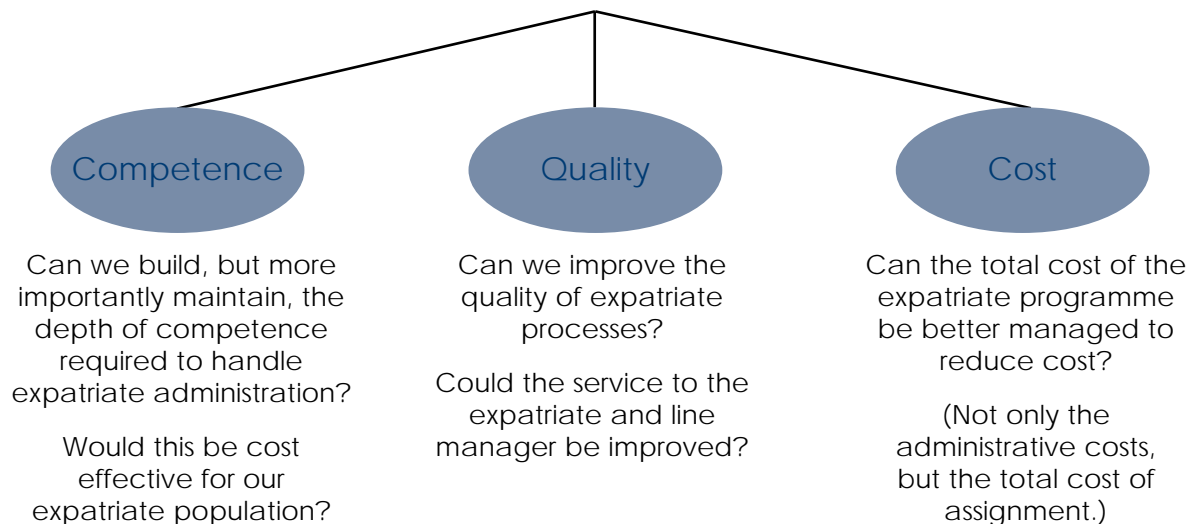


## Outsourcing International Assignment Management

When looking at outsourcing the management of your International Assignment Programme there are three main things to consider before making a decision:



In recent years outsourcing has become an attractive proposition for many organisations, with many outsourcing non-core activities, such as payroll and pensions administration. However, having recognised the benefits, many now outsource on a much more comprehensive basis - effectively sub-contracting all day-to-day HR activity and, in some cases, even strategic elements of the function.

So is expatriate administration a suitable function to outsource? It is, at least for some organisations. The administration of expatriates is much more time-consuming than administration on behalf of local employees. It demands a great deal of specialised knowledge, much of which is subject to regular change. And the urgencies associated with setting up a new assignment, or managing change, are such that handling them as part of a generalist HR role can be difficult to say the least. Experienced

practitioners will know that managing the expectations of assignees - and their families - is a key issue. When outsourcing leads to faster and more efficient administration, the management of expectations is made considerably easier.

### Research and planning

Any organisation thinking of outsourcing must consider the reasons for wanting to do so carefully. If the opportunity to reduce costs in the short-term is a driver, then the move is unlikely to be successful. For one thing, many of the costs associated with administering the expatriate workforce are difficult to identify. Few organisations hold all relevant costs in one cost-centre - in many cases they are dispersed across several cost-centres, in several different countries and are rarely consolidated for control purposes. Many of the costs are difficult to identify - they may relate to HR and line management time, or

to overhead costs. Some costs - such as tax reimbursements on bonuses - may not be incurred until well after the assignment has ended. This is not to say that there cannot be real - and substantial - cost improvements through effective outsourcing, rather that pursuit of short-term financial advantage is rarely a good reason for making what may be a fairly major strategic decision.

There are two categories:

- 1 organisations with sizeable expatriate populations, which have the capacity to establish and maintain an internal centre of excellence, but choose not to do so, and
- 2 those whose assignment programme is not large enough to sustain real competence internally

The former may release real advantage by releasing expensive resources, material as well as human. The latter will almost

certainly benefit from much more effective and consistent administration, as well as avoid what can sometimes be very expensive errors.

Analysing current expenditure, including those resource costs which must necessarily be estimated, and being clear about organisational goals, are critical to planning.

### **A strategy for outsourcing**

Once an in-principle decision has been taken to outsource, then a clear strategy must be developed. This must include detailed consideration of which elements of the process to outsource. This list may extend beyond the obvious "technical activities", such as immigration services, tax planning, pay determination, contract preparation etc. to devolution of responsibility to the external provider for maintenance of the primary record base with the employer having online access. As well as detailing the functionality, the employer should, at this stage, define the nature of the service required. How much of it must be delivered face-to-face? Who will manage the process internally and who will deal with the external provider on a day-to-day basis? What functions should be retained internally and who will provide them? This leads to the inevitable question of whether existing team members can be released to concentrate on other activities where they can provide much more benefit to the organisation.

The strategy should take account of each stage in the process, from identification of potential providers, to their briefing, tendering, consideration, short-listing, the formalisation of a service level agreement and the transition to full implementation. The plan must allow realistic time-scales and provide for appropriate levels of internal consultation and participation. If it does not, then anxiety is likely to develop and this can spread well beyond the HR department and unsettle line management, expatriates and their families.

Once an outline service specification and strategy have

been developed, potential service providers can be identified who prima facie have the ability to deliver the services required. These may include organisations who undertake to provide all the required services themselves, as well as other specialists who manage other third party suppliers on the employer's behalf.

### **Tendering can add value**

The tendering process should be well-thought through, giving the opportunity to all contenders to receive a comprehensive briefing as well as the opportunity to assess current systems, processes and records on site. The opportunity to meet those currently responsible can also be very helpful. While this research stage for the providers is clearly essential to them, it can also provide the employer with valuable insights into their consulting skills and their ability to build effective working relationships with those inside the organisation.

Service providers may well suggest revisions to the outline service specification and while this inevitably makes comparison of their proposals - and potential fees - more difficult, it can also indicate the way in which they may be able to add value to the overall process.

Employers may choose to ask providers to make formal presentation of their proposals or review proposals more informally. This may depend on whether or not there are established policies over the handling of supplier relations and contracts, and perhaps the need to involve the employer's internal procurement department.

### **Selection of a service provider is not always easy**

Ideally, the employer will have defined the selection criteria carefully, noting which of them must be met, as an absolute minimum, and the relative importance of other criteria. Ideally, the criteria should focus on deliverables rather than delivery methods. There may be an intuitive preference to select a provider who will take responsibility for delivery of every aspect of service themselves, on a one-stop-shop basis. But those who do not

may well be able to demonstrate an excellent track record of managing other third party suppliers so that for the employer service is seamless.

Some criteria may seem fairly basic, but are important none-the-less. Providers must be able to demonstrate that their systems are robust and secure and that disaster recovery systems are in place. Employers who have devolved responsibility to third parties for the maintenance of both electronic and paper records need the comfort of knowing that they can be recovered in case of need.

And those who rely on database replication with the provider will want to know that data can be recovered if for some reason their own systems fail.

### **Technical competence**

The complexities of international assignment administration are such that employers must be particularly thorough when assessing proposals. They will want answers to the following questions.

- ♦ Will the employer's prime contact be able to speak with confidence on tax in relation to pay and benefits, as well as available concessions, in the context of host as well as home country?
- ♦ Will they be able to explain the significance of any applicable double taxation treaty or reciprocal agreement on social security?
- ♦ Will providers be able to prepare hypothetical tax calculations and build-ups which reflect not only salary and allowances, but also benefits in kind and relevant tax concessions?
- ♦ How quickly will they be able to do this - will they depend on support from colleagues in other countries for this element of their service, too, and will the information come back to them in a form consistent with their needs?

Delivering the results does matter more than the method of delivery. However, specialist suppliers who can provide such services from a

single office, and who do not need to refer questions to colleagues in other countries, may well have an appreciable advantage in terms of speed (and therefore cost) of delivery. By the same token, they may well be better able to take a holistic view of the tax and social security implications of an assignment, rather than look at it from what may be essentially two different domestic view-points.

### **Making the relationship work**

Providers will inevitably present differently, with relative strengths falling in somewhat different areas. Some may be very strong in some of the technical areas, but in practice be less enthusiastic about some aspects of routing administration. Some may be sound in both areas, but not as enthusiastic about handling queries from assignees and their families. As well as assessing them against the criteria defined, employers should also consider the inevitable consequences which may flow from their selection, as well as potential risks - and in the case of risks, both probability and potential seriousness. For example, one of the providers might seem to score heavily relative to their competitors in terms of meeting all the criteria, but may not offer the employer a high enough level of confidence in terms of the stability of the servicing team and thus long-term service continuity. So even if the team presenting seem able to work well with the employer, the question may arise as to how long they will remain on the team and whether their replacements will prove as effective.

The selection process may be formal, or the steps outlined here may be followed less formally. However, even if the most "heavily weighted" criteria are soft in nature (e.g. "ability to develop effective working relations with internal contacts"), clearly all providers should be assessed on the same basis.

Service level agreements and terms of business should be unambiguous. The tendering process will almost certainly provide clarity and perhaps enhanced definition to the service specification. If it has not done so by this stage, the question

as to the definition of service quality should also be addressed. Issues to consider include speed of response in relation to key tasks and measurable quality standards where they can be defined.

There may be a temptation at this stage to try to "set in concrete" the service level specification. An alternative approach, however, which is well worth considering, is that it is taken as a preliminary specification which will be reviewed after the completion of a transition period. It is often the case that detailed aspects of systems and procedures emerge during this phase which those managing the tendering process could not reasonably have been familiar with - even when a policy appears comprehensive and clear, in practice it may have become quite common to make exceptions. And sometimes those involved on a day-to-day basis are so familiar with their roles they omit to mention certain activities and routines. If this alternative approach is not adopted, then there should be a very detailed review of practice compared with service specification at the time of the post implementation review.

### **The transition**

The purpose and duration of the transition process should be clear to all those involved. Duplication of effort should be avoided, and task should not "fall through gaps".

The transition period may not need to be unduly long. The external provider is likely to tackle some aspects of the process differently, not least because they are likely to have tools and technology available to them of the kind that the employer may not have in-house. Indeed, an overlong transition period can lead to frustration on both sides and should be avoided.

### **Implementation**

An article of this nature cannot examine the details of implementation in any detail, since the nature of outsourcing agreements will vary so much. Suffice it is to say that there must be regular and thorough reviews

between the employer and provider, including after the pre-determined time perhaps, a formal post implementation review.

Also, very importantly, each party should be prepared to offer immediate constructive feedback whenever the opportunity arises to identify service improvement. Storing up feedback and ideas for review meetings is not the most helpful approach in the world - not only may the context and significance of the observation be largely forgotten, but it introduces a somewhat confrontational approach into what should be a real partnership.

### **Conclusion**

Outsourcing of expatriate administration services is a well-established practice that employers who have not yet taken this step should have no difficulty learning how it may benefit them.

As with the outsourcing of any other activity, employers must be clear about their goals, assess the financial implications clearly, and manage the selection and transition efficiently. Those who do should unlock substantial benefits. These may include direct benefits such as faster, more consistent and more effective administration generally, improved cost management of assignments and the avoidance of otherwise costly compliance problems. But perhaps more importantly, they may find that their acceptance and retention rates for assignments improve, and that assignees become more effective more quickly. These employers will achieve greater assignment success and therefore better returns on their investment.