

## **U.S. Business Needs for Employees with International Expertise**

**Ben L. Kedia and Shirley J. Daniel**

### **Abstract**

Business education's major objective is the preparation of qualified employees for industry positions. Thus, the main concern of educators is not the transmission of knowledge for its own sake, but the production of highly skilled and educated graduates who can go into the corporate world and perform to the best of their abilities to create more prosperous work environments, firms, industries and nations. Thus, universities and colleges are in the "business" of developing a high quality human resource that is an essential input into the corporate environment.

For decades, international business researchers have been asking both business school professors and top managers about the human resource needs of companies with respect to their international business operations. Even though the results show that international business educators perceive a greater need for international skills than top managers (Porter and McKibbin, 1988), the studies have found that business executives do believe international skills and education are important. For example, Nehrt (1977) suggests that every manager, and not just those who deal with international business directly through exporting or having foreign operations, should have some formal education and training in international business. Moxon, O'Shea, Brown, & Escher (1997) found that global awareness and cultural sensitivity are important international skills. Webb, Mayer, Pioche and Allen (1999) suggest that business students need international training. Hoffman and Gopinath (1994) conclude that CEOs perceive international issues to be relevant to the success of their firms.

However, some other studies have found that executives do not consider international education as exceptionally important because much international knowledge may be learned on the job. For example, Kobrin (1984) states that about 70% of executives think international expertise is learned on the job. Ball and McCulloch (1993) find similar results, that 78% of executives believe that their employees learn the international aspects of their business on the job. Reynolds and Rice (1988) as well as Bikson and Law (1994) found that other skills and traits (i.e., technical skills, cognitive and social skills and personal traits) are more important to business success than international skills. When researchers have compared their results with previous studies having different findings, their general explanation is that environmental changes or differences have possibly triggered a change in managers' perceptions about the importance of international skills. This suggests that top managers' needs, requirements and perceptions may shift through time.

When it comes to answering the question of what international skills are important for employees hired for international positions, the true question becomes a matter of how much of a difference will these skills make in the performance of such employees, or whether technical and business skills are enough for them to perform appropriately. To the authors' knowledge, the last published study that surveyed executives and actual recruiters about their international business human resource requirements was done in 1997 (Moxon, O'Shea, Brown & Escher, 1997). With increasing globalization of the business environment and greater concerns about terrorism

and homeland security, there is a need to re-assess what top managers perceive to be the critical workforce skills necessary for their organizations to succeed in today's business environment.

To better inform the development of business education, the "US Business Needs for Employees with International Expertise" survey was developed. The survey is an extension of the study carried out by Moxon, et al. in 1997, and has been extended to address issues of international skills needed by both professional and line management staff and entry level and management level personnel. It also asks companies about the impact of heightened risks of terrorism on their international operations. A copy of the questionnaire can be found in the Appendix.

The primary research issues addressed in the survey are:

- Do US executives believe that international skills are important for the employees that they hire? If so, what types of international knowledge are needed and at what level?
- Do executives engage their companies' employees in training programs that develop international skills, and if so, who are the main providers of such programs?
- In what ways do executives think US business schools should improve with respect to their international business education programs?

### **Sample**

Questionnaires were sent both directly and indirectly to potential respondents. Directly, the survey was sent to CEOs and HR Directors of Fortune 500 and INC 500 companies. Indirectly, 30 Centers for International Business Education and Research (CIBERs) and 56 BIE grant recipient schools were asked to collaborate in the data collection efforts by sending out surveys to 5 of their contact companies. Twenty CIBERs and 17 BIE grant recipients participated in this way. All respondent firms are located in the US. All in all, the responses received from the Fortune 500 and INC 500 targeted firms were very low. Therefore the study findings are primarily based on the responses received from the contact companies of the CIBERs and BIE grantees. One hundred and twenty seven surveys were returned, 16 of which were unusable, leaving a total of 111 usable surveys for the analyses.

The executives completing the survey held relatively high positions in their organizations. Seventy two percent indicated that they have responsibility for their company's international business and 52% of those are also responsible for the total organization.

The majority of participating firms were small and medium sized companies, reflecting the composition of business in the US. A variety of industries were represented, including manufacturing, services, financial and telecommunications. Despite the smaller size of the participating firms, their involvement in international business is significant with an average of 26% of their sales coming from international sources.

## Findings

With regard to the geographic focus of the international operations of the firms, Asia, Europe and Latin America are currently the most important regions to those companies and are expected to be even more important in the future. The already high and increasing importance of Asia to international business indicates a need for more area studies and foreign language programs devoted to the less commonly taught languages of that region. Over 60% of firms expected that a higher percentage of their sales will be derived from international business over the next ten years. On the national security side, over 30% of the firms indicated that they have been affected by new federal security measures and a similar proportion have reconsidered the importance of international awareness and competence among staff as a result of the threat of terrorism.

Over 80% of the firms indicated that they believe their overall business would increase if they had more international expertise on their staff. In addition, about 30% of the firms believe they have failed to exploit international business opportunities due to insufficient internationally competent personnel. Examples include missed marketing or business opportunities, failure to anticipate the needs of international customers, not capitalizing on expertise or technology abroad and problems caused by a general bias toward a US point of view.

With regard to staffing policies, about 45% of the firms indicated that they handle international operations from the US rather than using offices located abroad. Eighty percent of the firms indicated that most or all of their international business operations management positions are filled by US nationals, suggesting that US universities need to prepare graduates to fill these types of positions, especially as international operations are expected to increase during the next 10 years. However, most of the firms that do have foreign offices staff them with foreign nationals. It is not clear whether this is due to cost considerations and immigration restrictions or whether the US talent pool has insufficient language and cultural knowledge to function effectively abroad.

With regard to the skills that businesses believe are important, the companies indicated that it is important for all management personnel (both professional staff and line management) to have an appreciation for cross-cultural differences and a global perspective. In addition, an understanding of local markets and business practices was also considered important, followed by country socio-economic and political practices. International work experience and foreign language skills were considered less important, probably because about 45% of the firms handle their international operations from the US. Even so, about 20% of the firms indicated that foreign language skills and international experience were of great importance to them.

Some of the most significant results of study were the differences between what companies need from management level versus entry level personnel. For example, 68% of the companies indicated that a global perspective was important for professional staff management versus only 26% for entry level staff. An appreciation for cross-cultural differences and foreign language skills were the most important requirements at the entry level for both staff and line personnel, with between 20% and 40% of the firms indicating that these were important skills at the entry level. As personnel move into management, they need to increase their global perspective and cross-cultural appreciation, since 60%

to 70% of the firms believe these skills are important for professional staff management. Such managers also need to acquire a better understanding of local markets and business practices as well as socio-economic and political knowledge. The results indicate that international knowledge is particularly important for professional staff management positions, which makes sense when one considers the types of decisions that they will be making in such positions.

These findings have significant implications for U.S. business schools and indicate that MBA and executive programs may need a much greater emphasis on assuring that participants achieve a global perspective and an appreciation for cross-cultural differences, political and economic environments and business markets. From the students' perspectives, they may need to realize that although international knowledge may not be an advantage in their first job, it will become increasingly important as they advance in their career path.

While over 30% of the firms indicated that it is currently difficult to find U.S. nationals with the international knowledge, expertise and language skills needed, almost 80% of the firms said that they will place a greater emphasis on international competence among management and employees over the next ten years. This is consistent with the proportion of firms that expect their percentage of international sales to increase and clearly indicates that there will be a greater demand for international business education in the U.S. over the next decade.

Perhaps as a result of the increasing importance of international operations and the need for greater levels of international expertise in management levels, over half of the firms indicate that they have engaged in training programs designed to promote international competence. Much of this training is provided through in-house programs. Many firms also use non-profit or government sources to provide regional updates, and consulting firms often provide foreign language and pre-departure training for the firms' expatriates. While university programs are a source of training for many firms, some firms indicated that university programs are too costly or too theoretical to fill their practical training needs. This indicates a greater need for universities to partner with private sector sources to meet the increased demand for the practical and cost effective international business training that U.S. firms will need in the next decade.

With regard to suggestions for how universities can improve their international business undergraduate and graduate programs, over half of the participating firms indicated that it is of great importance for universities to provide a stronger international emphasis in business school curricula and an emphasis on learning about other world areas. About one third of the firms also indicated that it was of great importance to improve academic outreach to businesses seeking greater international competence.

## **Summary**

After analyzing the data, we can summarize the main findings of the study as follows.

1. The international business aspect of US companies represents an important part of their entire business currently and is expected to increase over the next 10 years.

2. Eighty percent of the companies believe their overall business would increase if more international expertise were available on their staff.
3. Companies will place a greater emphasis on international competence among management and employees in the next ten years.
4. An appreciation for cross-cultural differences is the most important international skill sought by companies for both professional staff and line management employees, closely followed by a global perspective. Management personnel also need an understanding of local markets/ business practices and country socio-economic and political knowledge. US universities should have a stronger emphasis on integrating international and cross-cultural topics into all curricula, since these skills seem to be universally needed by business, even at the entry level.
5. International skills are more important at the management level than at the entry level in terms of hiring, reassignment and/or promotion decisions. At the management level, there is an even greater need for international understanding, and personnel also need to have more market specific knowledge. Therefore, MBA and executive programs should have more focus on understanding the business and marketing issues relating to international business.
6. While foreign language skills received the lowest average rating in importance as a skill sought by companies, about 20% of the companies rated foreign language skills to be of great importance. Similarly 25% of the firms believe that international work experience is of great importance.
7. US firms rely more on in-house and consulting firm providers than on universities for training programs to promote international competence among their employees. Universities need to publicize their executive training and other services available to businesses, as many businesses do not realize that the universities can be a resource for them in this area.
8. The two most important areas in international business education that participating companies believe should be improved are a stronger international emphasis in business school curricula and more emphasis on learning about other world areas/countries.

The results of the study clearly call for a continuing need for international business education in the US. Indeed, with the projected growth of international operations, additional international business education programs will need to be developed, particularly programs with a focus on Asia. At the very least, all business graduates need to have an appreciation for cross-cultural differences and a global perspective. Additional training programs, both degree and non-degree, are also needed to provide management personnel with the higher levels of knowledge needed to address the competitive challenges of the global business environment.