

## Expatriate Talent Market Trends Survey

For many years, expatriates could essentially “name their own price” when it came to their compensation, particularly in developing countries where their talents were in short supply and high demand. More recently, however, there have been many indications that, as a result of the global economic downturn, the expatriate talent supply-and-demand equation has begun to swing in the other direction.

With more pressure on the bottom line, emerging trends intended to cut costs associated with using expatriates include the following:

- Reducing the number and/or length of international assignments,
- Hiring more local talent instead of using expatriates, and
- Implementing new compensation plan strategies for expatriates, such as variable pay.

To assess the pervasiveness and strength of these emerging trends, as well as to provide a glimpse into what the future may hold, Sibson Consulting and IBIS Advisors<sup>1</sup> invited professionals who work for U.S.-based companies that operate abroad to participate in an *Expatriate Talent Market Trends Survey*. Sibson conducted the survey online during the summer of 2009, just before the

economy started to rebound. This report summarizes the key survey findings, which provide important insights for companies that use expatriates. (For information about the respondents and the companies they represent, see the box below.)

### CURRENT CHANGES TO EXPATRIATE WORKFORCE SIZE

Just under half of the companies in the survey (47 percent) are not making any change to the size of their

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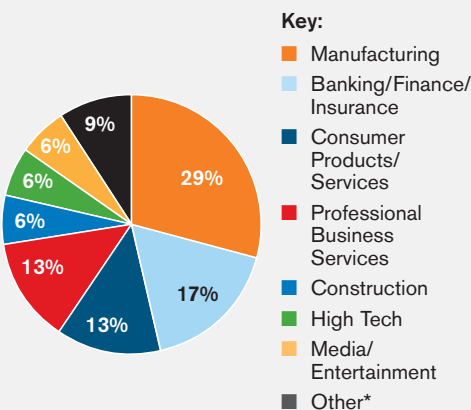
expatriate workforce. More than one-third (35 percent) are decreasing their number of expatriates. Relatively few (18 percent) are increasing

### About the Respondents

Sibson received completed surveys from 99 respondents working in various functions: finance, human resources, legal, marketing, operations, research and development or sales in a variety of industries. More than half of these respondents are in decision-making roles (i.e., director or above).

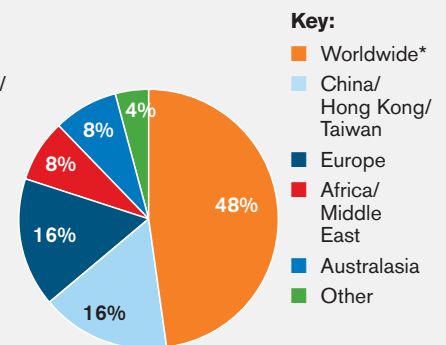
Almost half of the companies in the survey employ expatriates worldwide rather than in any one region. Of those companies that primarily employ expatriates in a single region, an equal percentage (16 percent) concentrate their expatriate employment in either China/Hong Kong/Taiwan or Europe.

Company Industry



\* Other includes respondents from the following industries: consumer services, natural resources and mining, non-profit, transportation, travel/hospitality and wholesale/retail trade.

Geographic Scope of Expatriate Employment



\* Worldwide refers to more than one of the regions.

<sup>1</sup> IBIS Advisors is an independent, international human resources management consulting firm affiliated with Sibson.

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expatriates. Graph 1 shows this breakdown along with information about why companies, as a group, chose each of these courses of action. Respondents were asked to rank the reasons behind their companies' decisions on a scale of 1 (most important) to 4 (least important).

Respondents whose companies are either keeping their expatriate workforce the same or increasing it, ranked the importance of expatriates to the business strategy, as the main reason why their companies reached that decision. Those companies ranked the overall economic environment as the least important factor.

Virtually all respondents who are decreasing their expatriate workforce reported doing so because of high compensation costs. The overall economic environment was the second most important factor for those companies.

**PLANNED CHANGES TO EXPATRIATE WORKFORCE SIZE AS THE ECONOMY RECOVERS**

Even as many of the companies in the survey are currently keeping their expatriate workforce the same, a greater percentage (54 percent) do not plan to change their expatriate workforce as the economy recovers. (See Graph 2.)

Among the 47 percent of respondents who reported that their organization is currently keeping its expatriate workforce the same, 70 percent also reported their organization's intention to keep the workforce the same as the economy recovers.

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A majority of companies employing expatriates in China/Hong Kong/Taiwan (53 percent) plan to keep their expatriate workforce the same.

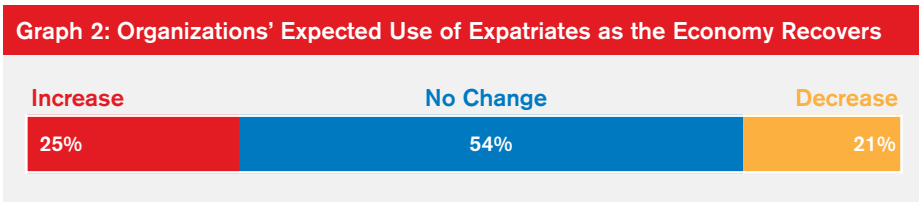
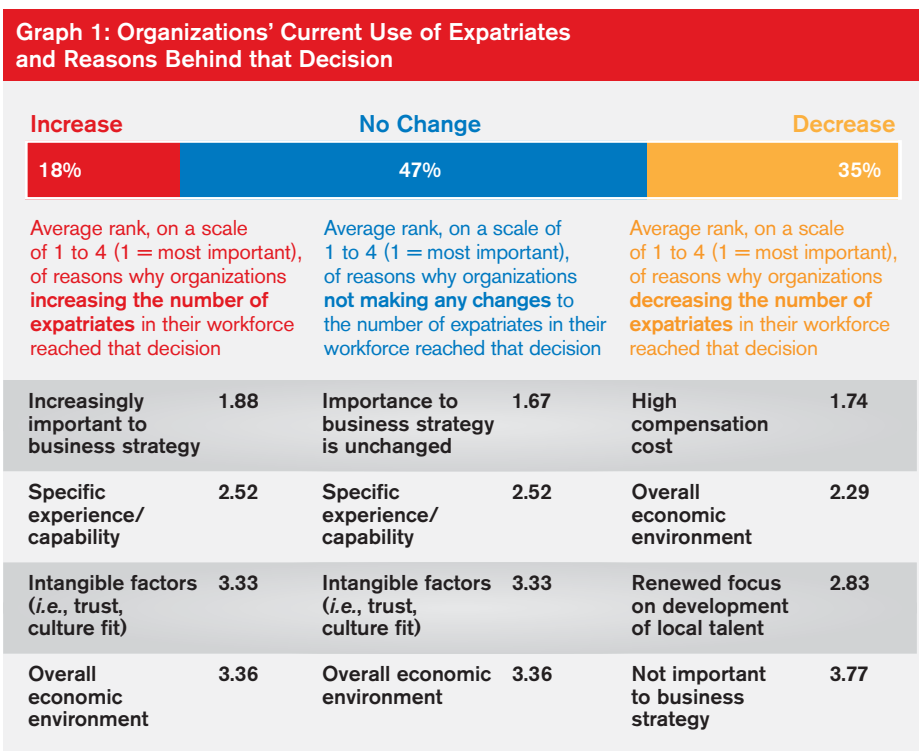
**COST-CUTTING METHODS**

The survey asked respondents to rank the top two methods that their companies would likely employ if they were to reduce expatriate costs. Although, as noted, many respondents reported they intend

to keep their expatriate workforce the same now and during recovery, replacing expatriates with local talent was ranked as the top method of reducing cost. As shown in Table 1 on page 3, a close second was shortening assignments, followed by developing internal talent.

Although the use of a new salary scale for new incumbents received the second lowest ranking among all respondents, many respondents

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from the manufacturing industry and those employing expatriates in Europe ranked it first.

**CHANGES TO EXPATRIATE COMPENSATION PACKAGES**

Most companies (67 percent) are keeping expatriate compensation the same. Very few companies (7 percent) are increasing the compensation of their expatriate talent, but just over one-quarter (26 percent) are decreasing it. (See Graph 3.)

**INVESTMENT IN LOCAL TALENT**

Just over half (51 percent) of all respondents reported their companies intend to increase their investments in local talent. Close to half (47 percent) indicated no change is planned. Very few reported intending to decrease investments in local talent. (See Graph 4.)

Among the respondents who reported that their companies recently decreased the compensation of their expatriate talent or are planning to do so in the short term, a large majority (76 percent) reported planning to increase their investment in local talent.

**TRENDS IN HIRING AND DEPLOYMENT OF EXPATRIATES BY FUNCTIONAL PRIORITIES**

The operations function is by far the most prevalent function for which expatriates are recruited or deployed. It was also the top-ranked function two years ago.

While the average ranking has not changed significantly for the hiring of expatriates into most functions over that period, finance, legal, marketing, operations, and sales were all higher rated this year than two years ago. (See Table 2.)

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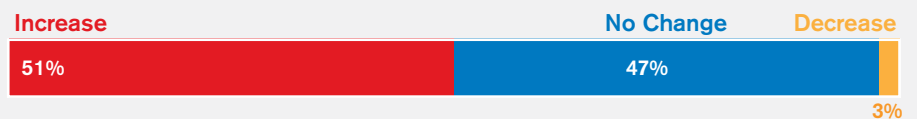
**Table 1: Top Two Methods of Expatriate Cost Reduction (1 = most important)**

	Average Rank	Standard Deviation
Replacing expatriates with local talent	1.41	0.49
Shortening assignments	1.49	0.51
Developing internal talent	1.57	0.50
New salary scale for incumbents	1.70	0.48
Increase use of variable pay	1.75	0.45

**Graph 3: Recent Actions or Short-Term Plans for Expatriate Compensation**



**Graph 4: Strategy for Investing in Local Talent as the Economy Improves**



**Table 2: Top Three Functions for which Expatriates are Currently Most Often Recruited or Deployed (1 = recruited most often)**

	Average Rank		Standard Deviation	
	Current	Two Years Ago	Current	Two Years Ago
Operations	1.53	1.62	0.70	0.73
R&D	2.19	2.00	0.80	0.77
Legal	2.20	2.25	0.84	0.96
Finance	2.23	2.29	0.78	0.79
Sales	2.27	2.28	0.77	0.82
Marketing	2.30	2.31	0.60	0.64
HR	2.54	2.53	0.66	0.52

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**DESIRED SKILL SET FOR EXPATRIATES**

The top-ranked skills in the expatriate candidate profile are industry knowledge, leadership ability and technical skills — the same skill set *and* order as two years ago, although the importance of all three has increased over that period. (See Table 3.)

Over the last two years, there has been some change in the ideal candidate profile, with a higher level of expectations for expatriates in areas previously seen as secondary requisites (*i.e.*, language proficiency or cultural awareness/sensitivity). Nevertheless, while these skills have received increased attention, it is still the business capabilities and experience of expatriates that differentiate them from local talent and continue to drive the “ideal” candidate profile.

**CONCLUSION & COMMENTARY**

The results of the *Expatriate Talent Market Survey* indicate that multinational companies are beginning to respond appropriately to the shift in the expatriate talent supply and demand equation. During the recent recession, some companies changed the ways in which they manage their expatriate workforce by reducing its size, renegotiating expatriates’

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compensation packages and/or hiring more local talent. However, many more of the companies in the survey took a conservative course of action: keeping the size of their expatriate workforce stable and making no plans to increase it as the economy recovers.

While the high-cost expatriate compensation packages of recent years will likely remain a thing of the past, multinational companies, especially those doing business in developing countries, still require the broad experience and expertise that expatriates bring, and they are willing to pay for it. They recognize that certain functions need expatriate talent and that local talent may not have the desired skill set to replace expatriates. Most recognize that they will be heavily reliant upon the experience and expertise of expatriates until local talent can fulfill these needs.

As the global economy continues to strengthen, companies will need to ensure that their approach to managing their expatriate workforce is aligned with their strategic business objectives.

*Sibson’s Expatriate Talent Market Trends Survey provides a high-level overview of current trends in the marketplace for expatriate talent, including decisions made during the recent recession and preparations for the recovery now underway. The findings in this report may provide directional insight.*

*For more information about the survey, including results specific to your industry, or to discuss your company’s strategy for expatriates, contact Michael Norman, leader of Sibson’s Organization and Talent Practice at 310.231.1754 or [mnorman@sibson.com](mailto:mnorman@sibson.com)*

**Table 3: Top Four Skills, Knowledge or Abilities in the Selection of an Expatriate Candidate (1 = most important)**

	Average Rank		Standard Deviation	
	Current	Two Years Ago	Current	Two Years Ago
Business/Industry Knowledge	1.82	1.92	0.98	0.99
Leadership Ability	2.31	2.39	1.14	1.07
Technical Skills	2.44	2.51	1.00	1.02
Previous Experience	2.89	2.97	0.92	1.05
Cultural Awareness/Sensitivity	2.93	2.76	1.00	0.99
Known in the Industry	3.08	2.93	0.83	0.81
Ability to Speak Local Language	3.11	2.83	1.20	1.32

Atlanta	678.306.3100
Boston	617.424.7300
Calgary	403.692.2264
Chicago	312.984.8500
Cleveland	216.687.4400
Denver	303.714.9900
Hartford	860.678.3000
Houston	713.664.4654
Los Angeles	310.231.1700
Minneapolis	952.857.2480
Montréal	514.989.3735
New Orleans	504.483.0744
New York	212.251.5000
Philadelphia	215.854.4017
Phoenix	602.381.4000
Princeton	609.520.2700
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