

What Global Businesses Really Want For Academia: An Interdisciplinary Program

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ABSTRACT

With the increase in international business in Indiana, it was necessary to research and analyze what these businesses are doing with regards to international and what their future plans are regarding internationalizing. In addition to analyzing the international activities of businesses, the research addresses the need from their current employees and potential new-hires. The results of this 18-month, 3-phased research project will help craft the curriculum and its experiential learning components, in order to assure that students have the best opportunity to succeed in the global business environment.

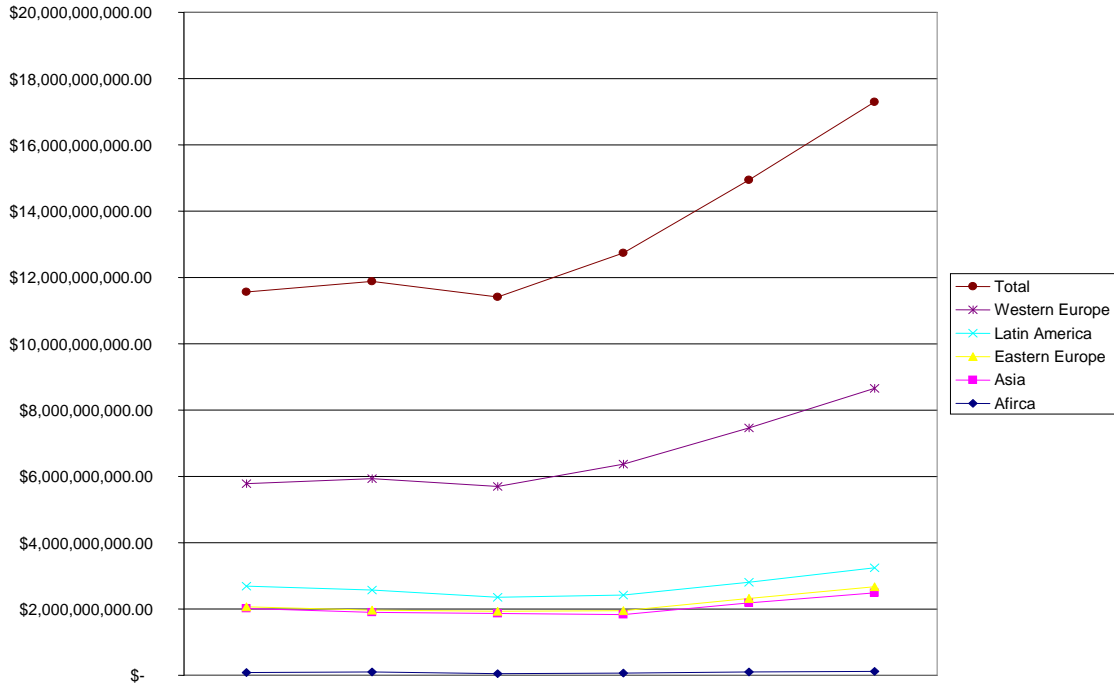
INTERNATIONALIZING OF INDIANA, USA

The object of the research was to build a successful undergraduate program that would prepare students for a career in the increasingly global world. The research recognized that identifying potential internship partners and curriculum changes would have to be grounded in the real world, that is, in the skills, knowledge, and abilities which global businesses actually want in their employees. These two needs, identifying potential employment partners and identifying the skills needed by employers of the aforementioned global businesses, came together into one solution: a study of the employer's interest, characteristics, and activities to determine the nature of their international activities, thus determining skills needed of their current employees and potential new hires. The trends of internationalization of Indiana, research methodology and findings are presented in this paper, as well as recommendations.

The number of businesses in Indiana which engage in international business, as either a major or minor element of their operations, is enormous. As indicated in Graph-1, Indiana exports to the world have increased nearly fifty percent in the last five years.ⁱ More specifically, exports from Indiana to Europe increased more than 300% in the past five years.ⁱⁱ Additionally, double-digit growths in exports were experienced in other regions, except for the Latin America region from 2000-2005.ⁱⁱⁱ

Trends in exports are one method of analyzing the growth of globalization; another trend that is of great importance is the number of Indiana businesses with foreign direct investment. As indicated in Figure-1, foreign direct investment is escalating in Indiana. The majority of the FDI is from Europe, more specifically France and the United Kingdom with over seventy percent; where as, FDI from Japan, Canada, and France accounts for approximately twenty percent of the FDI within Indiana. The majority of the FDI is in the manufacturing sector and is estimate to provide two hundred thousand jobs, which is approximately ten percent of the non-farming jobs within Indiana.^{iv} A part of this project, funded by the Institute for Emerging Careers, entails building connections to global businesses where potential for experiential learning environments could be formed. Thus, the project has included a networking dimension, in which the program developers need to develop connections to potential sites and build relationships with them. At the same time, the program developers recognized that any new curriculum would have to be grounded in the real world – that is, in the skills, knowledge, and abilities that global businesses really desire from their employees. These two needs; identifying potential businesses that are interested in providing experiential learning environments for students and for the academic world to understand their needs in order to provide graduates with the skill sets that are needed in the increasing internationalization of Indiana. Focus groups, mail-survey, and follow-up discussion were utilized to determine the needs of international business located in Indiana.

Graph 1: Indiana Exports 2000-2005^y

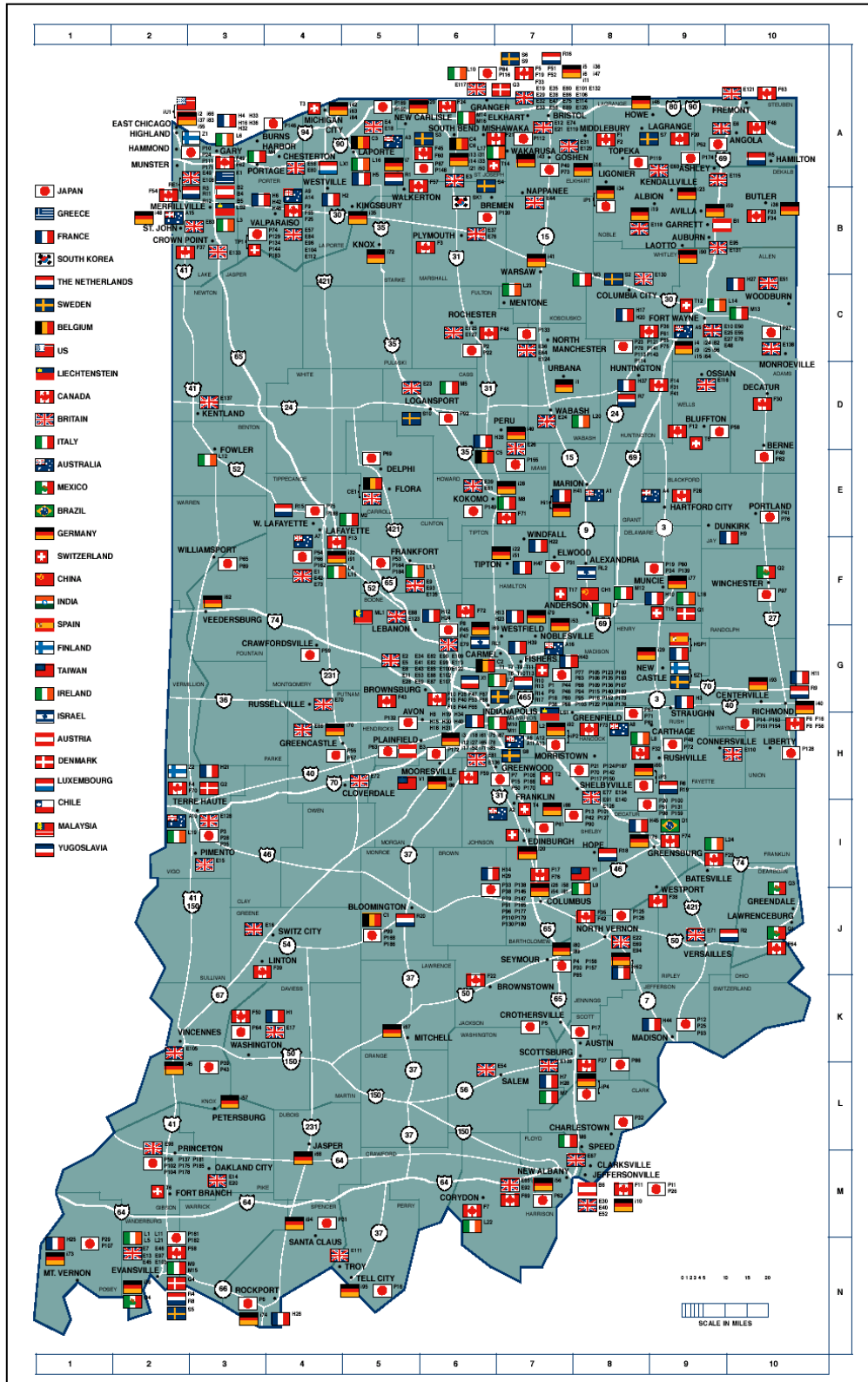


RESEARCH METHODOLOGY

Phase I of the research was to hold focus groups in order to determine the issues that businesses within Indiana are experiencing, thus, what are their human resource needs. Once numerous focus groups were created, a survey of business interests, characteristics, and activities were created and tested before Phase II of the research was performed. Phase II of the research was designed to give the program developers a better understanding of the international activities Indiana businesses engage in, their basic characteristics, and what skills they need in their current employees and future employees via a survey. Simultaneously, a voluntary-return survey provided a screening mechanism in identifying businesses that are genuinely interested in a new program, generating a targeted list from which potential partners for experiential learning centers can be recruited. The survey was designed with three main characteristics in mind. First, it needed to be generalized enough to make sense to a broad spectrum of businesses. Second, it needed to be thorough enough to at least touch on the key areas of interest to the program developers and third, it needed to be short and easy enough to ensure a reasonable response rate.

The resulting survey contained four sections. The first section simply asked for basic information on the person responding to the survey – information necessary to allow follow-up contact for additional, Phase III information gathering. The second section attempted to gauge the overall level of internationalization of the business (asking, within five grouped ranges, “What percentage of your operations involves international transactions or connections?”) as well as the types of international activities that businesses engage in (giving respondents a list of 22 different sorts of business activities, plus an open category). This section provides information on how internationalized a business is, and what that means in terms of actual activity. The third section of the survey focused on the respondent’s view of the importance of 11 different knowledge and skill sets (plus an open category) – the type of information most useful for the development of a curriculum. Finally, the fourth section asked about the business’s recruitment practices, across nine different recruitment methods, at various levels of employment. The results of the survey are provided in the next section. Once Phase II was complete, follow-up focus groups were conducted in order to provide feedback on potential curriculum changes due to reported needs of the businesses, and to initialize the building of the relationships with businesses.

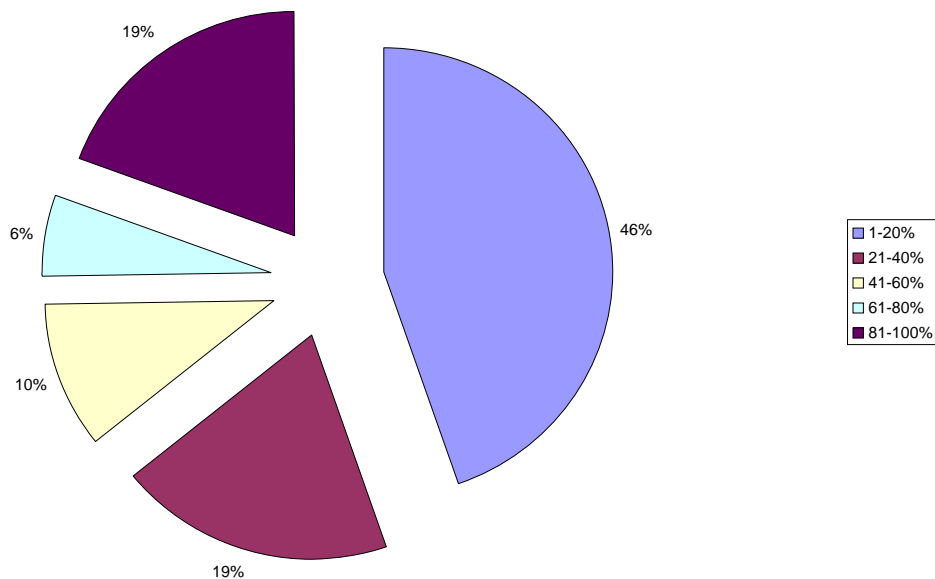
Figure 1: Foreign Direct Investment In Indiana^{vi}



FINDINGS

The survey was distributed to a list of over 1500 companies, mainly gleaned from the Indiana State Department of Commerce, with a response rate of roughly 4%. Variables were classified in four categories, demographics of the business, types of international activities, employee knowledge and skills, and recruitment methods. Respondents were asked to classify themselves according to their level of internationalization. As indicated in Figure-3, the respondents had various commitments to international businesses. Forty-six percent of the respondents reported their international activities account for up to 20% of their businesses activities, where as nineteen percent reported between 20-40% of their business activities were of the international nature. Over 30 percent of the companies reported that the majority of their activities are of an international nature.

Figure 3: Internationalization Of Businesses



Given the small sample size, it is difficult to generalize with confidence, but these results suggest that businesses in general either devote only a minority of their activity to international efforts (<40%, with almost half of respondents reporting <20%), or they are highly internationalized (with most or all of their business involving international connections or transactions). If this is the case, it suggests that future efforts to find partners be targeted primarily at this top stratum of heavily international businesses – a group that, this survey suggests, is reasonably substantial.¹ It is here that the argument can perhaps best be made for over-representation, in that businesses that are this heavily internationalized might have the most interest in a new program focused on global business and thus be the most likely to respond. Thus, it is probably not true that the “highly internationalized” group represents 1/6 of Indiana exporters, but likely some lower fraction. In subsequent analyses, we divided responding companies into Highly Internationalized (categories 3 – 5) and Low Internationalized (categories 1 & 2) groups, to see if there are significant differences in what each group does or values.

In addition to the total international activity, respondents were asked to rate the importance of each of the 22 international activities, which emerged from Phase I of the research, using a five-point scale (with 1 the lowest and 5 the highest). Mean responses varied from a low of 2.05 (for Expatriate Assignments)^{vii} to a high of 4.13 (Building Relationships). Out of all of these, four areas stood out as particularly important to respondents: Building Relationships (4.13), Financial (3.54), Purchasing (3.53), and Negotiation (3.51). This suggests an overall picture: Indiana businesses’ international activities primarily involve exchanges of goods (at least, as the day-to-day level), as well as the financial and relational connections that support those exchanges.^{viii} While this survey does not contain the data to verify this conclusion, one might speculate that the dominant model is one of business-to-business transactions internationally, rather than branches within the same transnational corporation.

This pattern grows stronger when we control for the level of internationalization of the responding businesses. Once the data was divided into two categories, “low internationalization” (those who reported less than 40% of their activities as international) and “high internationalization” (above 40%), based on the observation of a relatively bimodal distribution, mean responses were compared on these four most important activities between the two groups. As indicated in Figure-4, in all four cases, “high internationalization” companies regarded these activities as more important than their “low internationalization” counterparts; in three cases (all except Financial), these differences are statistically significant. This adds a new dimension to the emerging picture: that companies whose business is heavily involved in overseas connections are particularly dependent on these relational skills. The low value placed on expatriate assignments (sending your personnel overseas for extended visits and/or to work with international branches or partners) is particularly interesting, given the prominence of the expatriate concept in the international business literature. Given the size of our respondents, however (over half the responding companies had fewer than 50 employees), this gives us a clue that sending personnel overseas for extended periods is not the primary mode of international business interaction for these companies. Interestingly, there is only a weak correlation between size of company and the importance of expatriate assignments (Pearson $r=.27$, one-tailed sig. $<.1$), which suggests that size is not the primary driver here. There were no other significant correlations between size of the company and values placed on international activities Four more activities were of borderline importance (with means between 3.4 and 3.5): Accounting, Information Systems, Logistics, and Transportation. This reinforces the view that the primary form of activity is business-to-business goods transfer, as from suppliers to producers. Interestingly, “Language Translation” did not appear as a highly important activity (mean = 2.85), even though effective negotiation and relationship building across cultures is likely to involve some non-English communication. This suggests a perceptual frame on the part of businesses: that they do not view “language” or “translation” as a separate activity, but as an underlying skill set that is a prerequisite for activities considered genuinely important, a supposition borne out in Phase II interviews.

Figure 4: International Activities As Of Today

| | Overall Mean | High Int'l Mean | Low Int'l Mean |
|-------------------------------|---------------------|------------------------|-----------------------|
| Building Relationships | 4.13 | 4.61** | 3.89 |
| Financial | 3.54 | 3.75 | 3.44 |
| Purchasing | 3.53 | 4.05** | 3.25 |
| Negotiation | 3.51 | 3.94* | 3.31 |

Significance: ** < .05 ; * < .1

In addition to asking the respondents about present day activities, the survey asked respondents how important each of 22 activities would be in five years, in order to identify growth areas. The majority of the respondent reported that E-commerce activity would be of greater importance in the future, which is unsurprising, given that electronic commerce is widely assumed to be a growing area of activity, and thus most companies would assume that they will be doing more of it in the future with the exception of E-commerce, statistical correlations between present and five-year future scores for each activity showed a high degree of correlation. Phase III of the research addressed this issue and most of the respondents agreed that they were not aware of the possible changes in these activities, thus most of the time they were simply putting the same answer down for both activities today and those anticipated in the next five years.

With respect to employee knowledge base and skills, respondents were asked to rate the value of 11 knowledge and skill sets, using the same five-point scale as with international activities. As with international activities, there were high correlations (generally .8 or higher) between each item’s value today and its projected value in 5 years, thus the one exception to this pattern was the Market Research skill set (Pearson correlation = .65); in this case, the average mean present value was 3.39, while the average mean future value was 3.92. This suggests a picture of companies anticipating further international growth in the future, such that they will need additional international market research capabilities beyond what they presently possess.

Unlike the international activities results, there were no “standout” categories across these knowledge and skill sets – most showed a mean value between 3.3 and 3.6. The two exceptions to this were five-year future Market Research skills (noted above), and International Political Relations, which were less valued than other categories (mean value = 2.85). This suggests that the range of skills inquired about in the survey, for the most part, were equally valued. There is also substantial cross-over, in which respondents may or may not have considered: Market Research, for example, is likely to involve Cultural Awareness and Modern Language skills, as well as country- or region-specific knowledge. In summary, respondents were focused primarily on their “bottom line”, thus on the skills they saw as immediately impacting their activities, without necessarily analyzing the background abilities that would need to support those skills.

As with international activities, the values placed on these skills against companies’ level of internationalization was cross-checked. The result was a pattern of differences for four of the eleven items as indicate in Figure-5.

Figure 5: Employee Knowledge And Skills

| | Overall Mean | High Int’l Mean | Low Int’l Mean |
|----------------------------|---------------------|------------------------|-----------------------|
| Information Systems | 3.57 | 4.06** | 3.32 |
| Marketing | 3.70 | 4.44*** | 3.38 |
| Market Research | 3.39 | 4.07** | 3.07 |
| Country/Region Info | 3.58 | 4.00 | 3.22 |

Significance: *** < .01 ; ** < .05 ; * < .1

As indicated in Figure-5, these are skill and knowledge sets that highly internationalized companies value more than their less internationalized counterparts. Three of the four differences are statistically significant; the fourth (Country/Region-Specific Information) was slightly significant (significance slightly > .1).

As with the results for international activities, there were no significant correlations between the size of the company and the values they placed on different skills or areas of knowledge. Thus the picture that emerges is one where highly internationalized companies value marketing and research skills to a greater degree than their less internationalized counterparts, regardless of size. Here again, language – represented on the list as “Modern Language Skills” – appears to be a background rather than consciously emphasized skill. Given the emphasis on future Market Research across all companies, and the value placed on it (along with Marketing and Country/Region-Specific Information) in particular by highly internationalized companies, it would seem that language skills – clearly a prerequisite for foreign market research and regional specialization – are being assumed rather than emphasized up front. Again, this analysis was borne out in subsequent Phase II interviews with representatives from Highly Internationalized companies.

Finally, the last section of the survey attempted to gain some understanding of how organizations recruit personnel for their international activities. In this section of the survey, the attempt was to gain some general background information (size of company, number of college-age workers, proportion of workforce dedicated to international activities). Additionally, the hope was to gauge methods of recruitment, across a list of nine potential methods. Results here were even less conclusive in this section of the survey. During Phase III of the research, it was indicated that the placement of this section as the last page of the survey and because American companies do

not desire to provide information with regards human resources due to fear of legal retribution. Nevertheless, a few notable patterns did emerge. The size of responding companies varied quite widely, although the majority were under 50 employees (Mean = 155; Median = 44; Std. Deviation = 320). On average, responding companies employed about 36 college-age employees, although there was tremendous variation in responses (standard deviation > 186), and unsurprisingly, this response correlated fairly strongly (though not perfectly) with overall size of the company (Pearson $r = .586$, sig. < .001). On average, responding businesses devote about 18% of their overall positions to international activities. As one might expect from aforementioned results reported, this was not correlated at all with size but was strongly related to the high/low internationalization distinction: highly internationalized companies average 36% of their positions devoted to their international activities, while low internationalized companies had a mean of only 10%.^{ix}, thus reinforces the earlier conclusion that as the university’s program moves forward, the focus should be on highly internationalized companies as the best potential partners for experiential learning.

Respondents were also asked about their companies’ use of nine recruitment methods across four levels of employment: College Students, Entry Level, Middle Management, and Senior Management. As indicate in Figure-6, a predictable pattern: Word of Mouth (networking) matters a great deal, and Entry Level and College Student jobs are recruited in a variety of ways, most of them traditional. Aggregate numbers across categories indicates that the most commonly-checked method across all categories of employment was Word of Mouth (with 103 total responses), followed by Hiring from Within (83, mostly for Management levels).

Figure 6: Recruitment Methods

| Method/Category | Responses |
|---|------------------|
| Referrals & Word of Mouth/Entry Level | 43 |
| Newspaper/Entry Level | 34 |
| Colleges & Universities/Entry Level | 27 |
| Staffing Services/Entry Level | 27 |
| Job Fair/Entry Level | 20 |
| Web Site/Entry Level | 20 |
| Referrals & Word of Mouth/College Students | 21 |
| Colleges & Universities/College Students | 20 |
| Hiring from Within/Middle Management | 39 |
| Referrals & Word of Mouth/Middle Management | 28 |
| Web Site/Middle Management | 21 |

There were few significant correlations between these results and the characteristics of responding companies. There was some correlation between recruitment methods and size of the responding company: larger companies were more likely to utilize Web Sites and Word of Mouth as recruiting methods, and slightly more likely to indicate their use of Job Fairs, Staffing Services, and Recruiters, which is unsurprising, given that these methods are more costly. Highly internationalized companies were slightly less likely to use Trade Publications as a recruiting tool, but otherwise showed no statistically significant differences from their less internationalized counterparts.

CONCLUSIONS

The results of the research offer valuable lessons for academic program development. First is that there are significant differences, not based on the size of companies but based on their degree of internationalization. The more internationalized a company is, the higher value on certain activities, and certain skills, than those with less emphasis on global business. For program and curriculum development, the theme that emerges from the results is that highly internationalized businesses care about relationships and connections to facilitate what they do. This stands out in the activities they emphasized, as well as the skill sets they valued. A relational emphasis was also clear from the results of the Recruitment section, which saw relational methods of recruiting (Word of Mouth and

Hiring from Within) as clear favorites. In terms of curriculum development, the survey results suggest that an emphasis on relational skills and abilities; communication, negotiation, marketing, research, and culture are important, thus an interdisciplinary program, with components from culture, communication, and business is needed. These results also reinforce the importance of an experiential dimension to the program, especially since many of these skills are learned by doing and in context, and since many companies prefer to recruit through networks, students will be best served by having strong experiential learning experiences. Moreover, the knowledge gained from the 18-month research project will guide conversations with potential employers, to make sure that the students have the necessary skills going in to the experience to make a positive impact for the company. In conclusion, the results of this survey will help craft the curriculum and its experiential learning components, in order to insure that students have the best opportunity to succeed in the global business environment.

ⁱ TradeStats Express, Office of Trade and Economic Analysis, 2006

ⁱⁱ TradeStats Express, Office of Trade and Economic Analysis, 2006

ⁱⁱⁱ TradeStats Express, Office of Trade and Economic Analysis, 2006

^{iv} Indiana Department of Workforce Development Database, 2006

^v TradeStats Express, Office of Trade and Economic Analysis, 2006

^{vi} Office of Trade and Industry Information, International Trade Division, 2006

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1. Indiana Department of Workforce Development Database, 2006
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