

Ask the Consultant: When Setting Up an International HR Function, Should You Centralize, Decentralize, or Something in Between?

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Setting up the structure of the international human resources function depends on many factors: the number of expatriates, the expertise of HR staff, corporate budgets, company philosophy and culture, the company's experience and sophistication in sending assignees abroad, and others.

International HR involves staff activity with line involvement. In general, it is a small but highly specialized department within the overall HR function and has responsibilities similar to other HR departments (e.g., compensation and benefits), but also different. For example, it is far more involved with the personal lives of employees and their families, as it must deal with educational issues, spousal employment, moving logistics, and so on. International HR also coordinates with non-HR functions, such as the tax and payroll departments.

So what's the better way to go?

Centralized or decentralized? A centralized structure works best when the organization has a significant number of expatriates and nationalities, so that all HR activities fall under one umbrella. Having a central command facilitates coordination of all support activities for the expatriates (e.g., language training, moving), policy issues, and administration. However, this type of structure may segregate expatriates from other employees, thereby making them feel different.

Some organizations prefer a decentralized structure, typically by division or geographic region so that the HR function is closer to the field. Local HR handles and implements HR policy on its own but within overall company policy guidelines that are established and monitored at the corporate level. Depending on company protocol, however, it may be difficult to maintain a uniform and equitable practice if local judgment enters the picture. For example, some local offices may deem it necessary that each expatriate at a certain level has a company car and driver for reasons of status – which may not be the overall company policy.

Typical functions that a centralized department might handle include the following:

- Coordinating assignment transactions with internal departments (e.g., payroll, tax) and external parties (e.g., moving company, language trainer, immigration attorney)
- Complying with home- and host-country immigration and tax rules
- Guiding an assignment request through the approval process, which may include a business rationale, employee developmental objectives, and a repatriation plan
- Handling vendor bills and authorizing vendor services
- Tracking and storing documentation (e.g., letters of agreement, immigration and visa papers) and assignment status
- Guiding requests for policy exceptions through the appropriate approval process
- Answering policy questions from assignees

If decentralized, typical functions for home and/or host offices may include the following:

- The home office starts the candidate assessment process, approves the application, reviews the offer with the assignee, supports the individual assignee's career development and planning, and prepares the repatriation plan.
- The host office prepares a summary of position requirements and developmental objectives.
- Both address corporate HR issues and review the offer.

What works best for an organization depends on the factors mentioned above. But keep in mind that as an organization evolves, the structure of the HR department is likely to follow suit and go from centralized to decentralized and vice versa – possibly several times.

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