

GLOBAL RELOCATION TRENDS 2003/2004 SURVEY REPORT

Sponsored by

GMAC Global Relocation Services

National Foreign Trade Council (NFTC)

SHRM Global Forum

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GMAC Global Relocation Services

2021 Spring Road, Suite 300

Oak Brook, Illinois 60523

630 972-2250 ext. 2270 Fax: 630 972-2287

Web site: www.gmacglobalrelocation.com



National Foreign Trade Council, Inc.

2 West 45th Street

New York, New York 10036

212 399-7128 Fax: 212 399-7144

Web site: www.nftc.org



SHRM Global Forum

1800 Duke Street

Alexandria, Virginia 22314

703 548-3440 Fax: 703 535-6497

Web site: www.shrm.org/global/

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GMAC Global Relocation Services (GMAC GRS) is one of the largest global relocation and assignment management providers in the industry, with unlimited financial stability provided through its parent companies, General Motors Corporation (GM) and GMAC Residential Holding Corporation (GMAC Residential). They have a global reach and physical presence in more than 110 countries and offer a balance of proven industry strength, expertise, and personalized service. GMAC GRS services include International Relocation and Assignment Program Management, U.S. Domestic Relocation Program Management and Strategic Consultancy. Whether moving across town or across continents, GMAC GRS' Premier ServiceSM approach guarantees that each of our clients and their employees receive unparalleled service.

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The National Foreign Trade Council (NFTC), founded in 1914, is a non-profit organization whose prime objective is the promotion of an open trading system, export expansion, and policies to assist U.S. businesses to compete effectively in global markets. Increasingly, the NFTC also focuses attention on international human capital issues. Its members are engaged in international trade and investment and account for about 70% of all U.S. exports and 70% of all U.S. foreign direct private investment. The organization has over 350 member companies representing all industry segments. Web site:

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SHRM GLOBAL FORUM

This year, SHRM Global Forum, formerly a division of the Society for Human Resource Management (SHRM), now a resource available to all 180,000 SHRM members, has again co-sponsored this survey. Members have access to a dedicated section of the SHRM website featuring specialized content for professionals handling international HR. Content includes biweekly SHRM Global Perspectives E-Newsletter, country reports, employment laws, survey data, the latest news from leading industry experts, access to networking, and more.

PURPOSE AND METHODOLOGY	
<u>AN INDUSTRY STANDARD</u>	1
<u>IN THIS SURVEY REPORT</u>	1
<u>NUMBER OF EXPATRIATES PER COMPANY</u>	2
<u>PARTICIPANT REPRESENTATION BY INDUSTRY</u>	3
<u>GMAC GLOBAL RELOCATION SERVICES, NATIONAL FOREIGN TRADE COUNCIL, AND SHRM GLOBAL FORUM</u>	4
INTERPRETING THE SURVEY	
<u>QUEST TO CUT COSTS DRIVES ASSIGNMENT TRENDS</u>	5
<u>SHIFT AWAY FROM LONG-TERM ASSIGNMENTS</u>	5
<u>REDUCTIONS IN POLICY OFFERINGS</u>	5
<u>LOCALIZATION OF EXPATRIATES</u>	5
<u>LOCAL EMPLOYEE HIRING</u>	7
<u>FEWER CHILDREN ACCOMPANYING EXPATRIATES</u>	7
<u>COST ESTIMATES AND TRACKING</u>	7
<u>RETURN ON INVESTMENT AND CAREER IMPACT</u>	8
<u>UNITED STATES PRESENTS ASSIGNMENT DIFFICULTIES</u>	8
<u>CROSS-CULTURAL PROGRAM EFFECTIVENESS</u>	8
SURVEY HIGHLIGHTS	
<u>THE EXPATRIATE POPULATION</u>	9
<u>EXPATRIATE SOURCES AND DESTINATIONS</u>	9
<u>RESPONSE TO CURRENT EVENTS</u>	9
<u>GLOBAL BUSINESS STRATEGY</u>	10
<u>CULTURAL AND FAMILY ISSUES</u>	10
<u>ASSIGNMENT EVALUATION AND COMPLETION</u>	11
<u>COST ESTIMATING, TRACKING, AND COMPARISONS</u>	11
<u>MEASURING RETURN ON INVESTMENT</u>	12
<u>OUTSOURCING</u>	13
SURVEY FINDINGS IN DETAIL	
<u>THE EXPATRIATE POPULATION</u>	14
<u>EXPATRIATE POPULATION GROWTH RATE</u>	14
<u>PREVIOUS EMPLOYMENT AND INTERNATIONAL EXPERIENCE</u>	15
<u>FEMALE EXPATRIATES</u>	15
<u>AGE OF EXPATRIATES</u>	16
<u>MARITAL STATUS</u>	16
<u>ACCOMPANYING CHILDREN</u>	16
<u>SPOUSE ACCOMPANIMENT</u>	17
<u>SPOUSE EMPLOYMENT</u>	17
<u>EXPATRIATE SOURCES AND DESTINATIONS</u>	18
<u>SOURCES OF EXPATRIATE POPULATION</u>	18
<u>MOST ACTIVE DESTINATIONS</u>	19
<u>EMERGING DESTINATIONS</u>	19
<u>COUNTRIES WITH THE GREATEST REDUCTION IN ACTIVITY</u>	20
<u>COUNTRIES PRESENTING THE GREATEST CHALLENGE TO EXPATRIATES</u>	20
<u>COUNTRIES PRESENTING THE GREATEST CHALLENGE TO ADMINISTRATORS</u>	24
<u>RESPONSE TO CURRENT EVENTS</u>	27
<u>OVERALL WORKFORCE DOWNSIZING OR EXPANSION</u>	27
<u>IMPACT OF DOWNSIZING OR EXPANSION ON EXPATRIATE ACTIVITY</u>	27
<u>RESPONSE TO ECONOMIC CONDITIONS</u>	29
<u>ASSIGNMENT FUNDING REQUIREMENT</u>	30
<u>ASSIGNMENT DURATION</u>	30
<u>ASSIGNMENT DURATION VS. ESTIMATES</u>	30
<u>SEEKING ALTERNATIVES TO LONG-TERM ASSIGNMENTS</u>	32

TABLE OF CONTENTS

REASONS FOR SEEKING ALTERNATIVES	32
ALTERNATIVES TO LONG-TERM ASSIGNMENTS	33
LOCALIZATION PRACTICES	34
GLOBAL BUSINESS STRATEGY	35
SOURCE OF COMPANY REVENUES	35
RELOCATION DECISIONS	35
PREPARING FOR GLOBAL EXPANSION	36
RANKING ASSIGNMENT OBJECTIVES	37
RELOCATION CHALLENGES THAT ARE CRITICAL TO COMPANIES	38
STANDARDIZATION OF ASSIGNMENT PACKAGES	39
POLICY PRESENTATION	40
CROSS-CULTURAL TRAINING	41
CROSS-CULTURAL PROGRAM AVAILABILITY	41
EFFECTIVENESS OF CROSS-CULTURAL PROGRAMS	41
CD-BASED AND WEB-BASED CROSS-CULTURAL PROGRAMS	42
EFFECTIVENESS OF WEB OR CD-BASED CROSS-CULTURAL PROGRAMS	42
COMPANY CODE OF CONDUCT	43
FAMILY-RELATED EXPATRIATE ISSUES	44
CRITICAL FAMILY CHALLENGES	44
ASSIGNMENT REFUSAL	45
SPOUSE /PARTNER ASSISTANCE	46
ASSISTANCE FOR ELDERLY FAMILY MEMBERS	47
ASSIGNMENT EVALUATION AND COMPLETION	48
MONITORING AND EVALUATING ASSIGNMENT SUCCESS	48
CAREER IMPACT OF INTERNATIONAL EXPERIENCE	49
PREMATURE RETURN FROM ASSIGNMENTS	50
REPATRIATION DISCUSSIONS	52
POST-ASSIGNMENT GUARANTEES	53
EXPATRIATE ATTRITION	54
MINIMIZING EXPATRIATE TURNOVER	55
FACTORS LEADING TO ASSIGNMENT FAILURE	56
COST ESTIMATING, TRACKING, AND COMPARISONS	57
PREPARING AND TRACKING COST ESTIMATES	57
COMPARING ESTIMATED AND ACTUAL COSTS	57
CORRECTIVE MEASURES TAKEN	58
CHALLENGES OF ESTIMATING, CAPTURING, AND COMPARING ESTIMATES	58
EVALUATING RETURN ON INVESTMENT	60
MEASURING AND DEFINING RETURN ON INVESTMENT	60
RATING AND IMPROVING A COMPANY'S RETURN ON INVESTMENT	61
INITIATIVES TO IMPROVE RETURN ON INVESTMENT	62
OUTSOURCING	64
PERCEPTION OF OUTSOURCING BENEFITS	64
STAFFING CUTS AND OUTSOURCING	65
CATEGORIES OF OUTSOURCED SERVICES	65
SATISFACTION WITH OUTSOURCING	66
OUTSOURCING PLANS	66
SERVICES OUTSOURCED	67
MANAGING AND COORDINATING OUTSOURCED SERVICES	67
OUTSOURCING DECISION-MAKERS	68
OUTSOURCING CRITERIA	69
NEW AND INNOVATIVE PROGRAMS	70
SURVEY PARTICIPANTS	

AN INDUSTRY STANDARD

The *Global Relocation Trends 2003/2004 Survey Report* is the tenth report issued jointly by the National Foreign Trade Council (NFTC), the Society for Human Resource Management (SHRM) Global Forum, and GMAC Global Relocation Services (GMAC GRS). Issued since 1993, these reports constitute one of the industry's most reliable sources of global relocation data and trends. The longevity of this survey enables us to compare each year's results with "historical averages" for each question – enabling readers to gauge the relative importance of annual variations. In addition to this survey's use as a benchmark for policy development, it is cited in major business publications and journals that specialize in global relocation.

IN THIS SURVEY REPORT

For this survey, we have discarded some questions and refined others. We also included new questions relating to the following topics:

- Cost estimating, tracking, and comparison for international relocation assignments and the challenges of performing these tasks
- New policy provisions addressing elderly family members
- Early return from assignment locations by expatriates and family members
- Requirements for funding international relocation assignments
- Economic pressure on international relocation assignment departments
- Management of program components and vendor services
- Methods of policy standardization

This report also addresses the following topics of longstanding interest:

- Trends within the expatriate population and deployment
- Destinations ranked by expanding/diminishing expatriate activity, new activity, and challenges for expatriates and administrators
- How companies select candidates, assess and manage assignments, and engage in career planning and repatriation
- How companies respond to family issues and changes in technology
- How companies view their investment in global relocation activities and attempt to control costs through program changes and outsourcing

This year's survey contained 87 questions. It was made available in both printed and web formats in November 2003 so that it would reflect information current in 2003. With these considerations in mind, the 134 respondents to our survey represented both small and large organizations with a total of 7,486 offices located throughout the world. Together they managed a worldwide expatriate population of 31,215 out of a total employee population of 4.5 million. For 79% of the respondents, the company headquarters was in the United States. In the 2002 survey, 77% of responding companies were headquartered in the U.S. In most cases, respondents were senior human resource professionals and/or managers of international relocation programs.

PURPOSE AND METHODOLOGY

NUMBER OF EXPATRIATES PER COMPANY

Sixty-two percent (62%) of the responding companies deployed 50 or fewer expatriates. This is the highest concentration of participating companies with small expatriate populations since the 1997/1998 survey, when 69% of responding companies had 50 or fewer expatriates.

Percentage of Responding Companies by Size of Total Expatriate Population

Expatriate Population	1994 Survey	1995 Survey	1996 Survey	1997/1998 Survey	1999 Survey	2000 Survey	2001 Survey	2002 Survey	2003 Survey
1 - 25	25%	29%	32%	54%	41%	36%	35%	29%	48%
26 - 50	14%	16%	15%	15%	17%	14%	13%	13%	14%
51 - 100	23%	18%	14%	11%	13%	15%	13%	18%	9%
101 - 500	24%	26%	29%	16%	17%	22%	25%	29%	21%
501 - 1,000	8%	8%	6%	3%	5%	5%	8%	6%	2%
Over 1,000	6%	3%	4%	1%	7%	8%	6%	5%	6%

PURPOSE AND METHODOLOGY

PARTICIPANT REPRESENTATION BY INDUSTRY

As in past years, respondents represented a range of industries, and a partial list of participating companies appears at the end of the survey. This year's results, however, varied from past results in the following ways:

- There were fewer participants in the following sectors: finance, insurance, and real estate; construction and engineering; transportation.
- There were more participants in the following sectors: services, publishing, advertising, hospitality, and entertainment; pharmaceuticals, medical diagnostics, and healthcare.

Survey Participants by Industry

Industry Segment	% of Firms 1997/1998	% of Firms 1999	% of Firms 2000	% of Firms 2001	% of Firms 2002	% of Firms 2003
High-Tech *	9%	19%	18%	20%	14%	15%
Consumer Products, Retailing	8%	12%	10%	9%	14%	8%
Finance, Insurance, Real Estate	20%	16%	15%	14%	14%	10%
Machinery, Shipbuilding, Manufacturing	18%	18%	19%	17%	11%	17%
Chemicals, Agriculture	14%	8%	6%	8%	9%	7%
Services, Publishing, Advertising, Hospitality, Entertainment	8%	8%	10%	9%	9%	14%
Energy, Utilities, Mining	11%	8%	8%	10%	6%	8%
Pharmaceuticals, Medical Diagnostics, Healthcare	—	—	6%	1%	6%	10%
Construction, Engineering	4%	3%	3%	4%	3%	2%
Transportation	4%	3%	1%	1%	3%	—
Other	4%	5%	4%	6%	11%	9%

* The high-tech category includes electronics, computers, software, e-commerce, and telecommunications.

PURPOSE AND METHODOLOGY

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Web site: www.shrm.org/global/

QUEST TO CUT COSTS DRIVES ASSIGNMENT TRENDS

This year's survey documented a cost-cutting trend that is having a noticeable impact on several aspects of international relocation assignments. For example, 64% of respondents indicated that their companies are attempting to reduce international assignment expenses in response to current economic conditions. In particular, the survey documented the following trends:

- A reduction in assignment duration
- An effort to reduce policy offerings (and monetary amounts) made available to expatriates
- An increase in the practice of expatriate localization (transitioning employees to local standards at the assignment location)
- Increasing reliance on local hiring as a substitute for sending expatriates on assignments

While the world economic climate may be a predominant factor in this development, it is also reasonable to assume that political instability in its various forms also contributes to this trend.

SHIFT AWAY FROM LONG-TERM ASSIGNMENTS

This year's survey results reflect a shift away from long-term assignments toward short-term assignments and other alternatives in an effort to reduce expenses. More than half of respondents (56%) indicated that they were seeking alternatives to long-term assignments. When asked to explain why their companies were seeking alternatives, 88% cited cost effectiveness. These cost-cutting intentions also were borne out by reductions in the length of assignments. For example, in all of our past surveys, assignments of one year or less in duration constituted only 13% of the total number of assignments. This year, by contrast, 70% of international assignments were scheduled for one year or less in duration. Furthermore, in the "Verbatim Comments" sections of this report, we recorded remarks such as "we have an overall effort to reduce expenses" and "we prefer short-term to long-term assignments." One respondent even indicated that the number of expatriates had been reduced to a single employee.

REDUCTIONS IN POLICY OFFERINGS

Policy offerings and payout amounts also are part of the cost-cutting trend. Among companies that were reducing expenses for international relocation assignments, 57% of respondents were accomplishing this objective by reducing the policy offerings (and monetary amounts) made available to expatriates. Furthermore, 33% of respondents were re-examining vendor fees with an eye toward reducing costs, and 28% were scrutinizing the cost of living allowances (COLAs) made available to expatriates. In the "Verbatim Comments" sections, respondents explained that they "reduced the package to meet essentials," "revised the policy to address business needs (and economic constraints) more closely," and that "housing allowances were reviewed and modified downward slightly."

LOCALIZATION OF EXPATRIATES

Instead of merely reducing the length of assignments, some employers are adopting a localization strategy – transitioning expatriates from international assignment policy standards to local standards of employment at the

INTERPRETING THE SURVEY

assignment location. Just over half of respondents (52%) indicated that they were relying upon localization to reduce

international assignment expenses. The length of time allotted for the transition to local standards, however, varied from employer to employer. For example, 32% of respondents relied upon an immediate transition of expatriates to local standards, 39% converted expatriates to local standards over a one-to-three-year period, and 29% transitioned the expatriates over a period of four or more years. In the “Verbatim Comments” section, some respondents indicated creative methods for accomplishing localization. One respondent wrote that “we use expatriates on local terms and supplement this practice with some allowances.” Another explained that “we make use of hybrid moves that contain aspects of both local employees and our international assignment policy.”

LOCAL EMPLOYEE HIRING

While most (65%) of the respondents who sought alternatives to long-term assignments were relying upon short-term assignments to cut costs and 52% relied upon localization of expatriates, 60% were hiring local employees instead of utilizing expatriates. This approach circumvents the international-assignment process entirely. For these employers, the training of locally hired employees is becoming a dominant practice. In some cases, they rely upon a rotating selection of expatriates to train local employees instead of utilizing long-term assignments to accomplish this goal.

FEWER CHILDREN ACCOMPANYING EXPATRIATES

In a development that we believe to be part of the overall cost-cutting trend, respondents indicated that only 51% of expatriates had children accompanying them during an international relocation assignment. This is the lowest percentage in the history of this survey. In past years, for example, respondents indicated – on average – that 59% of expatriates were accompanied by children. Concerns about children’s education are one of the key issues for relocating families, and companies may be selecting expatriate candidates that do not require the attendant effort and cost that locating and paying for a “home-country” educational experience in a distant location entails.

COST ESTIMATES AND TRACKING

This year’s survey included a new series of questions that asked respondents about the practice of cost estimating and tracking during international assignments. A high percentage (82%) of respondents prepared estimates before assignment, and 81% tracked these costs during assignments. Only about half of respondents (46%), however, compared the estimated costs with actual costs. Of those who did compare costs, 41% found their original estimates to be accurate. In some cases, the disparity between estimated and actual costs was the result of currency instability, which was a phenomenon that elicited numerous complaints in the “Verbatim Comments” sections of the survey. Responses to unbudgeted spending varied. For example, some companies did nothing or merely monitored the difference in expenditures. In other cases, companies responded by notifying management about the situation, changing the benefit mix, or by cutting the assignment short. In the “Verbatim Comments” sections, respondents indicated that they were frustrated by the complexity of the information and the difficulty of capturing it and using it in a consistent manner. For example, one respondent wrote that “obtaining the data, data integrity, and definitions for the data are all key obstacles.” Another reported that “currency fluctuations and the local tax structures are the hardest part.” For most of the respondents, an approach that automates data collection and analysis would be the best solution for this challenge.

INTERPRETING THE SURVEY

RETURN ON INVESTMENT AND CAREER IMPACT

Despite the effort that was made to estimate and track assignment costs, respondents seemed to be lagging in two key areas of international assignment management – calculating the return on investment (ROI) for an assignment and calculating the impact of an international assignment on an expatriate's career. First of all, only 10% of respondents reported that they measured ROI (defined as “accomplishing the assignment objectives at the expected cost”) for international assignments. Recognizing that successful assignments play a vital role in an organization's ability to compete effectively in the global marketplace, one would think that ROI-based management techniques – or some equally objective method for evaluating and managing assignment success – would be a key strategic tool wielded by most managers of international assignment programs. It is mystifying that this basic management concept is observed primarily in its breach. Consequently, it is not surprising that nearly half (40%) of respondents also indicated that they were “not sure” about the value of international experience for an expatriate's career. If management is not aware of the return on investment (or lack of return) for international assignments, how can expatriates be recognized and rewarded for making signal contributions to their firm's success? Until companies sharpen their pencils and learn to measure the impact of international assignments on the corporate bottom line, they will be unable to convince international-assignment candidates that acceptance of such assignments will have a positive impact on their careers.

UNITED STATES PRESENTS ASSIGNMENT DIFFICULTIES

Since 1994, this survey has identified the business locations that present the greatest assignment challenges. This year, we looked more closely and divided these challenging locations into two categories – those which posed challenges to expatriates and those which posed challenges to administrators. In virtually every survey – including this year's – China was ranked as the most difficult location, and India, Russia, and Japan were usually among the top three listed. This year, however, there was a newcomer to the list: the United States. Furthermore, the United States was listed as the third most challenging location – both for expatriates and for administrators. Chief among the complaints about assignments in the United States were delays in obtaining social security numbers and visas, about immigration restrictions, and about the U.S. Citizenship and Immigration Services (USCIS), formerly known as the Immigration and Naturalization Service (INS). Most of these complaints are the result of new security measures that have been instituted in response to the threat of terrorism.

CROSS-CULTURAL PROGRAM EFFECTIVENESS

To increase the effectiveness of their expatriates during assignments, most companies (60%) provided formal cross-cultural training before assignments began, and 26% of this training was mandatory. Most respondents (73%) indicated that these formal programs had great or high value, 21% rated them as having medium value, and only 6% rated them as having little value. In contrast, respondents held more negative views about CD-based and web-based cross-cultural programs. Only 29% believed that they had high value, most (57%) assigned a medium value, and 14% assigned a low value. Fortunately, only 5% of respondents utilized CD-based and web-based programs exclusively. Most firms utilized these programs as an alternative or as a supplement to formal cross-cultural programs.

THE EXPATRIATE POPULATION

- 31% of respondents believed the number of expatriates increased in 2003, which is below the historical average for this survey. 39% expected the number to increase in 2004, again below the historical average.
- 17% of all expatriates were new hires. 21% of expatriates with previous international experience were new hires.
- 18% of expatriates were woman, the same as last year, which was a record high.
- 62% of responding companies deployed 50 or fewer expatriates – the highest concentration of respondents with small expatriate populations since the 1997/1998 survey.
- 66% of expatriates were 30 to 49 years old, compared to 60% in the 2002 survey.
- 60% of expatriates were married, 37% were single, and 3% with significant other. The percentage of married men (55%) is the lowest in the history of this survey.
- 51% of expatriates had children accompanying them, the lowest percentage in the history of this survey.
- Spouses accompanied 86% of married expatriates, which is the historical average.
- 50% of spouses were employed before an assignment, and 16% were employed during an assignment. Both percentages are slightly above the historical averages of 45% and 13%.

EXPATRIATE SOURCES AND DESTINATIONS

- 82% of expatriates were relocated from the headquarters country, the highest percentage in the history of this survey. 18% were transferred between assignments that were outside of their home country.
- 63% of expatriates were relocated to or from the headquarters country, which is below the historical average of 69%.
- The United Kingdom, United States, China, Singapore, and Germany were the most frequently cited “active” destinations.
- China, the United Kingdom, and Japan were the primary emerging destinations.
- The United Kingdom, United States, and France experienced the greatest reduction in expatriate activity.
- China, Japan, and the United States were the most challenging locations for expatriates and administrators (the U.S. appeared for the first time in the history of this survey).

RESPONSE TO CURRENT EVENTS

- 60% of respondents reported workforce downsizing; of those who did, 54% had a reduction in expatriate activity.

SURVEY HIGHLIGHTS

- In response to economic conditions, 64% of responding companies scrutinized tax ramifications for assignments, and 57% reduced policy components or amounts.
- 59% of responding companies required a clear statement of assignment objectives before funding an assignment.
- 70% of assignments were for one year or less in duration, reflecting a drastic shift away from permanent and long-term assignments to shorter ones.
- 11% of assignments were completed in less time than estimated originally, 58% were completed on schedule, and 31% exceeded the estimated time.
- At companies seeking alternatives to long-term assignments, the chief reason by far was cost, cited by 88% of respondents.
- At companies seeking alternatives to long-term assignments, 65% relied on short-term assignments, 60% on local hires, and 52% on localization of expatriates.

GLOBAL BUSINESS STRATEGY

- 31% of company revenues were generated outside the headquarters country, below the historical average of 43%. 79% of the responding companies' headquarters were in the U.S.
- For 78% of respondents, relocation assignment policy decisions were made globally at headquarters.
- 83% of respondents reported that their companies prepared for global expansion by determining business needs and objectives, followed by identifying a pool of potential candidates (53%), and planning long-term career paths (43%).
- The most common assignment objective was filling a skills gap, followed by launching new endeavors and building management expertise.
- Critical relocation challenges included finding suitable candidates (73%), intercultural understanding (55%), career management (45%), employee retention (44%), and adjusting to the new environment (42%).
- 86% of companies standardized their policy components – with 74% using a global approach, 16% a regional approach, and 2% a divisional approach.
- To present their relocation policies, 73% of companies used written policies, 76% held expatriate-only discussions, 34% held discussions with expatriates and spouses, and 39% used a company intranet.

CULTURAL AND FAMILY ISSUES

- 60% of companies provided cross-cultural preparation. It was mandatory at 26% of companies. 73% rated such preparation as having great or high value.
- Only 16% of respondents used CD-based or web-based cross-cultural programs. Of those who use them, 86% rate them as having high or medium value.
- 37% of respondents trained expatriates in the company code of conduct.

- The most critical family challenges were spousal resistance, family adjustment, and children's education. Dependent support was rated least important.
- The top reasons for assignment refusal were family concerns (47%), career aspirations (14%), compensation (13%), and spouse's career (10%).
- 60% of respondents supported spouses with language training, 44% provided education/training assistance, and 34% sponsored work permits.
- 13% of responding companies assisted expatriates with elderly family members.

ASSIGNMENT EVALUATION AND COMPLETION

- To monitor assignments, 69% of respondents used host-country performance reviews, 50% home-country reviews, 45% expatriate visits to the home office, 38% monitoring against objectives, and 35% regular manager visits to the host office.
- 40% of respondents were unsure of the career impact of expatriate assignments. 35% believed assignments led to finding new positions at a company more easily, 34% to faster promotions, and 23% to changing employers more often.
- Respondents believed 7% of assignments were not completed because expatriates returned early and that families returned early 5% of the time and left the expatriate behind.
- 86% of respondents held repatriation discussions, the highest percentage in the history of the survey. Most (44%) discussed it before assignment departure.
- 68% of respondents offered no post-assignment guarantees.
- Attrition rates for all employees were 10%, the lowest in the history of the survey. The average annual turnover for expatriates was 8%, another all-time low. Most respondents (69%), however, do not know when expatriates leave the company.
- To minimize expatriate turnover, 62% of respondents cited opportunities to use international experience as the best method, followed by recognition (60%), choice of position upon return (59%), and repatriation career support (31%).
- Key factors leading to assignment failure were partner dissatisfaction, family concerns, inability to adapt, and poor job performance.

COST ESTIMATING, TRACKING, AND COMPARISONS

- 82% of respondents prepared cost estimates before an assignment, and 81% tracked costs during an assignment.
- 46% of respondents compared estimated with actual costs. For those who compared, 41% reported that their estimates were accurate.

SURVEY HIGHLIGHTS

MEASURING RETURN ON INVESTMENT

- Only 10% of respondents defined and measured return on investment (ROI) as “accomplishing the assignment objectives at the expected cost,” compared to 96% in the 2002 survey.
- 69% of respondents rated their ROI as good or excellent, the most positive assessment in the history of the survey.
- 47% of respondents had programs to improve their ROI for expatriates, the highest percentage in the history of the survey.
- To improve ROI, 81% of respondents relied on better candidate selection or assessment, 60% on career-path planning, and 50% on mandatory cross-cultural preparation.

OUTSOURCING

- Respondents believed the key benefits of outsourcing were specialized expertise (95%), process simplification (57%), and upgraded service quality (57%).
- 21% of respondents reported staffing cuts in assignment management departments; among this group, 40% reported increased reliance on outsourcing.
- 35% of respondents outsourced vendor management, 34% program administration, and 30% financial management. 42% used no outsourcing.
- For 84% of respondents who outsourced all or part of their international assignment program, expectations were met or exceeded.
- 26% of respondents who did not outsource international assignment program administration were considering outsourcing within two years.
- Among services outsourced, household goods led the list (81%), followed by language training (72%), intercultural services (69%), destination services (67%), and visa/immigration services (64%).
- 72% of respondents managed multiple vendors themselves. 28% outsourced vendor management tasks.
- 65% of respondents indicated HR directors as the primary decision maker for outsourcing, followed by senior management (20%), and the CEO/chair (11%).
- 48% of respondents cited global HR experience as the chief outsourcing criterion, followed by reputation (14%), service philosophy (13%), and communication with expatriates (8%).

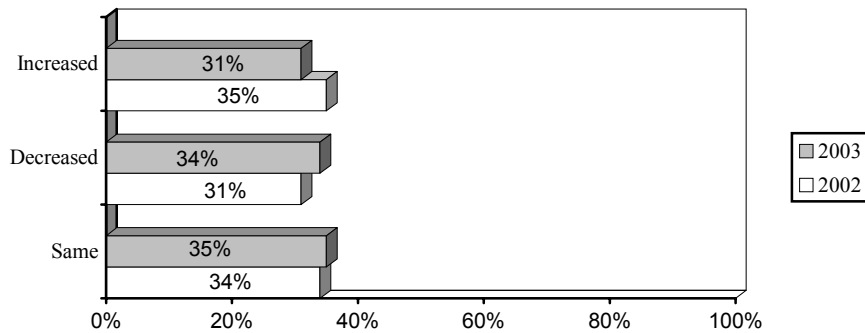
SURVEY FINDINGS IN DETAIL

THE EXPATRIATE POPULATION

Expatriate Population Growth Rate

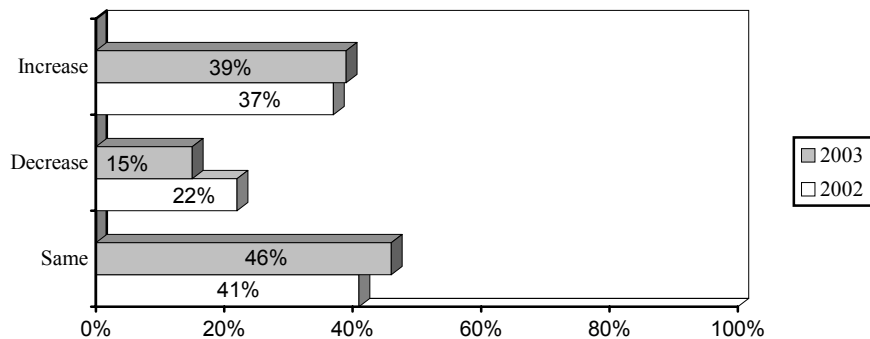
Thirty-one percent (31%) of respondents reported an increase in the number of expatriates over last year, 35% cited no change, and 34% a decrease. The historical averages for all past years were 50%, 30%, and 20% respectively.

Expatriate Population Compared to 2002



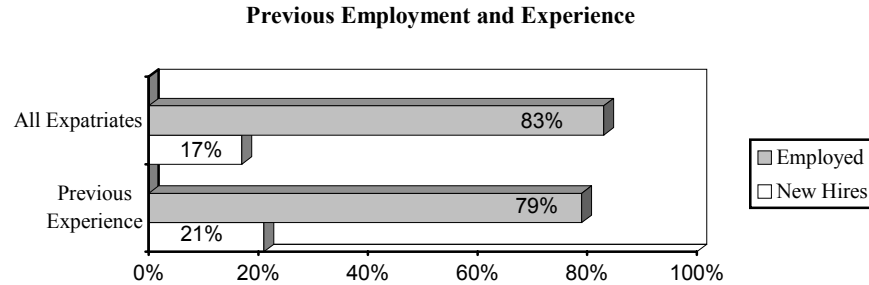
Thirty-nine percent (39%) of respondents expected the number of expatriates to increase during 2004, 46% expected no change, and 15% a decrease. The historical averages for all past years were 62%, 25%, and 14% respectively.

Expatriate Population for 2004



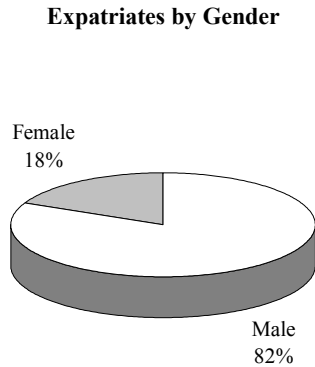
Previous Employment and International Experience

Seventeen percent (17%) of current expatriates were new hires, and 83% already were employed by the company at the time of assignment (a new question). Of the expatriates with previous international experience, 21% were new hires, and 79% already were employed by the company at the time of assignment. The historical averages for all past years were 16% and 84% respectively for expatriates with previous experience. It appears that companies hire a slightly higher percentage of new employees in order to obtain expatriates with previous international experience.



Female Expatriates

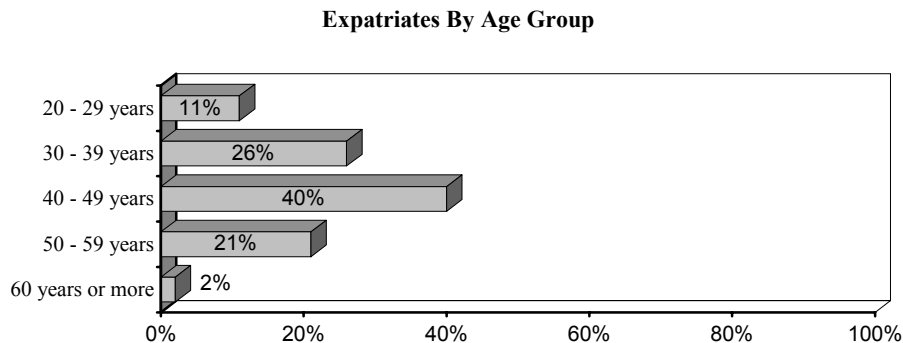
Respondents indicated that 18% of expatriates were female, the same as last year. The historical average for all past years was 14%.



SURVEY FINDINGS IN DETAIL

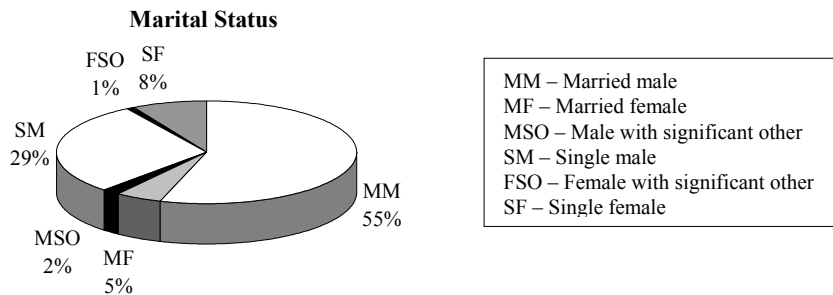
Age of Expatriates

When asked to indicate the ages of expatriates, respondents indicated that 40% are between 40 and 49 years old, followed by 30 to 39 years (26%), then 50 to 59 years (21%), 20 to 29 years (11%), and 60 years old or more (2%).



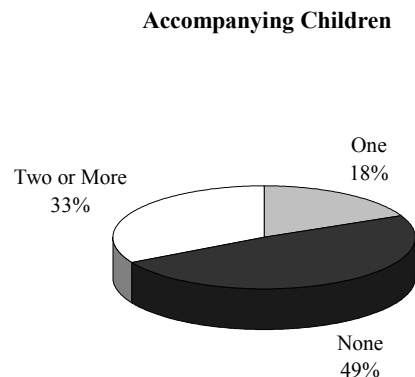
Marital Status

As in the past, most expatriates were married (60%). The percentage of married males (55%) has always been higher than the percentage of single males (29%), and the percentage of married females (5%) has usually been lower than the percentage of single females (8%). The percentage of married men is the lowest in the history of the survey.



Accompanying Children

Only 51% of expatriates had children accompanying them during an assignment – the lowest percentage in the survey's history, which has a historical average of

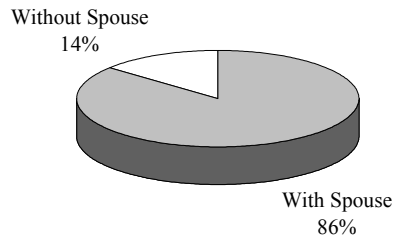


59%.

Spouse Accompaniment

During assignments, spouses accompanied 86% of married expatriates – the same as last year and identical with the historical average of past surveys.

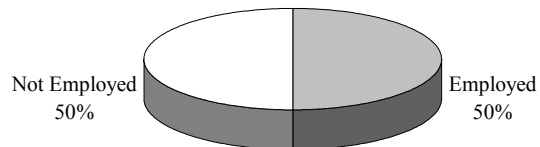
Married With/Without Spouse Accompaniment



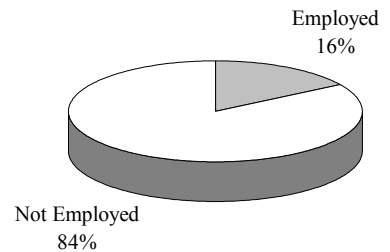
Spouse Employment

Before assignments, 50% of spouses were employed, and during assignments, only 16% were employed. The historical averages for all past years were 45% and 13% respectively.

Employment Before Assignment



Employment During Assignment



SURVEY FINDINGS IN DETAIL

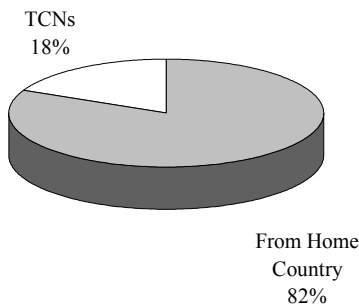
EXPATRIATE SOURCES AND DESTINATIONS

Sources of Expatriate Population

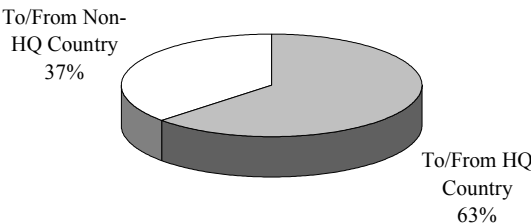
When asked about the origin of expatriates, respondents indicated that 82% were relocated from the home country, and 18% were transferred from one assignment outside of the home country to another outside the home country. The percentage relocated from the home country was the highest in the history of this survey. The historical averages for all past years were 69% and 31% respectively. At large companies, however, a higher percentage of expatriates were transferred from one assignment outside of the home country to another outside the home country.

When asked where expatriates were sent, respondents indicated that 63% were relocated to or from a headquarters country, and 37% were relocated to or from a non-headquarters country. The historical averages for all past years were 69% and 31% respectively. At large companies, however, a higher percentage of expatriates were relocated to or from a non-headquarters country.

Source of Expatriate Population



Where Expatriates are Relocated



Most Active Destinations

When asked to name the three countries to which most expatriates were assigned, 43% of respondents cited the United Kingdom as a top location, followed by the United States (37%), China (18%), Singapore (15%), and Germany (13%). In the history of this survey, the United Kingdom always has been the top destination. Furthermore, the United Kingdom and China always have been among the top six destinations.

Most Frequently Selected Locations for Expatriate Assignments

(Ranked showing percent of companies identifying them; last year's rank in parentheses)

United Kingdom (1)	43	Japan (6)	9	Philippines (NA)	5
United States (2)	37	Canada (10)	8	India (NA)	4
China (3)	18	Switzerland (8)	8	Brazil (NA)	3
Singapore (4)	15	Australia (11)	7	Saudi Arabia (NA)	3
Germany (7)	13	Belgium (14)	7	Taiwan (17)	3
Hong Kong (5)	12	Mexico (12)	5	Austria (NA)	3
France (9)	12	Netherlands (NA)	5		

Emerging Destinations

When asked to identify the three countries that were emerging as new assignment locations, 36% of respondents ranked China as the most common new destination, followed by the United Kingdom (13%), and Japan (11%). With only one exception in the history of this survey, China always has been the most commonly cited emerging destination.

Emerging New Locations for International Assignments

(Ranked showing percent of companies identifying them; last year's rank in parentheses)

China (1)	36	Russia (NA)	6	Germany (5)	4
United Kingdom (9)	13	Australia (NA)	5	Netherlands (NA)	4
Japan (3)	11	Hong Kong (2)	5	Philippines (NA)	4
India (4)	10	Ireland (13)	5	Singapore (14)	4
United States (12)	10	Italy (6)	5	Spain (NA)	4
Canada (NA)	6	Mexico (7)	5		

SURVEY FINDINGS IN DETAIL

Countries with the Greatest Reduction in Activity

When asked which three countries had the most significant reduction in activity compared to last year, 30% of respondents named the United Kingdom, followed by the United States (21%), France (12%), and Brazil (10%). As the most frequently cited destination for expatriate assignments, it is not surprising that the United Kingdom also experienced noticeable reductions in expatriate activity in nearly every survey.

Locations with Greatest Reduction in Activity

(Ranked showing percent of companies identifying them; last year's rank in parentheses)

United Kingdom (1)	30	Mexico (10)	7	Indonesia (NA)	4
United States (4)	21	Australia (7)	5	Japan (3)	4
France (8)	12	Belgium (NA)	5	Canada (9)	3
Brazil (6)	10	Hong Kong (5)	5	Peru (NA)	3
Singapore (11)	9	Italy (NA)	5	Spain (NA)	3
China (14)	7	Netherlands (13)	5	Switzerland (NA)	3
Germany (2)	7	Argentina (16)	4	Thailand (NA)	3

Countries Presenting the Greatest Challenge to Expatriates

This year, we have distinguished between challenges presented to expatriates and challenges presented to program administrators. When asked which three countries produced the greatest assignment difficulties for *expatriates*, China was cited by 23% of respondents, followed by Japan (16%), and the United States (12%). For the first time in the history of this survey, the United States appeared on this listing, and Russia did not. China, India, and Japan have always been among the top six destinations that presented the greatest assignment challenges.

Locations That Present the Greatest Assignment Difficulties for Expatriates

(Ranked showing percent of companies identifying them; last year's rank in parentheses)

China (1)	23	Philippines (NA)	7	South Korea (NA)	4
Japan (5)	16	Saudi Arabia (7)	7	Iraq (NA)	4
United States (NA)	12	Venezuela (15)	6	Argentina (11)	3
Brazil (3)	11	United Kingdom (NA)	5	Belgium (NA)	3
India (2)	11	Colombia (12)	4	Russia (4)	3
France (8)	10	Singapore (NA)	4	Taiwan (NA)	3

Verbatim Comments:

Locations Presenting Challenges to Expatriates

Africa: visa problems...

Angola: hardship...getting work permits...

Argentina: method of pay delivery, devaluations...instability of the country and security of expatriates...

Asia: lifestyle, security...tax treatment, housing, fly-backs, benefits...

Australia: distance from home...

Belarus: language, culture...

Belgium: poor service...trailing tax liability...balancing the global vs. local program...

Brazil: difficult to move money into and out of the country...security...visa, immigration, compensation...safety, business issues...cultural transition...banking...bureaucracy...

Canada: culture, conditions in the Northwest Territories...

China: tax issues, monthly filing requirements, inability to obtain certain goods, quality of living...safety...SARS...difficult living conditions...cultural differences, language...health concerns...hardship...food...logistics...medical care, pollution, internet access, remote location...schooling in rural areas...entitlement expectations...issues of opening a new office...

Colombia: security...concerns about personal safety and kidnapping...violence in the country...

Cote d'Ivoire: civil war...

Dubai: security issues with family members and housing...

Ecuador: danger in the country...

El Salvador: not a desirable assignment because of the quality of life...

Estonia: finding housing, remote location...

France: the legal system...finding a sponsor for visas...local housing...taxes, employment laws...local employee resistance...feeling unwelcome...tax and employment structure...housing deposits...

Guyana: not a desirable assignment because of the quality of life...

Haiti: not a desirable assignment because of the quality of life...

Hong Kong: language, cultural differences, distance from company offices, feeling alone...

India: lifestyle, security...isolation...taxes, method of pay delivery, hardship conditions...food safety, climate...complex housing and contracting, difficult for families...culture...remote location, few amenities, generally only single expatriates accept assignments...locating housing...

Iraq: safety...security concerns...

SURVEY FINDINGS IN DETAIL

Verbatim Comments:

Locations Presenting Challenges to Expatriates (continued)

Indonesia: safety...security...

Ireland: adequate housing and schooling...

Israel: safety...

Kazakhstan: climate, business culture...

Kenya: security, crime concerns, unreliable utilities such as water (Nairobi)...work permits, tax issues...

Macau: government red tape...

Malaysia: culture, language, health...

Maldives: access to shopping, etc...

Mexico: taxes, hardship conditions...

Middle East: lifestyle, security...political outlook, climate...security...war zone...

Morocco: visas...

Nepal: visas...

Netherlands: income taxation...

Nigeria: hardship and crime...

Norway: poor service...

Pakistan: safety...environment, safety...

Philippines: cultural differences, safety, hardship...security...locating housing...remoteness of the facility...

Poland: different culture, taxes, legal system...

Russia: learning how to do business there...bureaucracy...security issues... issues with opening a new office... hardship...

Saudi Arabia: fear of terrorism...lifestyle...lack of freedom of movement, political situation...concerns about restrictions on women...extreme living conditions, political, social, and religious rules...

Singapore: culture... tax equalization...security issues...

S. Africa: exchange-rate fluctuations between the U.S. dollar and the Kruggerrand (Johannesburg)...tax equalization...

S. Korea: culture and standard of living...language, cultural training in remote areas is difficult to obtain...cultural expectations...cost of living...

Sweden: no assistance from local office when working off-site...housing...

Switzerland: restrictive politics...

Taiwan: culture and language...

Verbatim Comments:**Locations Presenting Challenges to Expatriates (continued)**

Thailand: cost of living...

Philippines: security...

United Arab Emirates: fear of terrorism...

United Kingdom: living cost...expensive...tax equalization...cultural differences, taxes...currency conversion rates...

United States: visa restrictions and time required until permit is approved...high cost of living, difficulty securing housing, and limited resettlement package...lower cost of living means minimal allowances and not as cosmopolitan (Tacoma, WA)...delays in social security numbers...visas...distance from home, U.S. credit system doesn't recognize international credit-worthiness...housing in the New York City market...visa and immigration restrictions after September 11...schooling...

Uzbekistan: lack of amenities...

Western Africa (region): security concerns due to civil unrest...

Venezuela: economic situation, security problems...political instability...political climate...currency exchange rates are unstable at times...

Zimbabwe: visas...

SURVEY FINDINGS IN DETAIL

Countries Presenting the Greatest Challenge to Administrators

When asked which three countries produced the greatest assignment difficulties for program administrators, China was cited by 24% of respondents, followed by Japan (17%), and the United States (14%). For the first time in the history of this survey, the United States appeared on this listing, and Russia did not. China, India, and Japan have always been among the top six destinations that presented the greatest assignment challenges.

Locations That Present the Greatest Assignment Difficulties for Administrators
(Ranked showing percent of companies identifying them; last year's rank in parentheses)

China (1)	24	Italy (NA)	7	Iraq (NA)	5
Japan (5)	17	United Kingdom (NA)	7	Germany (9)	4
United States (NA)	14	Argentina (11)	5	Mexico (10)	4
Brazil (3)	12	Belgium (NA)	5	Taiwan (NA)	4
France (8)	12	Canada (NA)	5		
India (2)	9	Venezuela (15)	5		

Verbatim Comments:

Countries Presenting Challenges to Administrators

Afghanistan: no adequate housing available on the local market...

Africa: taxes...

Argentina: currency, security...education for direct dependents...

Asia: challenging lifestyle and security issues...taxes...

Australia: coordinating with my counterparts there...culture and assignee demands...

Belgium: costs, incremental tax costs...government requirements, tax liability, visa difficulties...tax audits...

Brazil: employment law issues...difficult to move monies in and out of the country...currency exchange controls, taxes, hardship...economy, government requirements...immigration, tax issues...bureaucracy, administration, security...getting work visas...

Bulgaria: splitting pay between home and host country and creating a package...

Cambodia: poor phone connections...

Canada: work permit and visa...immigration obstacles, red tape...cultural adjustment issues...conditions in Yellowknife area...

China: tax issues, keeping the employee and family happy...too many rules and regulations...safety...bureaucracy...taxes...no clear view on housing costs and availability...lack of benchmarking history...time differences, government requirements...work visas, costs...culture and language...so many expatriate benefits to maintain and coordinate...monthly tax payments...entitlement expectations and government issues...

Verbatim Comments:

Countries Presenting Challenges to Administrators (continued)

Colombia: security concerns...

Czech Republic: taxes...

Denmark: healthcare...

Dominican Republic: high inflation rate...

Ecuador: visas must be obtained in person only at the Ecuadorian Consulate offices in a couple of cities...

El Salvador: highly political, different culture...political and economic instability, personal safety and security...

Estonia: finding housing...

Europe: taxes...visa and work permit issues...

France: complicated immigration process, messy social benefits integration...visa issues...tax issues, dictatorial approval...tax laws...employment laws...restrictive work rules...entering, exiting...stringent tax and visa requirements...work permit processing times...

Germany: taxes...

Greece: security issues...

Guyana: highly political, culturally different...

Haiti: political and economic instability, personal safety and security...

India: housing...medical facilities, safety of employees...payroll issues...locating housing...living conditions...unknown conditions...

Indonesia: medical facilities...

Iran: tax and rotation...

Iraq: safety...insurance, requires a unique policy...vendors keeping up with demand...

Ireland: managing expatriate complaints...

Israel: safety...

Italy: immigration...visa and work permit procurement... stringent tax and visa requirements...diverse expatriate population, local staff not familiar with expatriates...

Jamaica: highly political, culturally different...

Japan: expensive to administer...taxes...language and time difference...work visas, costs...social benefit and tax rules make administration cumbersome, creative strategies required...bureaucracy...tax assessments...language and culture...executive packages...limitations around culture, training, and orientation...COLA, housing...culture, language...high cost to the company...cost of living and tax issues...

SURVEY FINDINGS IN DETAIL

Verbatim Comments:

Countries Presenting Challenges to Administrators (continued)

Kenya: security concerns and frequent special requests for more support from expatriates...

Macau: government red tape...

Maldives: medical facilities...

Mexico: tax reporting and immigration...work permits take a very long time...

Middle East: work visas, transportation, housing, medical facilities...security...

Morocco: regulations...

Netherlands: income tax...

Pakistan: safety...

Philippines: allowances...locating housing...

Poland: tax and legal system...

Puerto Rico: culture, language, internal office staff...

Saudi Arabia: evacuation preparations...

Singapore: tax assessments...

S. Africa: must reassess allowances frequently because of currency fluctuations, no U.S. DOS information regarding housing...compound housing and security...

S. Korea: language and time difference...

Spain: housing issues...

Switzerland: costs, housing, social benefits...

Taiwan: taxation...work visas, costs...

Turkey: healthcare...

United Kingdom: pay as you earn (PAYE) contributions...taxes...COLA, housing...visa process becoming challenging...housing allowances...taxes, currency conversion rates...

United States: currency issues...must assist expatriates to find reasonable housing and good schools for dependents with limited resources...frustrating immigration process...immigration and social security number...INS and visa issues...lack of international understanding...assignees always want more...US staff not global...

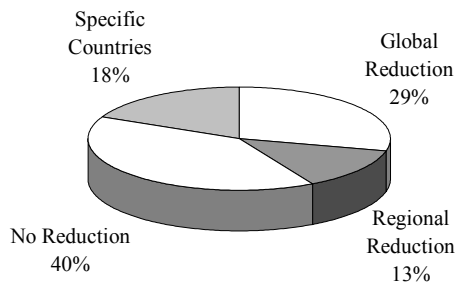
Venezuela: security concerns, immigration difficulties...inflation...security...

RESPONSE TO CURRENT EVENTS

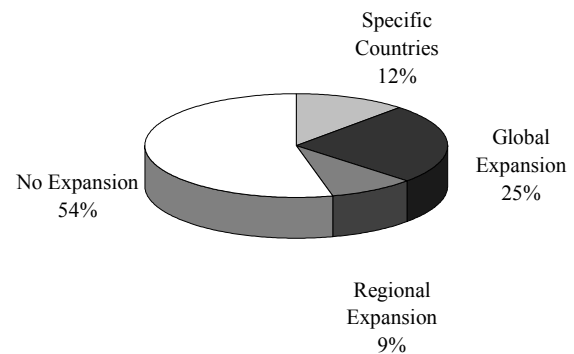
Overall Workforce Downsizing or Expansion

Sixty percent (60%) of respondents reported significant workforce downsizing, with most of it taking place globally. Conversely, 46% reported a significant workforce expansion, and most of it was global. Although these figures are ambivalent, they may reflect optimism: while the historical average for workforce downsizing was *somewhat* smaller (53%), the historical average for expansion was *vastly* smaller (18%) by comparison. Since a different set of respondents answers each question, there is little correlation between the results.

Workforce Downsizing



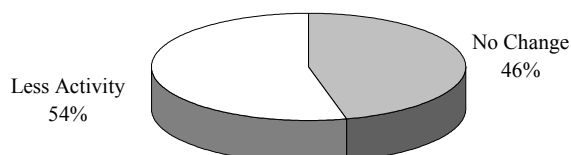
Workforce Expansion



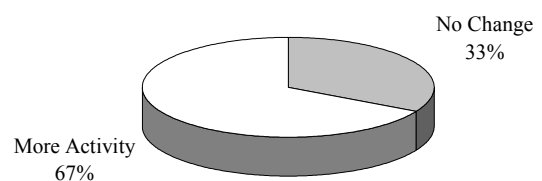
Impact of Downsizing or Expansion on Expatriate Activity

Fifty-four percent (54%) of companies experiencing downsizing also indicated a decrease in expatriate activity. At companies that reported a workforce expansion, 67% of respondents reported an increase in expatriate activity (compared to 37% last year) – again reflecting optimism.

Expatriate Activity in Locations With Downsizing



Expatriate Activity in Locations With Expansion



SURVEY FINDINGS IN DETAIL

Verbatim Comments:

Workforce Expansion Locations Listed by the Number of Citations

China (9)

Europe (7)

Asia, United Kingdom (6)

India (5)

Latin America, Philippines, United States (3)

Ireland, Mexico, Middle East, Russia, Taiwan (2)

Afghanistan, Austria, Australia, Bahamas, Bolivia, Brazil, Costa Rica, Denmark, Egypt, France, Ghana, Hungary, Iraq, Japan, Jordan, Kuwait, Macau, Poland, Saudi Arabia, Singapore, S. Africa, Sweden (1)

Verbatim Comments:

Workforce Downsizing Listed by the Number of Citations

United States (34)

Europe, United Kingdom (7)

France, Germany (3)

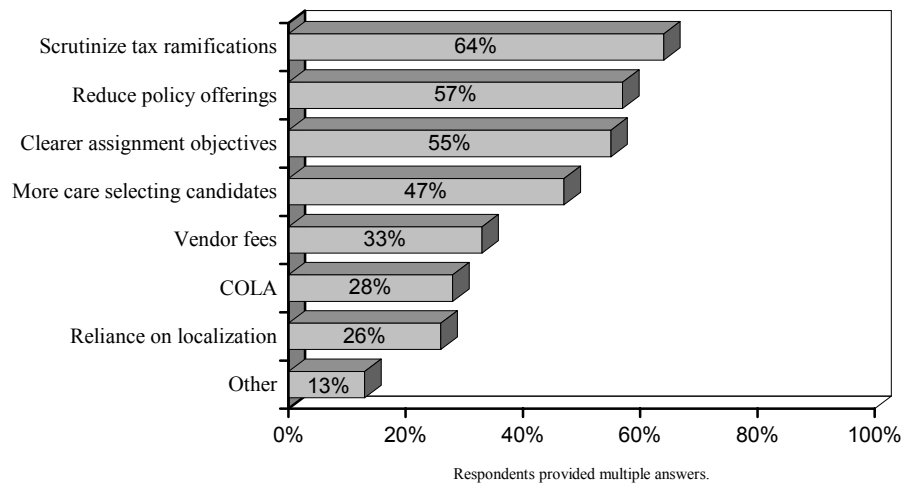
Asia, Brazil, Costa Rica, Guatemala, Japan, Latin America, North America (2)

Africa, Angola, Argentina, Canada, China, Estonia, Indonesia, Mexico, Norway, Peru, South America, Spain, Switzerland, S. Korea, Thailand, Uruguay, Venezuela (1)

Response to Economic Conditions

In response to a new question, 64% of survey participants indicated that companies were reducing expenses for international assignments in response to economic conditions. Among these, 64% scrutinized tax ramifications for assignments more closely (compared to 35% last year), 57% reduced policy offerings or amounts (compared to 18% last year), 55% established clearer assignment objectives (compared to 43% last year), 47% took more care in selecting candidates (compared to 45% last year), 33% sought reduced vendor fees, 28% revised COLAs, and 26% increased reliance on localization of expatriates. We found that a lower percentage of large firms (37%) were reducing expenses for international assignments.

Response to Economic Conditions



Verbatim Comments:

Impact of Global Business Environment on Expatriates

Comments about changes in policy offerings: “we reduced the package to meet essentials...we changed the payout of assignment allowances...we changed the housing allowances...we revised the policy to address business needs (and economic constraints) more closely...housing allowances were reviewed and modified downward slightly...”

Comments about changes in administration or practices: “we streamlined the administration process....we prefer home-country nationals to fill positions...we re-hire employees in a new country and then relocate them there rather than utilize the expatriate process...we closed two offices...we outsource assignments...we have an overall effort to reduce expenses...we utilize hybrid assignments...we prefer short-term to long-term assignments...”

SURVEY FINDINGS IN DETAIL

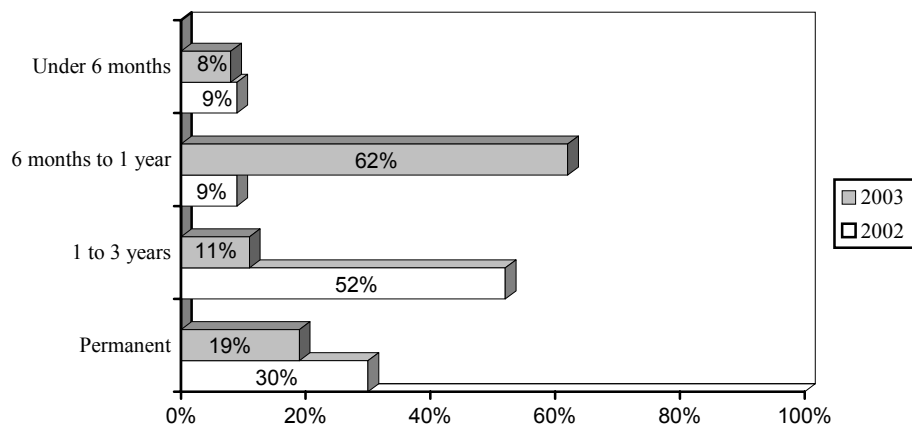
Assignment Funding Requirement

Fifty-nine percent (59%) of respondents indicated that their companies require a clear statement of assignment objectives before they can obtain funding for an international assignment. This is a new question.

Assignment Duration

Respondents indicated that 70% of assignments were for one year or less in duration, and only 19% were for three years or more. The past historical average for assignments of one year or less was 13%. Although this change reflects a shift away from permanent and long-term assignments toward shorter ones, the shift was more pronounced among small companies.

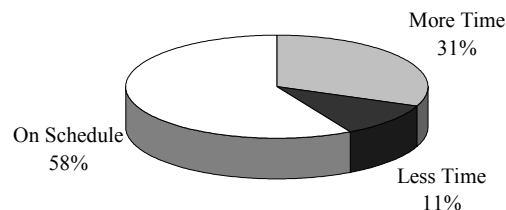
Assignment Duration



Assignment Duration vs. Estimates

Respondents indicated that 11% of assignments were completed in less time than originally estimated, 58% were completed on schedule, and 31% exceeded the amount of time originally estimated for completion. This is a new question.

Assignment Duration vs. Estimates



Verbatim Comments:**Reasons for Requiring Additional Time for an Assignment**

Roles and responsibilities change during an assignment.

We sometimes have difficulty finding local replacements or training them.

There may be additional objectives identified during an assignment.

The time required is dictated by the complexity of the technology or design problems.

There can be business or personal reasons for staying.

Our expatriate contracts are renewable.

Time is exceeded usually because the person wants to stay and the business unit is happy about it.

If the business objectives were not completed in the originally planned time frame, they stay longer.

Unanticipated family or employee health issues can be the cause.

Some of our assignments are open ended.

The assignment sometimes becomes larger in scope than expected.

There may be continued need of a person's expertise.

Sometimes it's mutual convenience to lengthen assignments.

Vendor delays can lead to extended stays.

If the assignment is not completed on time, the employee stays longer.

Sometimes it's bad planning or because we cannot find a local national to do the work.

If our business strategy changes, contracts are extended.

Expansion of the office requires extra time.

Home sale issues can cause delays.

Continuity in client service and the transition to a replacement are key reasons.

Training of local employees can be a cause of delay.

Sometimes the assignment is a better opportunity than returning home.

Causes of longer stays are incomplete assignment objectives, no successor, or no position back home.

Typically, senior executive positions renew at least once, so these extensions are renewals.

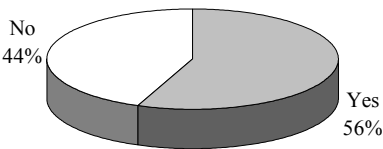
Sometimes, client relationships demand a longer stay.

SURVEY FINDINGS IN DETAIL

Seeking Alternatives to Long-Term Assignments

When asked if respondents were seeking alternatives to long-term assignments (over one year), 56% indicated that they were – close to the historical average of 55%. We found that a higher percentage of large companies (70%), however, were seeking alternatives to long-term assignments.

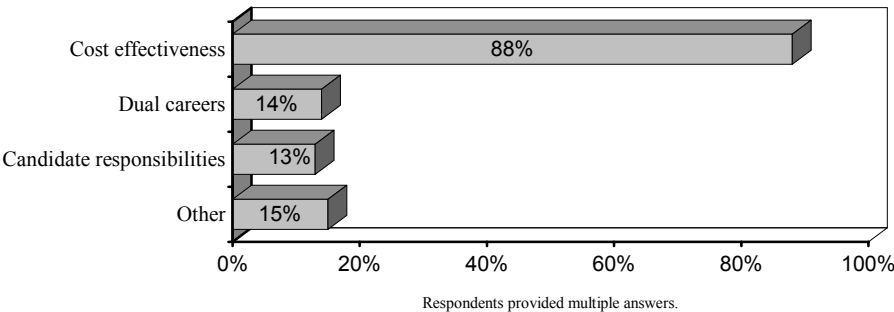
Seeking Alternatives to Long-Term Assignments



Reasons for Seeking Alternatives

At companies that were seeking alternatives to long-term assignments, the chief reasons were cost effectiveness (88%) and obtaining first-choice candidates from dual-career couples (14%).

Reasons for Assignment Alternatives



Verbatim Comments:

Reasons for Seeking Alternatives to Long-Term Assignments

We want to address specific issues by utilizing retired employees hired on a contract basis.

We place a greater focus on finding local talent and skills.

We hire an employee for permanent residence rather than as an expatriate.

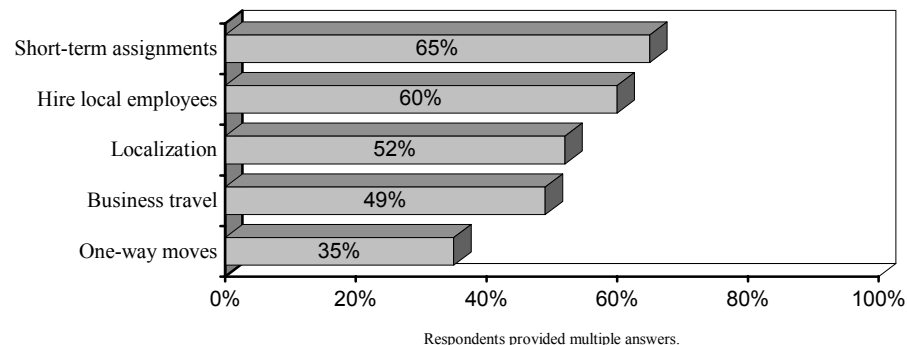
It's more effective to have a local candidate.

We utilize training (of local employees) instead of expatriates.

Alternatives to Long-Term Assignments

At companies that were seeking alternatives to long-term assignments, 65% relied upon short-term assignments (compared to 59% last year), 60% increased reliance on local employees (compared to 48% last year), 52% were localizing expatriates by converting them from expatriate status to local standards (compared to 67% last year), 49% expanded their use of business travel without relocating employees (compared to 51% last year), and 35% utilized permanent one-way moves (compared to 43% last year).

New Program Alternatives



Verbatim Comments:

Alternatives Used Instead of Long-Term Assignments

We utilize technical visas.

We rely on rotational assignments instead of long-term assignments.

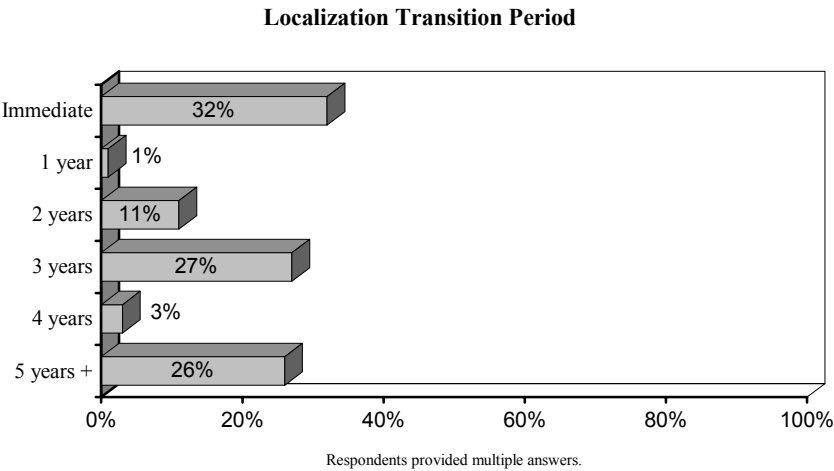
We use expatriates on local terms and supplement this practice with some allowances.

We make use of hybrid moves that contain aspects of both local employees and our international assignment policy.

SURVEY FINDINGS IN DETAIL

Localization Practices

Among companies that were increasing reliance on the localization process (converting expatriates to local standards), 32% localized immediately, 1% made the transition during a one-year period, 11% in two years, 27% in three years, 3% in four years, and 26% in five years. This question has been expanded to include more options.

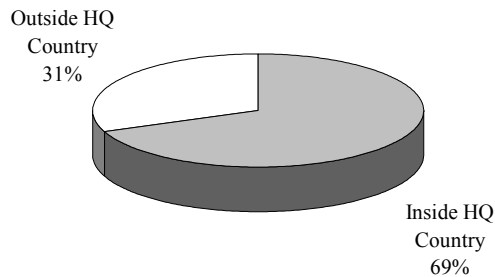


GLOBAL BUSINESS STRATEGY

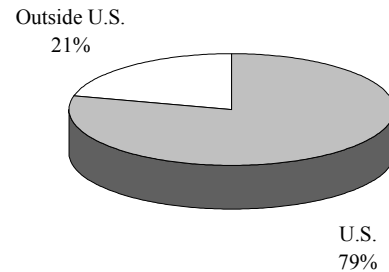
Source of Company Revenues

This year, responding companies generated 31% of revenues outside of the headquarters country – much lower than the historical average of 43%. It is not surprising, however, that at large companies, a higher percentage of revenues are generated outside the headquarters country. Furthermore, although most of the responding companies' headquarters were located in the U.S. (79%), global revenues comprised a significant part of their income. Again not surprisingly, a higher percentage of the large companies participating in this survey were headquartered outside of the U.S.

Source of Company Revenues



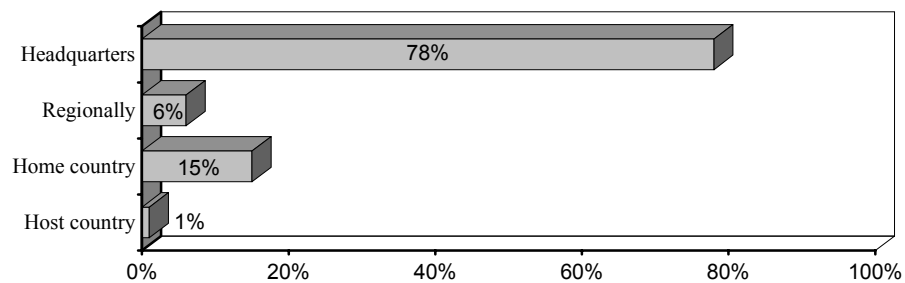
Location of Company Headquarters



Relocation Decisions

For 78% of respondents, relocation assignment policy decisions were made globally at company headquarters, 6% regionally, 15% in the home country, and 1% in the host country. These results were similar to past historical averages.

Where Relocation Decisions Are Made

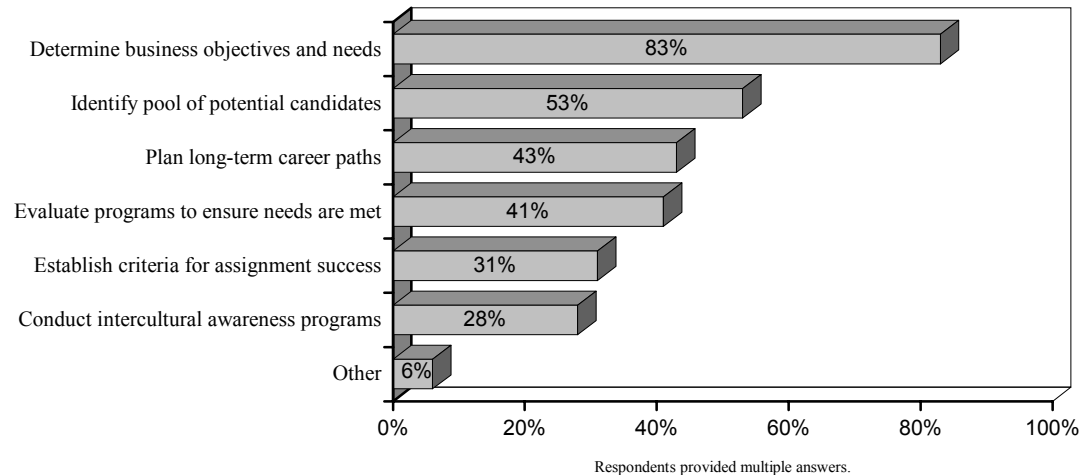


SURVEY FINDINGS IN DETAIL

Preparing for Global Expansion

When asked how companies prepared for global expansion, the leading responses were determining business objectives and needs (83%), identifying a pool of candidates (53%), planning long-term career paths (43%), and evaluating programs to ensure that needs were met (41%). The ranking sequence was

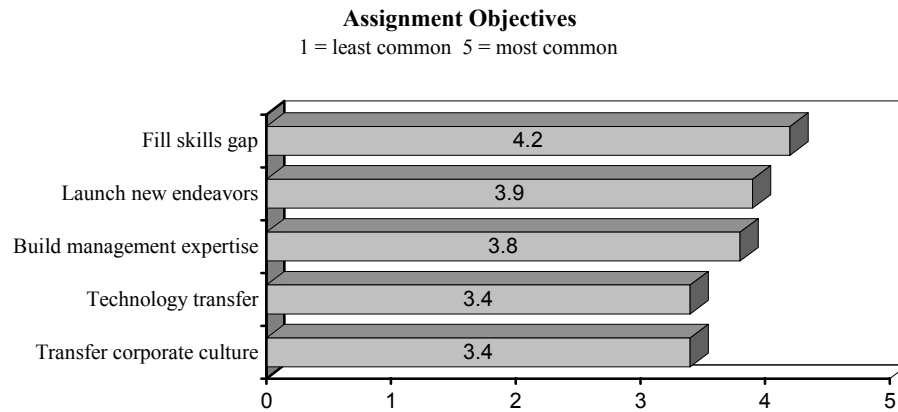
How Companies Prepare for Global Expansion



similar to past surveys.

Ranking Assignment Objectives

We asked respondents to rank objectives for international assignments using a scale of one for the least common objective and five for the most common. Although the ranking sequence resembled that of previous surveys, all of the responses received higher numerical ratings. Filling a skills gap (4.2) was the top response, followed by launching new endeavors (3.9), building management expertise (3.8), technology transfer (3.4), and transferring corporate culture (3.4).



Verbatim Comments:

Assignment Objectives and Challenges

We use international assignments to fill a gap in an executive or management-level position in a host-country organization.

Our purpose for these assignments is corporate governance.

A key challenge is transitioning long-term expatriates to the reduced benefits packages that reflect their long-term (over 10 years) residence at their post.

One challenge we have to address is expatriate concerns about security (terrorism).

Healthcare and security remain two of our top challenges.

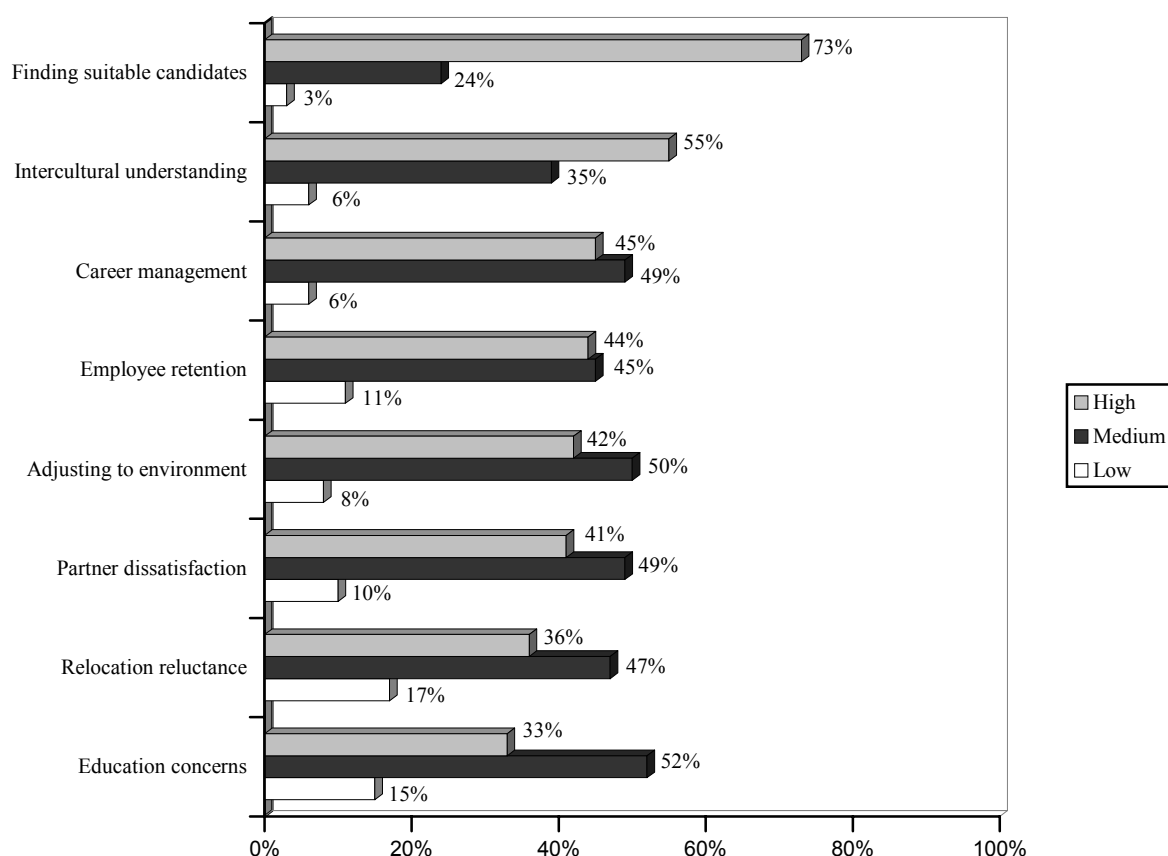
One of the most difficult challenges is completing assignments with the intended staff.

SURVEY FINDINGS IN DETAIL

Relocation Challenges That Are Critical to Companies

Respondents identified relocation challenges that were critical to their companies and ranked them in terms of high, medium, and low importance. Ninety-seven percent (97%) reported that finding candidates had high or medium importance, and 90% cited intercultural understanding. Career management, employee retention, adjusting to a new environment, and partner dissatisfaction followed.

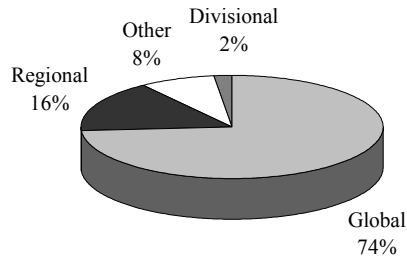
Ranking Critical Challenges



Standardization of Assignment Packages

Eighty-six percent (86%) of respondents standardized their international assignment policy components (not the amounts). Among those who utilized standardization, 74% used a global approach, 16% a regional approach, and 2% a divisional approach. This was a new question.

Method of Standardization



Verbatim Comments: Policy Standardization

Twenty-eight percent (28%) of the comments reflected a desire to standardize all policy components or as many as possible. We received the following comments:

We're focusing on compensation.

Moving expenses are our priority.

We're introducing new localization policies that would apply to all posts.

The pay and benefits have been standardized.

We want an overall policy, but one that can vary in regions where it makes sense.

We use a home-host balance sheet approach in which all "developmental" areas are host-country based and all of the other elements are globally consistent.

Housing as well as goods and services are standardized.

We're standardizing housing allowances.

We have standardized home leave, types of allowances, and relocation expenses.

We use a balance-sheet approach for travel and for moving household goods.

In January 2003, we implemented a standard worldwide policy with "structured flexibility" to accommodate business requirements and employee needs.

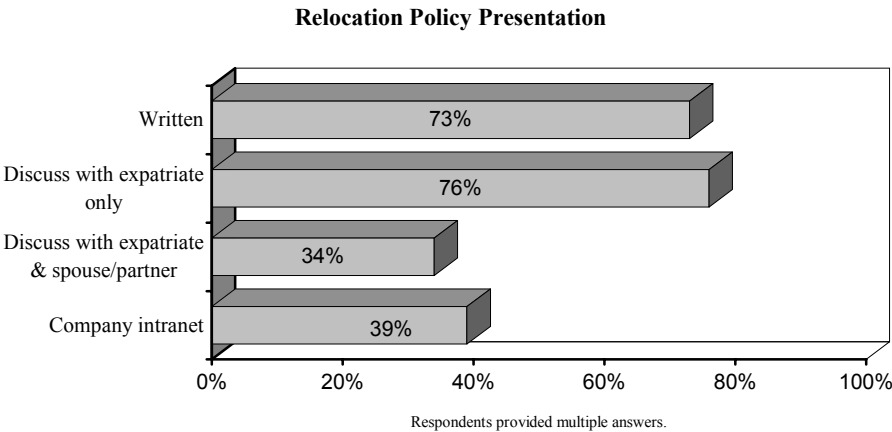
Our philosophy is to have similar conditions for expatriates posted in the same location, regardless of their division.

We have a single standard for housing, cars, schools, and allowances.

SURVEY FINDINGS IN DETAIL

Policy Presentation

When asked how they presented relocation policies to employees, 73% of respondents cited a written policy, 76% discussed them in person with expatriates only, 34% discussed them with expatriates and spouses/partners, and 39% utilized the company intranet. These percentages were lower than in previous surveys.

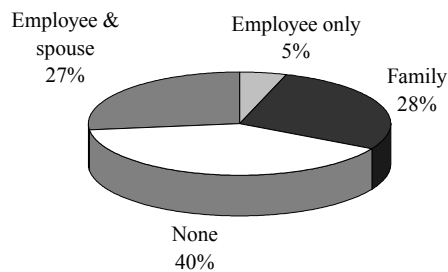


CROSS-CULTURAL TRAINING

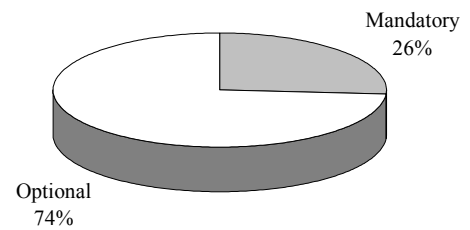
Cross-Cultural Program Availability

Most companies (60%) provided cross-cultural preparation before international assignments. This figure was consistent with previous surveys. Twenty-eight percent (28%) provided training for the entire family, 27% for expatriate and spouse, and 5% for expatriates alone. Only 26% of respondents indicated that this training was mandatory, and 74% responded that it was optional.

Cross-Cultural Training Availability



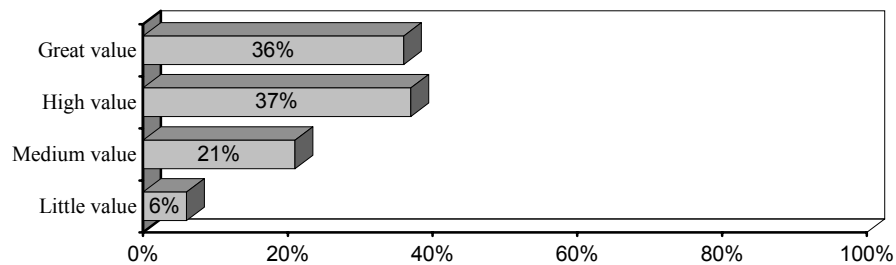
Optional or Mandatory



Effectiveness of Cross-Cultural Programs

When asked to rate the value of cross-cultural preparation for expatriate success, 73% of companies reported that it had great or high value, and 21% reported a medium value. Only 6% indicated that it had little value.

Value of Cross-Cultural Training

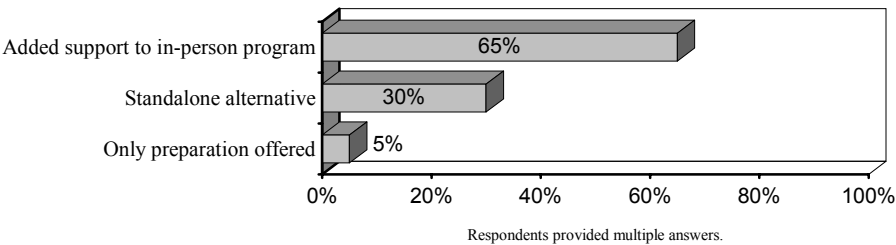


SURVEY FINDINGS IN DETAIL

CD-Based and Web-Based Cross-Cultural Programs

When asked if their cross-cultural programs included CD-based or web-based alternatives, only 16% of respondents made these alternatives available, a lower percentage than in previous surveys. Of those who provided CD-based or web-based alternatives (or were considering them), 65% used them as additional pre-move and post-move support to reinforce in-person cross-cultural programs, 30% used them as standalone alternatives to in-person programs, and 5% relied on CD-based or web-based alternatives as the only type of cross-cultural preparation offered.

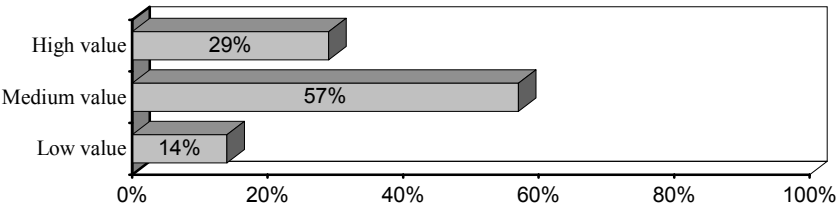
Use of CD-Based and Web-Based Alternatives



Effectiveness of Web or CD-Based Cross-Cultural Programs

When asked to rate the value of web-based and CD-based cross-cultural preparation, only 29% of companies reported a high value, 57% medium, and 14% a low value. These assessments were remarkably lower than for in-person cross-cultural programs. This was a new question.

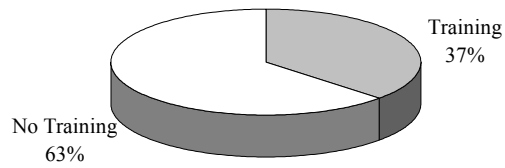
Value of Web and CD-Based Cross-Cultural Training



Company Code of Conduct

When asked if companies were responding to concerns about corporate integrity and accounting by instituting programs to train expatriates regarding the company code of conduct, 37% of respondents indicated that they had instituted such programs. This was a new question.

Code of Conduct

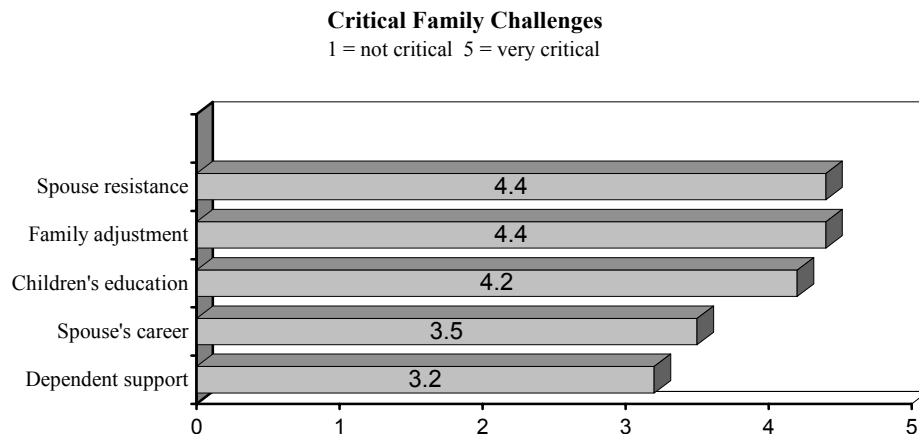


SURVEY FINDINGS IN DETAIL

FAMILY-RELATED EXPATRIATE ISSUES

Critical Family Challenges

When asked to rate family challenges that were critical to their companies, respondents indicated that spouse resistance (4.4), family adjustment (4.4), and children's education (4.2) were the most critical issues, followed by the spouse's career (3.5). For the first time, we included dependent support as an option.



Verbatim Comments:

Critical Family Challenges

Most of our expatriates are familiar with living abroad, as are their family members. We have more of an issue with “inpats” whose spouses sometimes cannot work because of the type of temporary U.S. work visa we can sponsor.

The biggest challenge is preservation of home relationships.

One challenge is keeping in touch with children left behind at a university.

Relations with professional peers and contacts within sociopolitical environments are challenging.

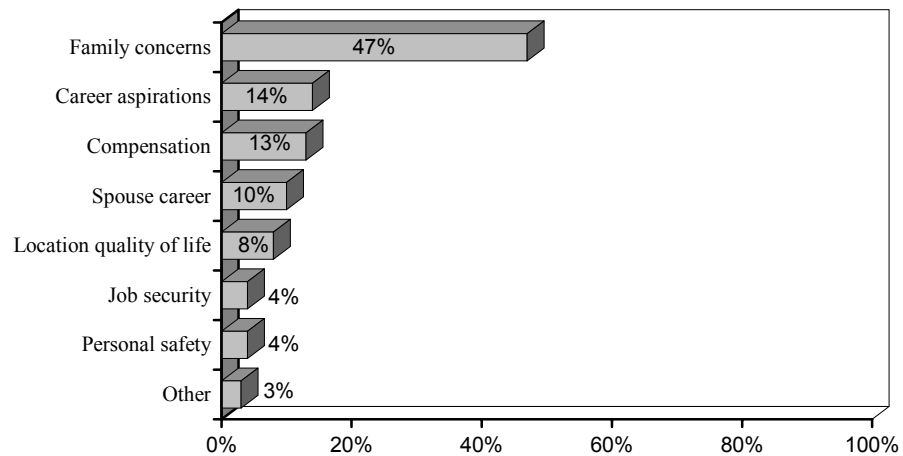
Language training is a top challenge.

Cultural problems are key – especially within the Japanese culture.

Assignment Refusal

When asked to identify the most common reasons cited by candidates for turning down assignments, family concerns (47%) were the most important, followed by career aspirations (14%), compensation (13%), and spouse's career (10%).

Most Common Reasons for Assignment Refusal



Verbatim Comments:

Assignment Refusal

Lack of job security upon repatriation is one reason for turning down an assignment.

Some employees don't want to leave their home country.

Some expatriates see only a limited linkage between an assignment and their career path.

Children and children's education are two top reasons for assignment turn-down.

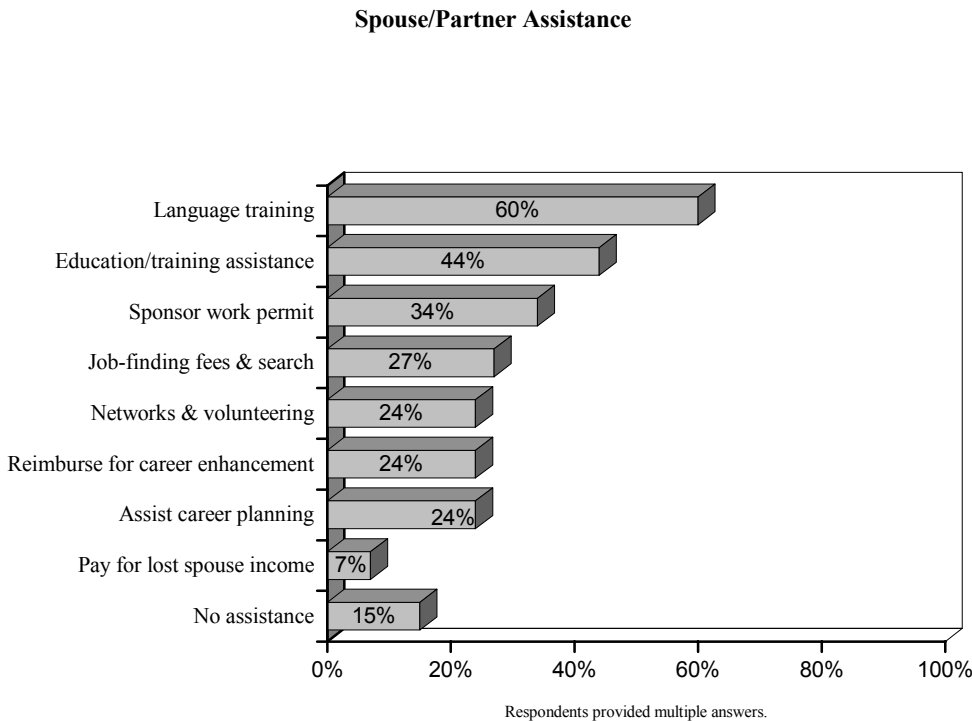
Pension equivalency presents a challenge that leads to assignment refusal.

Candidates worry about job security after repatriation.

SURVEY FINDINGS IN DETAIL

Spouse/Partner Assistance

When asked how companies assist spouses or partners, 60% of respondents cited language training, 44% education/training assistance, 34% work permits, and 27% employment searches or job-finding fees.



Verbatim Comments:

Assistance for Spouses and Partners

We rarely (if ever) assign someone who is married.

We've added spouse pension support.

We reimburse spouse career and education expenses in all of these categories up to an annual maximum.

Our support is ad hoc, and we use informal networks.

We have a lump-sum payment to cover career planning assistance, education, etc.

We have a one-time allowance.

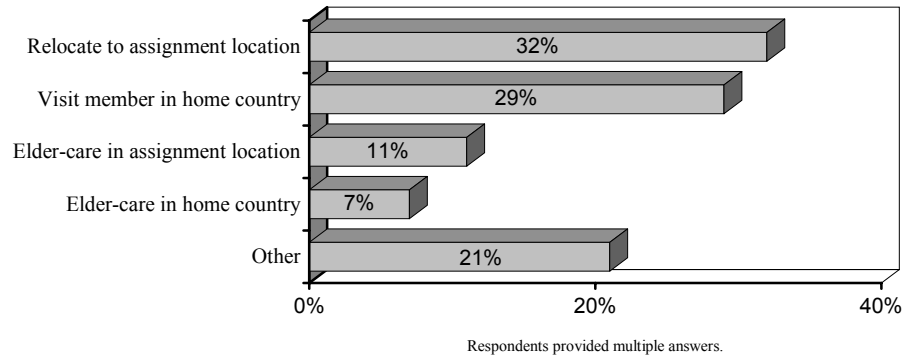
There is an allowance payment made each year.

We provide some skill-building courses and language courses when necessary.

Assistance for Elderly Family Members

When asked if their policies have provisions to assist expatriates with elderly family members, 13% of respondents indicated that they had such provisions. Among those who had these provisions, 32% supported relocation of the family member to the assignment location, 29% supported visits to the family member in the home country, 11% supported elder-care in the assignment location, and 7% supported elder-care in the home country. These were new questions.

Assistance for Elderly Family Members



Verbatim Comments:

Assistance for Elderly Family Members

We provide assistance through our EAP program to help families with any issues that arise.

Our expatriate EAP provides assistance.

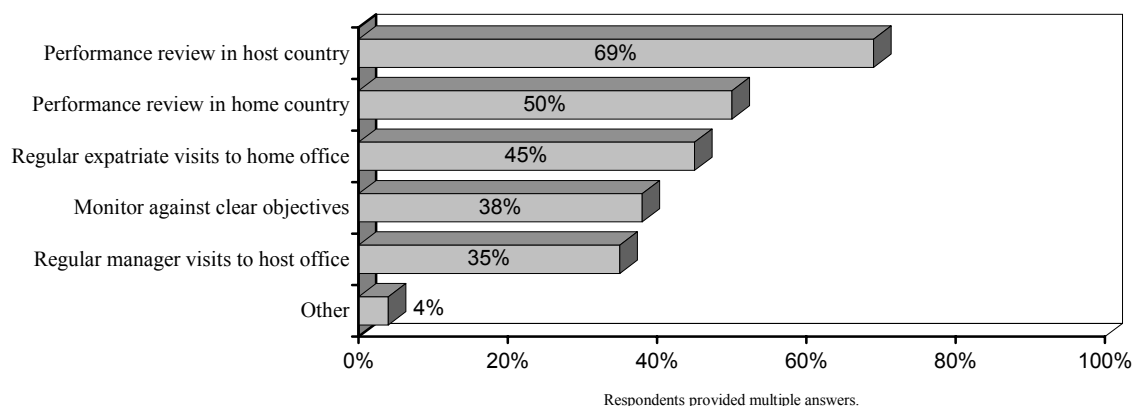
SURVEY FINDINGS IN DETAIL

ASSIGNMENT EVALUATION AND COMPLETION

Monitoring and Evaluating Assignment Success

Although many companies had more than one evaluation approach, host-country performance reviews were used by 69% of respondents, followed by home-country reviews (50%), visits to the home office (45%), monitoring against clear objectives (38%), and manager visits to the host office (35%). While percentages for this question varied over the years, the ranking sequence had

Monitoring and Evaluating Assignment Success



only minor changes.

Verbatim Comments: Evaluating Expatriates

We are miserable at this.

The specific business units manage this.

We monitor overall performance ratings for all assignees and measure them against employees as a whole.

Expatriates have periodic conversations with mentors.

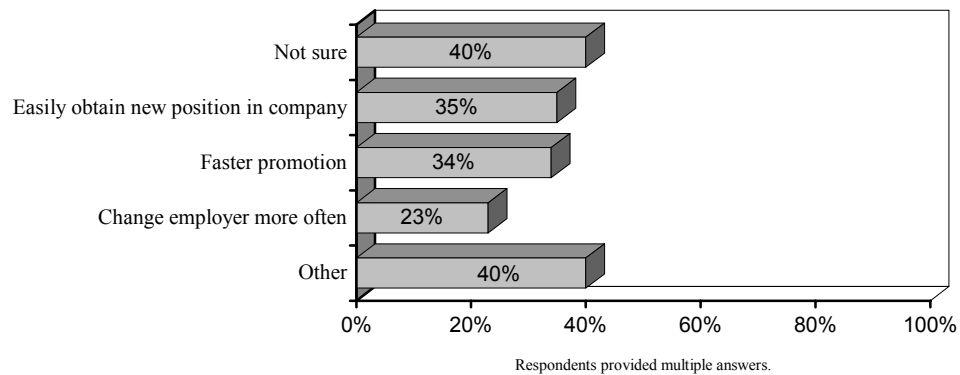
We have daily calls and weekly video conferences.

There is a combination of performance review in the home and host countries.

Career Impact of International Experience

Forty percent (40%) of respondents were unsure about the value of international experience to an employee's career, 35% believed expatriates obtained positions in the company more easily, 34% that they were promoted faster, and 23% that they changed employers more often. It was disturbing that so many respondents lack the information needed to make a convincing case for accepting these

Impact on Expatriate's Career



assignments.

Verbatim Comments:

Impact of Assignments on Expatriate Careers

The outcome of an international assignment varies according to the individual's career goals.

The impact of an assignment on an expatriate varies by person and assignment.

As a result of an assignment, expatriates feel dissatisfied about their position in the company more often.

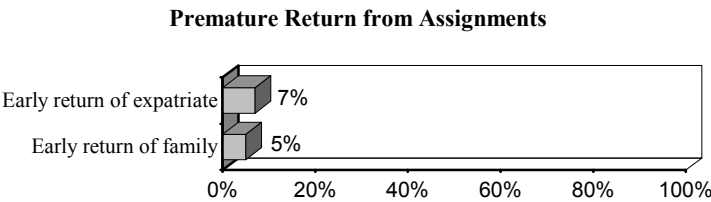
I see no obvious pattern among expatriates.

It all varies by individual and career goal.

SURVEY FINDINGS IN DETAIL

Premature Return from Assignments

In response to two new questions, respondents indicated that 7% of assignments were not completed because expatriates returned prematurely. Respondents also indicated that family members returned prematurely to the home country and left the expatriate employee behind at the assignment location in 5% of assignments.



Verbatim Comments:**Premature Return from Assignments**

Premature return is usually due to uncontrollable family issues.

This happens when the position is no longer required at the subsidiary.

All of our assignments have been completed according to the terms of the assignment!

Ill health is one cause of early return.

When expatriates receive a promotion at their home locations, this occurs.

Our assignments are not generally project based; assignees may return earlier than planned, but the assignment would not necessarily be considered incomplete.

Personal reasons – family situations – are the reason.

When new career opportunities arise in the home country, they return.

Usually family problems or visa problems are the reason for early return.

There is no such thing as a “return” in our company; you never go back to the sending location.

Family dissatisfaction is the chief source of this problem.

Not meeting job expectations and family problems lead the list of reasons.

Sickness, accidents, terrorism, political instability, etc. are some causes for this.

Sometimes there are business reasons to return the expatriate to the home country.

Typically, it's because the assignee was not the best candidate for the assignment.

Performance issues are a key consideration.

There are early returns because Individuals could not adjust to the new country.

Some reasons are cultural adjustment and family issues.

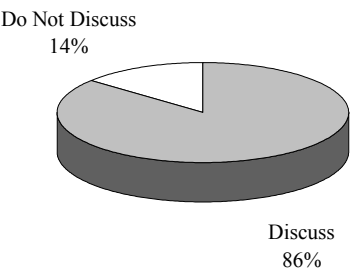
A few returned because of the country's cultural differences and a few for family reasons.

SURVEY FINDINGS IN DETAIL

Repatriation Discussions

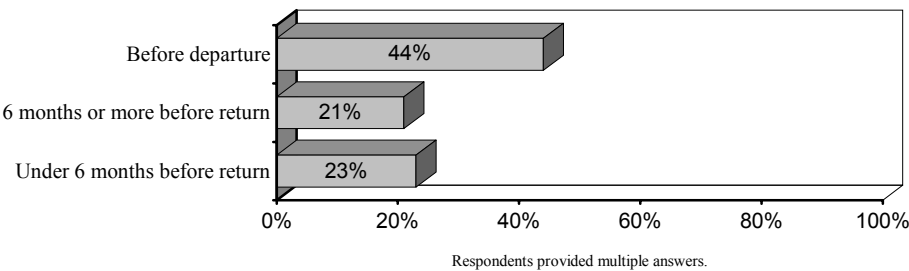
A majority of respondents (86%) held repatriation/re-entry discussions with expatriates – the highest percentage in the history of this survey.

Repatriation/Re-Entry Discussions



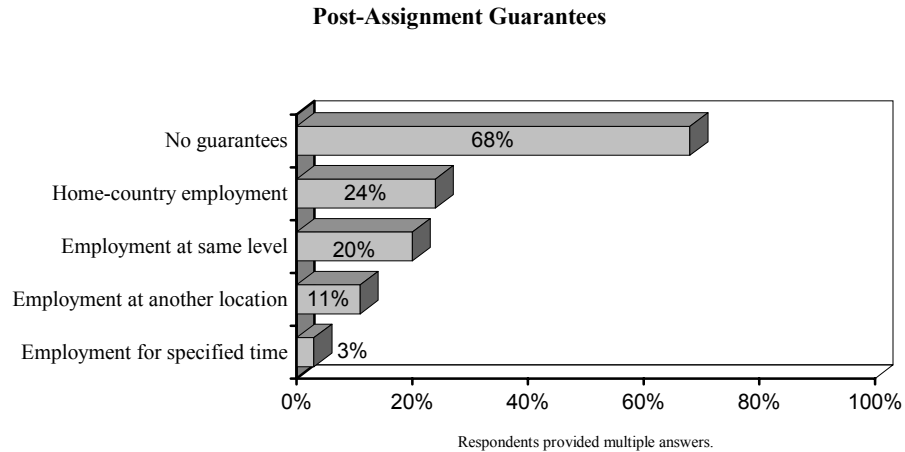
Of the respondents who discussed repatriation with employees, 44% discussed it before relocation (informally in most cases), 21% did so at least six months before return (informally in most cases), and 23% discussed it less than six months before assignment completion (formally in most cases).

When Repatriation Is Addressed



Post-Assignment Guarantees

As in past surveys, most respondents (68%) provided no post-assignment guarantees of employment; 24% provided guarantees of home-country employment, followed by guarantees of employment at the same level (20%), or at another location (11%).



Verbatim Comments:

Post-Assignment Guarantees to Expatriates

Most expatriates are on renewable contracts that are usually renewed.

This practice varies by country.

We offer continued employment for good, solid performance.

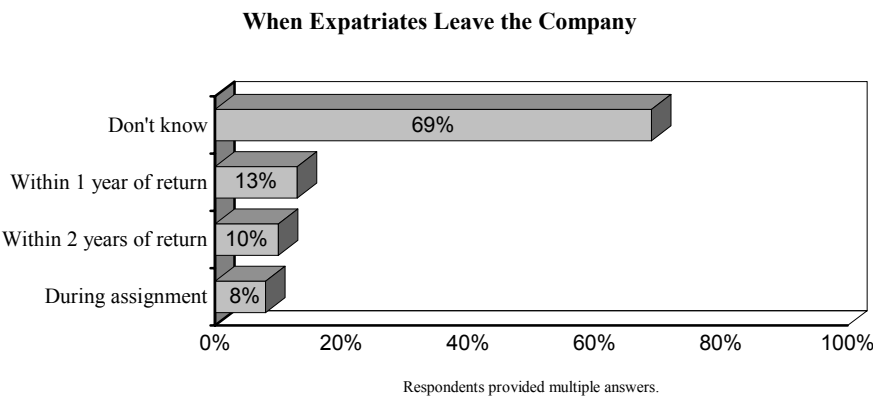
Repatriation guarantees depend upon the type of assignment.

We offer either comparable employment or severance.

SURVEY FINDINGS IN DETAIL

Expatriate Attrition

The average annual turnover for *all* employees was 10% – the lowest percentage in the history of this survey. The average annual turnover for expatriates alone was 8% – another all-time low. Respondents reported that 8% of expatriates left the company during an assignment, 13% within one year of returning from an assignment, and an additional 10% within two years. An incredible 69% of respondents did not know when expatriates left the company. To a great extent, this can be explained by the nature of the expatriate-tracking process itself. In general, expatriates are tracked in order to apply and record specially developed payroll and benefits packages and to comply with tax-reporting requirements. Once expatriates complete their assignments, these considerations expire. Consequently the key motivation for tracking them also disappears. The concept of tracking the employment status of expatriates after they complete their assignments is nonetheless a valuable one in its own right.



Verbatim Comments:

Addressing Expatriate Turnover

Most expatriates leave to pursue other expatriate assignments that they view as beneficial to their careers.

We respond quickly to fluctuations in the cost of living.

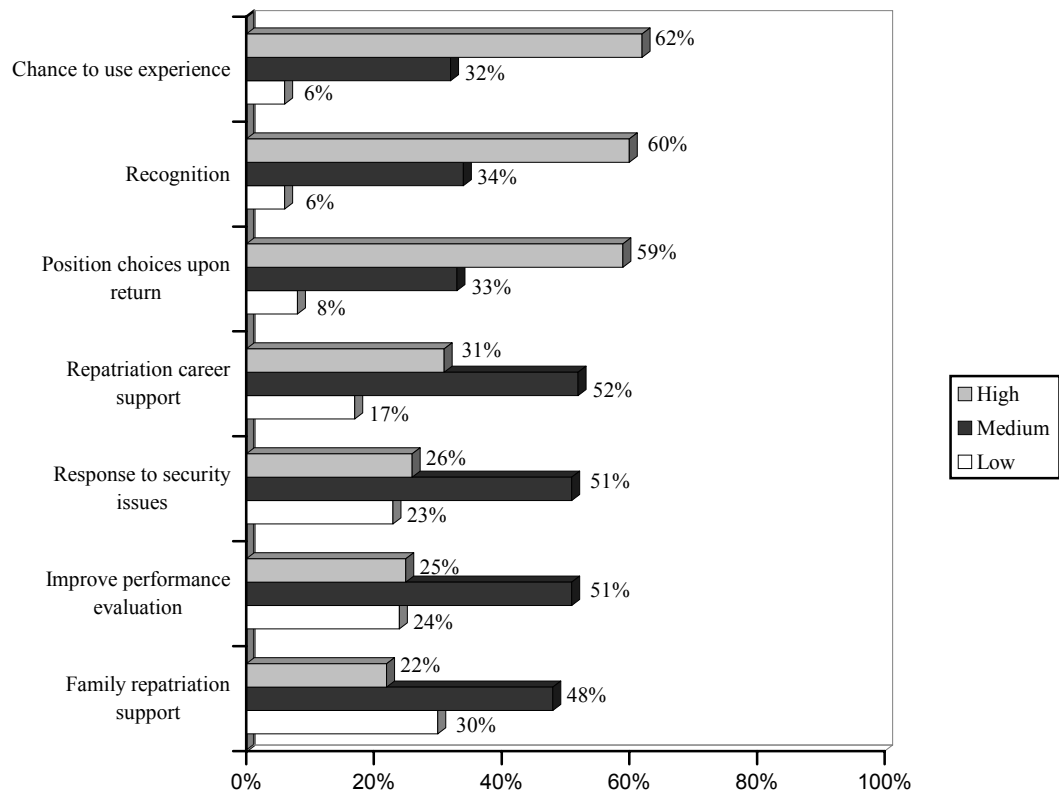
We support more frequent home visits to headquarters to discuss their careers and minimize anxiety.

Keeping morale high is important.

Minimizing Expatriate Turnover

When asked to rate the effectiveness of ways to reduce expatriate turnover – in order of high, medium, or low effectiveness – 62% of respondents selected greater opportunity to utilize international experience as the most effective method, followed by greater recognition during/after an assignment (60%), more choices of position upon return (59%), and repatriation career support for expatriates (31%). This ranking sequence was consistent with many past surveys.

Methods of Reducing Expatriate Turnover

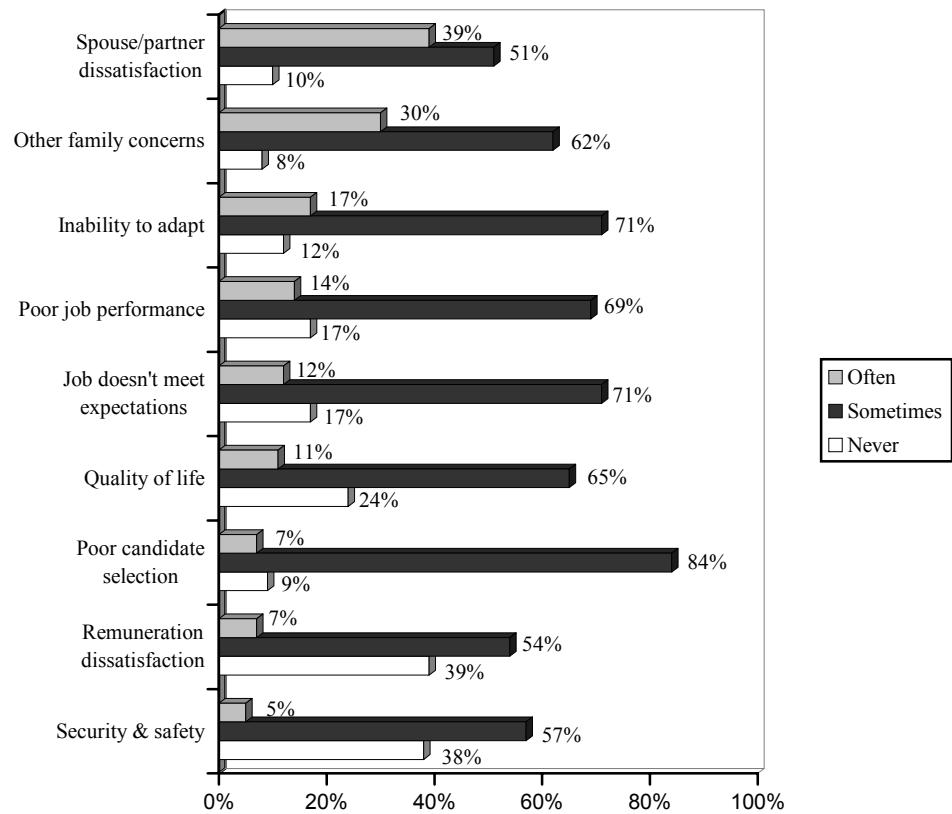


SURVEY FINDINGS IN DETAIL

Factors Leading to Assignment Failure

Asked which factors were often or sometimes responsible for assignment failure, respondents cited spouse/partner dissatisfaction (90%) and family concerns (92%) most often, followed by ability to adapt (88%). These family-related factors have topped the list in nearly every survey, but they are of low importance in the section entitled “Relocation Challenges That Are Critical to Companies.” We must conclude that assignment failure is not a major problem – despite the role of family factors.

Causes of Assignment Failure



Verbatim Comments: Assignment Failure

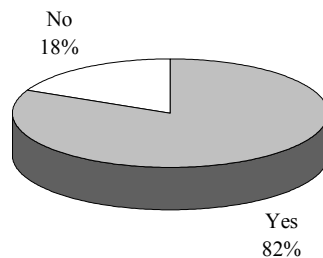
Illness or injury to the employee or a dependent is a chief cause.
A change in the position specifications affects the assignment in this way.
Personal or dependent-family health concerns cause this problem.

COST ESTIMATING, TRACKING, AND COMPARISONS

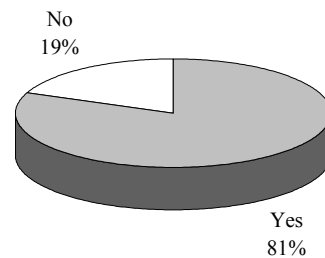
Preparing and Tracking Cost Estimates

When asked if they prepared cost estimates before initiating international relocation assignments, 82% of respondents indicated that they do, and these findings applied across the board – regardless of the size of the company. Furthermore, 81% indicated that they tracked costs during an assignment. A higher percentage of small companies, however, track costs during an

Preparation of Cost Estimates



Cost Tracking During an Assignment

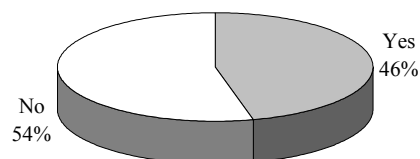


assignment. These were new questions.

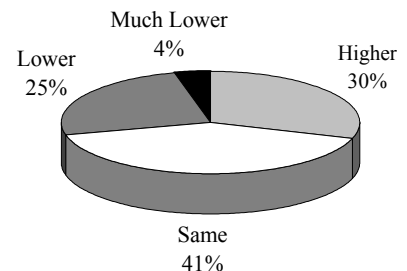
Comparing Estimated and Actual Costs

When asked if they compared estimated with actual costs, 46% of respondents indicated they did. A higher percentage of small companies, however, compare estimated with actual costs. For those respondents who compared estimated with actual costs, 41% reported that their estimates were accurate. A higher percentage of small companies, however, reported that their estimates were accurate. Large companies reported that their estimates were higher than actual costs. These were new questions.

Comparing Estimated and Actual Costs



Accuracy of Estimates



SURVEY FINDINGS IN DETAIL

Corrective Measures Taken

When asked to describe the corrective measures taken to adjust the assignment budget or to control costs when actual costs varied from estimated costs, respondents used various approaches, but few took active measures. This was a new question.

Verbatim Comments:

Corrective Measures Related to the Budget

No corrective measures are needed. When costs vary, it is usually due to exchange rate fluctuations and inflation.

We adjust our budget projection and determine why there was a difference.

We monitor more closely.

If the budget is off by a large percentage, management gets involved.

We use actual expenses for future estimates.

We pay reasonable and actual costs.

We control exceptions that arise and closely manage the cost-causing events.

We change the benefit mix.

It could cut the assignment short.

We review the vendors we are using, negotiate lower rates, and do more in house.

We do nothing to control costs.

We obtain appropriate approvals for the increased costs.

Challenges of Estimating, Capturing, and Comparing Estimates

When asked to describe the most challenging aspects of estimating, capturing, and comparing expenses, respondents indicated challenges ranging from consistent definitions of “data” to currency fluctuations, tax issues, and gathering the data from decentralized sources. This was a new question.

Verbatim Comments:

Challenges of Estimating, Capturing, and Comparison

Making sure that all of it is captured at the onset is the most difficult part.

Tracking all those details for third-country nationals (TCNs) is the hardest.

We would prefer more automation to track and maintain worldwide costs.

Where to store this information is a challenge – mostly in spreadsheets.

Currency fluctuations and payment of costs from different locations are the most difficult.

Currency fluctuations and the local tax structures are the hardest part.

Verbatim Comments:**Challenges of Estimating, Capturing, and Comparison (continued)**

Language is an issue.

Making sure that all related expenses are reported is a challenge.

The amount of time it takes is most difficult.

Capturing costs by host country and handling tax equalization costs, which usually come after the assignment period, are most difficult.

Keeping a tracking calendar of tax assessments is difficult.

Currency fluctuations and tax equalization are at the top of the list.

Finding all of the things provided “in kind” that are taxable income and distinguishing between compensable income and business expenses are key challenges.

Anticipating incidental costs is not easy.

Addressing changing needs from one expatriate to the next is difficult.

Pulling the data together from the various subsidiaries and tracking them in one report are challenging.

Obtaining the data, data integrity, and definitions for the data are all key obstacles.

Currency fluctuations, home vs. host country comparables, and decentralized accounting records all make it difficult.

Collecting valid data is a challenge.

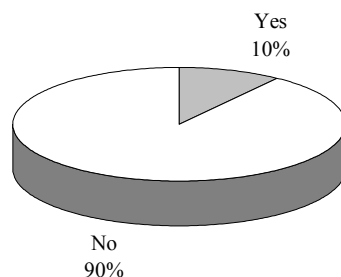
SURVEY FINDINGS IN DETAIL

EVALUATING RETURN ON INVESTMENT

Measuring and Defining Return on Investment

When asked if they measured return on investment (ROI) defined as “accomplishing the assignment objectives at the expected cost,” only 10% of respondents agreed, much lower than last year’s 96%. Since both large and small companies responded in this fashion, we assume that companies either utilize an alternative definition or have misunderstood the question.

Defining ROI: Objectives and Costs



Verbatim Comments:

Factors in the ROI Calculation

We factor in the production costs and the new business gained.

We try to capture all expense categories.

Included in our calculations are costs, performance indicators, longevity with the company after the assignment, use of the experiences gained, and the additional skills used in the workplace after the assignment.

What we measure varies.

Account retention, recruitment, and increased business activity are included.

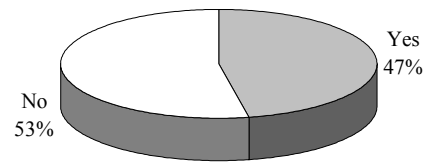
Repatriation and retention are part of our calculation.

SURVEY FINDINGS IN DETAIL

Rating and Improving a Company's Return on Investment

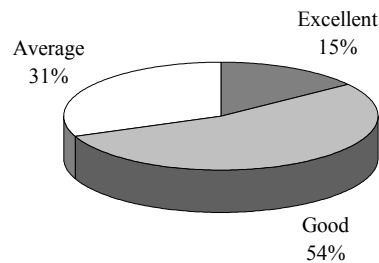
When asked to rate their companies' expatriate assignments in terms of ROI, 69% rated it as good or excellent and only 31% as average – the most positive assessment in the history of this survey. When asked if respondents had specific programs to improve their ROI for expatriates, 47% indicated that they did – the highest percentage in the history of this survey. The response rate was low on these two questions; consequently, the survey results may not be representative

Programs to Improve ROI



this year.

Rating the Company's ROI



Verbatim Comments:

Rating the ROI for International Assignments

Globalization is a “must” for us (so the ROI almost doesn’t matter).

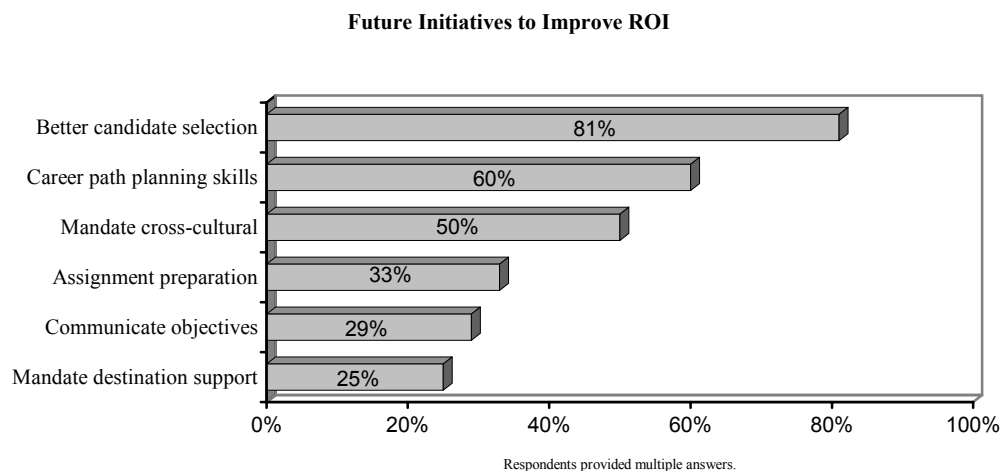
Our attrition rate is higher than best-in-class, and we need additional control in assignment duration.

We are not able to rate our ROI.

SURVEY FINDINGS IN DETAIL

Initiatives to Improve Return on Investment

Among respondents who were planning major expatriate/family-support initiatives to improve their expatriate ROI, 81% planned to have better candidate assessment or selection, 60% career-path planning to utilize international skills, and 50% mandatory cross-cultural training.



Verbatim Comments:

Top Family-Support Initiatives to Improve ROI

We are looking into providing incentives to remain with the company after an assignment ends, and we are centralizing our international assignment (IA) services with one vendor.

We have scheduled visits back to the headquarters and quarterly video conferences.

We use destination and settling-in assistance, cross-cultural training, education, spousal support, and home leave.

Cultural education, support of spouse and family, and home leave help here.

Clear roles and responsibilities, host-country support, and currency compensation are key.

Family language lessons, more frequent visits to the home country, ongoing repatriation discussions, performance feedback, and a quarterly review of living costs are used.

Staying connected to the home office is important.

It is important to communicate early about the employee's value and the assignment's value to the company.

We rely on active mentoring, assuring that the objectives are specified, as well as repatriation planning and succession planning.

Language training and cultural awareness education are part of our program.

Verbatim Comments:**Top Family-Support Initiatives to Improve ROI (continued)**

We conduct a survey of assignees that have left the company to determine their reasons. We alter policies to require repayment of certain expenses if assignees leave the company before a certain period, and we delineate requirements for the assignment. We require management to do employee career planning at all stages of an assignment, especially repatriation. We outsource to a single vendor to control costs and to provide better service.

We involve spouses in communications, meet with the spouses, manage expectations, and provide job-search assistance for spouses.

We provide better assignment information and communication. For example, we have better communication during an assignment and provide cultural information on the company intranet.

We stress objective setting, creating a transition plan, the transfer of knowledge, and localization.

We support a larger family support network that encompasses other expatriates.

We've downsized to only one expatriate.

We address compensation on a semi-annual basis. We've developed a short-term assignment policy, and we have revised the repatriation package.

We use cost monitoring.

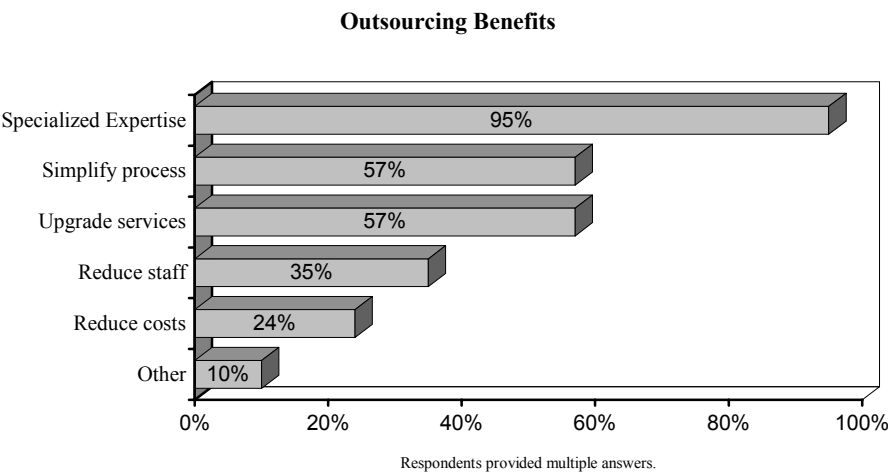
We utilize cultural training, quarterly feedback, clearer objectives, and a clearer definition of priorities, tasks, and competences.

SURVEY FINDINGS IN DETAIL

OUTSOURCING

Perception of Outsourcing Benefits

Respondents indicated that the major benefits of outsourcing were opportunities to obtain specialized expertise (95% compared to 21% last year), simplify the process (57% compared to 40% last year), upgrade services (57% compared to 39% last year), reduce staff (35% compared to 26% last year), and reduce costs (24% compared to 26% last year). More options were presented as answers for the question this year.



Verbatim Comments:

Outsourcing International Assignment Programs

Outsourcing provides assistance with administrative processes.

Tax consulting is the key benefit to us.

Our service provider truly delivered very little of what was promised!

Better overall program coordination and management are what we obtain.

We are able to receive better overall program coordination and management.

We can achieve consistency within service levels.

We benefit by having a single (common) service provider and single (common) standard.

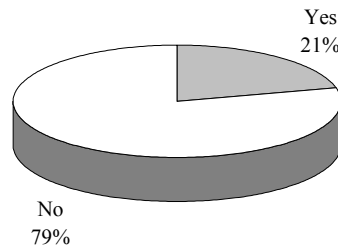
We now outsource the expense processing, and it has allowed me to provide upper management with monthly reports.

Outsource providers have more “bench strength” (greater team resources).

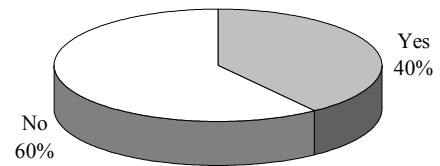
Staffing Cuts and Outsourcing

When asked if there were staffing cuts within their company's international assignment management department, 21% of respondents reported that there were cuts. Among those who reported cuts, 40% also cited an increase in reliance upon outsourcing. These were new questions.

Staff Cuts in Assignment Management



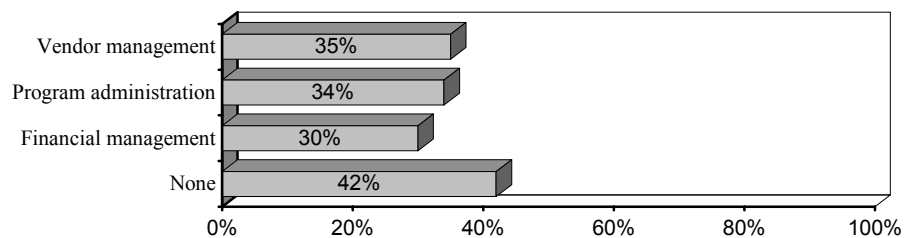
Increased Reliance on Outsourcing



Categories of Outsourced Services

This year for the first time, we grouped international assignment program components into three main categories: program administration, vendor management and coordination services, and financial management services. When asked which of these categories their companies outsourced, 35% of respondents indicated vendor management, 34% program administration, and 30% financial management. This was a new question

Outsourcing by Category

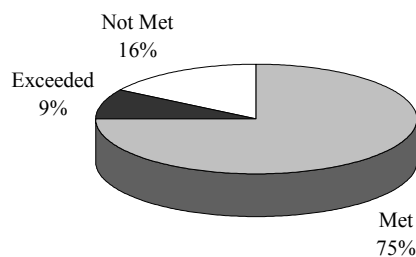


SURVEY FINDINGS IN DETAIL

Satisfaction with Outsourcing

For 84% of the respondents who outsourced all or part of their international assignment program, expectations were being met or exceeded. Satisfaction continued to be high, but it was slightly below the 89% historical average.

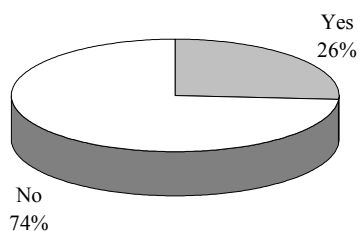
Outsourcing Satisfaction Expectations



Outsourcing Plans

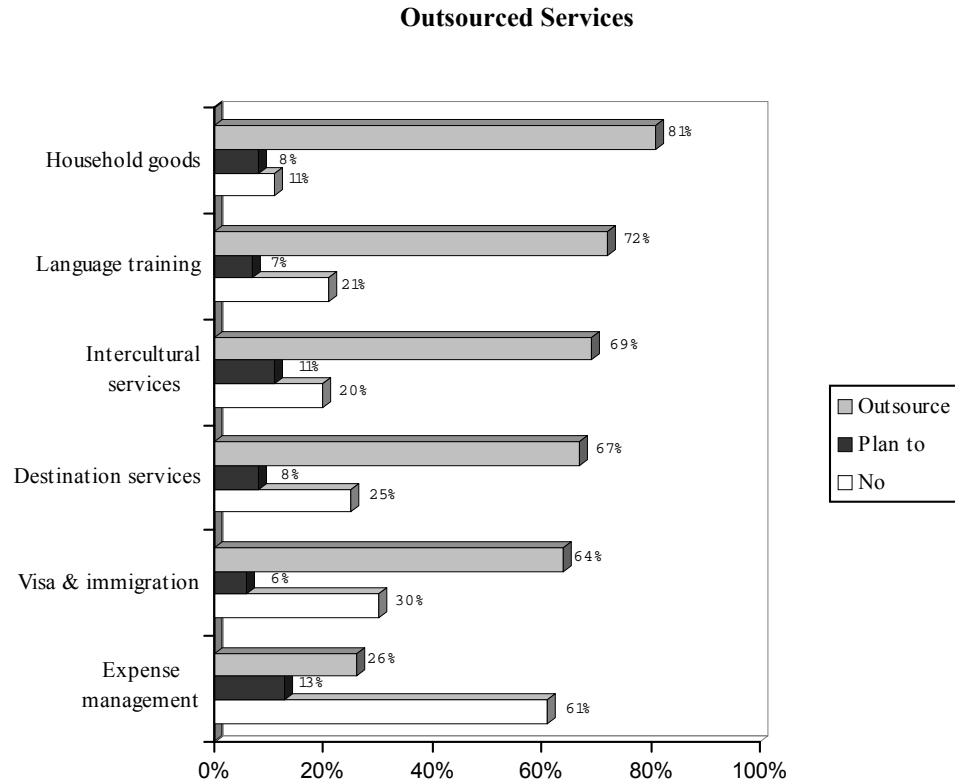
Among respondents who did not outsource international assignment program administration, 26% were considering outsourcing within two years, an increase over the historical average of 20%.

Considering Outsourcing Within 2 Years



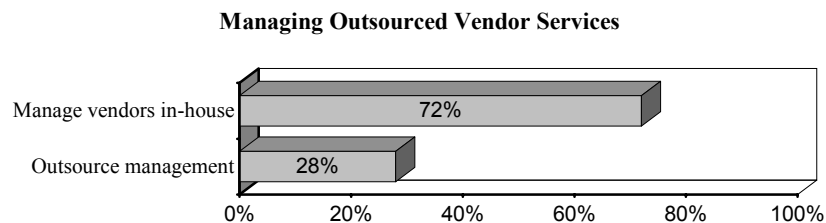
Services Outsourced

When asked to identify services that respondents currently outsourced, planned to outsource, or did not plan to outsource, household goods move management (81%), language training (72%), and intercultural services (69%) were most frequently cited.



Managing and Coordinating Outsourced Services

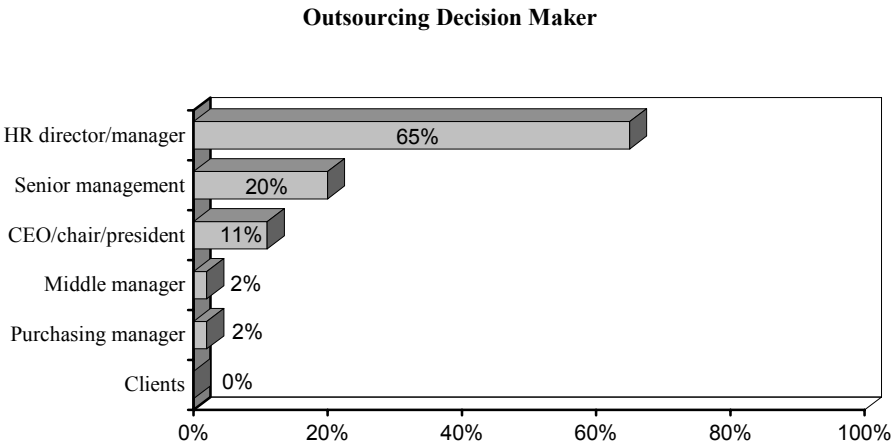
When asked how they managed and coordinated their outsourced vendor services, 72% of respondents managed each vendor themselves, and 28% outsourced all management and coordination tasks to a single vendor. This was a new question.



SURVEY FINDINGS IN DETAIL

Outsourcing Decision-Makers

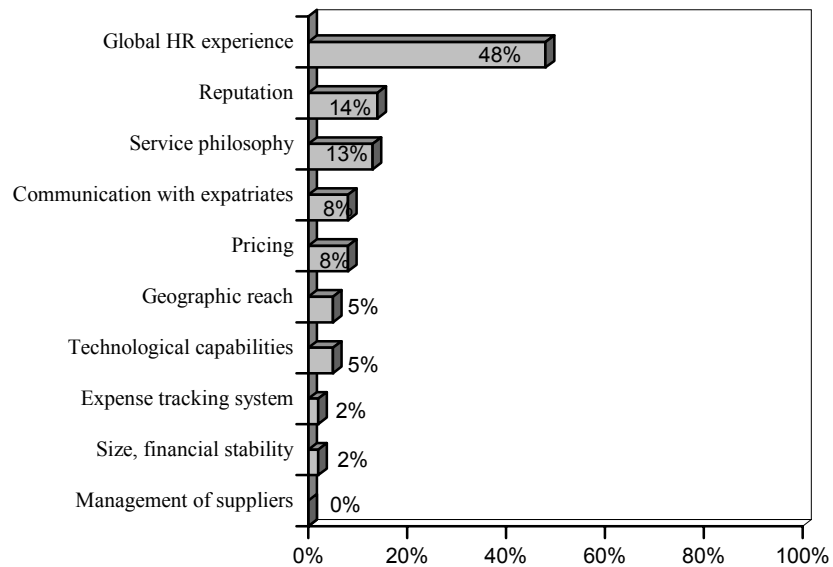
When asked to identify the primary decision maker for selecting an outsourced global relocation service provider, 65% of respondents indicated the human resource director/manager, 20% senior management, and 11% the CEO/chair/president. These results were similar to those in 2002, when we first asked this question.



Outsourcing Criteria

When asked to rank the three most important criteria for selecting service providers (the last time we asked was in 1996), 48% of respondents indicated that global human resources experience was most important (compared to 85% in 1996), 14% general reputation (compared to 60% in 1996), 13% service philosophy (compared to 73% in 1996), 8% communication expertise with expatriates (compared to 81% in 1996), and 8% the pricing of services (compared to 59% in 1996).

Outsourcing Criteria



SURVEY FINDINGS IN DETAIL

NEW AND INNOVATIVE PROGRAMS

We asked respondents to describe innovative programs instituted in the past year, and we received a wide range of comments.

Verbatim Comments:

Innovative Programs

We've introduced short-term assignments, global standardization, and centralized assignment management.

We have tiered programs for managers, directors, and senior directors/vice presidents. We have a flat payout of relocation monies for short-term assignments.

We have a standardized policy while maintaining separate agreements for each country.

We use 18-month developmental programs and short-term resources for busy seasons.

For housing, we use the actual cost of current U.S. housing versus assumed U.S. costs from a table.

We instituted a currency protection program.

We outsourced our international assignment (IA) services – including visa-immigration and relocation – all to one vendor. We're moving from payout of such things as utilities to a monthly lump-sum payment based on assignment costs. We're also focusing on localization after three years on an assignment.

We use more lump-sum programs for pre-departure, repatriation, home leave, and spousal assistance.

We're using localization and more efficient purchasers.

We're developing different policies to address different assignment types.

We've established a policy for commuters, a spousal assistance program, and a short-term assignment policy.

We've established a three-month rotation for the headquarters staff with a trial period three-month, stay-on-us payroll.

We're using more regional programs.

We allow 15% of the current salary for the flexible spending plan.

We have a talent exchange program.

We'll be starting a repatriation mentoring program.

Our policies for permanent transfer and short-term transfer are written. We've also developed an expatriate decision making guide for hiring managers. These materials are put on the corporate intranet.

We've reduced one-to-three year assignments to short-term, six-month assignments.

Verbatim Comments:**Innovative Programs (continued)**

After 26 years of international relocation, I was finally able to convince senior management to begin using the EPI COLA index. For the first six months of an assignment, expatriates receive the standard COLA. Starting with the seventh month, they go to the EPI. My objective was to reduce this element of total assignment costs. We also asked our provider for a custom housing table with pricing in neighborhoods that expatriates live in, but we eliminated the “expensive” categories. We also have notched down the neighborhood locations by just a little to help reduce costs.

We’ve instituted a tax-equalization policy.

SURVEY PARTICIPANTS

The following list identifies companies that participated in the survey and gave their permission to be identified.

3Com Corporation
Alcon Laboratories, Inc.
Bayer Corp
Bemis Manufacturing Company
BIOGEN IDEC
The Boeing Company
Brady Corporation
Carlson Companies
CBS CORPORATE BOARD SERVICES
Colgate Palmolive Company
Covance, Inc.
Credit Suisse Financial Services
Dana Corporation
Deloitte Touche Tohmatsu
The Dow Chemical Company
Eastman Kodak Company
Ecolab Inc.
Emerson Process Management
Family Health International
Forest Laboratories, Inc.
General Motors Corporation
GlaxoSmithKline
Guidant Corporation
HASBRO, INC
International Bible Society
Janssen Pharmaceutica Belgium
Kelly Services, Inc.
Koch Business Solutions, LP
Lafarge North America
Libby Perszyk Kathman Inc.
Lorenz Snack-World Holding GmbH & Co KG
LSG Sky Chefs
McDonald's Corporation
Merck & Co., Inc.
Millennium Chemicals
Moog Inc.
Nokia
The NORDAM Group
Norsk Hydro ASA
Northern Trust Company
Occidental Oil & Gas Corporation
Petrobras Energia Venezuela
Population Council
Portola Packaging, Inc.
Praxair, Inc.
Public Health Institute
Revlon Consumer Products Corporation
The Rockefeller Foundation
Russell Investment Group
SanDisk Corporation
Scotiabank Group
SCOTTISHPOWER
Shell
Stryker Howmedica Osteonics
Sun Life Financial
Sykes Enterprises, Incorporated
Tiffany & Co.
The Timken Company
The TJX Companies, Inc
Tupperware Corporation
United Airlines
Vought Aircraft Industries, Inc.
Weatherford International