+ **Talent attraction:** The engagement and hygiene drivers that will attract new talent to undertake internationally mobile opportunities, especially assignees from non-traditional home countries.
+ **Evolving assignment types and destinations:** Technological impact of ‘virtual’ assignments and greater Diversity and Inclusion (D&I) requiring consistent but differential policies and conditions for broader talent groups, including generational expectations.

Fig. 3: Main challenges reported by Global Mobility professionals impacting the achievement of Global Mobility objectives over the next five years[2]

Immigration complications	50%
Complicated tax system	39%
High cost of living	33%
Concerns about personal security/safety	32%
Spousal career issues	30%
Political climate	29%
Differences in legislation	28%
New types of mobility e.g. virtual assignees	26%
Cultural differences	17%
Lack of facilities to support the relocating employee’s accompanying family	13%
Extended family e.g. ageing parents/grandparents	12%
Insufficient/different medical infrastructure or quality in assignee destinations	11%
Availability of suitable housing	10%
Language difficulties	10%
Diversity e.g. race, sexuality, religion, gender	9%
Other	7%
No challenges	4%

Moving to the next phase of globalisation?

In a recent article[3], former British Foreign Minister Rt Hon David Miliband summarises the globalisation debate: "At the heart of the globalisation conundrum is that economics and politics, for a long time in harmony, are now in discord. While the global economy is boosted by migration, the politics of that migration is tearing western societies apart."

That more than anything else has caused a re-think on migration. Laws designed to target one segment of migrants will also have impact on the corporate sector.

There are few countries disconnected from the global economy in the way half of Europe, or South East Asia were thirty years ago. So in that sense, there is little likelihood of a sequel to the last great wave of outbound globalisation. Instead, be ready for a wave flowing in the opposite direction.

The rise of Chinese companies

Research from Santa Fe China indicates that much of the Chinese outbound mobility seen so far is in the preliminary phase where key individuals are sent from Headquarters to set up the initial overseas markets. However, the speed of development means that many are evolving to the more mature stages rapidly, and volumes will shift accordingly.

Fig. 4: Evolution of international employee mobility

		Assignee source	Business/ talent drivers	Assignee measure
1	**Domestic/Multi-domestic**	Home country based	Leadership, development and skills shortages	Local market growth and people measures
2	**International** 2018 Chinese companies	From/to headquarters	Corporate governance upskill and augment local knowledge and experience	Based on trust
3	**Multinational**	From/to headquarters and third country combinations	Career and international exposure	Achievement of personal and company goals
4	**Transactional/Global** One global marketplace?	Global	Development of multiple markets and talent pool from multiple units within the organisation	ROI measurement including market share, EBITDA, employee engagement metrics

Separately, international development ideas such as the Belt and Road initiative see Chinese companies investing huge amounts in infrastructure at all points between China and Europe. Whilst the labour dispatched to build the facilities on the way may not feel like expatriates in the traditional meanings of the word, the issues of compliance and risk management still apply, and the strategic aspects of workforce planning would still be relevant.

Traditional talent drivers for international assignments

Typically, an expected outcome included in traditional long term assignee's objectives would be the identification of their local successor, development of a training plan in order to ensure that they have the right competencies and are ready to assume responsibility, at which point, the organisation localises to the extent necessary to integrate into its local economy.

A first wave of out-bound long-term assignments often creates a mirror effect of reverse assignments, as future local leaders are assigned within the organisation to be trained and developed and to assimilate corporate culture, with a view to returning to their home location and assuming leadership roles from the original assignees.

Over the last decade however, that trend has shifted. Firstly, there has been a slowdown in the number of new factories being built in developed markets, or even the recently emerged countries in Europe. Secondly, many organisations have completed re-structuring of their supply/value-chains by relocating service centres and research hubs, reducing the mobility that went with that exercise. With the advancement of technology, even that has slowed down, with self-service IT or artificial intelligence replacing labour, regardless of how inexpensive it is, and partisan resistance to too much exportation of jobs. Effectively, therefore, organisations can increasingly source skills and expertise, either through local staff, outsourcing or AI without the need for international assignments.

International assignment policy segmentation—the new norm

In our Foreword, we noted that for a long period of time, mobility tended to be a replicable model for predictable business and talent development. So, we can look at the apparent trend in organisations deploying more short-term assignments than long-term assignments, whether the balance is shifting from 'Strategic' to 'Developmental', and how the need for cost control never goes away.

For the reasons we have described in our view of the shifting global landscape, there is a line of sight to the evolution of policy segmentation, popularised over the past few years with a need to have international employment conditions that fulfil the needs of all stakeholders. This will be covered in more detail in Part two of this series.

As the balance of economic power evens out across the world, and organisations from China, India, or the Middle East, make their presence felt, the Global Mobility models that they typically use, with a benefit-light and local equivalent salary model, start to become the new norm. Moving from a developing to a developed country is unlikely to see a need for 'hardship' type packages, although it may need an upward revision of base salary to meet Immigration minimum salary requirements.

The career development prospects of working abroad, or the social benefits of bringing up children in a country with economic and political freedoms unheard of at home, and a new dimension creeps into expatriate structures in a way undreamt of until very recently.

At the same time, Chinese construction workers building ports on the horn of Africa will be enduring all of the challenges of working abroad, without necessarily the perks.

Some global organisations (technology, financial services, pharmaceutical, FMCG) have already shifted their traditional expatriation models: replacing a home/host return axis, with a series of international permanent relocations with assignment based relocation support to move on a local-to-local (plus some extras where local conditions require additional support).

Who owns my career?

As younger generations mobilise internationally, their expectations of a return ticket to their home location may alter, especially as the roles they left may no longer exist as technology and business evolve. Whilst there may always be a small core of headquarter based functional and leadership positions, the new deal for those seeking an international career will be perpetual motion not anchored return to one country, especially for those that originate from non-headquarter countries. Even more, skilled and talented employees will leverage their global 'nodal' networks to share ideas, identify projects that interest them and which will develop their personal capital. Talent management and global mobility for organisations will be competition not only from peer corporations but also their own employees, who may decide to have a period of self-employment.

Two key actions for HR and Global Mobility will be:

+ To connect ever more closely and with their external global mobility partners, to ensure the international assignee experience is a positive one and leverage this to attract and retain new employees to the international talent pool.
+ The quality of HR and Mobility's data analytics must enable pro-active workforce planning to differentially invest in a talent pool, that compared to today, will be more diverse demographically and in their expectations and 'work-life' deal with their employer.

Conclusion—part one

The last few years have made it clear that the wave of globalisation that powered the growth of the Global Mobility industry during the careers and lifetime of most of the readers of this Paper have shifted. Globalisation appeared to be a one-way street, but the combinations of austerity, low growth, profitability challenges and increasing protectionism has meant that for the first time in a generation, companies have made strategic shifts in how they grow. In parallel, technology has caused some shifts in whether assignments and travel are even as necessary as they used to be. And new competitors from different home countries with a different cost model are becoming competitors in more places. In part two, we will review the shifts in the types of assignments being used, and what the implications are for mobility policies.

About the authors

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Recognised as a thought leader and speaker on strategic international HR, talent management and Global Mobility, John has 15 years of global consultancy experience. Having previously held senior HR leadership roles in numerous global businesses across a range of industry sectors, John now works with global organisations to create value and improve the structure of Global Mobility programmes; focusing on aligning strategic objectives with operational delivery.

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As a highly experienced Global Mobility consulting practitioner, Peter has more than 25 years experience in the Big Four, establishing and building Global Mobility practices across Europe. Peter has worked as a senior advisor to many of the world's largest companies, solving their most complex cross-border HR challenges. Since joining Santa Fe Relocation in 2017, Peter has worked directly with our largest clients to strategically align our service delivery with each client's individual needs and mobility transformations. He has recently added responsibility for Group HR within Santa Fe Relocation.

References: 1. Economic Conditions Snapshot. McKinsey Global Survey results. March 2018. **2.** Santa Fe Relocation Global Mobility Survey 2018. React: Transformation in the age of uncertainty. **3.** What next for Globalisation? The Monocle Forecast 2018. Rt Hon David Milliband, former British Foreign Secretary.

SANTA FE
RELOCATION

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