FT HAS COPYRIGHT 2013

Rise in mobility is a business risk

By Dina Medland

February 28, 2013

Global cross-border mobility has traditionally been seen by multinational companies as being all about dealing with expatriate citizens, either “long-term” (more than 12 months), or “short-term” (less than a year).

But the rise and rise of a new category of short-term business traveller, alongside widespread plans for companies to seek growth in emerging markets in 2013, is raising concerns over complying with a growing number of regulatory regimes.

At the same time, there is little indication that many global companies are adapting their policies, processes and systems in response to such global challenges.

An Ernst & Young survey of 520 companies around the world, published in October, found 68 per cent did not have a control framework to manage payroll, tax and social security risks, with 45 per cent believing that global mobility functions were understaffed.

Large global companies might not even be aware of exactly how much cross-border travel their executives have undertaken in a given period, particularly if travel is outsourced, and local partners are involved.

“One company asked its travel agent to track the chief executive and was told he had been travelling that year for 380 days – the data had not been cleaned for such things as cancelled flights,” says Kevin Cornelius, human capital partner at E&Y Switzerland. “You only have to stand at London City Airport on a Friday evening or Monday morning and watch the company logos go in and out to realise how much short-term cross-border travel goes on,” he says.

“But when we asked multinationals whether they had a tracking process for these short-term business travellers, 65 per cent said ‘no’ – and of the 35 per cent who said ‘yes’, most are probably in the process of construction.

“The short-term business traveller is of concern because when they jump on a flight to New York, say, and spend a week there, fly somewhere else and then end up back in New York, both the time spent and certain categories of duty in certain locations will incur exposure for both the firm and the individual," he explains.

Formal payroll tax and social security liabilities, as well as immigration rules (depending on the sort of work they are doing) pose real dangers too easily overlooked when the business traveller is not part of a global mobility programme. For those in the financial services industry, for example, sales and marketing across borders is tightly regulated.

"The question becomes – who is really responsible for these people? Is it an HR issue, a tax issue, a business line issue or a legal one? The answer is probably 'yes' to all of them but short-staffing in difficult economic times means everyone points a finger, until significant failures result in it being taken up to board level and the board says 'fix it'," Mr Cornelius says.

One trend is that companies have started to appoint global payroll officers, in an attempt to sort out all the pay and benefits that are paid in different jurisdictions, in order not to fall foul of compliance and fraud legislation.

E&Y is one of a number of organisations that have been building processes for clients and governments to assist with this. The use of mobile technology and smartphone applications to track cross-border movement and expenses is a growth area.

E&Y's Global Mobility Effectiveness Survey has been running for five years. In 2009-2010 it recorded a slowdown in new cross-border assignments, with shorter ones curtailed. But businesses still needed people to be mobile, leading to a rise in "commuting under the radar" which, says Mr Cornelius, made businesses "very nervous" about the risk.

Meanwhile, last year's survey shows more than one in 12 companies had at least 11 per cent of international assignees return before the end of their contracts, at huge cost and suggesting lessons needed to be learnt.

While the last survey reveals a rise in assignments of less than a year, there has also been a significant shift in emphasis to growth and mobility in emerging markets, which create new problems.

Assignments to growth markets have risen on average by 16 per cent since 2011 and are expected to rise further by 27 per cent in the next three years, with 48 per cent of companies surveyed increasing the number of people sent to growth markets versus other markets.

China and Africa are prime destinations, and the survey predicts a further 60 per cent increase in assignments in all growth markets in the next three years.

Vodafone's 2012 annual report, for example, reveals that its businesses in Africa and India are "growing strongly", with emerging markets representing around 29 per cent of its service revenue and "almost all the 1.5bn new mobile phone users over the next four

years".
Vodafone's website says the company is steadily increasing its exposure to emerging markets because "they represent the fastest growing geographies, delivering service revenue growth of 13.2 per cent compared to a fall of 1.1 per cent for the Europe region".

This focus is increasing the need for mobility and Mr Cornelius says it is now being "re-thought due to cost, risk and regulatory issues", as more chief executives, chief finance officers and board members seek to ensure the best talent goes to emerging markets. However, only just over half – 51 per cent – of the companies surveyed said they had a global talent management agenda.

Some companies are further ahead in being prepared for a surge in global mobility. Alex Wayne joined mining company Rio Tinto as global head of mobility in 2011, with responsibility for 1,000 international assignees in 50 countries.

Rio Tinto has one of the fastest growing international assignment programmes of any Fortune 500 company, both in terms of the number of assigness and new locations.
Mr Wayne has spent 15 years working with mobility issues, starting out at PwC and then working for Atos Origin and BP before joining Rio Tinto. He says his day-to-day job is about "facilitating mobility and removing the barriers".

In emerging markets, where there is huge risk involved, he focuses on the issues around the safety, security and health of Rio Tinto's employees and families. Essential training in cross-cultural issues and anti-bribery and corruption laws is also carried out by the company.

But even Rio Tinto is only now developing mobile technology in partnership with its global tax provider to track all its business travellers. While it has not yet been formally launched, it has other mechanisms in place to ensure compliance.

"Global mobility is extremely strategic – if we at Rio Tinto look at some of our major projects they are in emerging markets. Making those international projects succeed is essential to our success," says Mr Wayne.