



Managing the Expat Talent Option

By Doug Cooper and Jim Rice

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With increasing focus on supply chain performance, the recruiting, hiring, and retention of logistics and SC talent is becoming a key differentiator for companies competing in global markets.

But as companies have expanded internationally, the demand for supply chain and logistics talent has also become international in scope. As a result, multinational companies with sources and markets on opposite ends of the earth face a significant staffing challenge: Finding the talent to support current and future growth across countries.

One traditional source for international competencies is expatriate (expat) relocation. But moving an individual and his or her family from their homeland to a foreign land seems like a drastic measure just to meet a job requirement. Why do companies and individuals take on this additional complexity and risk, and how can they ensure that these assignments are successful?

Why Expat Assignments?

Using expats to fill key positions in other countries is a well-established practice. And in many ways the rationale is the same in the SCM function as it is in other disciplines. The main reasons are summarized below.

- **Supply and Demand Mismatch.** The demand for experienced SC professionals far exceeds the supply, and expat appointments widen the field for companies in need of talent.

- **Global Supply Chains Call for Global Experts.** As businesses have grown globally, SC professionals need to become knowledgeable about industrial markets, logistics challenges, local resources, and labor issues in multiple countries. One of the most effective ways to gain this knowledge is by living and operating in different countries.

- **Ground Level View of Talent.** When the growth rate of globalized businesses outpaces the

availability of supply chain talent in distant endpoints, companies can find it difficult to effectively evaluate and access local talent even when they have a presence in these places. Having an expat on the ground deepens the understanding of the talent available locally while building trust and strengthening the overall supply-demand relationship.

- **Direct Line Operation and Control of Local Activities.** Whether it is to protect investments as a minority shareholder or to ensure that local operations follow global processes, having someone on the ground day-in and day-out helps provide a more useful and accurate assessment of the business than periodic audits. On-site practitioners also bridge the gap between local practices and the standardized processes and procedures that companies follow globally.

In combination, these reasons make a convincing case for using expats as a core resource in global supply chains. Finding, training, and keeping them involve an entirely separate set of challenges.

Expat Challenges

Relocation is said to be one of life's most stressful experiences. Challenges such as language barriers, drastic climate shifts, and other significant lifestyle changes can push the emotional tension to an extreme level. Moreover, these tensions can increase exponentially when other members of the family are involved in the transition.

Beyond these pressures, there are several challenges that employers need to understand in order to later identify ways to deal with expat development and retention. For starters, the expat is often "out-of-sight and out-of-mind" back at the headquarters or home office. Once individuals leave their home base they can drop off their unit's radar screen. As a result, they may lose their place in line for job opportunities to others who are more visible to home-based decision makers.

Also, for many expats the assignment blurs

the line between work and home. Once work visas, tax support, and housing are included as part of a work contract, the expat's personal life is inseparable from his or her work life. This can have positive and negative effects. The assignment strengthens the employee-employer bond but also creates a dependency, which can intensify if spousal income opportunities are limited.

Further, even with a salary increase, a favorable cost of living adjustment, and eliminating a housing payment in the home country, the financial benefits of a move abroad can erode quickly due to unplanned costs, such as increased expenses for trips home, currency fluctuations, and unfamiliarity with the local environment.

Leveraging the expat's increased expertise back at the home office also poses a significant challenge. Expats typically go through a very high rate of personal and professional development while abroad that often surpasses the experience of their peers back home. They may have had much more responsibility than their peers, for example, and find that the breadth of activities in the home office is much narrower than what they have become used to.

Mitigating Strategies

The common thread in all of these challenges is uncertainty. The better both companies and individuals manage the uncertainty of the initial move and transition back to the home base, the more successful the experience will be for all involved. The following are some suggestions to help mitigate the downsides and leverage the potential of expat assignments. These measures are relevant for both the individual expat and his or her employer.

1. Career scenario planning and what's next: Before accepting the foreign assignment, discuss potential positions that might be available upon completion of the new job. Create scenarios based on these jobs and identify important trigger dates and actions throughout the contract period. Active dialogues throughout the expatriate assignment will help determine what is the best position from both employee and employer perspectives. Think about "what's next" after that first assignment. If the individual will eventually return to the home office, identify how that will happen from the start. Waiting until it's time to move to do this process is too late.

2. What-if contract clauses: The assignment contract needs to be more than just a job description and a financial package. Ensure that the exception situations are covered by asking "what-if" questions. What if the currency fluctuates dramatically? What if my family needs to return home? What if I leave the company? Asking difficult questions may make the negotiation uncomfortable, but it is less stressful before the assignment begins than

later when such an emergency might arise.

3. Spousal support: The ease with which spouses can find employment is often overstated by human resources. It is difficult enough to find a good job in one's home country, let alone in a work environment where a person has no experience and cultural knowledge. Companies can offer additional compensation as part of the contract, but this addresses only the financial risk. An individual used to contributing and being productive will have difficulty adjusting to a non-work life. One suggestion is for multinational companies in host cities to network with other companies to provide jobs to spouses of expatriates.

Recognizing the issues of expat assignments can help increase retention and improve business performance.

4. Key tether: The expat needs a key "tether" or connection back to the home organization. This may be a senior operating executive charged with oversight and a human resources person. The tether and expat need to find regular ways to stay connected not only on developments in the expat's role but also at the home base, scanning future ways to re-integrate the expat back into the business.

5. Shorter expat assignments: Some organizations use very short expat assignments to avoid some of the challenges described above. Shorter job assignments can deliver many of the personnel development benefits, local presence, and control without the extreme challenges of relocating and repatriating.

Manage for Success

Expatriate assignments have been around for a long time. Yet they merit special attention—particularly through a SCM lens—at a time when companies are expanding in remote locations that are very different culturally and socially from their home bases. This talent management practice can be very effective, but if the issues we have described are not addressed, investments in these appointments will not be fully realized—either by individuals or companies involved.

Recognizing the issues and identifying and adopting some of the leveraging and mitigation strategies we have covered can help increase retention and improve business performance. Given the personnel challenges that the supply chain community is grappling with, expatriate assignments are often the best way to develop and source the talent required to grow and compete globally.