

Overview

The economic impact of talent acquisition and mobility for a global organization is huge. No matter what the nature of the organization's operations—for-profit, not-for-profit, government, nongovernmental organization—talent is a prime driver in moving the organization forward and helping achieve strategic success.

There is a time-tested principle worth mentioning: “If you can't measure it, you can't manage it.” It is HR's responsibility to collect relevant metrics about organizational talent. Organizational leaders are always interested in metrics and how HR's talent management impacts the top and bottom lines.

This section covers some of the traditional workforce metrics used by HR. The particular significance of the return-on-investment metric in international assignments is examined. The section concludes with a discussion international assignment management tracking and reporting tools.

Workforce metrics and tools should do more than just “measure” global talent acquisition and mobility costs. They must fully demonstrate results against strategic objectives. Unfortunately, all too often, HR practitioners—both domestic and global—merely “analyze and report activities.” Certainly global HR practitioners should capture traditional metrics. But it is equally (or more) important that global HR practitioners use the data to provide insights that can improve talent management decisions, which, in turn, improve organizational effectiveness. It's about analyzing the data and reporting what the activities accomplish. When metrics are used in this manner, they are valuable in developing global workforce planning strategies that place the right people in the right place at the right time.

Traditional HR Metrics

HR can use many metrics to demonstrate contributions to the organization. Measures such as head count, cost of hire, days to fill, and return on investment are covered here.



Head Count

Head count is the number of people on the organization's payroll at a particular moment in time. It is a snapshot of a moment in time (e.g., on June 1, head count was 35,000). It is synonymous with the term full-time equivalency (FTE). Calculating an average head count over a year yields a representation of the average number of employees required to run the global operations over the course of a year.

Head count rises and falls as employees leave and are replaced, but these changes are usually narrow. Large swings in head count are not the result of employee turnover. Significant changes result when there are operational changes driving the demand for talent (e.g., those resulting from expansions, acquisitions, greenfield operations, and divestures).

Retention and productivity improvements can also influence head count.

Cost of Hire

Cost of hire (also known as cost per hire) is the traditional measure of recruiting costs. It is determined by taking the total costs of all hires and dividing that figure by the number of new hires.

$$\text{Cost of hire} = \frac{\text{Total costs}}{\text{Number of new hires}}$$

“Total costs” appears deceptively simple. The category includes all costs associated with recruiting—advertising costs, recruiter and agency costs, referral incentives, relocation bonuses, referral bonuses, screening costs, travel costs, and the costs associated with the salary and overhead of internal recruiting staff.

Cost of hire provides recruiting cost projections for budget planning. This metric is also useful to communicate the big picture of what it costs to hire a person in the organization. A concern with cost of hire is that the measure oversimplifies the costs of hiring.

Cost of hire lumps together the costs of hiring for all types of employees. Mixing types of employees can skew the true costs of hiring for a specific position. If, for example, the cost per hire for a greenfield operation was calculated including all



categories of employees together, it would misrepresent the specific hiring costs for local nationals, mobile employees brought in from other countries, and international assignees; it would also skew costs of senior-level employees, supervisors, and low-level employees.

Calculating cost per hire by employee type addresses this limitation. For the greenfield operation, separate measures for types of employees hired (i.e., employee position levels or categories) would provide much more meaningful measures.

Days to Fill

Days to fill (also known as time to fill) represents the number of days from when a job requisition is opened until the offer is accepted by the candidate. This information helps HR professionals determine a realistic amount of time for hiring new employees, and it helps managers plan how to best redistribute work to existing employees while the position is open. The metric is also useful in resource and budget planning. However, there are caveats in using the days-to-fill metric in the global environment.

If benchmarking is done, it is important to realize that mean time to fill (as with other metric averages) can vary widely from country to country.

Another consideration with the days-to-fill metric is that an emphasis on speed may increase recruitment costs and decrease quality. Likewise, over-promotion of cost efficiency may impact the quality of the hire and lengthen the process. Similarly, a singular focus on quality may cause a longer cycle time and may increase costs. Figure 2-69 portrays this relationship, as described by Lance J. Richards.

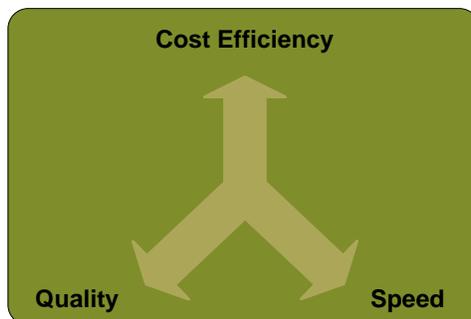


Figure 2-69. Factors Influencing Recruitment

Usually, the longer a position is open, the more aggressive and potentially expensive the recruiting strategies that may be necessary. In turn, this can increase cost efficiency and the cost-per-hire measure. Given the relationship between the days-to-fill and cost-per-hire measurements, the two should be viewed holistically to improve recruiting efforts and justify future recruitment budgets. Therefore, it is advisable to use some assessment of new-hire quality in conjunction with days-to-fill and cost-per-hire metrics.

Many other factors can dramatically influence days to fill for international operations. Consider some of the most common examples:

- The type of employee (e.g., international assignee, project-based assignee, commuter, local hire)
- Level of employee (i.e., executive, supervisor, lower-level)
- Legal compliance in specific countries
- Labor market conditions
- Assignment logistics (e.g., visas, work permits, pre-decision trips)
- Culture
- Compensation and benefits offerings

Return on Investment

In very basic financial terms, **return on investment (ROI)** equals what is left over after the costs of an asset or project have been subtracted from the benefits that the asset or project delivers.

$$\text{Benefits} - \text{Costs} = \text{ROI}$$

Definition of ROI for international assignments

Relative to an international assignment, the description of ROI changes. In the Global Relocation Trends 2008 Survey Report issued by GMAC Global Relocation Services, 59% of the participants who said they measured ROI defined it as “accomplishing the assignment objectives at the expected cost.” Other definitions of ROI include “benefits realized for employee and company” and “the development of talented individuals in real testing roles for the future benefit of the company.”



When asked to describe measures factored into ROI calculations, verbatim comments note a variety of items such as:

- Effectiveness of assignment on dollar return.
- Expat achieving goals.
- Actual costs of each assignment.
- Gain of each expat when repatriated.
- Cost of investing in each expat.
- Retention.
- Promotion.
- Talent classification of expat.
- Satisfaction with service.
- Employee completing the full assignment.

Tracking assignment costs can be cumbersome, and calculating ROI can be imprecise. Perhaps that is why only 11% of the participants in the GMAC survey responded that they did. Relatively low rates have been substantiated in surveys by Cartus and others. But all of this does not mean that assignment ROI measures cannot be performed.

International assignment ROI: assessing assignee fit and impact

The ROI assignment metric involves:

- Identifying and tracking all financial costs.
- Linking the costs to assignment purpose and objectives.
- Identifying relevant practices that would cause an increase or decrease in ROI.

When organizations send individuals on assignment, the expectation is not only to receive value. Organizations expect the benefits to outweigh the costs of the international assignment. This involves both of the following:

- Financial aspects or “hard costs” of an assignment (e.g., the cost of cross-cultural training, processing of immigration documents, or assignment costs amortized over the duration of the assignment)
- The nonfinancial aspects or “soft costs” (e.g., the development of global leadership talent or the transfer of technical knowledge)

Typically, international assignments are expensive. However, when the financial aspects are considered in conjunction with nonfinancial ones, the benefits often outweigh the costs. For example, when the knowledge from an assignment can be integrated back into the organization or a host country



significantly improves speed to market, an assignment has generated rich dividends.

Tracking costs

The first step in quantifying expatriate ROI is to formally track financial costs. This can be challenging because assignment costs can vary widely and are often difficult to identify. But the task is not impossible.

Figure 2-70 shows some of the major costs for international assignments, including examples of how these costs can vary, as described by Eric Krell in “Evaluating Returns on Expatriates.”

Cost	Examples of Possible Variations
Overall remuneration	Home- or host-paid expenses.
Housing	Type of housing and the location; Japan, for example, is expensive compared to Australia.
Cost-of-living allowance	Private schools for children; club memberships; private drivers.
Physical relocation	Basic movement of the employee and the employee’s possessions goes up depending on the possessions (pets, special art collections, etc.) and whether the employee’s family is accompanying.
Cost equalization (smoothing out difference in pay and benefits between countries)	Currency exchange rates can be volatile, and international tax concerns can be extremely complex. Some countries have high income tax; others do not levy income tax. Totalization agreements, international treaties, and country-specific tax laws complicate matters and typically necessitate help from accountants and tax lawyers.

Figure 2-70. Major International Assignment Costs

This list is hardly all-inclusive, but it provides a solid foundation for cost tracking.

Linking to assignment purpose and objectives

The next step in the ROI calculation is to consider the purpose and objective for the assignment. Why? A very cost-efficient international assignment can fail to meet any of its objectives and cost the organization much more in the long run.

Assignment purpose. One set of factors HR professionals can consider to identify assignment purpose are those developed by the Expatriate Technology Forum (ETF), an association of multinational companies (e.g., Shell, Philips, Heineken), created to develop benchmarks, metrics, and standards related to assignment ROI. The ETF developed an “assignment value model,” and Figure 2-71 lists the six drivers of international assignments they identified (in Krell, “Evaluating Returns on Expatriates”).

Driver	Examples
Technical skill need	Sending experts from South Korea to the United States to oversee the manufacture of its automobiles.
Knowledge transfer	When internal surveys revealed that an Australian firm’s Japanese employees were dissatisfied with their benefits, the organization dispatched a Japanese-speaking HR manager from its Melbourne headquarters to Japan to strengthen the HR infrastructure there.
Management development	Assignees who are executive candidates developing international intercultural competence while on international assignments.
Renewal	Referring to the renewal of talent management, addresses organizational development objectives by assigning international management development assignments to high-potential employees early in their careers.
Governance and control	Refers to the art of disseminating the headquarters’ cultural mindset to far-flung offices and operations.
Organizational need	A change in organizational structure, such as a merger or the creation of a shared services center, necessitating help from abroad.

Figure 2-71. Major International Assignment Drivers

According to the ETF forum, identifying these drivers allows an organization to assign a relative value proposition to an international assignment by describing and comparing the assignment to the value it has for the various stakeholders. Not everyone may be comfortable in making these estimations, but the ROI calculation necessitates doing so.



Assignment objectives. Once the key drivers for an assignment are identified, the final step is to define objectives and assess the return. The duration and effort required for tracking objectives will vary. For example, ROI for an objective to fill a temporary skill gap would typically be less complex than assessing the return for an executive sent to manage an acquisition in another country.

ROI should be calculated at a time appropriate to align to the assignment's objectives. In the case of the skill gap, ROI might be at the immediate conclusion of the assignment. ROI for the merger would be longer-term. The costs incurred during the assignment may not be able to be matched to a corresponding benefit (success of the new operation) until years after the completion of the assignment. The proper timing of the ROI calculation is critical in avoiding a rate of return that is misleading or incorrect.

Improving ROI

Due in part to the unsophisticated nature of most value measures, the most realistic outcome of initial ROI calculations may be better decisions based on more accurate information. There are actions organizations can take to improve ROI.

GMAC's Global Relocation Trends 2008 Survey Report identified the following initiatives. (The most frequently cited initiatives are listed first.)

- Better candidate assessment and selection
- Effective communication of assignment objectives
- Mandatory cross-cultural training
- Career-path planning for better cross-border skills utilization upon return
- Better assignment preparation
- Mandatory destination support services
- More communication and recognition during an assignment
- Company-sponsored mentoring program
- Development of company intranet for expatriates
- Web-based cross-cultural training

Certainly cost-cutting measures taken to improve ROI should be done judiciously. Insufficient cost-of-living adjustments, for example, can undermine



an assignee's enthusiasm and productivity. The following are additional suggestions for cutting costs and improving ROI:

- Limit policy exceptions—As long as an assignment plan and policies are comprehensive, limiting exceptions can help shorten the negotiating phase and reduce time spent by HR resources.
- Shorten assignment duration—An assignment lasting six months or less can, in many circumstances, preclude many costly tax considerations.
- Do away with premiums—Cartus research has shown that many candidates are willing to take an assignment without a premium (which can be as much as 15% of base salary).
- Streamline assignment policies—Simplification and using a “core/flex” approach make policies easier to administer and more transparent to assignees.
- Use a third-party company for logistical or administrative functions—Third-party vendors provide scalability of resources, price leverage with direct cost expenses (e.g., household goods shipment), and outsourcing of non-core tasks.
- Retain returning assignees—The time the employee remains with the organization after completing an assignment rather than leaving the organization for a competitor can significantly impact assignment ROI.

It has been said that global HR practitioners need to move beyond the tactics and logistics of moving employees from point A to point B for international assignments to assessing how assignments provide value and contribute to the achievement of the organization's global strategies. Accurate ROI measures are a step in that direction.

International Assignment Management Tracking and Reporting

Generally, more global HR professionals are monitoring staffing metrics and analyzing data in greater depth. However, many are still mired in collecting voluminous data or suffer from “analysis paralysis,” preventing them from breaking out of that mold and determining the value of global HR practices in supporting organizational priorities. As Wayne Casio and John Boudreau write in *Investing in People: Financial Impact of Human Resource Initiatives* (2008),



“HR measurement is valuable to the extent that it improves vital decisions about talent and how it is organized.”

Workforce Analytics

Most traditional human resource information systems (HRIS) are designed to create transactional reports. To make smart decisions around talent acquisition and mobility, organizations need to sift through data quickly. **Workforce analytics** refers to software products or tools that help an organization draw conclusions from its HR data quickly and efficiently. These products and tools are considered particularly vital for the most strategic talent management tasks (e.g., recruiting the right employees, measuring their performance, helping them develop, and compensating them effectively).

For international assignments, workforce analytics can be particularly helpful in facilitating assignment management and tracking—allowing HR to keep track of hiring, promotion, pay, the length of time employees spend in assignment countries, visas, work permits, and like data. Managing and tracking international assignments (particularly short-term assignments and, increasingly, extended business travel) is an extremely difficult challenge for global HR, but it is essential to build policies that are compliant with tax and visa requirements and mitigate risk and costly mistakes.

Several software tools on the market have international assignment management and tracking capabilities. Equis and HRToolbox are two examples of integrated solutions that allow organizations to better manage an increasingly global workforce. Also, some of the leading outsourcing firms have proprietary tools with global HRIS functionality. The potential lies in capturing data on talent acquisition and mobility, transforming that data into actionable information, and providing the insights needed to make smart decisions.

