

GLOBAL HR News™

World Trade's Effect on Company Strategy, Employees & Cultures

Carol M. Olsby

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*Director, Human Resources
– Americas & Asia
Global Human Resources*

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see page 8



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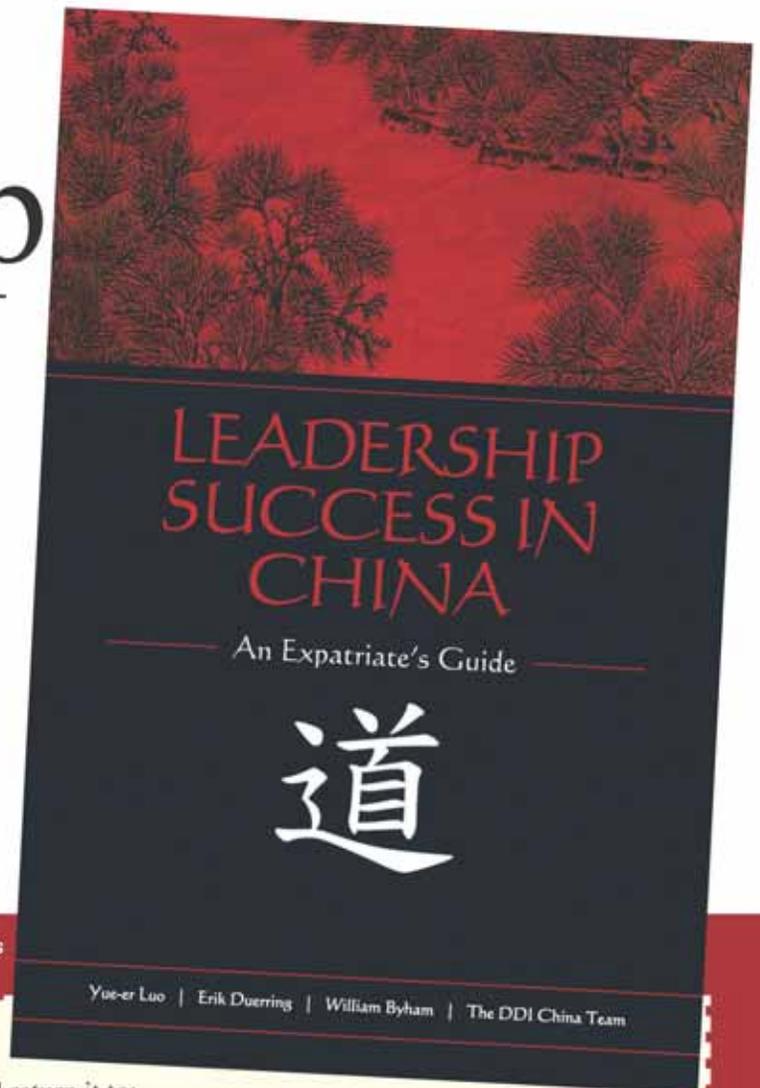
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"NEXT" PRACTICES - the "360" way

GLOBAL HR NEWS

...Bringing HR leadership to the global table™

With help from others, for many months I've been seeking and receiving CONTENT from a diverse source-group from around-the-world, on a variety of topics and themes and one thing in common running throughout is GLOBAL HR... that is...the myriad of activities and responsibilities of today's Global HR professionals.

I cordially invite you and your colleagues to become more involved and learn more, meet new and bright people who bring a different perspective. Your new contacts and your new practical knowledge will be usable immediately in your business office. Be involved with us and Thrive! Between now and December 2009 we will produce & host at least 17 "live" conferences in Europe, Latin America, and across the US; and, we will publish 16 editions of GLOBAL HR NEWS. We offer you opportunity. Carpe Diem !

Here's a quick sample of the CONTENT... the topics/themes: Company goals and short-term objectives; World Trade and Geo-Political issues challenging HR Management in the US and other locations; Compliances: Tax & Legal - US and Global; Financial Awareness & Planning for ROI; Strategic Planning; Talent Management - recruitment/acquisition - integration - deployment - coaching - development - retention; InterCultural & Diversity Learning and applications; Employee Communications; Emerging Markets and Global Teams; Employer Branding, Corporate Social Responsibility and the role of HR; Technology and its applications; Global Workforce Mobility - variety of issues and trends, selection/management of provider/suppliers, and policy development and management; issues related to selection for an International Assignment, its Management, and related Destination info & guidance ... all for reaching a measurable ROI on an Assignment.



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GLOBAL TALENT MANAGEMENT

How Global Megatrends Are Shaping Global Talent Development Strategies

by PHILIP BERRY, Managing Principal
 BERRY BLOCK & BERNSTEIN LLC • pberry@b3-llc.com

The world is changing before our very eyes. Increasingly we see that the dynamics in the global marketplace are not the same now as they were 20 years ago. The rate of change is astronomical and 10 years from now, we will be in a completely different world.

The issue is whether organizations will watch change pass them by or will they get on board and ahead of the changes so they will be profitable in the near future.

In the global economy, companies need to focus on recognizing and developing talent internationally if they want to succeed in today's diverse marketplace and meet those challenges.

So what are some of those megatrends that are impacting organizations?

For one the marketplace grows increasingly diverse each year. Communication and technology are causing connections across the globe to be more frequent and dynamic. As economies grow and income levels increase in many emerging markets, the desire for goods and services will increase. The appetites of consumers in every country for products outside of their country borders will continue to increase. Global immigration patterns are also changing the cultural framework of almost every country. It's more than a matter of having McDonalds in Russia or Paris or Disney in China. Food, clothes and entertainment will be steadily influenced in every country around the world. Several years ago it was the influx of the West that initiated changes. We will steadily see the influence of the East creep into country habits in the same way. This will bring about a new fusion of thought and behavior in many sectors.

While the global economy seemingly makes the world a smaller and more homogenous place, consumers continue to have very different buying patterns from region to region. In addition, customer needs vary along generational lines as their lifestyles and expectations are very different today than they were in previous decades.

As companies adapt to manufacture and market products and services in very different parts of the world, a major challenge is managing human capital to meet these changing needs. Organizations must have a talent management strategy in place that continually assesses whether employees have the ability to address the particular needs of a diverse customer base.

Companies must have a strategy of having people in place that can produce products and services to meet this new stream of thought and expectation. If companies are not providing goods and services which meet and delight the expectations of the new consumer, then they risk profitability and survival. New solutions must be found to present problems. New goods must be produced to meet new needs that will be prevalent.

You can't meet these new challenges with yesterday's thinking, programs, processes and competencies. Innovative thinking is required. Companies must renew their talent development efforts to incorporate the capability to meet these new challenges.

To meet these challenges, companies must ensure that employees have new capabilities and competencies which must be increasingly cross-cultural in terms of communication and teamwork.

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COVER STORY

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Director, Human Resources

- Americas & Asia

Global Human Resources

TIETOENATOR CORPORATION



GLOBAL HR NEWS: Please tell us about your company.

CO: TietoEnator Corporation (www.tietoenator.com) is headquartered in Helsinki, Finland, and was formed in 1999 by the combination of Tieto Corporation in Finland (founded 1968) and Enator AB Sweden (founded 1995).

The company is one of the largest IT services and software companies in Europe, supporting customers in selected vertical markets mainly in the telecom, forest, energy, health-care, and banking industries. TietoEnator is growing and currently employs over 17,000 people in nearly 30 countries. The company made a strategic decision to “go global” through well-chosen acquisitions in selected vertical areas. TietoEnator’s shares are listed on OMX Nordic Helsinki and Stockholm Stock Exchanges.

GLOBAL HR NEWS: What is your current position and responsibilities?

CO: I am the Director, Human Resources –

Americas & Asia. I am responsible for providing human resources support to the TietoEnator operations in these regions. As a person who manages cross-borders my work day is not typical of someone that is only focused on supporting the US. I generally start my day early so I that I check-in with our European operations and then throughout my workday I am supporting my North American managers and employees. In order to provide timely support to my Asian human resources team and senior managers I normally work during the evening too.

I believe that in order to be successful in a global role you really need to be adaptable and flexible. In addition to email and voice interactions with my manager, human resources team, customers, and peers, it is also very important to meet them in-person periodically. When you are managing cross-borders it really requires you to be well-organized because priorities may change quickly and you need to make sure that you and your team are always working on the “greatest priorities” to insure HR is aligned with the business strategy.

In addition to these responsibilities, I am also involved in “global HR projects”. For example, I recently lead a team that was responsible for creating a global employee handbook template. This template is used to create country employee handbooks for each TietoEnator country where we are currently operating in today and in the future. The goal is by the end of this year all TietoEnator country locations will have an employee handbook posted on our company intranet. Many of the TietoEnator country locations have already completed this process and have posted their country’s handbook on the company’s intranet. I am also involved in a variety of other global human resources initiatives.

GLOBAL HR NEWS: When did you come to the firm? What was happening at the time?

CO: I joined the company in June of 2002 shortly after TietoEnator purchased the Redmond, Washington (USA) location. This particular organization was one of TietoEnator’s targeted acquisitions as they were the leading software company in

North America for the pulp and paper industry. This acquisition combined with TietoEnator’s forest business resulted in the company becoming the world leader in the pulp and paper software business.

GLOBAL HR NEWS: As a follow-up, at the beginning, what was your position and responsibility at the firm and what has developed since? And, could you please give us a brief overview and some personal insight to the company?

CO: I was originally hired to be in charge of human resources for the local Redmond office. My responsibilities increased with the company’s growth, which has expanded in North America through both acquisition and organic growth. We expanded into Asia where I am now supporting China, Indonesia and Malaysia. Since joining the company, it has been an incredible journey that has been very exciting and challenging.

GLOBAL HR NEWS: Going back in time, what was your very first job in HRM?

CO: My first human resources position was in recruitment with Tracor that subsequently became part of BAE Systems.

GLOBAL HR NEWS: Did you enjoy it?

CO: It was a great job! The human resources team was small given all the work that needed to be done. It was a great company to work for as they had a very high regard for people, great products & services, and was able to attract and retain quality employees. It definitely was one of the best companies that I have worked for.

GLOBAL HR NEWS: Coming back to now, please talk about your biggest challenges?

CO: The biggest challenges that I face today are insuring that the human resources activities are always aligned with the business, managing cross-borders, and insuring that we have the needed employee competencies now and in the future.

GLOBAL HR NEWS: What percentage of assignments are "short-term"?

CO: Most of our international assignments are typically two years in length.

GLOBAL HR NEWS: Where are they typically sent?

CO: We have locations in nearly 30 countries, so we have expatriates in most, if not all of these countries.

GLOBAL HR NEWS: Are international assignments valued by "the company"?

CO: Indeed, yes. International assignments are highly encouraged in our company.

GLOBAL HR NEWS: Regarding "short-term" assignments, do you send families?

CO: Yes, we know that our employees would be much happier and more effective if their families join them on their expatriate assignments. We encourage employees to have their families relocate to their new destination, and this, in fact, generally is what occurs.

GLOBAL HR NEWS: Regarding Diversity, what percentage of your global Assignees are female?

CO: We are a very diverse company and our expatriate program reflects this philosophy. We have many females that have been or are on expatriate assignments.

GLOBAL HR NEWS: Have you personally had an International Assignment?

CO: No, however, I would like to in the future. My husband and I both have careers that lend themselves to expatriate assignments. My husband's employer, Microsoft, also encourages their employees to consider expatriate assignments.

GLOBAL HR NEWS: Please describe your staff organization...their responsibilities?

CO: Yes, I have employees in the US and

China. Our team is responsible for providing the human resources support for these regions to include recruitment, development, compensation, benefits, etc. We work very closely with our corporate office which is located in Helsinki, Finland. Our company has a global approach; however, we act "locally" insuring that our human resources policies, programs, etc. are appropriate for the countries we are operating in. Asia is growing significantly in our company, especially China, where we have offices in Beijing, Chengdu and Shanghai.

GLOBAL HR NEWS: Let's step aside for a moment and look back for the benefit of many of our readers across the world who are now going global and faced with a steep learning curve. Looking back to the "early days" in your HR career, did you have a Mentor/Coach?

CO: Yes, I have had many mentors over the years and continue to have them. It really is hard to identify one or two people who stand out as I have worked with some great CEO's, bosses, colleagues and employees. However, there were two people that have significantly influenced my approach to people and business in general. The first one was my initial boss, Jack Hix. He was an incredible leader and I feel very fortunate to have worked for him. He had a phenomenal vision and was able to focus his team on the most important HR initiatives. When I worked for him I knew immediately that I was going to make a career out of human resources.

The second most influential person that I have worked with was an external organizational development consultant and coach, Bob Burgess. At one of my earlier companies, the senior team and I hired him to help us to create a successful business. He is extremely knowledgeable and a gifted organizational development consultant. He partnered with our leadership team to create a company where all employees were taught to act and think like "owners". The Company became a leader in our industry. The company created very innovative products and was able to attract and maintain employees that were highly in demand. Since then, I have hired him numerous times and have recommended him to countless companies and the results have always been exceptionally good.

GLOBAL HR NEWS: Regarding Coaching/Mentoring, what were some of the things that you recall to this day as being "key"?

CO: I believe one of the primary characteristics of a good coach/mentor is for him/her to sincerely care about the person or the company he/she is coaching. A coach is like a guide who works with you to achieve your best both professionally and personally. From my perspective, a good coach and mentor must have a passion for his/her work, very knowledgeable about your business and people in general, who will be an advocate for you and your company, and most importantly he/she will always be honest with you. All of this is priceless.

GLOBAL HR NEWS: What was pivotal in your career in those earlier days that "told" you to make a career of HR? And, knowing you have been in an IT environment, could you please provide us with some insight?

CO: I have enjoyed working in technology businesses my entire career. I began my career working for a large company and was recruited into a human resources position.

I believe that in order to be a successful technology company you must have a very high regard for people and take care of them. Your employees are your business and they are responsible for creating innovative products and services and providing quality customer service.

In order to attract and maintain talented employees you must create a clear business mission & strategy, an environment which thrives and values employee participation, provide employee development learning opportunities, quick and good decision making, execution is key, and finally and very importantly a total rewards program which is focused on rewarding and recognizing your employees. I have been fortunate to be given opportunities to grow and expand my business and human resources skills throughout my career. Working as a human resources professional with a technology companies has been very exciting and challenging. For me, the combination of working in the human resources

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• **CAROL OLSBY** – *CONTINUED*

profession within a fast-paced technology company has been and remains the perfect situation for me.

GLOBAL HR NEWS: OK thanks, now let's get back to today and managing. How many expats do you manage across your territory... and company-wide across the world?

CO: We have over 100 expatriates located at TietoEnator locations throughout the world. Since I am responsible for supporting the Americas and Asia the number of expatriates are growing in these regions.

GLOBAL HR NEWS: Can you please describe what types of work these people will be doing?

CO: Our expatriates are at various levels of management and are also technical experts. Since we need to ensure that we have the necessary competencies throughout the world, expatriates often take assignments to lead organizations, establish new offices, transfer expert knowledge, and to expand their competencies by living in another country and working in a different business environment.

GLOBAL HR NEWS: Let's focus on Leadership Development and the role of an international assignment in the company. Does having an International Assignment help progress a career?

CO: Most definitely. As mentioned earlier, our company is operating in nearly 30 countries and this number is growing. In order to continuously provide our customers with innovative products and excellent customer service we are developing employee competencies throughout the world. Employees are highly encouraged to consider international assignment and it is communicated through a variety of our human resources programs to include our performance development & management program, and leadership & training programs. No matter where you are located in the world or the position you have within the organization this topic will be addressed

with you during your performance development and management discussion. It is very exciting to work for a company that recognizes the phenomenal benefits of having a segment of the workforce working in international assignment roles.

GLOBAL HR NEWS: Now let's think about international assignments and succession-planning: making use of the newly developed skill-sets and global mindset that an international assignment can bring to the employee (and family). Could you please describe how your company views this "process" and what is being done to utilize "human capital assets"?

CO: The company views employees who have been on expatriate assignments very well. When the employee completes his/her expatriate assignment he/she moves into a new job that will benefit them and the company from obtaining these new international, business and technical skills.

GLOBAL HR NEWS: Let's discuss China and Asia. Could you please tell us about some of the challenges facing Westerners relocating into China?

CO: About China, as with all countries, the expatriates must have a passion for the country destination. Our expatriates who are located in Asia have generally travelled on business and/or vacationed to these locations prior to accepting their expatriate assignments. I believe in order to be successful in Asia, you need to appreciate the rich Asian culture and history, their business environment, and be flexible and adaptable. As with any expatriate assignment the Assignee will need to make adjustments and one's attitude will greatly influence all aspects of the assignment. If an employee goes into the system with an open mind and a desire to learn it will definitely better enable a successful transition. When you go into a country like China from an English-speaking country, it is helpful to know or learn their native language at least at a basic level. Your Chinese colleagues and employees will appreciate your efforts. It is also beneficial to understand the Chinese culture and the language as this knowledge is needed in when interacting with the general population and for shopping, etc.

GLOBAL HR NEWS: Could you please suggest some things Westerners should do for themselves before they think about actually moving into China in order to become better prepared. Can you please name some characteristics for "success"?

CO: Sure, I believe that in order to be successful in an expatriate assignment you really should "love" the country you are being relocated to. If you have not travelled there on business or pleasure, you should do your homework to make sure that it is a good fit for you and your family. This will mean visiting China, establishing a dialog with your prospective colleagues, talking to others who have had previous assignments in China in order to obtain "intelligence" and practical information and feedback on the many positive opportunities, as well as, the real-life challenges with this location. Again, if possible, you should do some conversational Mandarin Chinese. As with any expatriate assignment, you should research the country's business, social and cultural environments to insure that it is a good fit for you.

GLOBAL HR NEWS: Can you describe the company's expatriate policy a success? In what ways would like it to evolve, if any?

CO: Sure I can. I believe that we have a very good expatriate program and it is getting better all the time. Initially, the company had certain business areas which typically sent expatriates overseas. Over the years, this has grown to include all of our business areas and with that we have become more organized and process oriented. Our human resources programs have also become more sophisticated and the international assignment program is integrated into our other employee programs, e.g., our performance development and management program, leadership development, leadership and management training, management planning, mentorship program, and others.

GLOBAL HR NEWS: How would you describe "assignment failure" knowing that the failure of an assignment will drive-up the company's cost of operating an international assignment program?

CO: As a company we invest time with our people who are considering expatriate assignments in order to ensure this is really what they want to do. We also work with the local business to ensure that the expatriate has the support they need to have a successful integration into their business.

GLOBAL HR NEWS: In China, does management style differ? And what does this say about your company?

CO: We have a participative management style which is welcomed in China. We are a very focused company with a culture that values people and innovation. We want our employees to have a balanced lifestyle between work and family and they appreciate our philosophy. Many other technology companies require their employees to work a great deal of extra hours which likely impacts their personal life. We are a large company with a proven track record of successfully treating employees well and this continuous policy and practice has allowed us to attract and retain top-quality people. We experience lower turnover than our people competitors in China.

GLOBAL HR NEWS: About families relocating into China, what services are included in your policy designed to help the Assignee and Family get settled during their first 30 days or so?

CO: We allow our employees to visit the location before they commit to an expatriate assignment. We also provide our employees with assistance in locating temporary housing, international school(s) for their children, etc.

GLOBAL HR NEWS: What are some of the unique challenges Westerners may experience while living day-to-day (everyday lifestyle kind of things) in China?

CO: One of the challenges for people who are “English” language speakers is that the English language is generally spoken within the business environment, however, not always the case when shopping, etc. So it would be important for the expatriate and her/his family to have some language training. When you shop most

everything that you will need to purchase will require you to negotiate, so you would need to know the language, proper pricing, and include extra time for this process. There are significantly more people on the streets, subways, etc. than what most people are use to in their home countries.

GLOBAL HR NEWS: What is your experience in a 2nd-tier city?

CO: My experience with a second-tier city is Chengdu. They have created a beautiful large business park targeted for technology companies. Chengdu is a beautiful semi-tropical place and has large open spaces and incredible natural beauty. This city is not crowded like Beijing. In this case, many people who are from the first-tier cities may be interested in the second-tier cities as they are offering steady employment in a more natural setting – many trees, fields, streams.

GLOBAL HR NEWS: In Asia, regarding generational differences and how they are viewed locally, how does this impact the workplace for expats? Interacting with people?

CO: Asian people have a great deal of respect for senior people. They expect senior people to be very knowledgeable, competent, respectful and caring. If you were an expatriate located in China you would need to understand this mindset.

GLOBAL HR NEWS: For younger Assignees to China today, what kind of formal indoctrination or better said, training, does your company policy provide for? In general and also, specifically, what kind of training do you provide regarding the politics, the religious aspects?

CO: It's important to know that we recognize the value and the importance of preparation for an expatriate assignment often times our employees to visit the location before they commit to an expatriate assignment. We also provide employees with destination services to assist them in locating temporary housing, cultural integration, school(s) for their children, etc. As was mentioned before, most if not all

employees who consider expatriate assignments in China are familiar with the political and social environment as they have travelled there on business and personal vacations. They would understand the social and political environment before they would accept an assignment in China.

GLOBAL HR NEWS: Can you please describe how China, as a destination for work, has changed over the past few years? And can you follow-up by chatting about how it will be/could be in say...3 years from now?

CO: China is an incredible country and it is really great to be with a company who is part of this growth. China is encouraging growth and business development and it is a good country to conduct business in. The business environment is changing at a rapid pace. For a technology company, there is a large well-trained workforce who is attracted to working for international companies. The employees appreciate working for a company with a participative management style that values them. We also have an environment where people can grow and develop. We are growing rapidly, so employees have an opportunity to accept new assignments and learn additional skills. It is really exciting to think about China in the next three years. There will be many more multi-national and local technology companies which will be located in China in the future. There will be greater competition for good technology workers. The business employment requirements will continue to develop and change. For example, this year China implemented new employment contract requirements. I believe that we will see more employee and business policies that represent this changing business environment.

GLOBAL HR NEWS: Regarding in-company on-the-job managerial decision-making, how can Westerners better prepare for working within a Chinese system that favors relationships and reciprocity?

CO: This is not an uncommon approach for many countries. Managers need to understand that external relationships are important and that they will need to

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• **CAROL OLSBY** – *CONTINUED*

dedicate time to maintaining good relationships with business and government colleagues.

GLOBAL HR NEWS: Tell us about "younger adults" in China, in the workplace. Are they friendly to Westerners? Are they different from higher ranks, usually people who are older?

CO: We are in the technology sector, and generally speaking the workforce tends to be younger. The average employee in our Chinese operations tends to be in their 20's. Our participative management style is quite welcomed in China. We are much focused company with a culture that values people and innovation. Let me again be very clear that our policy is good and one of our strengths: We want our employees to have a balanced lifestyle between work and family and they appreciate our philosophy. Many technological companies require employees to work a great deal of overtime hours which impacts their personal life. We are also a large company with a proven track record of success and treating employees well. This has allowed us to attract and retain quality people. We experience lower turnover than our people competitors in China.

GLOBAL HR NEWS: How do you coach Westerners who are on Assignment to deal with "isolation" feelings?

CO: This isolation feeling will occur no matter where you accept an expatriate assignment if you do not create an intervention plans to address this issue. This same situation also occurs when people move within the same country.

Understanding this challenge, expatriates need to find ways to connect with people. Invite co-workers to dinner at your home or a local restaurant. If you have children in school make a point to get to know the other parents. Research where people from your home country meet and periodically get together with them. The key is to understand that this will happen and you need to take active steps to get involved with others. If you have a family, it is important that your family members also

become connected with local people and if possible people from your home country, so they will not feel isolated too.

GLOBAL HR NEWS: When looking at the concept of "building global leaders" for the company and "developing a global mindset" internally, what competencies... how do you assess for the "right" management style? What are globally successful traits that you look for in people?

CO: We are a global company. All of our employees need to have a "global mindset". This global mindset begins with our CEO and this message is shared continually with all of our employees. It is not unusual in our company for employees to be communicating with other employees who are located across the globe. It is also common for many of our managers to be managing cross-borders and/or working with other groups who are located in different countries.

In order to be a successful global leader in our company you must have a passion for our business and be committed to creating an environment that will attract and retain highly-skilled professionals. Global leaders must be flexible, adaptable, participative, focused, execution oriented, good communicators, proven track records, strong leadership skills, and also effective business and technical skills. We assist managers to grow their global skills through an integrated process which has been incorporated in a variety of our management programs to include: our performance development & management system, leadership and management training programs, international training, management planning program, mentorship programs, expatriate assignments, international business travel, etc.

GLOBAL HR NEWS: What is the most recent book you have read?

CO: Since I often travel internationally, I have plenty of dedicated time to read. I am a voracious reader and really enjoy reading good business books which are focused on global issues to include: effective leadership, managing cross-borders, change management, innovative business approaches, etc. In respect to global business books, I have also read books which

are specifically focused on the countries where we are currently doing business in or plan to in the future. Most recently, I finished reading "China CEO" and also, "Global Leadership, The Next Generation". Since I support Asia, both of these books were very relevant. "China CEO" comprises of a selection of senior executives who have been in China who provide their recommendations on how best to establish and manage your business in this country. The second book, "Global Leadership, The Next Generation" is a very easy read that provides the reader with the step-by-step process on how to effectively lead today's business environment.

I am firm believer that you have to be a "lifetime learner" in order to be effective in our global economy. In addition to reading, I often participate in global business classes and programs. I have been very fortunate to attend global business programs both in the US and abroad. Recently I attended a European international management program which my company sponsored. This education program was excellent as it provided an opportunity to attend classes with managers who represent different business areas which were located in countries throughout the world.

GLOBAL HR NEWS: Please tell us about your family-life?

CO: My husband and I have been together for 25 years. He is the one that really exposed me to global business as he has multiple international business degrees and has worked in international roles to include his current position at Microsoft. We have three teenage children, Joshua (19), Julia (15), and Jacob (15), who have been very fortunate to grow up in a family that has always looked at things from a world perspective. My oldest son began college this fall and we wanted to make sure he selected a school that has an international exchange program. In the future, Julia and Jacob will also attend a school with an overseas program or attend college abroad. We think that is important that young people have a global perspective. Our family likes to travel abroad for our vacations which have been a great educational opportunity for our children. Recently, our family vacationed in Italy.

GLOBAL HR NEWS: What do you like to do when you are away from the office?

CO: Since I travel often, it is always nice to be home with my family. Living in the Seattle area it is a wonderful place to live as you have all the advantages of a big city with museums, etc. and it is located in a beautiful setting. Seattle is surrounded by mountains and is located on the water. It is a great place to live no matter what your interests. I have a very active family that keeps me busy. I am very active person so this suits me perfectly.

GLOBAL HR NEWS: What are your favorite foods?

CO: Since I travel, I am open to most types of foods. I am more interested in people than I am with food, per se. I see that food is one of the best ways to bring people together. I really enjoy people, so sharing a nice meal with others is a given.

GLOBAL HR NEWS: Summarizing, what is the most important advice that you can give to our global readership, of which 60% are HR professionals?

CO: Our business success depends on having the necessary competencies to execute on our business strategies. In today's business these competencies are being obtained in locations throughout the world. Talent Management is the cornerstone to this success and human resources professionals with global experience are in great demand. Human resources professionals must be fully integrated into the business to insure that the human resources strategy remains fully aligned with the business. Because the business environment is dynamic and changing HR professionals must embrace diversity, be incredibly flexible, adaptable, effective team players, "servant leaders", and committed to their own self-development, as well as others.

There are many opportunities in the emerging countries and HR professionals today have an opportunity to help shape how business will be conducted in these locations now and in the future. With respect to self-development, global HR

professionals must make a commitment to continually learn effective international business strategies and tactics. This means attending global conferences where "best practices" are shared, reading a variety of international business articles and books, network with other global HR & business professionals, obtain global certifications for mobility (GMS), human resources (GPHR), total rewards (GRP), etc.

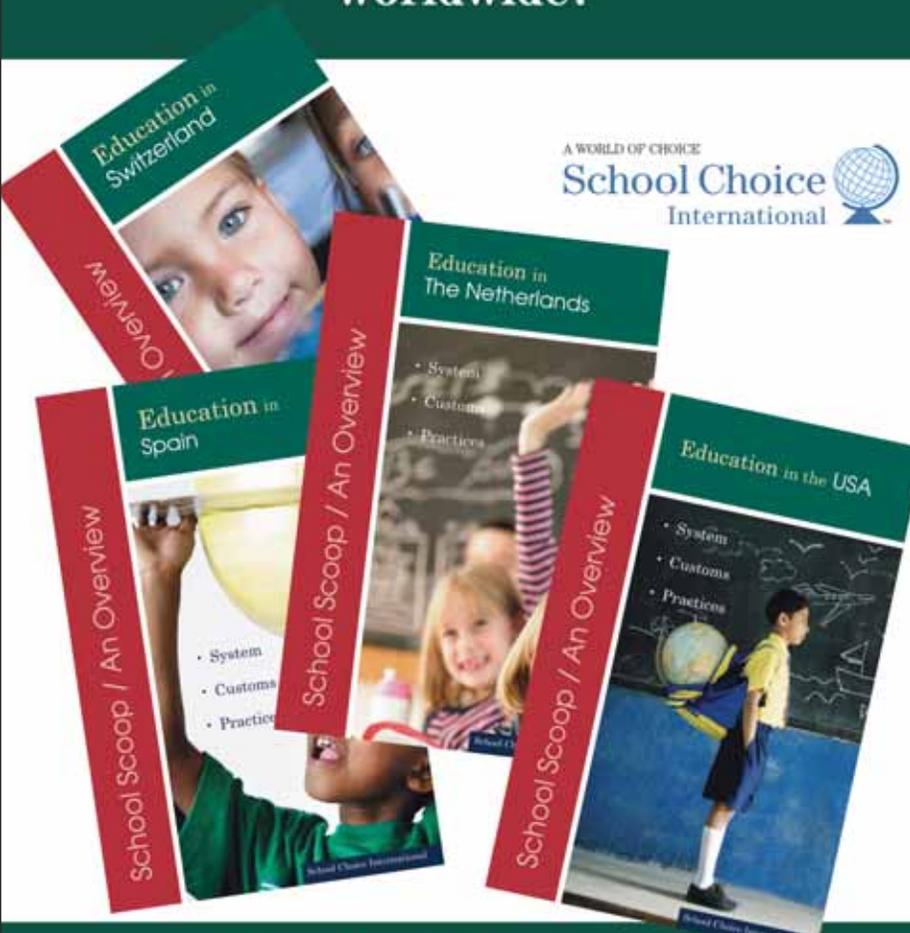
Businesses are relying on us to be at the

table to advise them on how best to address the variety of global human resources issues they are experiencing currently and in the future to include: talent management, total rewards, development, learning, and much more.

GLOBAL HR NEWS: Carol, thank you for your time, energy, insight, and wisdom. ■

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COMPLIANCE: LEGAL

Social Security Benefits of International Assignees

Totalization Agreements and Potential Employer Liability Under the Sarbanes-Oxley Act (SOX)

by JOHAN LUBBE, Partner • lubbej@jacksonlewis.com
JACKSON LEWIS LLP - New York

Maintaining social security benefits of employees on international assignment can be an administrative challenge. Furthermore, obtaining an exception from making social security contributions in the host country under an International Totalization Agreement and failing to keep the Certificate of Coverage current could lead to potential liability in the U.S. under the Sarbanes-Oxley Act of 2002 (SOX). This article explains the connection between an American company's potential liability under SOX and issues related to the social security benefits of an employee on international assignment and offers some risk-prevention tips.

INTERNATIONAL TOTALIZATION AGREEMENTS:

The United States government has entered into bilateral Social Security Agreements with 21 countries (as of August 2008). The participating countries are mostly in Europe and also include Australia, Canada, Chile, Japan and South Korea. (For a full list of the participating countries and the text of the agreements, see www.ssa.gov/international/agreement_overview.html). Under these International Social Security Agreements or also called Totalization Agreements, American employees on international assignment will be exempt from making social security contributions in the host (participating) country. Accordingly, the international assignee is not subject to double taxation with respect to social security contributions in the host country.

However, the exemption does not apply automatically. The American employer must obtain a Certificate of Coverage from the U.S. Social Security Administration (SSA). The application for a

Certificate of Coverage is a simple form or letter and can be submitted online. (See www.socialsecurity.gov/coc). Furthermore, the Certificate of Coverage has a limited initial duration. The validity period is specified in each Totalization Agreement and generally is for a period of up to five (5) years. The initial validity period of the Certificate of Coverage can be extended; the extension request, however, is typically submitted not to the SSA in the U.S., but to the local government authority in the host country. If the validity period of a Certificate Coverage has expired, by law the employer and employee must make social security contributions in the host country pursuant to local law.

Failure to extend the validity period of an international assignee's Certificate of Coverage is risky. First, upon expiration of the Certificate of Coverage, the employer and employee must start making contributions to the host country's social security system, even if FICA taxes are paid in the U.S. Failure to do so could constitute a violation of local law in the host country. Second, if the assignee complains about the employer's failure to abide by local law (making social security contributions), such internal complaint could reverberate in the U.S. with potential legal liability for the employer under SOX.

EXPIRED CERTIFICATE OF COVERAGE AND POTENTIAL SOX LIABILITY:

In a recent federal lawsuit, the court permitted a former employee working in France to proceed with a SOX whistleblower claim in the U.S. against the American employer. In *O'Mahony v. Accenture Ltd and Accenture LLP*, 07 Civ. 7916 (S.D.N.Y. Feb. 5, 2008), plaintiff Rosemary O'Mahony had been a partner in the com-

pany's U.S. subsidiary from 1984 through August 2004. She worked for the company in France since 1992. The U.S. subsidiary had obtained a Certificate of Coverage exempting it from making contributions to the French social security system for five years. Ms. O'Mahony complained that her employer defrauded the French government by failing to pay social security payments on her behalf after the validity period of the Certificate of Coverage had expired. Specifically, Ms. O'Mahony alleged the company owed the French social security system an amount equal to approximately 36 percent of her \$10.4 million of compensation for the period September 1997 through September 1, 2004, i.e., about \$3.7 million. She alleged she told the company's U.S. executives about the problem, but the company's global financial controller in New York told her the company had decided that its interests would be better served by not making any of the French social security contributions. As a result, she claimed the company continued to conceal from the French authorities the fact that she had been working in France after the expiration of her Certificate of Coverage. Ms. O'Mahony further alleged that she responded that she could not violate the law and brought the matter to the attention to the French authorities. Finally, she alleged that, in retaliation, Accenture demoted her in November 2004 and reduced her salary by \$670,000. Accordingly, this foreign assignee alleged the conduct (fraud) occurred in the U.S. and executives of the U.S. subsidiary made the decisions in the U.S. to defraud the French government and to demote her.

The corporate defendants requested the U.S. federal court to dismiss the claims for

lack of jurisdiction, arguing that the whistleblower protection provisions of SOX do not apply extraterritorially. In denying defendants' motion to dismiss, the federal court provided a narrow opening for claims involving American employees on international assignment when the claims have a sufficient nexus to the U.S.

The federal court agreed that the alleged U.S.-connected conduct -- decision not to inform the French authorities of her continued employment in France -- was sufficient to directly apply the SOX whistleblower provisions under these circumstances (as opposed to applying the American law to conduct that occurred in the host country under the principles of extraterritoriality) and refused to dismiss the claims. The court specifically ruled that it was not applying SOX's whistleblower protections extraterritorially. (See the previous article in *Global HR News* magazine on "Extraterritorial Application of U.S. Law").

The court distinguished this case from an earlier case that considered the extraterritorial application of the SOX whistleblower protection. In *Canero v. Boston Scientific*, 433 F.3d 1 (1st Cir. 2006), the plaintiff was a resident of Brazil and an employee of a Latin American subsidiary of a U.S. compa-

ny. He was paid exclusively by the Latin American subsidiaries. He accused the U.S. parent company of firing him in retaliation for telling the defendant about fraudulent activities in its Latin American subsidiaries. The court held that a foreign employee complaining of misconduct abroad by overseas subsidiaries could not bring a SOX claim against the U.S. parent company. In *O'Mahony*, by contrast, the court found that the suit was by a U.S. employee against her U.S. employer for corporate decisions taken in the U.S.

Accordingly, U.S. human resource professionals should be aware that simple administrative failures such as a neglect to apply for an extension of an exemption from making social security contributions in the host country can expose the home country company to significant risk. The risks include not only substantial penalty payments to the host country's social security authorities, but also potential liability under SOX if the Company fails to react appropriately to the assignee's concerns about legal compliance.

PRO-ACTIVE STEPS:

To avoid the delima the employer found itself in *Accenture*, U.S.-based human resource professionals managing American employees on international assignment

could take the following preventative steps:

1. Maintain an inventory of Certificates of Coverage with a clear notation of each certificate's expiration date and a scheduled date to apply for an extended certificate, which extension application date shared precede the expiration date by at least two months;
2. Timely apply for the extension of the Certificate of Coverage in the host country; and
3. If the Certificate of Coverage has expired, promptly start making employer and remitting employee contributions to the host country's social security authority. The fact that the company has continued making social security contributions – FICA taxes – in the U.S. is no excuse for failure to make the contributions in the host country.
4. Work closely with the human resource department in the host country to ensure compliance and, if the assignee expresses concerns about legal compliance, that legal and effective steps are taken to address any compliance oversight.

In a series of articles in *GLOBAL HR NEWS*, we will keep the readership informed on new developments and trends in cross-border employment issues. ■



GLOBAL TALENT MANAGEMENT **Behavior Interviews in an Intercultural Context**

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The behavioral interview technique — one used by employers to evaluate a candidate's past experiences and behaviors in order to determine their future potential for success — is once again on the rise in companies across the U.S. According to Career Services at SUNY Brockport, currently 30 percent of all organizations are using behavioral interviewing techniques in some manner.

Why is this technique so popular? Because, presumably, it works. U.S.-based surveys like that done by Quintessential Careers mentioned in the article titled Behavioral Interviewing Strategies for Job-Seekers by Katharine Hansen have shown that behavior interviewing is 55 percent predictive of future on-the-job behavior, while traditional interviewing is only 10 percent predictive.

Another factor contributing to the growing use of behavior interviewing, according to a December 2007 survey conducted by the Novations Group, is the broad demographic shift underway in the workplace. According to Tim Vigue, Novations executive consultant, "An increasingly diverse talent pool demands that organizations hire the best from the broadest possible pool. To do so employers have to use objective methods that won't screen out qualified candidates due to bias."

Implied then is the fact that behavior interviews are fair and take into account the diversity of applicants. But, do behavior interviews take into account the diversity of the job for which the candidate is interviewing? Does the popular technique consider the intercultural contexts of the job? Can behavioral interview questions accurately assess whether a candidate's past

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COMPLIANCE: LEGAL

UK Immigration: the new tax?

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INTRODUCTION

The benefits of migrants to the UK economy are well recognised, albeit not well publicised. Official statistics show that migrants contribute 10% of GDP despite making up only 8% of the workforce. At a corporate level, 60% of companies regard human resources as the most important factor in future competitiveness and, with increased global competition and the rise of the knowledge economy, eight in 10 UK employers are looking beyond the domestic market and are actively recruiting staff from overseas.

For US companies investing in the UK, the sourcing, mobility and retention of quality human resources from the US is paramount. If that is the case, why is immigration law rarely discussed at the corporate legal level? In fact, intelligent companies investing in the UK recognise that policies on employing non-EEA nationals can be key to future success and the very best companies are initiating and developing corporate immigration strategy when investment is being considered.

WHAT IS DRIVING THE NEED FOR CORPORATE IMMIGRATION STRATEGY IN THE UK?

Organisations within industries where immigration has always been a central focal point, such as IT, management consultancy and the health industries, have the most mature corporate immigration strategies in place. In recent years, however, recruitment need, increased globalisation and investment protection has forced other industry sectors to realise the poten-

tial of such strategy implementation.

From the UK perspective, the current main driving force affecting all industries is the UK Government's roll out of a new five-tiered points-based immigration system which replaces the current work permit scheme. Aimed at tackling abuse and controlling migration more effectively, industry is being called upon to play their role in making migration work for Britain. The new scheme, which should be fully implemented by April 2009, aims at giving employers more control and flexibility over their decisions in employing overseas nationals through Home Office accreditation. With these benefits, however, come increased obligations. Not meeting those obligations could result in both criminal and/or civil penalties aimed both at the company and the officers of that company. Even worse, however, failures in procedure could result in suspension or removal from the Home Office accreditation scheme and, as a result, the end of employment for all foreign workers in the UK. The employees themselves could face bans from future travel to the UK of one to ten years. Compliance will, therefore, become everything. And forward-thinking companies are developing their immigration strategy now.

WHAT IS CORPORATE IMMIGRATION STRATEGY?

What, therefore, is corporate immigration strategy? Simply put, it is a coherent corporate approach to maximising compliance whilst ensuring that immigration is a business tool rather than a business impediment. It can be domestic in approach but, depending on the organisation involved, most effective when regional or even global in nature. It defines what is acceptable from a corporate risk standpoint whilst also introducing policies that will best benefit the company now and in the future. As it

relates to the interpretation and implementation of law, it requires buy-in at the appropriate level of an organisation and needs to be properly communicated throughout the organisation to have maximum effect.

HOW DOES IT WORK IN PRACTICE?

Any corporate immigration strategy will be unique to the organisation involved. There are, however, common themes.

The UK immigration authorities are extremely commercially aware. However, their resources are limited and, as such, the most respected and well-known service-users will be at an advantage. Branding and representation, both at corporate and legal representative level are, therefore, key to immigration. Whilst pigeonholed and/or under-represented, the leverage available to obtain concessions, exceptional treatment and better turnaround times is limited.

Then there are costs. A coherent and comprehensive corporate immigration strategy may immediately save some money. In the future, however, a carefully planned corporate immigration strategy introduced now, in anticipation of the employer accreditation scheme, could potentially save some organisations hundreds of thousands of pounds.

The final common theme is the willingness of the vast majority of UK companies to be compliant. In most cases, compliance is directly related to control. A review of organisational structure from an immigration perspective and the authority to deal with an increasingly complex area of law typically identifies weaknesses. This, in turn, can assist in policy drafting to strengthen the company and maximise leverage benefit.

The thread that runs through all themes is the need for companies to be able to monitor, track and connect with their migrant population. The need to produce and review reports is, therefore, paramount and the days of the excel spreadsheet with expiry dates should be long gone. The intelligent company should have access to reports both in the UK and internationally that can detail all immigration aspects of an expatriate assignment or new hire.

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COMPLIANCE: LEGAL

Costa Rica

New Accreditation Process for Expedited Temporary Residence Permit Processing

by FEDERICO SOLIS - Partner Latin America, and
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FRAGOMEN GLOBAL IMMIGRATION SERVICES
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EXECUTIVE SUMMARY:

The Costa Rican Immigration Authorities have passed a resolution detailing a new registration/accreditation procedure for companies that sponsor foreign nationals for Temporary Residence permits. Accredited companies will enjoy priority filing status for Temporary Residence permit applications and substantially reduced processing times and documentation requirements. Furthermore, Temporary Residence permits issued to foreign nationals sponsored by accredited companies will now be valid for two years instead of one year.

On May 19, 2008, a new resolution (DG-1084-2008) took effect detailing a new accreditation procedure for companies with operations in Costa Rica that sponsor foreign nationals for Temporary Residence permits. Accredited companies will benefit from priority processing of their Temporary Residence permit applications filed with the General Migration Office. The new resolution replaces Decree 32918-G-COMEX-MTSS, issued in March 2006. Please refer to our March 15, 2006 Client Alert for the details of the 2006 regulation.

The primary benefits for companies that undergo the General Migration Office's new accreditation process are:

- Priority filing status: Accredited companies will have a designated filing window and staff at the General Migration Office, which will mean shorter wait times to file applications;
- Reduced processing times: Temporary Residence Permit processing times will be substantially reduced from at least four months currently to 30 business days from the date of filing with the General Migration Office;
- Reduced documentation requirements: Foreign national workers will no longer be required to present extensive corporate documentation with their permit applications, as all required corporate documentation will be submitted with the company's accreditation application; and
- Extended permit validity: Temporary Residence permits issued to foreign nationals sponsored by accredited companies will now be valid for two years instead of one year.

ACCREDITATION CRITERIA

To be accredited under the new guidelines, companies must fit within specific corporate categories and meet other criteria. For example, each company must meet at least two of the following conditions:

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COMPLIANCE: LEGAL

The E Treaty Visa

An Alternative Approach to U.S. Immigration

by RYAN PATTERSON
FRAGOMEN • ukcomms@fragomen.com

This article was written and researched by Ryan Patterson. Ryan is a Mountbatten Paralegal on the U.S. Consular team in London.

SQUARE PEGS AND ROUND HOLES

One of the greatest challenges for any business enterprise is staffing – finding the right individual for the job. If the best candidate is a foreign national, immigration law poses an additional obstacle.

Companies bringing staff to the United States generally rely on two tools: the L-1 “Intra-company Transferee” Visa and the H-1B “Specialty Occupation” Visa. While these visa categories are often useful, their restrictive requirements can screen out even the best-qualified applicants.

The L-1 Visa is only applicable to existing employees who have worked in a company's non-U.S. office for more than a year; new employees are ineligible. The H-1B Visa, which allows professionals to take up employment in the U.S. in specialized fields, is strictly limited to 85,000 applicants per year. This year, employers filed some 163,000 H-1B petitions, forcing the U.S. Citizenship and Immigration Service to institute a “visa lottery.”

Now that the 2009 H-1B cap has been reached, what can British businesses do to bring employees to the U.S.?

JAMES MADISON AND GEORGE III

The answer may lie in an 1815 British-American “treaty of friendship, commerce, and navigation” – the first of its kind signed by the two nations. Pursuant to this document, the U.S. maintains a special, often-overlooked immigration category – the E Visa – for UK citizens doing business in America. The U.S. also maintains similar treaties with a number of other nations.

There are two types of E Visas. The E-1 “Treaty Trader” visa is available to British-owned businesses that engage primarily in trade between the U.S. and UK. Many wholesale, retail, and import/export businesses can qualify for E-1 Visa status. The E-2 “Treaty Investor” visa is open to British nationals who wish to invest in the American economy. A wide range of enterprises, from large PLCs to mom-and-pop retail stores, may qualify for E-2 Visa status.

The E Visa has several advantages over its L-1 and H-1B cousins.

First, it grants broad coverage, both to a host of company types and to a variety of positions within a company. Owners, executives, managers, supervisors, specialists, and technicians may all be

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• **COSTA RICA – continued**

1) The company must require a considerable volume of foreign national workers. The General Migration Office has not defined "considerable volume" or how to demonstrate this need; however, the local company's five-year plan or an organizational chart that incorporates foreign workers into its management structure should suffice.

2) The company must:

- Be registered before the Costa Rican Tourism Institute;
- Operate under an incentive export regime, such as a Free Trade Zone;
- Have a recommendation from the Ministry of Commerce (COMEX); or
- Be registered before the Financial Entities Supervising Authority (SUGEF).

3) The company must be established through Foreign Direct Investment (FDI) that contributes to the country's economic development.

ACCREDITATION PROCESS

There will be slightly different processes and requirements for each corporate category. For process details, clients are advised to contact their immigration providers. The General Migration Office will take at least 30 business days to approve accreditation applications. Upon approval, the General Migration Office will issue a notice certifying the company's accreditation, which will be valid for two years from the date of issuance, and add the company's name to its accreditation list.

COMPANIES ALREADY REGISTERED UNDER THE MARCH 2006 DECREE

New Temporary Residence permit applications filed by companies registered under the accreditation regulation of 2006 refer-

enced above will be processed based on the 2006 regulation until the company's registration expires (in the first half of 2009, in most cases). However, all temporary residence renewal applications will be processed under the new regulation described herein. Accordingly, accredited companies are encouraged to upgrade their accreditation under the new regulation as soon as possible.

The content of this alert is provided for informational purposes only.

If you have any questions regarding this alert, please do not hesitate to contact the global immigration professional with whom you work at Fragomen Global Immigration Services, or send an email to lar@fragomen.com or costarica@fragomen.com

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• **E-TREATY – CONTINUED**

covered by a corporate E Visa registration. Additionally, spouses of E Visa holders receive "derivative" E Visa status, complete with authorization to work in the U.S.

Second, although the normal first-time E Visa validity period is two years, the visa may be renewed indefinitely. Depending on the perceived strength of the company – (Embassy adjudicators are instructed to "weed out risky undertakings") – the visa's validity period may be extended to five-year increments.

Third, there is no requirement that E Visa holders maintain concrete ties to their home country. Therefore, an individual may sell his or her home and move completely to America, so long as he or she asserts an intent to depart the U.S. once the visa expires. A linguistic quirk of the 1815 British-American treaty requires British citizens to remain legally domiciled in the UK, but other treaty nationals are not subject to this rule. Dual nationals must therefore be careful when applying.

Fourth, an E Visa employee may petition to change to Legal Permanent Resident ("green card") status. Unlike H-1B and L-1 Visa holders, employees with E Visas may be subject to travel restrictions dur-

ing the Legal Permanent Resident application process.

Legal Permanent Resident applications for E company owners can have complex consequences; one of which is that a Legal Permanent Resident will no longer qualify as British for the purposes of the E Visa. An entire company, including owners, employees, and dependents, could lose E Visa status automatically. Therefore, careful planning and appropriate legal advice are critical.

DOES YOUR BUSINESS QUALIFY?

To qualify for an E Visa, basic conditions must be met:

E-1 and E-2

- A qualifying treaty must exist between the United States and the country in question. The U.S. now maintains E treaties with some 80 countries;
- The enterprise must be majority-owned or controlled by nationals of that country. A publicly-traded company is taken to possess the nationality of the country in which its stock is listed, but shareholders' nationalities can be taken into account as well; and
- Each employee seeking an E Visa must possess that same nationality as the company.

E-1 "Treaty Trader" Visa

- The enterprise must be engaged in trade. "Trade" typically involves the purchase or exchange of physical goods, but an international exchange of services, such as accounting or consulting, may also qualify;
- The trade must be substantial. Substantiality in this case is measured by the volume of trade, the number of transactions, and the continued course of trade;
- More than 50% of the company's trade must be conducted between the treaty country and the U.S., and trade between the two countries must be ongoing; and
- A qualifying employee or principal must hold an executive, managerial, or supervisory role or possess skills essential to the enterprise's success.

E-2 "Treaty Investor" Visa

- The investment must be active. Purchasing or planning a business is not enough; the business must be under active development or operation;
- The investment must be substantial. While there is no hard rule, Embassy adjudicators generally weigh the amount of money invested against the size of

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COMPLIANCE: TAX

The Writing on the Wall

Compliance issues...Tax obligations

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According to the book of Daniel (5:1-31), during a drunken feast, King Belshazzar of Babylon took sacred golden and silver vessels, which had been removed from Jerusalem by his predecessor Nebuchadnezzar, and started to praise the gods of gold, silver, bronze, iron, wood, and stone. Suddenly, the disembodied fingers of a human hand appeared and wrote strange words on the wall of the royal palace.

Despite inducements, none of the royal magicians or advisors could interpret the omen, so the King sent for Daniel, currently in exile and a former advisor to the previous king, to interpret the words. Rejecting offers of rewards, Daniel warned the King of the folly of his arrogant blasphemy and interpreted the text as follows:

"God has numbered the days of your kingdom and brought it to an end; you have been weighed on the scales and found wanting and your kingdom is divided and given to the Medes."

That very night, according to the story, King Belshazzar was slain and Darius the Mede became King.

FROM THE MOUTH OF PROPHETS TO THE COMPANY BOARDROOM

Fast forward a few thousand years to the 21st century and into the boardroom of a fictitious, successful, multinational company. Congratulating each other on another year of record profits, the directors have just approved another incentive compensation plan for the company's employees. Riding high on the wave of globalization, the board is keen to both reward and retain its top performers and its globally mobile workforce by introducing another, more innovative, performance-based remuneration scheme. Confident with the

knowledge that it has met its SOX 404 requirements and is compliant, the company is now keen to look further afield to new emerging markets. So, with this in mind, it sends its top performers (rich with lucrative equity-based incentive plans) on new assignments to open up new opportunities for the company.

Some years later, the multinational company we described above is further along its globalization path. Let's consider that the company is a U.S.-based multinational and now has affiliates in many countries. Each affiliate has its own employees, and there are U.S. employees on assignment to many of the affiliates. In addition, the employees of certain foreign affiliates may be on assignment to the U.S. parent company. The parent company, as already established, has several compensation plans for its employees, among which is a stock option compensation plan, which awards options to employees regardless of their location. The parent company in the United States has been taking a corporate deduction for compensation related to option exercises — regardless of the location of the employee, or which entity is the former employer. The U.S. parent company may not be taking deductions it is not entitled to. In addition, its approach may mean that it is not properly reporting the related compensation in foreign jurisdictions, and is not properly withholding and remitting payroll taxes either.

Despite the counsel of its advisers, the company has never been overly concerned with non-corporate compliance issues and tends to leave any tax obligations attached to employee remuneration to its employees. In fact, ever since equity arrangements were introduced into the company's remuneration policies, they have never been

queried by the tax authorities or had the issue raised during a tax audit in any country where they operate, creating a potentially false sense of assurance and reinforcing its own (possibly misguided) faith in its compliance.

For this company — and others like it — the writing is on the wall.

Unfortunately for the complacent, the careless, and the blissfully unenlightened, tax authorities around the world are beginning to combine forces and target cross-border tax compliance issues, including the tax obligations of both the employer and employee.

COMPLIANCE WEIGHED AND FOUND WANTING: OECD TAKES ACTION

While neither in Babylon nor in a palace, September 2006 heralded the third gathering of the OECD Forum on Tax Administration in Seoul, South Korea. For two days the heads and deputy heads of revenue bodies from 35 countries met to share concerns, experiences and ideas on how to deal with two of the key issues facing tax authorities in the 21st century, namely:

- More effective tax administration, and
- Non-compliance in the international context.

It is the second initiative that should be of greater concern to multinational companies and their advisers and the one that needs to be carefully studied.

The OECD forum recognized that enforcement of the respective countries' tax laws has become more difficult. Business globalization, labor mobility, trade and capital liberalization, and technological advances have made time zones and borders increasingly irrelevant, thereby opening the global marketplace to a broader array of taxpayers and arrangements.

The Seoul Declaration, the communiqué issued from the gathering, stated:

"It is our duty as heads of our respective countries' revenue bodies to ensure compliance with our national laws by all taxpayers, including activities beyond borders, through effective enforcement and by taking preventative measures to deter non-compliance."

CONTINUED — PAGE 36

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GLOBAL TALENT MANAGEMENT

Who's Bearing the Risk Anyway?

The volatile U.S. dollar is causing many to rethink how they assist international assignees

WARD NAUGHTON, President • Ward.Naughton@hifx.com
and CARMEL PARISEAU, Senior Manager
HIFX, Inc.

How many relocated employees, ecstatic about their new international assignment, are quickly deflated upon experiencing the declining purchasing power of their home country currency? What about other individuals who have been on assignment, and have benefited from the appreciation of the host country currency? How will an eventual weakening of such currency impact their view of how much they are making, or as importantly their perceived ability to meet home country financial obligations?

Getting paid while on international assignments should not be a risk-taking exercise for such dedicated staff. After all, they're already undertaking a fair amount of personal disruption by simply agreeing to move overseas.

We all know currency fluctuation is nothing new to the global mobility community. With recent volatility and downward pressure on the U.S. dollar, there has been growing concern amongst HR executives on how to best compensate international assignees, and also protect their companies. The most common questions are:

- (1) Do we put them on host country payroll exclusively?
- (2) Do we split their payroll?
- (3) Do we continue to pay them in home country payroll?
- (4) What currency should we pay allowances and expenses?

Regardless of the answer to such questions, the issue of currency fluctuation and its attenuated risks does not disappear. There are increasing numbers of Global Mobility professionals who are examining different ways to help mitigate against the real cost associated with currency fluctuations. The larger the global mobility popu-

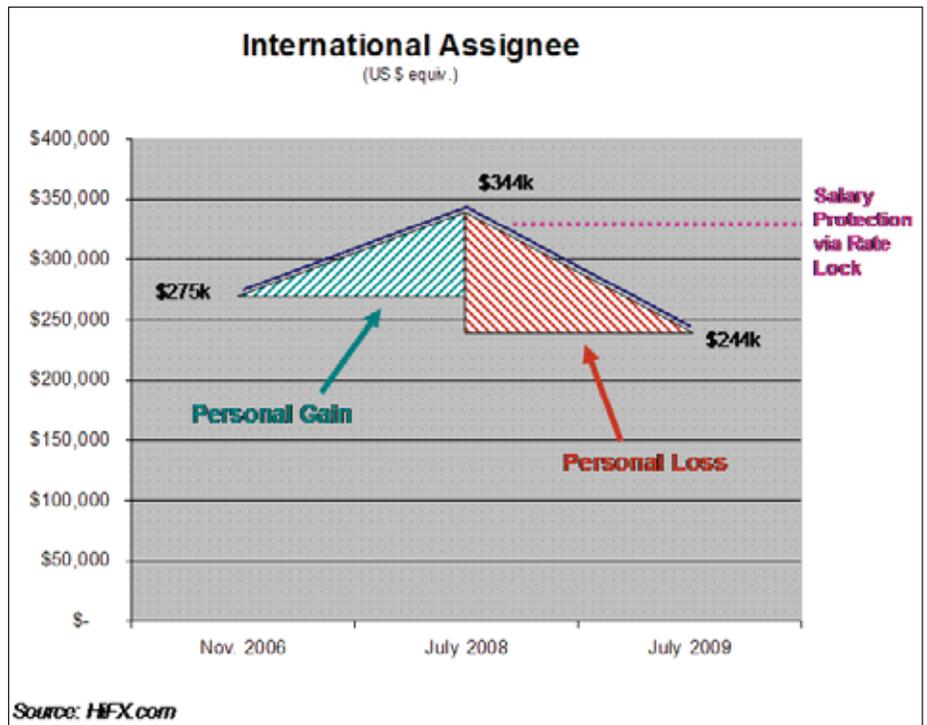
lation, the more options companies try to offer. Many of these HR groups are now referring their assignees directly to financial specialists who can offer assistance managing such risks. Unlike in the past, referrals to such third parties are increasingly common practice, particularly where the employee is simply referred to such parties without any up-front obligation by either the assignee or the company. In the Euro zone, Canada, Australia and Singapore there have been considerable shifts along these lines. In the U.S. the uptake has been slower, in large part because U.S. assignees paid in "host" countries have generally benefited from the weaker U.S. dollar. Meanwhile the employer companies have had to incur this hidden, but significant cost. Also it should be noted that

at some point the U.S. dollar will regain strength and leave the international assignee with less "home country" currency. At that point HP Groups will definitely hear from their assignees, and the cost will no longer be hidden.

For example, in the following case the employee who has agreed to an assignment in Europe was offered compensation on a "host country payroll" basis back in November 2006. At the time the U.S. dollar was considerably stronger than where it is today (US\$1.25 per Euro vs. US\$1.56 today). As shown below, this employee is considerably better off financially near term because of the move. His U.S. equivalent compensation (base plus bonus) has risen to \$344,000 in July 2008 from \$275,000 purely because of foreign exchange shifts. However with any strengthening of the U.S. dollar the HR group will likely hear about how the currency fluctuation is "killing me". For example, what conversation would occur should the Euro drop back to initial (i.e. 2006) levels or lower.

Meanwhile, the company that offers "Salary Protection via a Rate Lock" to such an individual is able to assist the assignee lock in a rate that is significantly closer to

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EDUCATION RESOURCES

Safe use of the internet for a successful relocation

by MARK LONDON, Marketing Manager
ACS International Schools

THE BENEFITS AND RISKS OF THE INTERNET

Maintaining contact with friends and family is a key issue following relocation, especially for children, and doing so successfully can be instrumental to a family's happiness in a new location. The internet has become an essential part of home and school life making it easier for children to maintain important long-distance friendships. This can be an essential support network for children, especially in the first few weeks and months in a new location.

In recent years the number of online tools and technologies available has grown rapidly. Webcams, instant messaging and social websites like myspace.com are all excellent ways for children to stay in touch with family and friends from back home, and make new friends too. Installing skype for free voice connection over the internet is also a great – and cheap – way for children to chat to friends around the world.

But with the opportunities these technologies provide comes the responsibility to ensure that children have a safe environment in which to use them. The question on the minds of many parents will be, is my child safe using the internet?

HOW PARENTS CAN KEEP CHILDREN SAFE ONLINE

By taking a few precautions and ensuring your child is aware of the importance of internet safety you can do much to reassure yourself and equip your children with the knowledge they need:

- Move the computer to a family area such as the living room. This encourages children to make their online behaviour a family activity and to share their experiences.
- Talk about internet use with your child. Explain the risks of viruses and unsuitable content which may be in emails from unknown recipients. Explain that

some people online are not who they say they are, and like the real world not everyone has good intentions.

- Webcams can be an excellent way for grandparents to see their grandchildren growing up. But make sure that use is monitored and that you know who your child is communicating with.
- Install filtering software to help prevent children clicking onto harmful sites. No software is 100% effective however and is no substitute for being involved in your child's use of the internet.
- Monitor children's use of web-based friendship sites, and advise them not to put personal information online, such as name, addresses and phone numbers. Photos of friends shared online should not be published with identifying details.
- Get your children to teach you. Ask them to help you set up a Facebook profile; communicate with someone on the other side of the world with your child, perhaps a relative. It will reassure children that you are interested in their lives and supporting their long-distance friendships.
- Most importantly, let your child know that they have someone understanding to talk to about their online world.

Children are curious and like to explore

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ACS Cobham, venue for the first International Youth Advisory Congress.



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• **BEARING RISK – CONTINUED**

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When considering the four questions above, many companies will have similar answers regarding how any particular strategy might affect their bottom line. What has shifted is how progressive HR Groups are dealing with the issue, which up to now has been fairly one-sided. When currency movements are in the assignee's favor HR Groups seldom hear much, yet when the reverse occurs the phones definitely ring. No matter which payroll structure is selected, each scenario has a downside. After all, with foreign exchange fluctuations there is a clear and discernible shift in value from one party to another. Many of today's HR policies regarding international assignees is about who bears this risk, and not the more important question, "How do we effectively manage this risk to minimize the impact on both the assignee and the employer company?"

When HR groups take this type of action (i.e. providing access to "Salary Protection via a Rate Lock") they give assignees a tool to deal with currency fluctuations. They also help insulate their company. Foreign exchange fluctuations, particularly as they become more widespread and happen faster, are clearly a concern of both international assignees, but also are attracting increased attention by senior management at many global companies.

While HR groups can't stop economic change from occurring, they do recognize it's still important to help affected assignees to the best of their corporate ability. The truly progressive groups are also looking to protect their employers from bearing unnecessary costs.

ABOUT HIFX, INC

HIFX, Inc. is a financial services advisory firm focused on providing private clients with specialized foreign exchange solutions. The company assists individuals better manage their foreign exchange exposures through innovative yet competitively priced financial products. Such solutions are provided in an easy to understand, client-centric manner. HIFX, through its global offices in Europe, Australasia, and North America assists over 30,000 individuals and corporations annually manage in excess \$40 billion a year in foreign exchange exposures. The company is a frequent contributor to such major publications as The Wall Street Journal, Bloomberg, Marketwatch, The Financial Times, Newsweek, Forbes, CNN Money, Business Week, and Reuters.

Mr. Naughton can be reached at ward.naughton@hifx.com. ■

• **UK IMMIGRATION – CONTINUED**

Only in this way can a company truly calculate movement to maximise branding, manage costs and ascertain compliance levels.

To conclude, UK immigration law has become a fundamental consideration for any company looking to invest in the UK. With the current overhaul of the UK immigration system, this will become even more so as companies are obliged to monitor their migrant population. For those companies that already have a corporate immi-

gration strategy in place, it is a good time for review in light of announcements on the employer accreditation scheme. For those that don't, an immediate discussion may prove vital.

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• MEGATRENDS – CONTINUED

To accomplish this, companies must foster a corporate ethos that centers on developing the skills of promising individuals so that they, and the corporation, can adapt quickly to changes in the workplace, serve the needs of new consumers, develop new products and position themselves in new and different ways.

For a company to truly succeed in today's global marketplace, it must develop a new way of looking at and developing its human capital. And if a company is to compete in an increasingly diverse marketplace, it must approach these new challenges with a different set of solutions.

A company with a strong tradition of promoting from within its domestic corporate headquarters might miss out on developing talent in subsidiaries or overseas offices. Instead, companies must look to different individuals within the organization who have different perspectives and different ways of performing.

DEFINING THE CORPORATE BRAND PROVIDES A CONTEXT FOR GLOBAL LEADERSHIP

Before a global talent management plan can be developed, a company must first define its corporate brand, instill a consistent set of values worldwide, and provide a context for global leadership.

A brand is not simply the product a company manufactures or the company name and logo; instead it is the identity, purpose and direction of an organization. It is the beliefs and behaviors that define what the organization is, and what it is not. A company's brand is particularly important as it influences all of the corporate strategies, products and services strategies, the corporate culture, and the talent management strategy.

Once a company's corporate identity and accompanying brand are established, the leadership must define its culture and values. These values will determine the character of the organization and will guide decision-making about the company's future direction. Organizations that allow their culture and values to develop by happenstance may be destined for failure.

Google, Apple, IBM, Colgate Palmolive,

General Electric, Procter & Gamble and Pepsico are all examples of great companies that have established values that position them for global leadership in their industries. These companies are well known for the discipline they provide in generating their leaders and their products.

Corporate leaders must proactively determine what types of values the company will have so that they can purposefully recruit, train, mentor and develop employees whose behavior is in line with the corporate culture and values. To do this, organizations must answer the following questions:

What are the corporate values?

What behaviors count?

What is the true character of the company?

For example, a corporation may identify corporate social responsibility, trust, global teamwork, integrity and diversity as its core values. The behaviors that reflect these values then would be an integral part of their leadership training programs and a primary determinate of their recruiting processes.

Once an organization's culture and values are defined in a way that supports its brand, leaders must act to ensure that everyone from senior management to those involved in the day-to-day operations understands and embraces them. This requires that management understand and integrate local values while supplementing them with the required competencies and behaviors so that individuals can be successful within the wider organization.

CREATING A TALENT MANAGEMENT STRATEGY

Once a corporation has determined its corporate brand, corporate values and behaviors it wants to promote, it must develop a talent management strategy. A good talent management strategy will recognize the skills an individual possesses at that particular moment and provide opportunities so that those skills may enhance both the company and the individual in the future.

For instance, consider a job candidate who is a woman fluent both in French and Arabic, with a marketing background and a work history as a chemist. Then consider the Middle East both as it is today, and how it may be tomorrow. It is probable that

women will have a stronger role in the region in the future, and a company can prepare for that by hiring, coaching and training a strong woman who can lead an organization in the region: someone who, like our theoretical candidate, is multilingual and has the technical capabilities to see the whole business because of her joint marketing and R&D background. This kind of foresight and proactive hiring will ensure that a company maintains a global mindset years, and possibly even decades, into the future.

IDENTIFYING FUTURE LEADERS

The first step in a talent management plan is to identify the future leaders of the company. Today's corporate leaders should not just look at the present generation for leaders. Identifying employees that exhibit leadership potential for the next two to three generations is crucial to sustaining the organization and making it successful.

It means that as soon as people come in the door, the company must look for leaders and high-potential people. It requires foresight in hiring for leadership and senior positions, not just the job in question. It means taking the approach of hiring people as leaders because they have the potential to direct and function at a high level.

Future leaders of an organization must possess the following five competencies in order to turn raw talent into global success:

- 1 functional excellence
- 2 global perspective
- 3 consumer focus
- 4 management skills and
- 5 communication skills.

These competencies must be evaluated when determining who in a global organization should be groomed for senior positions, including how these five competencies are integrated into their everyday work. Mastering these five competencies demonstrates that a company knows that it can't just generate leadership with good technical skills and functional know how. They need to focus on those aspects of emotional intelligence as well. They need leaders who can inspire others and communicate across gender, age, ethnic and country distinctions. Future leaders must have a world view that appreciates the dynamics of global competition

CONTINUED — PAGE 36

• **SAFE INTERNET – CONTINUED**

and take risks, and the internet is no different from anywhere else. After relocating to a new neighbourhood, you check that local haunts are safe before you allow your children to go there alone, so take the same approach online. Explore the internet yourself, particularly sites you know your children use. The more you understand about how young people use the internet, the better equipped you will be to ensure they have a safe and rewarding experience online.

WHAT ROLE CAN SCHOOLS PLAY IN PROMOTING INTERNET SAFETY?

With online technologies playing an ever-increasing role in our lives, it is important that schools take a lead in promoting internet safety to children and that it becomes a part of their education.

As an International School, ACS is keen to encourage the use of the internet as a communication tool, and safe use of the internet is taught to students. Our school has found that group discussions and role-play are effective ways for students of all ages to engage with online safety and share advice. It also helps teachers to under-

stand the issues they face, which leads to a safer and more effective use of the internet by students' both in and out of school.

Last year, ACS International Schools partnered with CEOP, the Child Exploitation and Online Protection Centre (part of UK police), which has developed training procedures to ensure online protection for students. CEOP's website (www.ceop.gov.uk) has a wealth of information and tips for both parents and teachers, as well as advice for children of different age groups on safe internet usage. In addition, ACS students between the ages of 11 and 16 have become members of CEOP's Youth Advisory Panel, which meets to discuss online issues with companies like MSN, Bebo and Google to help develop resources and create safer online environments.

It is important that children have an opportunity to learn from each other and share their views. In July, ACS Cobham hosted the first ever International Youth Advisory Congress (IYAC) on online safety, led by CEOP, and sponsored by high profile organisations with an interest in online safety, including Visa and Microsoft. The five-day congress brought together 140 students from around the world, who participated in forums and workshops to define and present their views on what governments and industry

should be doing to create safe online environments. The outcomes from this congress will be put forward to the United Nations Convention on the Rights of the Child.

A key finding of IYAC was that students want their parents, teachers, and other adults involved in their welfare, to understand online safety issues. Parents like to know how their children interact with their friends in the real world and should view the online world in the same way. By understanding their children's use of the internet it may even be that some parents are able to learn a thing or two themselves – perhaps discovering that the tools children use are beneficial to their own long distance relationships as well. And that can only be a good thing.

ABOUT ACS

ACS International Schools (www.acs-england.co.uk) were founded in 1967 to serve international and local communities. The schools are non-sectarian and co-educational (day and boarding), enrolling approximately 2,600 students aged 2 to 18 years.

For more information, visit CEOP at www.ceop.gov.uk, and the International Youth Advisory Congress at www.iyac.net. ■

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GLOBAL TALENT MANAGEMENT

International Medical Issues, en MAS: Solutions for a Global Workforce

by JOHN A. ELSNER, Sr. Vice President/General Manager
LOGISTICAL SOLUTIONS INTERNATIONAL, INC. • mas.system@logisticsolutions.com

Your home telephone rings in the middle of the night. You answer and an unfamiliar voice says that he needs help. You try to focus your attention on the heavily accented words and realize it's the voice of one of the international visitors your company is hosting, complaining of chest pain. What do you do? You're not a doctor, and you certainly don't want to try to determine if it's just a case of indigestion. However, you also don't want to spend the night in the emergency room if it's not really an emergency. Does the visitor even have health insurance to pay for treatment?

In a global economy where employees, as well as staff from joint venture partner companies, are increasingly being asked to take part in international assignments, it is important that companies be fully prepared for the potential medical issues that often accompany such assignments. Logistical Solutions International has teamed up with two premier medical organizations, CIGNA International and International SOS, to provide corporate clients world-wide with a unique method of assisting their international employees and guests with medical issues. The LSI Medical Administrative Support (MAS) System was created to assist companies of all sizes with securing appropriate medical insurance for international visitors and developing a medical response plan to address any medical events that occur.

And, unfortunately, medical events do occur on international assignments, including everything from sprained ankles to medical evacuations. Unfamiliar foods, disrupted sleep patterns, culture shock, and the stress of working with a new team all contribute to a disproportionately high rate of medical issues for people working internationally.

Having medical insurance to reduce potential costs and risks is important (and sometimes required by local law), but finding quality insurance coverage for people on international assignments may not be as easy as it seems. Your company's "international" health plan may not necessarily be complete-

ly international. Many HR professionals have found, only after a medical event has occurred, that their company health plan does not cover specific high medical cost countries, such as the United States and Japan. In the case of partner companies, company plans rarely cover visitors, as their participant pool includes employees only, regardless of what country they are in. Participants on the MAS System are enrolled in one of the LSI-sponsored medical insurance plans through CIGNA International, which provide benefits appropriate to the length of time visitors are outside their home country. Whether it is through a medical travel plan for short visits or a more substantial PPO plan for longer stays, participants can obtain cost effective, quality coverage throughout their assignment.

When a medical emergency occurs, it is imperative that a plan be in place to address the situation and that communication lines are clear. A medical response plan should begin with reviewing the level of support needed. Too little medical support can be difficult and time consuming for the employee and could result in scarring the employee relationship with the company. In the case of joint venture partners, a lack of medical support can even cause serious damage to the business relationship between the companies. Too much support, on the other hand, can expose the company to long-term medical costs, well beyond what anyone anticipated.

Some companies rely on their internal medical department to assist in times of a medical crisis. However, even if a company has a medical department, they may not have experience with medical issues in other countries, such as identifying tropical diseases or understanding the various names of medicines around the world. Additionally, if the visitors being hosted are not employees, the company medical department may feel the liability is too great to provide any medical advice at all.

Trying to steer clear of liabilities in medical events takes time, effort, and exhaustive

attention to detail. Using the MAS System makes this process efficient and systematic. Company representatives and visitors alike know exactly what to do if a medical situation arises, who should be contacted, and what the roles and responsibilities are for each entity.

Under the MAS System, participants are also enrolled under LSI's membership with International SOS. In the event of a medical issue, a visitor would contact LSI's 24/365 call center where they would receive telephone-based triage support and medical advice by the staff at International SOS. Medically related payments can be guaranteed, so the chance of visitors having to pay out-of-pocket for treatment at a clinic in a remote location is greatly reduced.

This support can be limited based on the company's predetermined parameters (Is it serious? Cosmetic?). If a condition falls into a category that should be addressed, International SOS would utilize their global network of medical care locations and contacts to schedule an appointment at an appropriate provider or advise the visitor of a walk-in clinic or emergency facility in the area.

Having a medical response plan in place means that companies are prepared, even in the event of a major medical crisis. Amidst the chaos of the Tsunami that hit Asia and Africa in 2004, thousands of people were displaced without any means of communication. This situation was a logistics nightmare for companies, not knowing which personnel were in the areas of impact or how to assist them. This confusion and panic can be avoided through the information database maintained in the MAS System. Through it, companies have an up-to-date, single source for data on internationals, as well as the supervisors, mentors, and home country emergency contacts for each visitor. This information can be utilized by company representatives to obtain statistical data or provide support in the event of disaster, natural or otherwise.

The MAS System helps companies manage international medical issues by improving communication, reducing risk, retaining data, and increasing the likelihood that international assignments are completed successfully. The opportunity to participate in the MAS System may even serve as an incentive for employees choosing to accept assignments overseas, knowing that the medical support they and their families might need is available around the clock and around the world. ■

• BEHAVIOR – CONTINUED

experiences will predict success or failure in an intercultural, international assignment?

BOB'S BEHAVIOR AND WHAT IT TELLS US ABOUT OUR OWN

Meet Bob. Bob graduated at the top of his class at one of the most prestigious universities in Texas and then went on to finish his MBA while maintaining a rigorous and demanding position at a top corporation in the food industry. Bob's greatest asset was his charismatic approach; he was a real down-to-earth, people person — and the company had taken notice. Bob was up for an international assignment and passed the interview (which included both conventional and behavior-based questions) with flying colors.

Here is an example of how Bob thought he had nailed the interview. When he was asked by the interviewer, "What do you do when working on a tight schedule with several priorities? Give an example of how you handle this," he responded like a S.T.A.R. Bob's answer started with the perfect Situation, moved into dealing with a specific Task, and went on to explain his Action orientation on prioritizing projects to meet deadlines and the successful Result of surpassing expectations. In fact, his response went something like this: "Due to extenuating circumstances, our team project was moving forward on a very tight schedule. The project was nearing deadline. Two of the team members had sales forecasts to finish up for a meeting the following Monday. With my urging, the team agreed to stay late, work through dinner and meet late Sunday to wrap up both our sales forecasts and tie up some loose ends on a procurement proposal that needed to be revised. By gearing up the team's motivation through commitment and accountability, we were able to easily finish everything with time to spare. By Monday morning, everyone was satisfied with the results. Of course, this is not my Preferred way of time management, but when everyone on the team is motivated, you can move mountains."

Bob seemed to have the perfect U.S. corporate culture, "can-do" attitude. That, however, turned out to be the problem.

Bob got the job and was hired to run the newly acquired Spanish office in Madrid. After several "discussions" with his superiors, Bob was brought back to reassume his position in the U.S.

Why did he fail at his international assignment?

According to the HR director at the Madrid office, "We hire people who resemble us." In the Madrid office, a sure hire's response would be more in tune with family values (paternalistic), personal honor and dignity. In Spain, human

relations count far more than logic or efficiency. Spaniards influence colleagues with personal appeal — not rules, regulations or deadlines.

They do not like being rushed and no one is ever too busy when asked to lend an ear. Thus, in Spain, when a candidate is asked, "What do you do when working on a tight schedule with several priorities? Give an example of how you handle this," a S.T.A.R. might give the following answer: "When our project team was working on a tight schedule, we knew that the deadlines were out of reach. Knowing that the extenuating circumstances were beyond our control, there was little we could do to meet the deadlines imposed by headquarters. To ease everybody's sense of urgency and stress, I made sure that the team members were following the instructions I had clearly defined for them at the outset of the project. Plus, they knew they could count on me to take the responsibility for any delays. We worked late into the night preparing some presentations to explain where the project was expected to be delayed, and of course, we finished our sales forecasts for the upcoming year."

See the marked difference in the responses? Bob's efficiency was totally out of synch with the relationship-building, hierarchal and paternalistic structure of the newly acquired Spanish company — a company that needed a culturally sensitive, effective manager (especially during the integration phase), not an achievement and profitability-focused number cruncher.

The reason that the company could not determine if Bob's style and approach would integrate well with the Spanish division is because the right questions weren't evaluated in the right contexts. The behavioral interview questions were evaluated ethnocentrically, giving great credit to answers that could only be predictive of success or failure in U.S.-based positions. So, is behavior interviewing effective when screening for international positions? The answer is yes, but with modifications.

A DIFFERENT PARADIGM CALLS FOR DIFFERENT QUESTIONS, DIFFERENT EVALUATION CONTEXTS

The behavior interview is based on the theory that past behavior is often a good indicator of future behavior. By framing questions on knowledge, skills and abilities that are the basis of the competencies needed for the required position, the results should show how well a candidate may or may not succeed in the position. But, how do we interpret answers that indicate success in international positions when the questions are written and asked within a U.S. paradigm? How do we assess the "right" answer if the evaluation is not culturally adapted for the position? We educate the interviewer, ask different ques-

tions and listen for different answers.

First, educate the interviewer about this paradigm shift. This involves:

- A comprehensive understanding of the position's location and culture
- An understanding of the behavioral skill sets required to succeed in a position located in a country with a completely different cultural context
- Homework — proper probing of the candidate's previous expatriate or international assignments
- An understanding and awareness of one's own cultural biases, pre-conceived judgments, values and assumptions
- A consideration of the cultural frameworks and job "fit" of the candidate's national culture compared to that of the destination country
- An appreciation of the adaptability and flexibility particular to a candidate with previous expatriate experience
- Insight into what makes a person successful in international assignments, especially those who have been on the global nomad track, sacrificing family and home security for challenges and the need to add value to the global organization (i.e., how do characteristics like independence and self-reliance work with a group-oriented, family-style culture?)
- Familiarity — interviewers of applicants for international positions should have had an expatriate or international experience of their own in order to better frame their questions
- Language proficiency — interviewers who speak more than one language are preferred so there is a sensibility with respect to vocabulary, articulation and word choice.

Secondly, think through how to elicit the responses you need to make a determination.

For example, if you know that to succeed in this position, a candidate must be a team player, discover unique ways to phrase questions that will prompt the candidate to speak about collaborative experiences. As you brainstorm questions, choose situations and words that work within an international context. If this process causes you anxiety, enlist the help of a cross cultural training consultant who is familiar with the cultural contexts of myriad international locations.

As an example, Bob's interviewer should have known that to succeed in business in Madrid, an understanding of the following were required: a hierarchical system; family-first culture; flexible

CONTINUED — PAGE 40

"I was very pleased with every aspect of AIReS' service."

- transferee from a major oil corporation

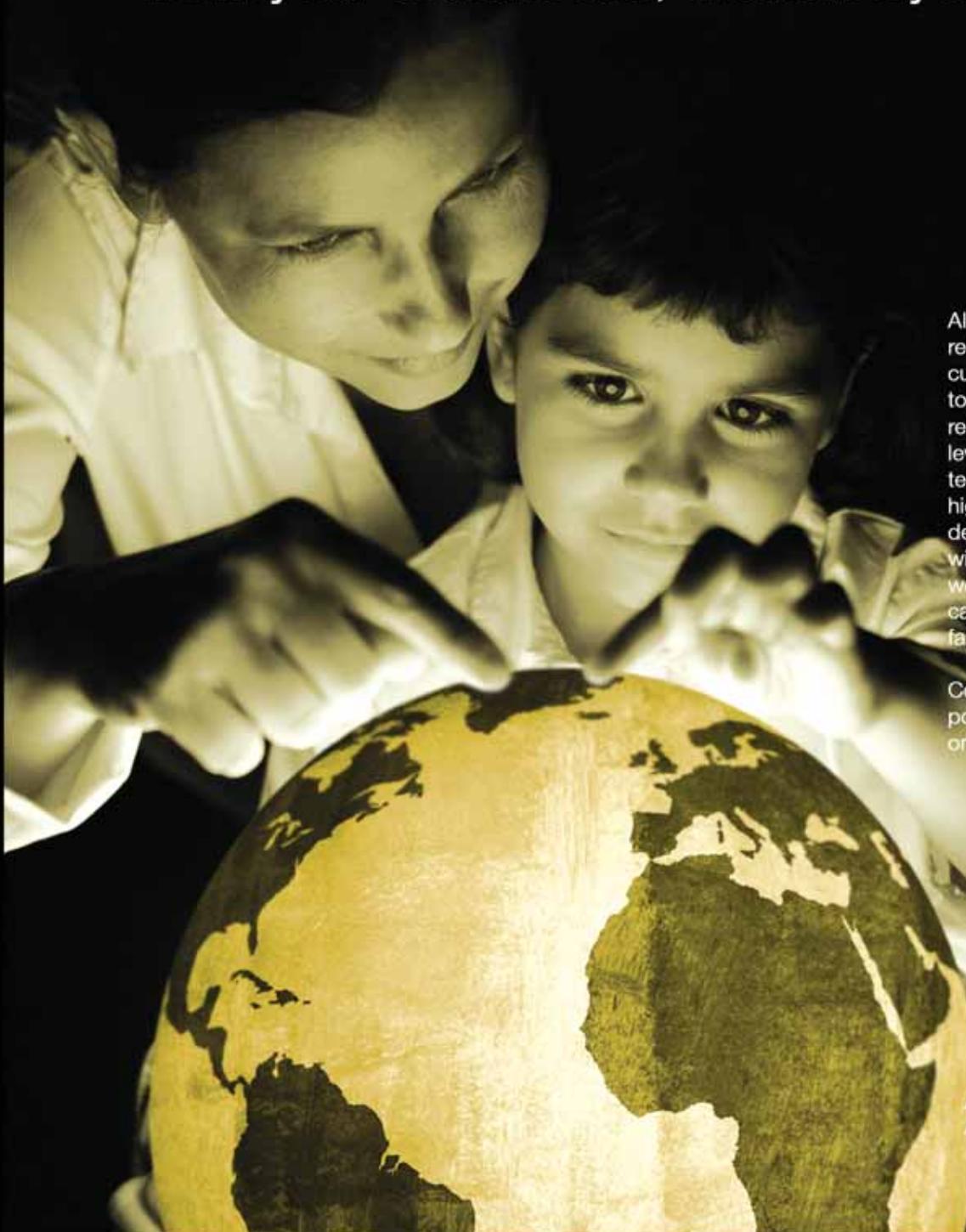
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NEWS

Magellan Network reaches 10th

PARIS, FRANCE — The Eiffel Tower provided the prestigious setting in which over 250 Member Companies, Accredited Service Providers and the major players who helped to build the network gathered together on June 23 to celebrate the ten-year anniversary of Magellan Network (www.magellan-network.com).

President and founder Yves Girouard opened the evening with a speech tracing the chronology of the professional Magellan network from its very beginnings, and which has since become essential for any multinational company wishing to optimize the management of its international human resources.

The objective of Magellan Network entails:

- Assisting Comp & Ben Managers and International Mobility Managers to benchmark on their international mobility policy (through the on line forum and information and exchange conferences);

- Informing Comp & Ben Manager and also International Mobility Managers on practices, developments in international legislation (labor law, tax systems, social protection, immigration, remuneration) and international crises.

Emphasis was placed on the internationalization of the network with the creation of a Singapore office and the desire to increase exchanges with HR professionals based on the five continents. Loyal members and experts relayed this speech with testimonials, highlighting the advantages

of a network where international HRDs, Mobility Managers and Comp & Ben Managers are invited to participate in exchanges on their International Resources management practices, all in a convivial and professional atmosphere.

With a glass of Champagne in hand, the guests capped their evening by admiring the Eiffel Tower sparkle as night fell over Paris. For more info contact: communication@magellan-network.com or Tel +33 (0)1 42 34 75 78. ■



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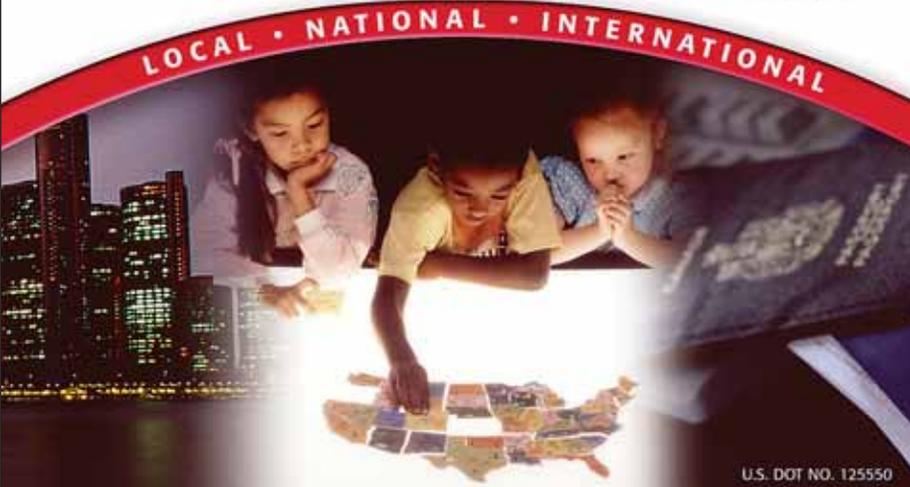
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GLOBAL TALENT MANAGEMENT**Relocation Assistance:
A Strategy to Win the Talent War**

by TERRY PILE, Career Consultant • REA

When Don Fisch told his wife Susan of an opportunity with a large technology company in the United Kingdom, her response was a mixture of joy and concern. Don and Susan spent a couple of years overseas in the 1980s. It was a terrific experience, and one they hoped to repeat.

Fast-forward twenty years. The Fisch's now had two pre-teens comfortably ensconced in the public school system. Susan was almost finished with a hard-earned graduate degree in Library and Information Services, and she was eager to apply her new skills. An overseas move undoubtedly meant postponing her career; a sacrifice she was unwilling to make.

The Fisch's dilemma is a common one. According to the Employee Relocation Council, nearly one million Americans relocate for jobs each year. Over 75 percent of those are married and dual career families. (Over 20 percent of the accompanying partners are male and that number is growing.) Of the employees who are reluctant to move, 63 percent cite partner/family resistance. With assignments overseas, the rate is even higher, and with good reason.

For most accompanying spouses/partners who are relocating abroad, finding work isn't easy. Immigration laws for employment are complex and applications can take years to process. Careers get pushed aside as other pressing issues take over, such as finding housing and schools for the children, dealing with transportation and acclimating to a new culture and language. Once relocated, it is generally expected that the accompanying spouse/partner will continue to be responsible for keeping family life running smoothly. Careers can be put on hold for years and in some cases damaged beyond repair.

What does this mean for employers trying to do business in a global marketplace where the war for talent is heating up?

According to a study by McKinsey & Company which involved 77 companies, the most important corporate resource over the next 20 years will be talent; smart, sophisticated businesspeople that are technologically literate and globally astute. However, in 15 years, there will be 15% fewer Americans in the 35 to 45-year-old range than there are now. Although the demand will increase for talent in this age bracket, the supply will diminish. Finding talent to relocate overseas will be increasingly difficult as the accompanying spouses/partners become entrenched in their careers.

The more aggressive and visionary companies are taking a non-traditional approach to recruiting and retaining talent for overseas assignments. They are aware that the success of relocating an employee abroad depends largely on the happiness of the accompanying spouse/partner. Increasingly, these companies are hiring international relocation assistance services to help with the special needs of expatriates and their families. In addition to assisting with housing, childcare and language, relocation assistance programs often help the accompanying spouse/partner explore alternatives to employment or options to enhance or advance a career. The result is a significant reduction in relocation resistance and failure rates among overseas candidates.

In the book, *A Career in your Suitcase 2*, REA consultant, entrepreneur and author Jo Parfitt discusses the range of challenges the accompanying spouse/partner experiences when trying to find employment in a foreign country. Career consultants who specialize in working with expatriates can help negotiate the rough waters of obtaining work permits, understanding cultural differences and determining education/certification compatibility, to name just a few of the obstacles.

Parfitt offers "Fifty Brilliant Ideas" for individuals who want to continue working while living overseas. Some of these options include self-employment, internships, additional education, telecommuting and volunteering. She points out that with the benefit of an international career consultant, the aid of technology and a bit of ingenuity, "the accompanying spouse/partner can maintain a career identity while finding adventure, vocational growth and exciting opportunities in a global economy."

Fortunately for Don Fisch and his employer, Susan was one of the 14% of accompanying spouses/partners who did find employment overseas. During a preliminary trip to England to check out housing and schools, Susan discovered that one of the schools she was considering for her daughter had a librarian position open. She applied in May, finished her degree in June and started her new job abroad in August. "My job was miracle," said Susan. "From my observations of other expatriate parents, it is unusual for a (accompanying) spouse to find work."

With a shrinking workforce and the predominance of dual career families, forward thinking companies are seeing spouse/partner career assistance as an important investment to their international growth strategy. Whether it is hiring a career consultant, subsidizing educational pursuits or providing legal aid to negotiate immigration issues and work permits, the employer who is sensitive to the career needs of the accompanying spouse/partner, has the edge in the fight for recruiting the best talent available.

Terry Pile is a career consultant for Ricklin-Echikson Associates (REA), a global human resources consulting firm specializing in partner assistance services for relocating families. She also is president of Career Advisors, providing career transition and outplacement services to individuals and small businesses. www.careeradvisorsonline.com. ■

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• **WRITING – CONTINUED**

Not surprisingly, there was general agreement that international non-compliance is a significant and growing problem and that it can take many forms. Having shared their experiences and concerns, there was an overwhelming consensus that addressing the problem would require both national and international responses, including:

- The employment of effective risk management techniques
- Strengthening the enforcement process – taking appropriate civil and criminal actions for non-compliance and putting more resources into international cooperation
- Exploring the creation of dedicated 'units' to deal with offshore non-compliance
- Addressing the role of tax intermediaries (lawyers, accountants, financial and other professional advisers)
- Encouraging top management and audit committees of large organizations to take greater interest in, and responsibility for, tax strategies.

It was recognized that to be more effective, national actions need to be augmented, supported, and reinforced by international actions. Therefore, there is to be a renewed focus on the promotion of better international cooperation amongst revenue authorities, including:

- Sharing, through appropriate legal means, information and the identification of tax schemes and or mitigating strate-

gies being used by different countries

- Reinforcing and improving the practical implementation of the exchange of information provisions found in bilateral tax treaties and, where appropriate, developing tax information exchange agreements with offshore financial centers
- Keeping the OECD transfer pricing guidelines up-to-date
- Improving practical cooperation between revenue authorities and other law enforcement agencies to counter non-compliance.

The overall message was clear and, as embodied in the Seoul Declaration, the group reiterated its commitment to national, regional, and multilateral efforts aimed at initiatives to achieve better tax compliance with the laws, working within the existing framework of bilateral agreements, but also being prepared to explore the use of new ways to assist with the detection of international tax non-compliance including, for example, the secondment of tax officials from one administration to the other.

IT CAN NEVER HAPPEN TO US?

The wit and sage Ivern Ball once commented, "Most of us can read the writing on the wall; we just assume it's addressed to someone else." But those who adopt a cynical attitude about the resolve, or ability, of tax authorities to put "teeth" into the commitments made at the OECD and other forums may do so at their peril. We are already observing a growing number of tax authority audits and an increasing sophistication in investigations and case prosecutions that focus on international issues, in Asia, Europe, and the Americas. Indeed,

the authorities in some countries may even be looking for "high-profile" foreign companies whose local non-compliance, once highlighted, might serve as an example to their peers. Stories of international executives being taken into custody for corporate financial violations on a Friday evening, so that they cannot be freed until after the weekend, may be apocryphal, but underscore the mood in the international tax arena.

Unlike King Belshazzar, you don't need a Daniel to reveal the Seoul Declaration. The days of hiding behind the complexities of cross-border transactions, resource-challenged tax authorities, the lack of cross-border information sharing, and/or the reliance on the fact that no news is good news are numbered. Clearly, international tax compliance is firmly on the revenue authorities' agenda!

While no one will be slain like King Belshazzar, companies can expect the full force of the laws to be applied to any cross-border non-compliance.

The revenue authorities love high-profile examples, so be warned – the writing is on the wall! In order to mitigate potential penalties and damage to an organization's brand and reputation, companies should consider consulting with their professional services advisers about undertaking an examination of their systems and processes to determine where and if there are any areas of non-compliance.

FOOTNOTES:

1 For the Seoul Declaration, visit the OECD Website at:

www.oecd.org/dataoecd/0/14/37463807.pdf ■

• **MEGATRENDS – CONTINUED**

PROVIDING DIVERSE GLOBAL EXPERIENCE

Once an organization identifies its potential leaders at hiring, it needs to give them the experience that will enable them to lead the company as it will be five, ten or twenty years in the future. An effective way of doing this is by moving people through different posts in different countries, putting them through common training experiences and providing coaching for them.

This may include lateral assignments to

other parts of the world, so they can learn how others within the organization operate in different marketplaces. Then, the individual can be moved back to the original country with an expanded knowledge of how the company operates. As organizations move people of various backgrounds around the world, it's crucial to ensure that the organization takes their varying perspectives into account in a way that is going to create a competitive advantage.

For instance, a global organization may start a young manager in an Eastern European posting, then move him to a more senior

position in a smaller market in a totally different area, such as Latin America, then move him again to a more responsible position in a larger market in another region, and ultimately to a position in a major potential market, such as China.

The career path will provide fast track experience that gives this new leader a wealth of global knowledge. As an aside, this is particularly important with the millennial generation, because they are keen to get these experiences quickly, and if they cannot get them within the current

CONTINUED — PAGE 39

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• MEGATRENDS – CONTINUED

organization, they will move to companies where they can.

If a company does not have the global reach to move people across every continent, it should still look for a way to make sure that promising individuals are placed in positions or assignments where they can get varied experience, even if it's simply by working with other teams.

In addition to providing diverse experience, a global talent management strategy must also strive for balanced development. For instance, if an individual has experience working in a small subsidiary in a high-growth market, his or her next assignment should be in a large subsidiary or corporate headquarters in a developed market. Similarly, if an employee only has field experience, he or she should be placed in a short term global assignment.

Why is this expanded development important? It is because the world basically consists of developed countries from the standpoint of their economy and marketplace and of those countries that are emerging and seeking to transition their economies and marketplace to a different level. As companies expand to be more globally competitive, they must also build a cadre of leaders that can operate in multiple markets. This increases the flexibility of a company to address consumer needs anywhere around the world.

PROVIDING CHALLENGING ASSIGNMENTS

An essential element of a talent management strategy is to place employees in assignments that test the individual's abilities. The company should place them in a stretch assignment, or a sequence of stretch assignments, and assess how they perform, react and learn from these positions. Feedback is a crucial element of any talent management plan and helps organizations determine how employees apply lessons learned, in addition to letting them know that the company both appreciates them and is planning for their future.

Career paths must be established for future leaders, and if the organization doesn't have career paths in place, it should at least be thinking about them, and at a minimum for the "two-steps," or where the person will be going next. Top talent should be promoted frequently to accelerate their learning, development and contribution and should be placed on a global career path.

A tool that large organizations can employ to test whether or not an individual can work internationally is to place them on part-time or short-term assignments. This should involve discussions about the assignment with the local human resources staff in the new location, because individual local HR people sometimes do not think globally. The individual's assignment, however, needs to be viewed in a global context, and in terms of the experiences that this individual needs in order to move forward.

SUCCESSION PLANNING AT ALL LEVELS

Another important consideration in a talent management strategy is succession planning, not just for the top few or even the top twenty positions, but rather for all levels within the organization and in every subsidiary. This helps to ensure that the company is developing talent on a global basis, rather than just moving Americans to different countries and offices.

For example, an organization may be looking for a financial executive experienced with hyperinflation, and so may plan to move a finance manager from Zimbabwe to Romania. After that experience, the company may round out the individual's skill sets with postings in other countries, such as Turkey, Brazil or Russia. After five to seven years, this individual would then have the skills and experience to be promoted as a financial executive.

This kind of career planning, including diverse experience and challenging assignments, develops the needed leadership competency in individual employees and ultimately benefits the organization. In this way, an organization can develop talent with a wide range of expertise, span of control and depth of knowledge to be its future leaders.

Companies that devote senior management time and commit to a long-term strategy of developing high-performing talent in their organizations will reap the benefits of growth in the markets they serve from developed countries to emerging economies.

ABOUT THE AUTHOR

Philip Berry is the Managing Principal of Berry Block & Bernstein LLC, a global management consulting, executive coaching and training firm which specializes in leadership development, global talent development, global diversity, innovation, team building, and corporate social responsibility and employee relations effectiveness. Mr. Berry has extensive global experience, was previously Vice President, Global Workplace Initiatives for Colgate-Palmolive and also worked for Procter & Gamble, Digital Equipment Corporation and IBM. ■

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• **E-TREATY – CONTINUED**

the business venture to determine if the invested funds represent a substantial portion of – and a viable foundation for – the enterprise;

- The investment cannot be marginal. The business must demonstrate either a proven track record or an independently verified projection of profits beyond what is necessary to support the owner and his or her family. In most cases, this means that the business will create American jobs; and
- An E-2 Visa applicant must serve in an essential role in the enterprise. An owner must be in a position to develop and direct the business, and an employee must either serve in a management or specially trained role for which he or she is highly qualified.

A FRIENDLIER APPLICATION PROCESS

Unlike most other visa applications, which are adjudicated by the U.S. Citizenship and

Immigration Service (USCIS) in their U.S. offices, the E Visa is processed entirely by U.S. Department of State adjudicators in local U.S. Consulates. The application can, therefore, be prepared locally. Surprisingly, adjudicating officers may even be familiar with a UK business before the business files an application.

The USCIS can grant a company E registration within the U.S., but such status will not allow the company's employees to leave and re-enter the country without first filing an entirely new application at a Consulate abroad. Submitting the application to the Department of State at a U.S. Consulate first is, therefore, the preferred path to E registration.

Once a company obtains E Visa status from the Department of State, its employees may apply for individual E Visas as a matter of course, with a one-page form and an employer letter of support. Individual visas are generally granted on the same day as an applicant's Embassy interview, and a successful applicant may receive an E Visa

stamp in as little as three days.

The average processing time for an initial company E application in London is currently 39 days, but processing times sometimes average up to 120 days; therefore, planning ahead is critical. Corporate structures and finances may require adjustment, and the adjudication process at certain Consulates can take a number of months. Due to the high level of business, legal, and procedural knowledge necessitated by the E Visa's complexity and documentary requirements, Fragomen LLP highly recommends enlisting the support of a qualified legal advisor.

For more information, please contact Charlotte Slocombe, Solicitor and U.S. Attorney, at cslocombe@fragomen.com, or on +44 (0) 20 3077 5250.

This article was written and researched by Ryan Patterson. Ryan is a Mountbatten Paralegal on the U.S. Consular team in London. Ryan can be contacted on ukcomms@fragomen.com. ■

• **BEHAVIOR – CONTINUED**

attitudes with respect to time and physical closeness; national and personal pride; and care and concern for others. Thus, examples of the questions he/she could have asked to determine if Bob had these understandings include:

- Tell me about a time when you felt pressured for time and a colleague needed to discuss an issue with you. How did you react? What options did you consider? (Answers would speak to time management in a polychronic culture.)
- Give me an example when you felt frustrated over an ethical decision by your superior or departmental manager. What actions did you take to resolve your inner conflict? (Answers would speak to hierarchy issues in a protocol-oriented culture.)
- Give me an example when family matters prevented you from giving your utmost at work. How did you handle that? How would you handle that situation if it involved an employee?

(Answers would speak to time in relation to a family-oriented, work-to-live culture.)

Next, draft the questions and have an HR counterpart at the international destination review them for cultural context and sensitivity.

Finally, analyze the candidate's answers with the destination HR counterpart and with a wide lens. Based on the candidate's answers, evaluate:

- How will this candidate's behaviors be perceived by colleagues and superiors within this context?
- How well do the candidate's characteristics translate across cultural and linguistic boundaries?
- How well will this candidate fit into the new organizational culture?
- How capable will this candidate be in influencing local team players? In developing senior, local and regional-based employees?
- How will this candidate recognize the motivational drivers of the employees in the new contexts?
- What level of observation skills does this candidate have? How comfortable is he/she with listening more than talking, observing more than participating?
- What will need to be taken into consid-

eration if this candidate is accepted for this international assignment? Is there a dual career issue? An aging parent concern? Childcare and educational issues to take into account?

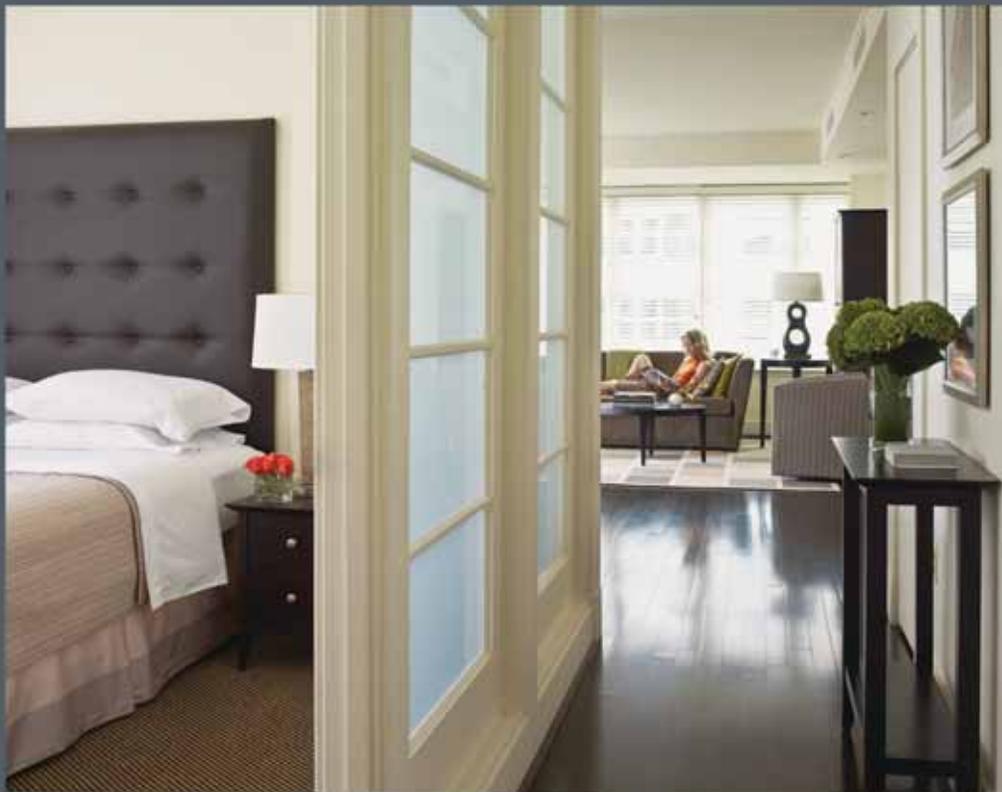
- In general, what are the risks, what is the potential for success? What is the cost of early repatriation to the company?

Although our Western-style need to standardize, structure and measure performance will resist change, we need to remind ourselves that in an increasingly flattened world, change is necessary. In today's global marketplace, we must take into consideration the context within which we measure success. This means rethinking the behavioral interview process when it comes to interviewing candidates for international assignments and taking a long, hard look at the ethnocentrism that has pervaded the hiring process for far too long. The result will be better hires and a faster integration of corporate and functional cultures in a boundary-less world.

Maureen Rabotin, CEO and founder of Effective Global Leadership, is a Global Executive Coach and Cross Cultural Training Consultant. She has coached and trained more than 450 global leaders representing 125 Fortune 500 companies. ■

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