



# Mobility Matters

With the world in flux, now is a good time to put geopolitics at the centre of your global mobility business strategy

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Each year seems to bring with it a new event or development to the point where economic and geopolitical volatility has become the “new normal.” COVID-19, travel bans and border-crossing restrictions, conflict in Sudan, Israel and the Russia-Ukraine war, displaced populations, trade and investment sanctions, growing food insecurity, technological advances, growing “bloc” economic and geographic competition, and climate change are just some of the many developments in recent years that fall under the rubric of “geopolitics” and have had an impact on business. The impact from a business perspective is particularly critical for multinational organisations with mobile workforces; they need to start approaching risk management around their assignment programs and their traveling employees with broader, more wide-ranging, innovative thinking.

The global mobility function has typically centred on assignee-candidate identification, assessment, compensation packages, preparation, relocation, international assignment policy formulation and communication, and handling (whether in-house and/or with the help of a third-party service provider) the many issues affecting assignees and assignment programs, e.g., tax and social security, immigration, and labour law, to name a few. However, to help foster the success of the employee’s assignment and be a more constructive partner to the business, global mobility needs to thoughtfully contextualise its planning and decision-making when it comes to the company’s overseas business strategy and the sending of employees abroad for work. This entails a consideration of the geopolitical context.

In 2022, the Australian Securities and Investments Commission (ASIC) indicated its area of focus for June 30, 2022 reporting would be geopolitics. ASIC called out geopolitical risk as a key area of uncertainty that directors and management should assess in the future performance of a company, the value of assets and provisions, and in business strategies. They are absolutely right to do so—we are in a time of great geopolitical volatility, which is not just going to settle back down into a *status quo ante*. For businesses to survive and thrive, just as ASIC notes, geopolitics needs to be central in strategic planning and operational design.

In the ASIC report, ASIC Commissioner Sean Hughes noted that, “Many companies are facing changing market conditions and uncertainties.”<sup>1</sup> Mr. Hughes’ observation is a prime example of the great Aussie understatement, like saying, “Yep, it’s a bit warm” when it’s 45 degrees (Celsius) in the shade. But it can be hard to cut through the noise to know what those market uncertainties are and where they might be heading.

This article aims to identify key geopolitical challenges, explain them, and evaluate their impact, in general terms, but also from a global mobility standpoint.



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# The challenge of geopolitics

The critical take-away message for business is that the challenges many are experiencing aren't a temporary "glitch" that will settle down some time sooner or later. The global trade and investment environment is fundamentally changing, and "business as usual" is becoming a thing of the past. The KPMG Australia Geopolitics Hub<sup>2</sup> identifies four main geopolitical drivers of change in the global business environment: structural shifts in the international system, rising mistrust, Industrial Revolution 4.0, and climate change. What this adds up to is a world where keeping geopolitics at top of mind is becoming increasingly important.

## Structural shifts in the international system

The first geopolitical "megatrend" identified by the Geopolitics Hub is the structural shifts occurring in the international system. The rising economic power of actors who were not part of the formation of the post-World War II international system is shifting the locus of power away from the North Atlantic, where it has been based for the past seven decades, towards the Asia region. The desire of these emerging actors for more voice and agency is driving growing mistrust and strategic competition and, in some cases, posing challenges to the existing norms and structures. It is not yet clear how the system will be shaped in the future. How "status quo" powers respond to this shift also affects what happens next.

### Global mobility observation

The knock-on effects for multinational businesses will continue to play out for years. The shift from one locus of economic influence and power to another, which is gradual, not sudden, will introduce "push and pull" forces for business: where the business (re)location incentives are; where the potential for market growth/expansion is; and the differing business, fiscal, and societal dynamics entailed as businesses and their employees follow the more attractive opportunities.

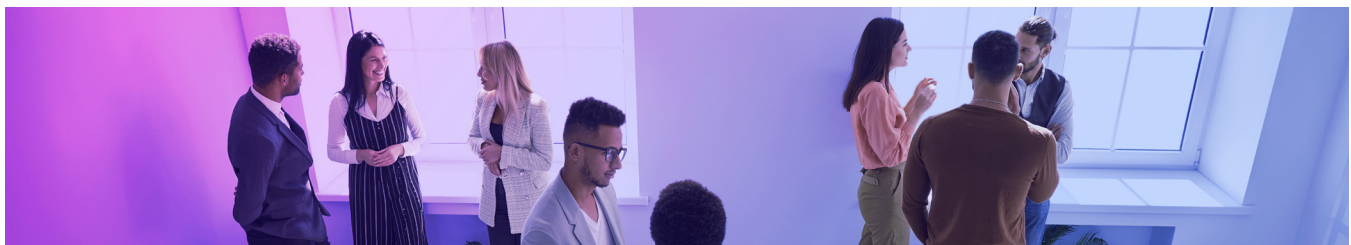
## Rising mistrust

At the same time, around the world, mistrust is growing. The Edelman Trust Barometer finds "society locked in a vicious cycle of distrust," with trust in government at a worrying low.<sup>3</sup> More and more people feel that the globalisation "project" has not worked for them and/or what benefits there are from globalisation are being soaked up by a layer of elites who prevent increased wealth from reaching everyday people. The result is a strong sense of anger and mistrust toward the establishment status quo.

The rapid decline in trust has many corollaries, including social, civil, and political tension and unrest. Rising mistrust and citizen anger foment social polarisation and instability in the form of demonstrations, protests, and riots. Another consequence of rising mistrust is a turn away from the political centre towards populist leaders. Mistrust and anger with establishment political actors and processes can lead to citizens disengaging, becoming polarised, and turning to options at the "outer edges." Populist leaders often pose a real threat to domestic democratic institutions designed to check their power, and they tend to be very skeptical of global trade and economic norms and institutions, instinctively preferring nationalism and protectionism.

### Global mobility observation

Global mobility managers sending their employees overseas, the employees' line managers back at home, and the host company managers need to keep a wary eye on the socio-political climate in which the international assignee is to begin his new assignment. How do we keep our assignees and their families safe? If civil unrest flares up, then what are our options? If the political and economic environments suddenly become challenging for the company (as they did in Ukraine, Russia, and Belarus last year) and for international assignees, as well as local employees, on the ground, then what's the safety strategy or, worst-case scenario, the exit strategy?





## Industrial Revolution 4.0

Characterising the third megatrend of what is happening in the realm of technology, digital, cyber, and artificial intelligence (AI) as “Industrial Revolution 4.0” is not over-dramatic. Technological developments in the fields of big data, the Internet of Things,<sup>4</sup> robotics, blockchain technology, sensors, AI, and augmented/virtual reality are occurring at a rapid clip. The depth and breadth of change in tech, cyber, digital, and data will fundamentally change every aspect of the average Australian’s life in unpredictable ways, indeed the lives of many people around the world. This tech disruption is highly geopolitical—both driven by, and in turn driving, global politics. In the highly competitive international environment, the command of technology is central to the pursuit and protection of national interests and state security. Moreover, the geopolitics of technology is at the heart of supply chain security and the ability to capture the markets of the future.



### Global mobility observation

The global mobility field is itself in the midst of transformation, technologically speaking. The automation of previously labour-intensive, manual processes and the development of software to capture, process, and store assignee information; track and manage employee share and share option awards, vesting, and exercise (and the tax consequences); and travel and immigration tracking are well underway. The new frontier appears to be AI, which will heighten the use of data analytics, intensify the creation and mining of databases, and create new content/language, among other functionalities and opportunities. All this is happening with the impact of introducing efficiencies, saving time and costs, and working “smarter.”

## Climate change

The fourth geopolitical megatrend driving the profound changes to the international business context is climate change. As Paul Dillinger, head of Global Product Innovation at Levi Strauss & Co, put it, “Anyone with a supply chain is going to be affected by climate change ... It’s as much an issue for us as for the Pentagon.”<sup>5</sup> Direct environmental impacts—extreme weather events such as an increased incidence and severity of storms, floods, cyclones, bushfires, and droughts—can create physical disruptions to the delivery of products and services, as well as disruption on the consumer side, in key markets. Climate change is also having many flow-on effects—reshaping societies and economies, spurring food insecurity and sparking population displacement, within and across borders, with worrying implications for political instability, rising tensions, and conflict. Moreover, it is quite possible that pandemics such as COVID-19 might become far more common as permafrost melts and releases long-buried disease-causing bacteria and viruses. And on this topic of permafrost melt, melting ice in the Arctic is intensifying geostrategic competition for control of sea lanes and underwater resources.



## Global mobility observation

Global mobility is impacted by climate change, not so much from the “how does it affect me/us?” standpoint, but from the “what can I/we do about it?” standpoint. As companies barrel ahead with environmental, social, and governance initiatives (ESG), various departments within a company are being tapped to contribute. Focusing on the “E” in ESG, global mobility departments are looking into initiatives of their own that can contribute to building the company’s ESG reputation and record by understanding and reducing their carbon footprint. International assignments, cross-border commuters, and business trips—whereby employees are flying from the home country to the host destination/country (and back)—are areas of focus.<sup>6</sup> Aircraft, especially for short flights, are carbon emitters.<sup>7</sup> The consequences for (and of) global mobility are clear. Understanding the ramifications of global mobility on the business’s carbon footprint and identifying, extracting, and reporting data around that; making travelers aware of the carbon emissions associated with their air travel and air travel choices; deciding whether meetings can be held virtually (e.g., via Teams, Zoom, etc.) as opposed to in person; reducing travel; and buying carbon offsets for air travel are just some of the possible action steps by global mobility to play its part in addressing climate change and supporting the business’s ESG agenda.

## Conclusion

The world is in a state of flux. It is hard to say when—or if—things will settle or what they will look like when they do. We do know that nationalism and protectionism are on the rise, the line between the online world and the physical world is blurring, cybersecurity is lagging, the planet is at risk due to the rise in greenhouse gases, and COVID-19 has exacerbated competition and disruptions in supply chains, inequality, and social polarisation. What does seem certain is that uncertainty and volatility are here to stay.

So, how can multinational companies with globally mobile employees cope with the uncertainty and volatility arising from these geopolitical developments? The structural shifts in the international system, rising mistrust, technological advancements, and climate change, not to mention the changes in patterns and behaviours caused by the COVID-19 pandemic, and government responses in terms of policies and rules (e.g., around tax, social security, immigration, labour) to address such developments have impacted the cross-border business space, contributing to a much-changed business/commercial environment, where multinational companies and their employees have to start thinking and acting differently.

As ASIC’s guidance shows, now is a very good time for directors and management to make sure they are putting geopolitics at the centre of their domestic and overseas business strategies, and assessing the potential geopolitical risks when formulating and considering strategic goals and direction.



## Footnotes:

- 1 Australian Securities and Investments Commission (ASIC), "22-124MR ASIC highlights focus areas for 30 June 2022 reporting" (1 June 2022) at: <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2022-releases/22-124mr-asic-highlights-focus-areas-for-30-june-2022-reporting/>. Please note that by clicking on this link, you are leaving the KPMG website for an external site (non-KPMG, nongovernment) that KPMG is not affiliated with nor does KPMG endorse its content. The use of the external site and its content may be subject to the terms of use and/or privacy policies of its owner or operator.
- 2 See <https://kpmg.com/au/en/home/services/tax/geopolitics.html>.
- 3 D. Samson, "The Stabilizing Force of Business" (January 18, 2022) at <https://www.edelman.com/trust/2022-trust-barometer/stabilizing-force-business>.
- 3 KPMG, "ESG: Mobility's New Mandate" (August 2022) at <https://tax.kpmg.us/content/dam/tax/en/pdfs/2022/esg-mobility-mandate-0822.pdf>. Also see "ESG Considerations for Global Mobility and Reward Programs" at <https://tax.kpmg.us/insights/insights-on-global-mobility/articles-and-news-insights-gm/global-mobility-esg-survey-report.html>. Please note that by clicking on this link, you are leaving the KPMG website for an external site (non-KPMG, nongovernment) that KPMG is not affiliated with nor does KPMG endorse its content. The use of the external site and its content may be subject to the terms of use and/or privacy policies of its owner or operator.
- 4 "What is the internet of things (IoT)?" on www.TechTarget.com. See <https://www.techtarget.com/iotagenda/definition/Internet-of-Things-IoT>. Please note that by clicking on this link, you are leaving the KPMG website for an external site (non-KPMG, nongovernment) that KPMG is not affiliated with nor does KPMG endorse its content. The use of the external site and its content may be subject to the terms of use and/or privacy policies of its owner or operator.
- 5 D. Howland, C. Salpini, K. Vembar, & C. Jensen, "Clouds on the horizon: What climate change means for retail," Capital Computer Group at <https://capcom-nrc.com/insights/2019/clouds-on-the-horizon-what-climate-change-means-for-retail>. Please note that by clicking on this link, you are leaving the KPMG website for an external site (non-KPMG, nongovernment) that KPMG is not affiliated with nor does KPMG endorse its content. The use of the external site and its content may be subject to the terms of use and/or privacy policies of its owner or operator.
- 6 World Economic Forum, "Business travel won't be more sustainable post-COVID unless companies take action" (September 1, 2021) at <https://www.weforum.org/agenda/2021/09/business-travel-wont-be-more-sustainable-post-covid-unless-companies-take-action/>. Please note that by clicking on this link, you are leaving the KPMG website for an external site (non-KPMG, nongovernment) that KPMG is not affiliated with nor does KPMG endorse its content. The use of the external site and its content may be subject to the terms of use and/or privacy policies of its owner or operator.
- 7 The International Council on Clean Transportation, "The Steep Descent to Near-Zero Aviation" (March 8, 2023). <https://theicct.org/stack/net-zero-aviation-mar22/>. Please note that by clicking on this link, you are leaving the KPMG website for an external site (non-KPMG, nongovernment) that KPMG is not affiliated with nor does KPMG endorse its content. The use of the external site and its content may be subject to the terms of use and/or privacy policies of its owner or operator.

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