

Succeeding in International Markets



Survey Results from Indiana Businesses on Preparing Employees for the Global Stage



KELLEY SCHOOL OF BUSINESS

INDIANA UNIVERSITY

Indiana Business Research Center



INDIANA UNIVERSITY
CIBER

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Introduction

Research has continued to show that top business executives anticipate the importance of hiring a workforce prepared to compete in an increasingly global and multinational business environment. Business managers from companies across the country indicate that international business is expected to represent a growing percentage of all business over the next 10 years. As a result, managers also anticipated that equipping staff with international business skills would ultimately be vital to the success of future business and revenue.¹

Yet despite the demand, employers have expressed difficulty in filling positions due to a lack of available talent among the current workforce. In particular, several specific skills appear to be particularly in demand by businesses looking to adapt appropriately to the global market. For example, a 2009 study finds that for business managers, cultural intelligence—which includes the ability to speak foreign languages, a familiarity with the gestures and protocols of different cultures, and the ability to work in culturally diverse environments—is growing in importance.² These sentiments are likewise echoed by top business executives. Indeed, after surveying more than 700 chief human resource officers across the globe, an IBM study found that understanding individuals from different cultures and backgrounds would be the most crucial factor in acquiring the top talent prepared to succeed in a global economy.³

This report summarizes the results of a survey of Indiana businesses on their company's international activities and the readiness of recent college graduates to operate effectively in the global economy. The report provides an overview of how Hoosier firms perceive their company's current position in the global economy, and how they predict their business practices will change to improve this position moving forward. In addition, the report covers the specific international competencies they believe will be most vital to their future success. Finally, we conclude by providing an overview of the practical skills Indiana businesses stress are in most need for students training in undergraduate and graduate business schools.

About the Survey

The Center for International Business Education and Research (CIBER) at Indiana University's Kelley School of Business partnered with IU's Indiana Business Research Center (IBRC) to survey Indiana businesses on their international activities and the readiness of college graduates to effectively contribute to these activities. This survey was patterned after a similar survey at the national level by researchers from the University of Hawai'i at Mānoa and the University of Memphis.⁴ CIBER and the IBRC distributed links to an internet-based survey via email to executives and human resource professionals at nearly 850 Hoosier firms. The research team received 122 responses, for a survey response rate of better than 14 percent.

¹ Shirley J. Daniel, Ben L. Kedia and Fujiao Xie, "2014 U.S. Business Needs for Employees with International Expertise," presented at Internationalization of U.S. Education in the 21st Century Conference, Williamsburg, VA, 2014, globalsupport.tamu.edu/Footer-Links/Resources-Center/Global-Publication/2014-US-Business-Needs-for-Employees-with-Internat.aspx

² Michael Harvey, Ron Fisher, Ruth McPhail and Miriam Moeller, "Globalization and its Impact of Global Managers' Decision Process," Human Resource Development International volume 12, 2009.

³ Denis Brousseau and Eric Lesser, "Working Beyond Borders: Insights from the Global Chief Human Resource Officer Study," IBM, 2010.

⁴ See Note 1.

Key Findings

- Many Hoosier firms expect international business to play a growing role in their future success. Exactly half of all survey respondents stated that they expect international sales to account for a larger share of their total revenue in the year 2025. Another 31 percent of respondents expect that international sales as a share of their total revenue will hold steady over the next decade.
- Not surprisingly, survey respondents list Mexico and Canada as the most important region for international business, followed closely by Asia and Europe. Looking over the next 10 years, however, most respondents expect Asia to become their most important region. Latin America (excluding Mexico) and Africa also appear to be emerging regions for Hoosier firms.
- A majority of those surveyed stated that improving international expertise among staff would help their bottom line. Forty-two percent of respondents said that stronger international expertise would have a slight increase on their firm's total revenue, while another 21 percent believe these improvements would have either a moderate or a significant impact on their sales.
- Given that many Hoosier businesses acknowledge the need to raise their game in regard to international expertise, it is not surprising that 43 percent of survey respondents stated that their company will place a greater emphasis on international competence among employees over the next 10 years. Another 32 percent of those surveyed said they were unsure whether they would place greater emphasis on these skills in the future.
- Asked what business schools should do to help Hoosier businesses better compete globally, survey respondents focused more on improving the general awareness and understanding of international issues and cultures over specific programs or skills development. More than half of all respondents said that an emphasis on learning about world regions and cultures was either moderately important or very important, while 49 percent said that it was important for business schools to have a stronger international emphasis in their curricula. Efforts such as overseas internship programs, foreign language training and clearinghouses for international resources ranked somewhat lower on the list of possible options.

CIBER Survey & Results

Profile of Surveyed Businesses

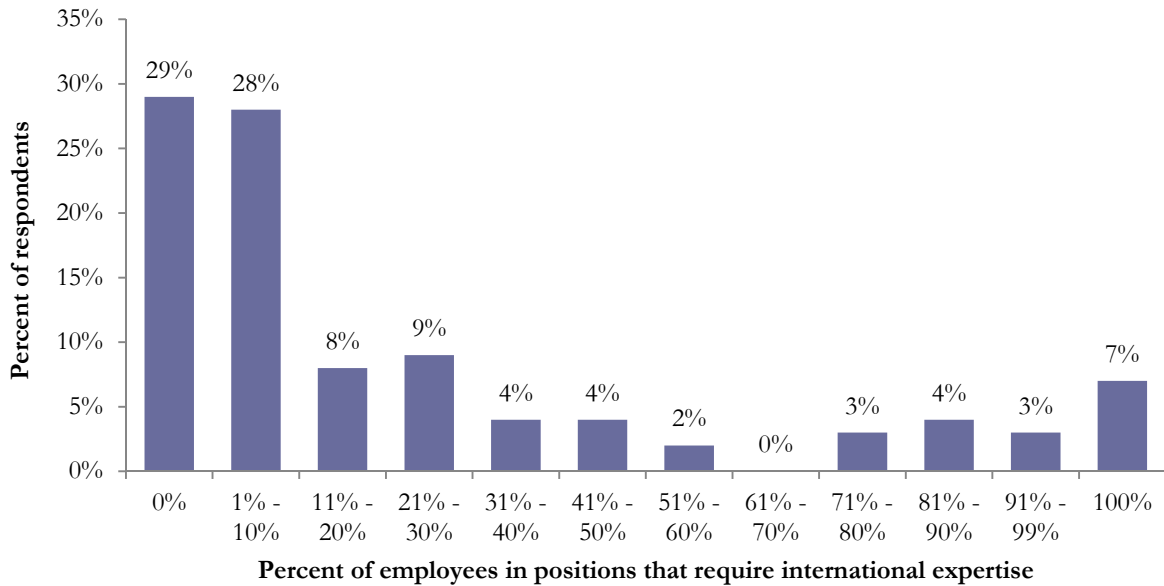
A total of 122 Indiana companies completed the International Skills and Readiness of Recent College Graduates survey. Nearly 30 percent of all respondents were manufacturers, while another 24 percent of respondents did not self-identify as representing any of the broad industry groups listed in the survey (see Figure 1). The professional or scientific services (16 percent) and information technology or telecommunications (11 percent) industries are also well represented in these survey results.

Figure 1: Which of the following industries best describes your firm's activities?



Roughly half of all respondent companies employed fewer than 50 workers, while another one-quarter of respondents had more than 500 employees. Nearly 20 percent of respondents stated that at least half of their staff positions require international knowledge or expertise, while another 57 percent of companies said that 10 percent of their staff or less required international skills or knowledge (see **Figure 2**).

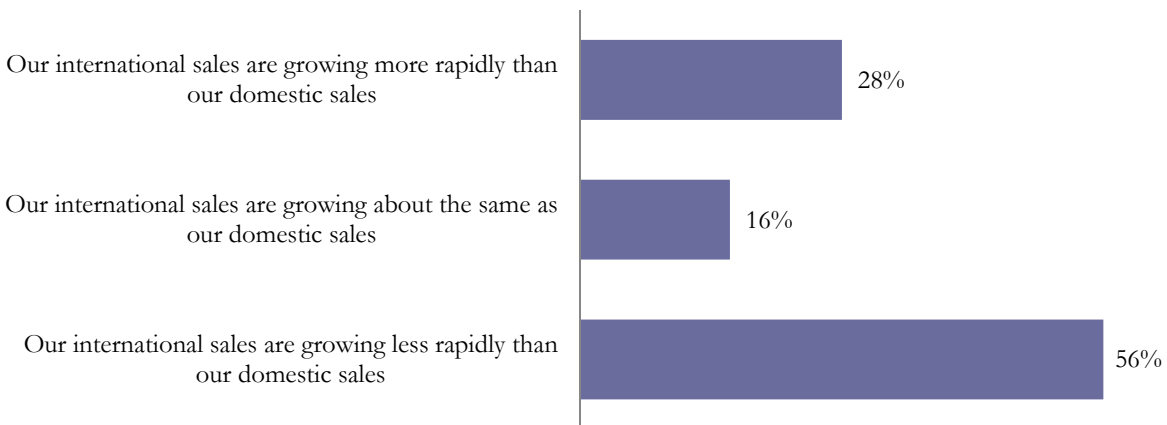
Figure 2: Approximately what percentage of your employees work in positions that require international/global knowledge or expertise?



Indiana Businesses in the Global Economy

Exporting more goods and services is certainly an important objective for many Hoosier businesses, but a majority of survey respondents state that growth at home has outpaced growth abroad in recent years. Fifty-six percent of businesses said their international sales had been growing at a slower rate than domestic sales, compared to 28 percent who responded that the opposite was true (see **Figure 3**).

Figure 3: Overall, how would you compare the growth of your firm's international sales to your domestic sales?



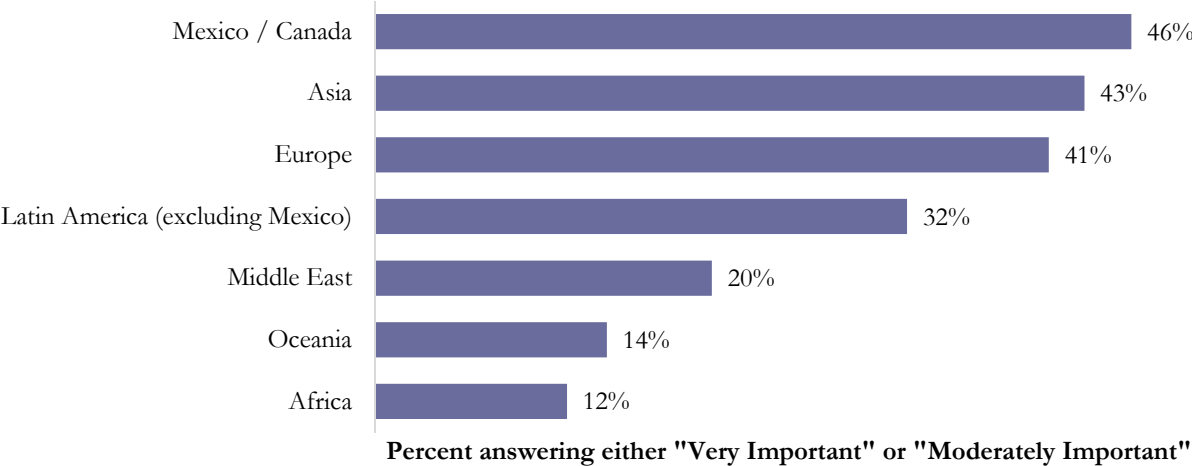
Looking ahead, however, half of those surveyed said that they expect international markets to account for a larger share of their total revenue in the next 10 years (see **Figure 4**). Only 19 percent of respondents expect their growth in domestic sales to outpace their growth in international sales in the next ten years.

Figure 4: Looking ahead 10 years, do you believe that international sales in the year 2025 will account for a smaller share, about the same share, or a larger share of your firm’s total revenue than it does today?



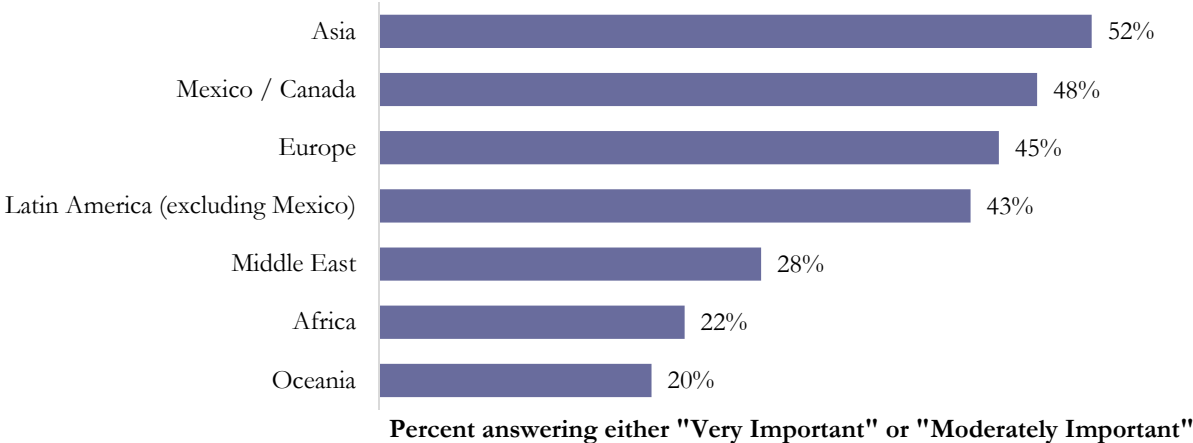
With many Hoosier firms expecting international markets to become more significant to them in coming years, it is important to know which global regions offer the best opportunities for growth. Together, Mexico and Canada appear to be the most important regions currently, with 46 percent of survey respondents stating that our North American neighbors are either “very important” or “moderately important” to their total revenue (see **Figure 5**). Asia and Europe are not too far behind, with more than 40 percent of respondents saying that each of these regions were important to their success.

Figure 5: How important are the following regions to your total revenue now?



Looking toward 2025, however, it appears that many Indiana businesses see Asia and Latin America as the markets that are most ripe for growth. Fifty-two percent of those surveyed said that they expect Asia to be either “very important” or “moderately important” to their total revenue by 2025 (see **Figure 6**), which is 9 percentage points higher than the share of respondents who said the same about Asia’s importance today. Latin America saw an even larger jump, with 43 percent of respondents reporting that they expect this region to be important to their bottom line in 2025, up from the current mark of 32 percent. Many Indiana businesses also see Africa as an emerging market, with a 10 percentage point improvement from current importance to future expectations.

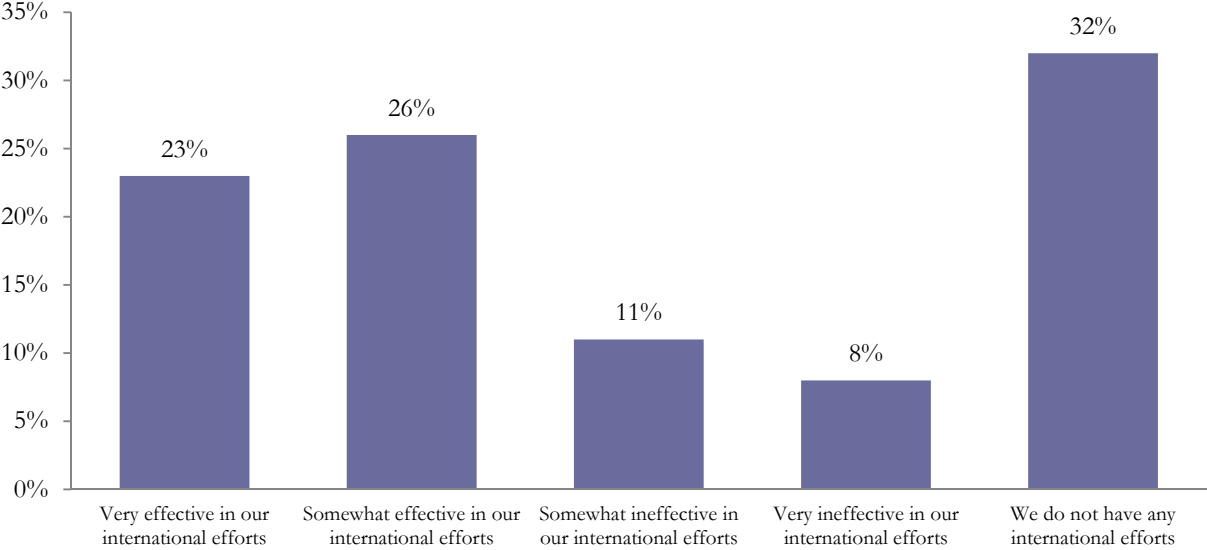
Figure 6: How important do you think the following regions will be to your total revenue by the year 2025?



Preparing to Compete in the Global Economy

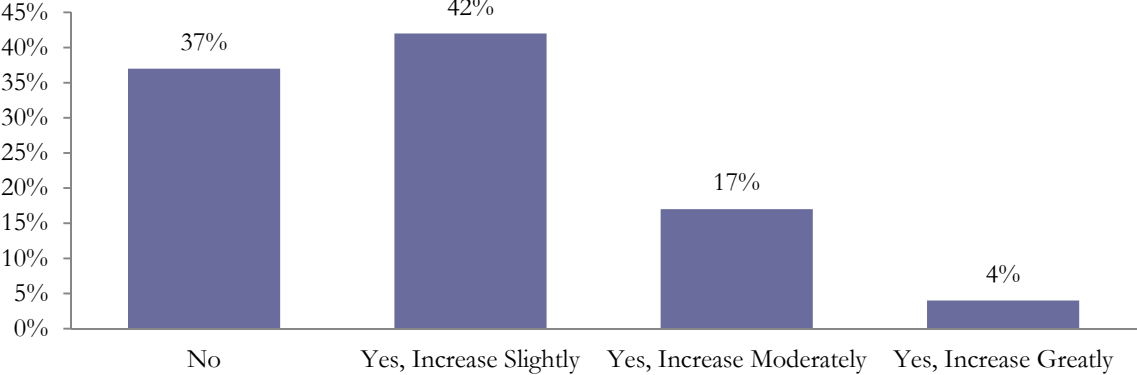
With half of the Indiana firms that participated in this survey stating that they expect international sales to assume a larger role in their future total revenue, it is important to understand how these businesses assess their ability to capitalize on international opportunities. Only 23 percent of respondents expressed confidence in being “very effective” in their international efforts, with an additional 26 percent being “somewhat effective” (see **Figure 7**). However, 19 percent of businesses felt “somewhat” or “very ineffective” in their international efforts. If we exclude from consideration the firms that do not operate outside of the U.S., then two-thirds of our internationally engaged respondents acknowledge that they could be more effective in their efforts in foreign markets.

Figure 7: Which of the following statements do you think best describes the effectiveness your firm's international efforts?



With many Indiana companies seeing room for improvement in their international efforts, a majority of those surveyed believe that improving international expertise among their staff will provide at least a modest boost in revenue. Most respondents indicate they believe that improving these skills will generate only a slight increase in sales, yet 21 percent of the firms expect to see moderate to significant jumps in sales as they improve their international competence (see **Figure 8**).

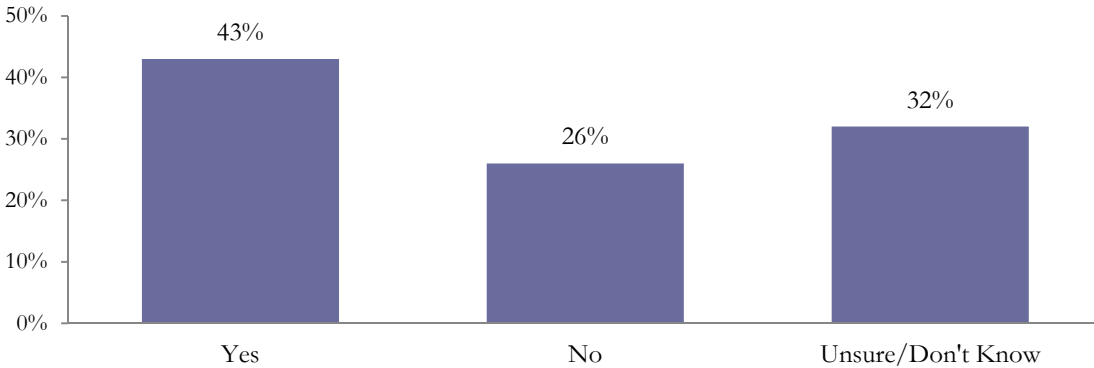
Figure 8: If you had more international expertise among your staff in general, do you feel your total sales would increase?



Given that most of those surveyed believe that improving their international expertise would pay off, there's no surprise that a plurality of respondents expect to give these skills greater weight in future hiring and training practices. Forty-three percent of respondents said that they would place greater emphasis on international competence of employees in the future, while another 32 percent were unsure whether they would adjust their focus in this area (see

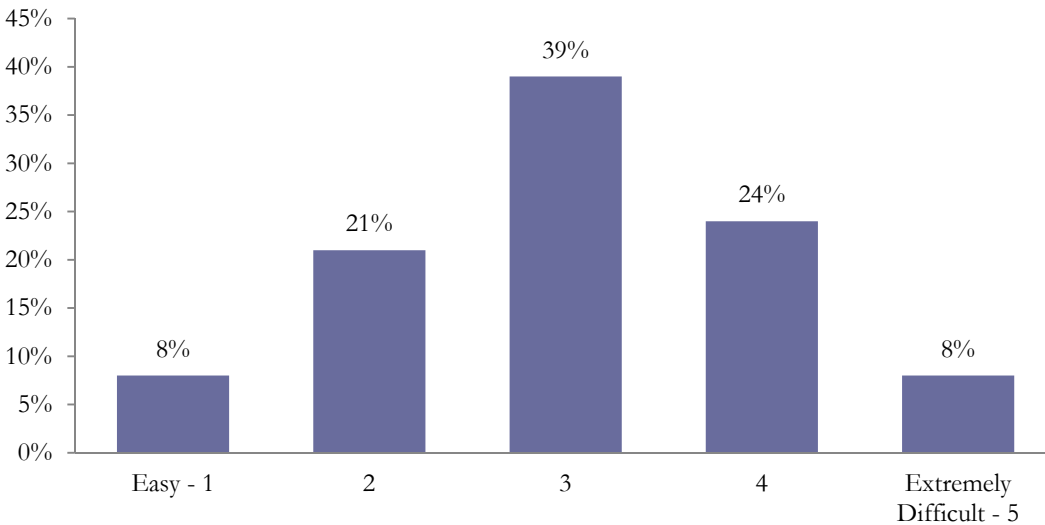
Figure 9).

Figure 9: Over the next 10 years, will your company place a greater emphasis on international competence among management and employees?



While many businesses recognize the need to improve their international competence, some already say that it is challenging to find job candidates with this type of expertise. Thirty-two percent of survey respondents stated that it was either “difficult” or “extremely difficult” to find employees with the international knowledge and skills that their firm requires (see **Figure 10**). A nearly equal share of respondents (29 percent) indicated that it was fairly easy to find workers with the international skills they needed, while nearly 40 percent of those surveyed were somewhat neutral on the question.

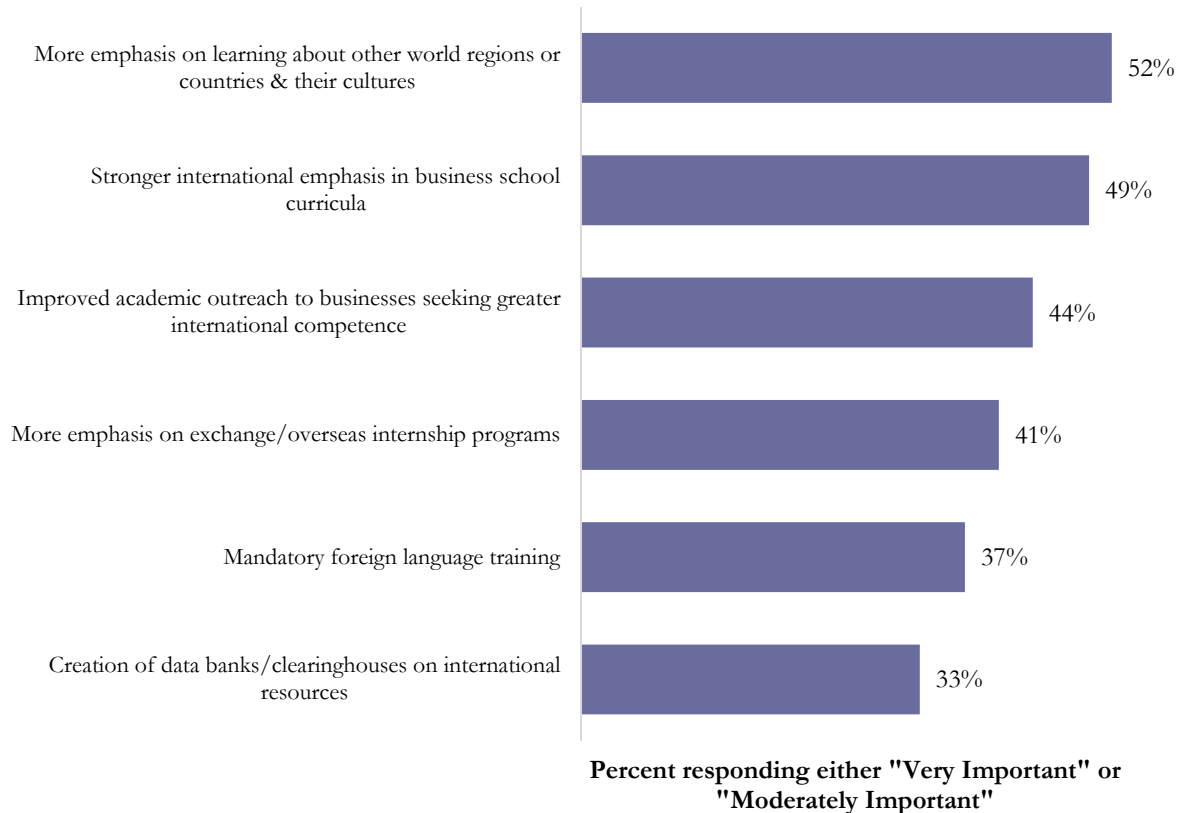
Figure 10: How hard is it to find U.S. nationals with the international knowledge/skills needed by your firm?



When asked about the areas in which business schools should focus in order to help assist Indiana firms, survey respondents leaned more toward improving student’s general awareness and understanding of international issues over developing specific skills, programs or resources. The most commonly cited effort that business schools could make—with 52 percent of businesses indicating this effort would be moderately

or very important to future business—was to place more emphasis on learning about other world regions and/or countries and their cultures (see **Figure 11**). Likewise, 49 percent of businesses placed similar importance on the need to generally strengthen the international emphasis in business school curricula. Outreach to businesses seeking help in the international arena (44 percent) and a greater emphasis on internship programs (41 percent) were other highly rated areas of need by survey respondents.

Figure 11: Listed below are a number of specific options for improving international business content in undergraduate and graduate business education programs. Please indicate their importance for your firm's future needs.



Notably, only about 40 percent of respondents listed foreign language training as a concern. However, when asked which languages would be of most use to their employees, it is no surprise that Spanish dominates the list (see **Figure 12**). Mandarin Chinese is the other language that stands out from the pack, with nearly half of respondents stating that it would be useful in their business. French, German, Japanese and Portuguese are each important to roughly one-quarter of respondents.

Figure 12: Which language(s) other than English are critical to your global business success at this time?



Conclusion

Among many Hoosier firms, the growing importance of international markets is clear. In fact, half of the companies that participated in this survey expect that growth in their international-based business will outpace growth in domestic sales. Businesses also know that they cannot simply stand still if they expect to succeed in the global marketplace, as nearly half of survey respondents say they expect to place a greater emphasis on the international competence of their employees in the future.

The responsibility for improving these skills does not fall on these businesses alone. It is increasingly within the domain of the state’s undergraduate and graduate business programs, as well. Hoosier companies hope to benefit from the efforts by business schools to both improve the soft skills of their graduates—such as developing a greater awareness of world regions and cultures—as well as specific expertise like foreign language skills. Survey respondents also indicated that more direct outreach and technical assistance on international issues between universities and the businesses community is important.

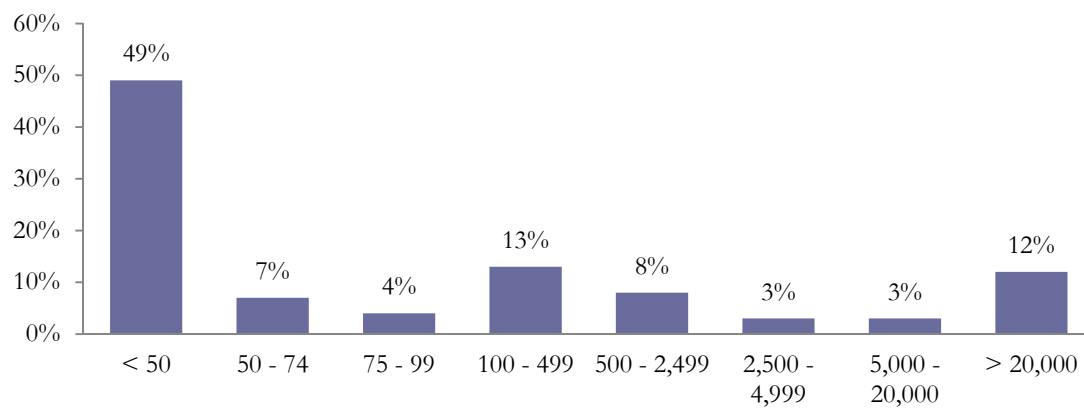
Not only is expansion into global markets a critical goal for many individual businesses, but improving international exports more broadly is a pillar of Indiana’s economic development strategy. The ability of local businesses to succeed in international markets will benefit all Hoosiers. These survey findings show that Indiana’s business schools can play a key role in helping individual firms, and by extension the state as a whole, achieve their goals in the global marketplace.

Appendix

The main body of this report highlights many of the key findings from the survey of Hoosier businesses on their place in the global economy. The survey asked a number of questions beyond those highlighted earlier, however. This appendix includes the results of these additional questions, along with brief descriptions of the findings.

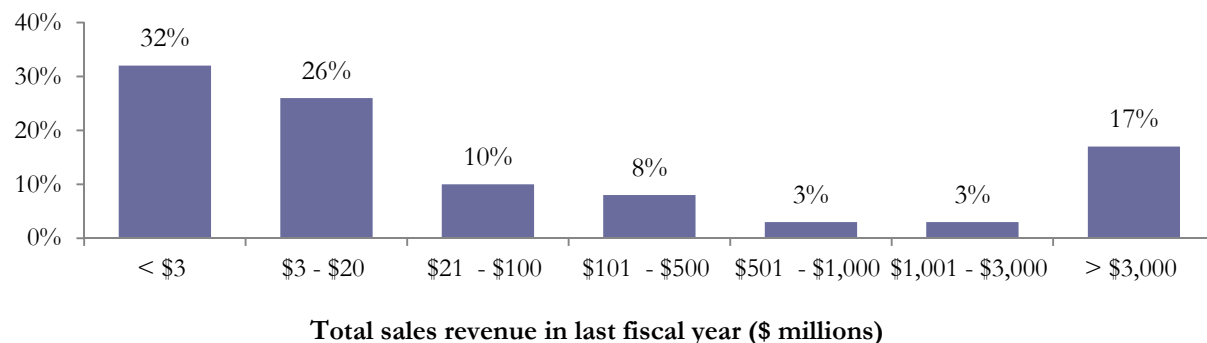
Nearly half of the survey respondents consist of businesses with fewer than 50 employees and 73 percent of the total includes businesses with fewer than 500 employees (see **Figure 13**).

Figure 13: Approximately how many employees work in your company?



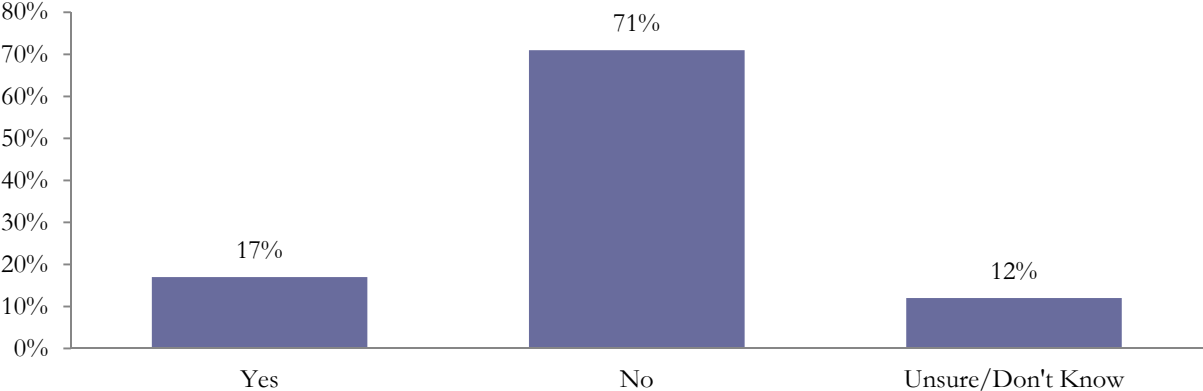
Less than a third of the respondents reported they had revenues of \$100 million or more. The majority of businesses report revenues of \$20 million or less in the last fiscal year (see **Figure 14**).

Figure 14: Approximately what was the total sales revenue of your firm during the last fiscal year?



Overall, terrorism has little effect on international business considerations, as 71 percent of businesses cited terrorism as not having any type of impact with respect to the importance of international business awareness and/or competence (see **Figure 15**).

Figure 15: Has the threat of terrorism caused your firm to reconsider the importance of international awareness and competence among your staff?



International experience generally tends to matter more for management-level staff, as opposed to their entry level counterparts. Whereas only 17 percent of businesses indicated that such considerations were moderately or very important for the hiring of entry-level staff, this proportion rises to 43 percent for management-level hires (see **Figure 16** and **Figure 17**).

Figure 16: How important is international experience in the hiring and promotion of your entry-level staff?

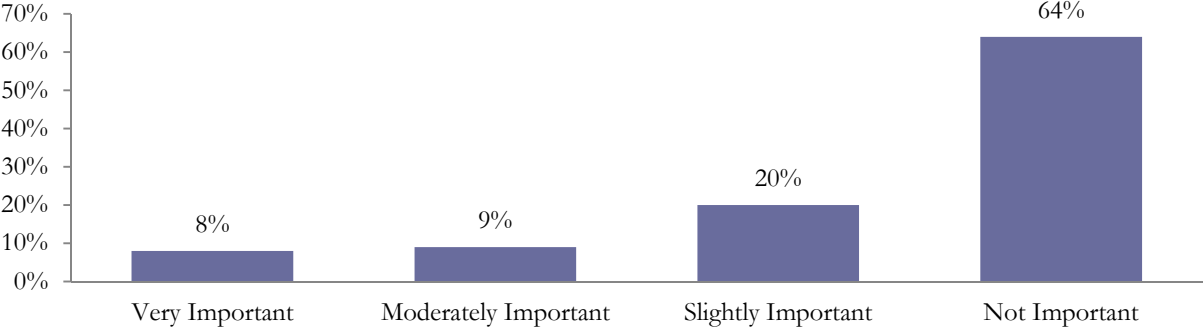
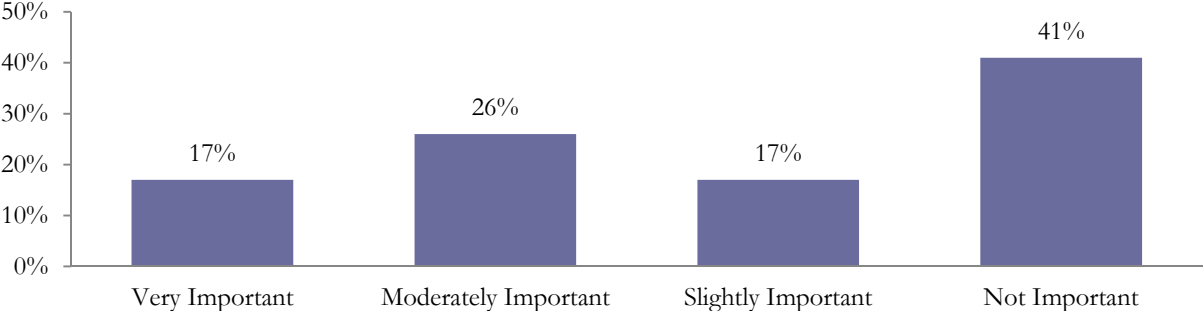
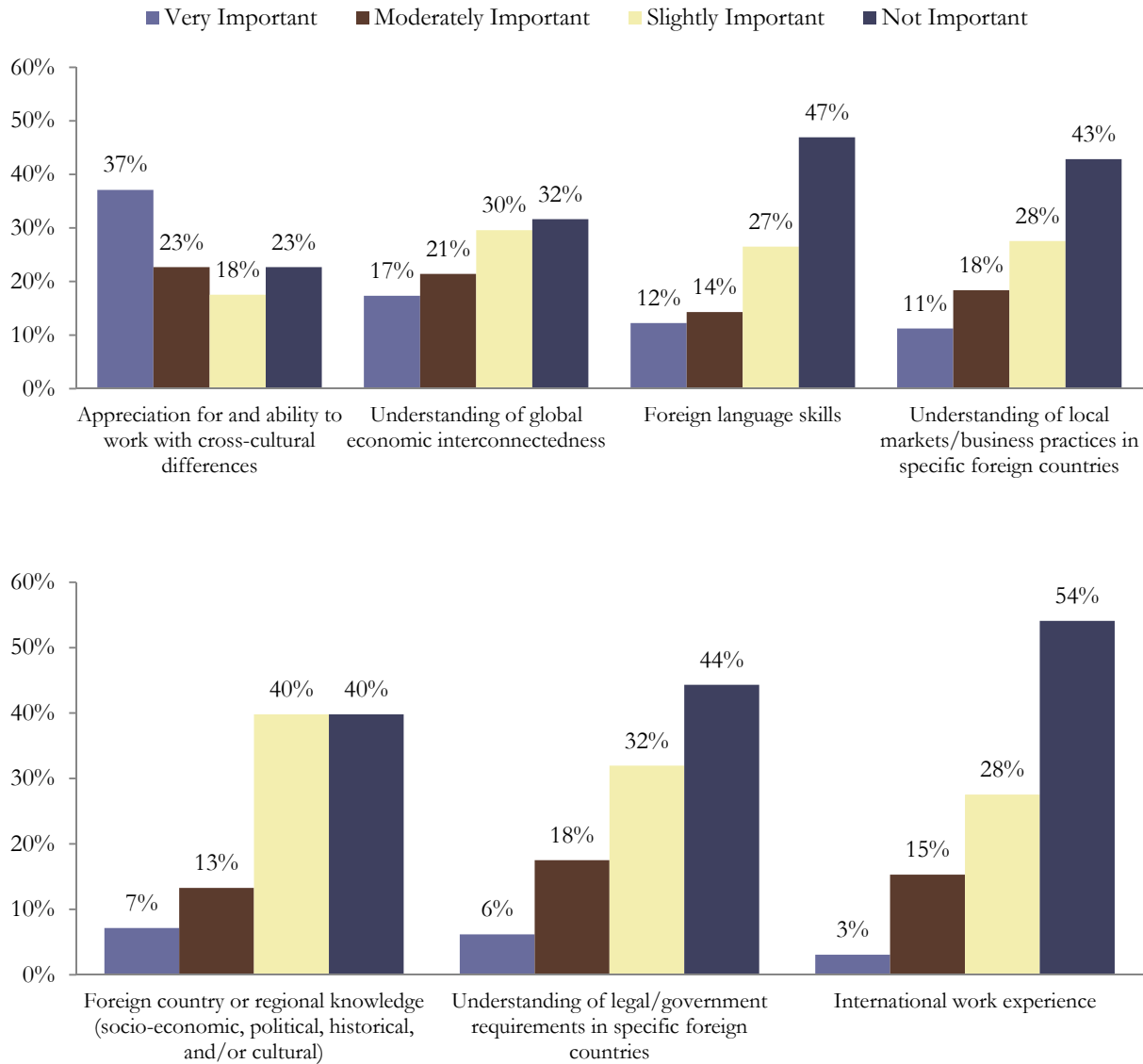


Figure 17: How important is international experience in the hiring and promotion of your management-level staff?



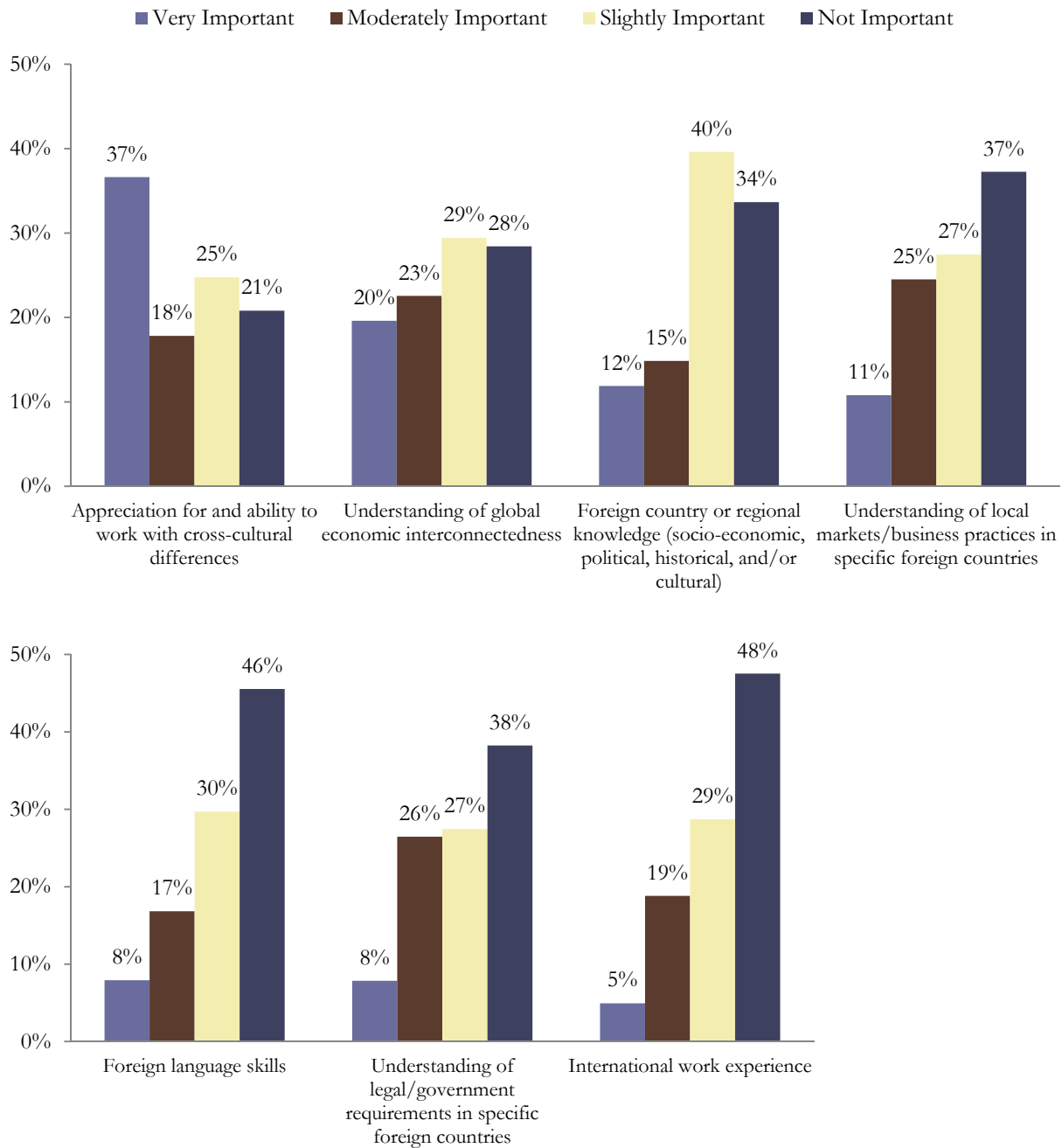
Among entry-level business school hires, the following international skills were the most commonly stated as being moderately or very important: appreciation for and ability to work with cross-cultural differences; understanding of global and economic interconnectedness; and understanding of local markets/business practices in specific foreign countries (see **Figure 18**).

Figure 18: How important is it for your entry-level business school hires to have the following basic international skills/knowledge?



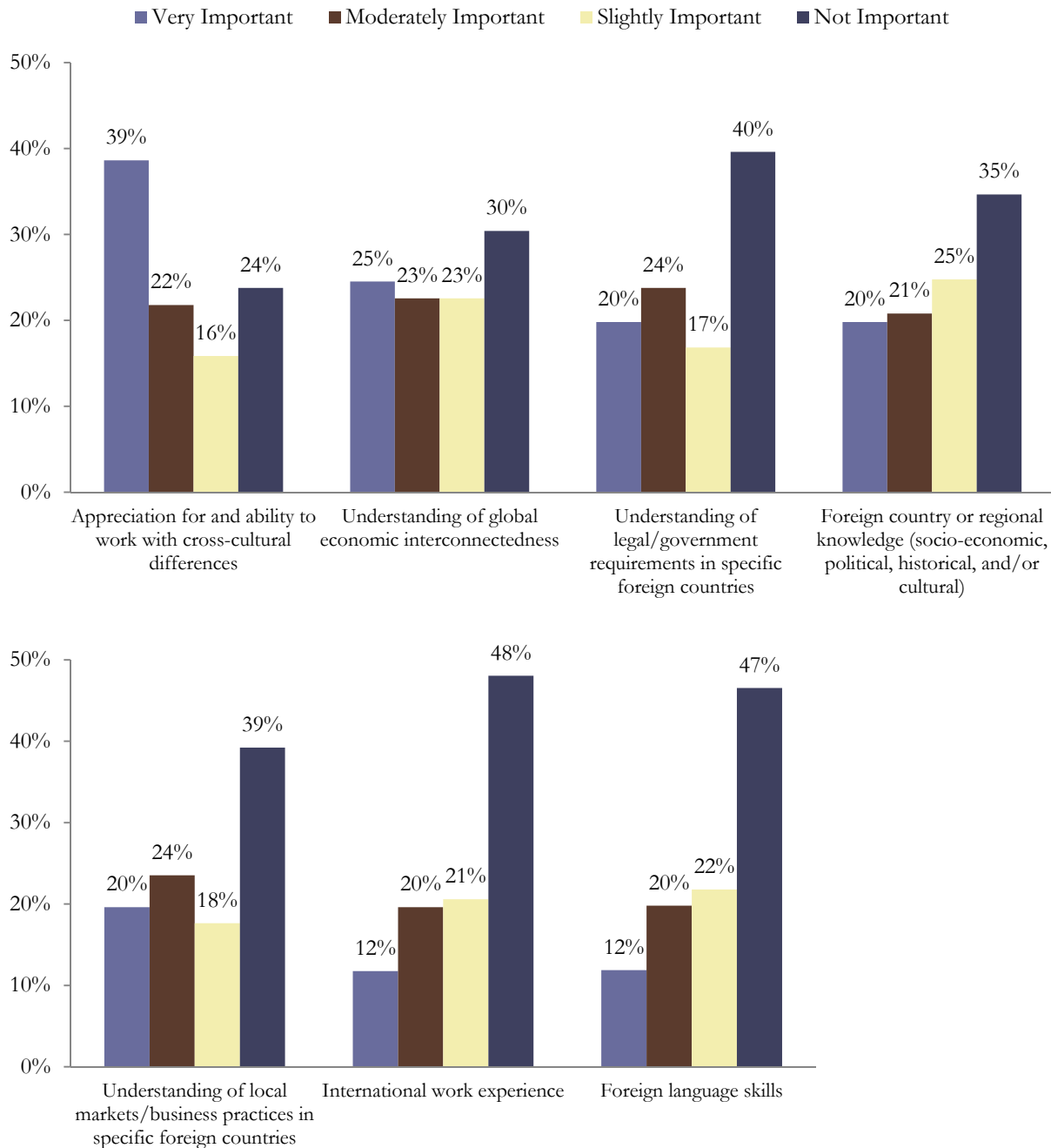
For a business's line managers, the following international skills were the most commonly stated as being moderately or very important: appreciation for and ability to work with cross-cultural differences; understanding of global economic interconnectedness; and understanding of local markets/business practices in specific foreign countries (see **Figure 19**).

Figure 19: How important is it for your line managers to have the following basic international skills/knowledge?



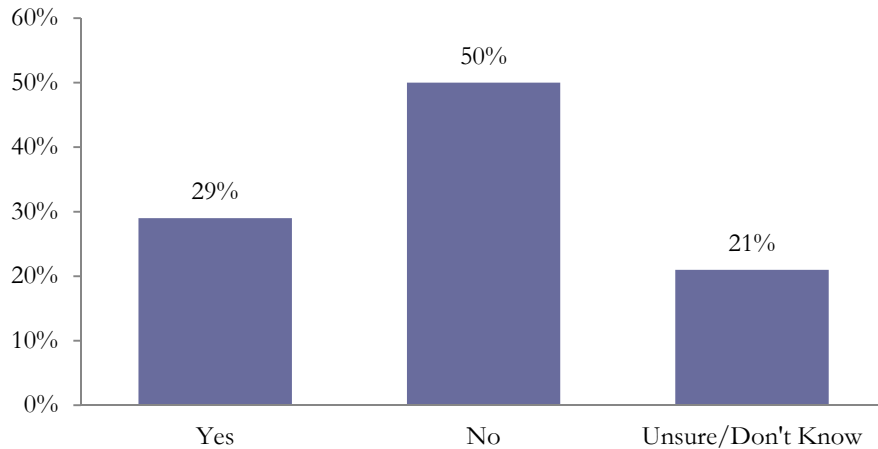
For a business's professional staff, the following international skills were the most commonly stated as being moderately or very important: appreciation for and ability to work with cross-cultural differences and understanding of global economic interconnectedness (see **Figure 20**).

Figure 20: How important is it for your professional staff to have the following basic international skills/knowledge?



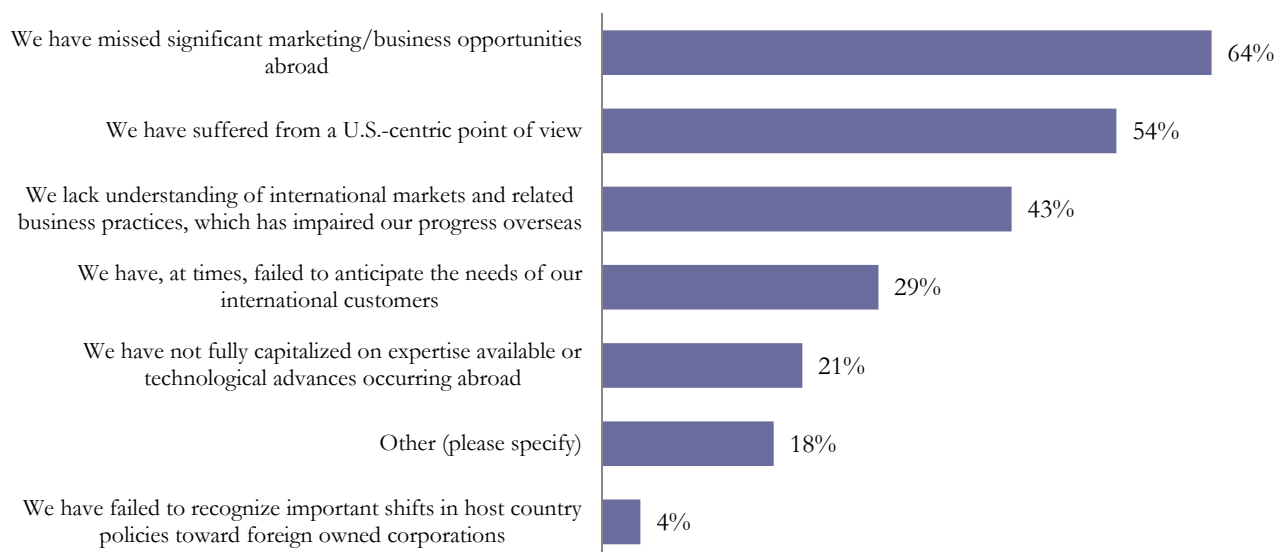
Although 50 percent of businesses surveyed did not believe their firms had failed to exploit international business opportunities due to a lack of international expertise, 29 percent of businesses did indicate that they believed opportunities had been missed (see **Figure 21**).

Figure 21: In the past five years, do you believe that your firm has failed to fully exploit any international business opportunities due to a lack of international expertise or competence among your personnel?



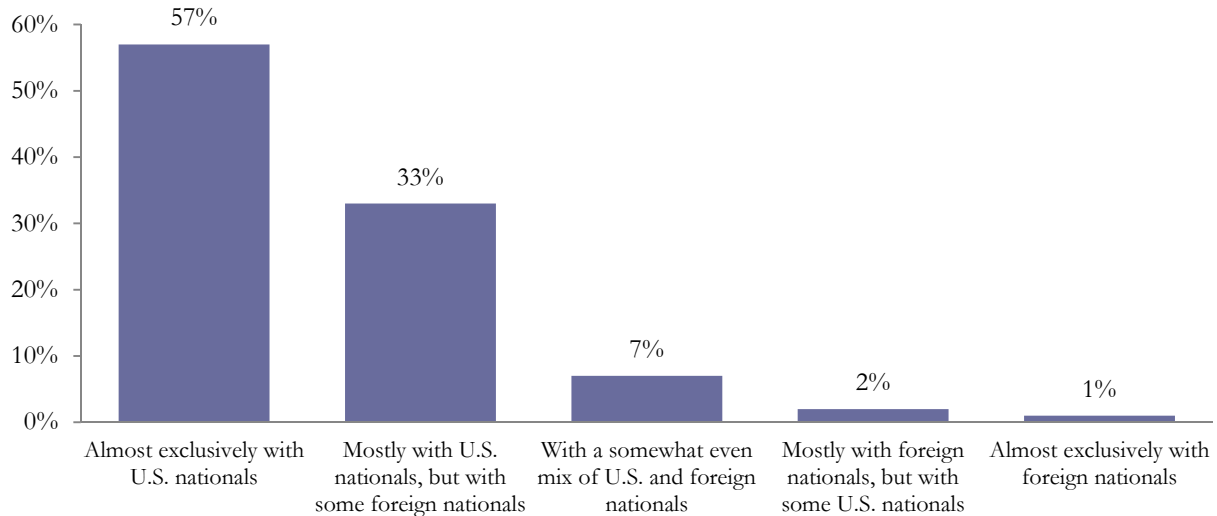
Among those businesses answering that opportunities had been missed, the following reasons were most commonly cited as reasons why: missing significant marketing/business opportunities abroad; suffering from a U.S.-centric point of view; and lacking an understanding of international markets and related business practices (see **Figure 22**).

Figure 22: If you answered 'yes' to the previous question, in what way or ways has insufficient international competence affected your firm?



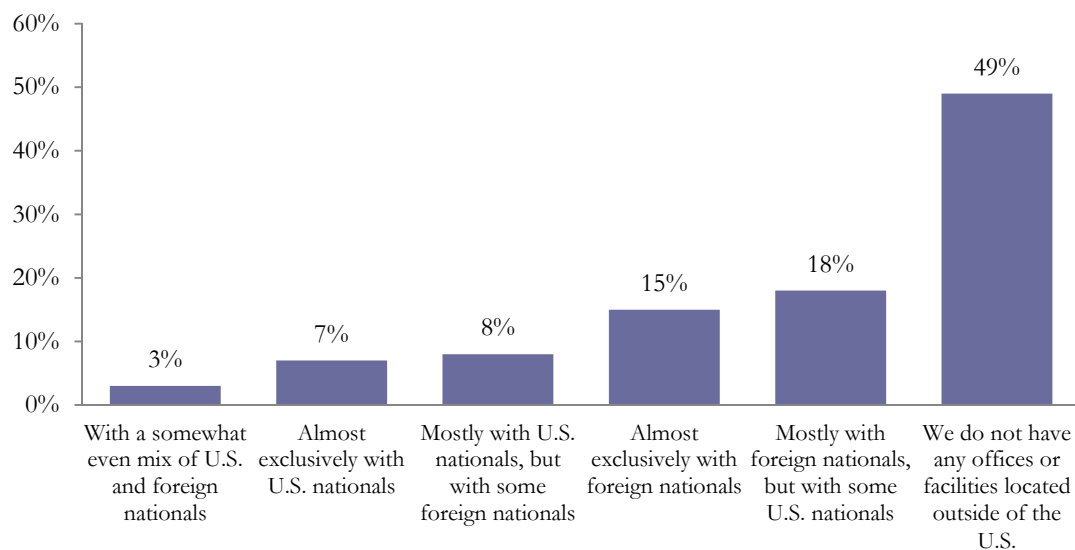
Most of the businesses surveyed rely primarily on U.S. nationals to manage their international business efforts (see **Figure 23**).

Figure 23: In your U.S.-based offices or facilities, which of the following responses best describes the way your firm staffs management positions that are related to your international business operations?



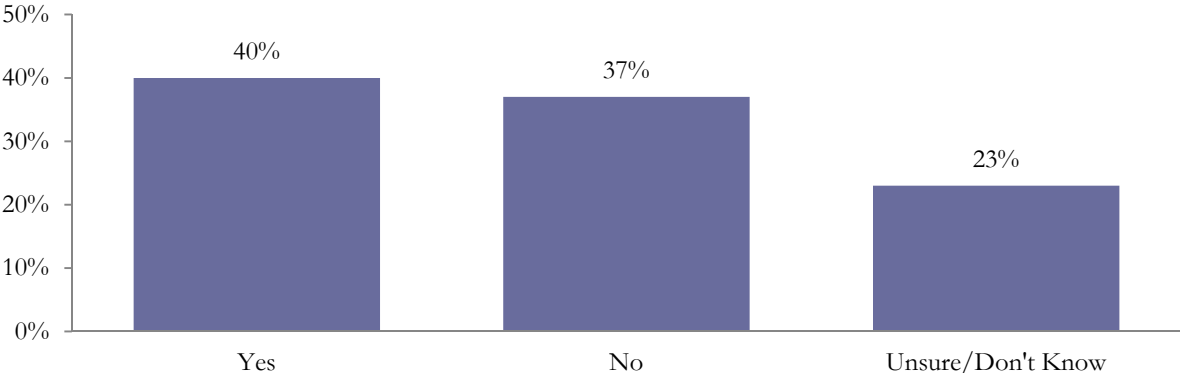
Forty-nine percent of businesses indicated not having any offices or facilities located outside of the U.S. For those with internationally located businesses, 33 percent indicated hiring mostly or exclusively among foreign nationals to staff management positions overseas (see **Figure 24**).

Figure 24: In your offices or facilities located outside of the U.S., which of the following responses best describes the way your firm staffs management positions that are related to your international business operations?



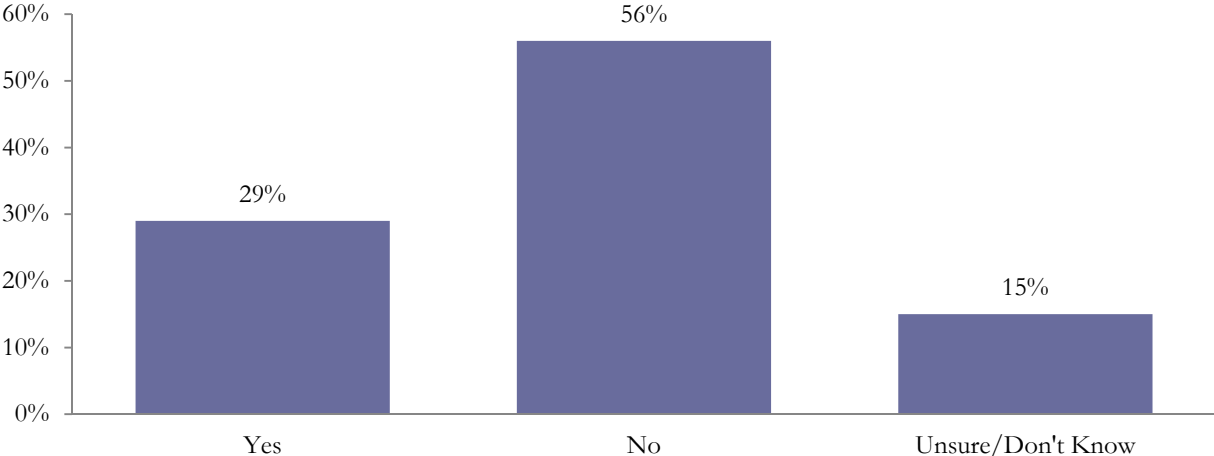
Forty percent of businesses indicated needing to take steps to improve international business competence, whereas 37 percent of businesses indicated this was not the case (see **Figure 25**).

Figure 25: Do you think your firm needs to take steps to improve its international business competence?



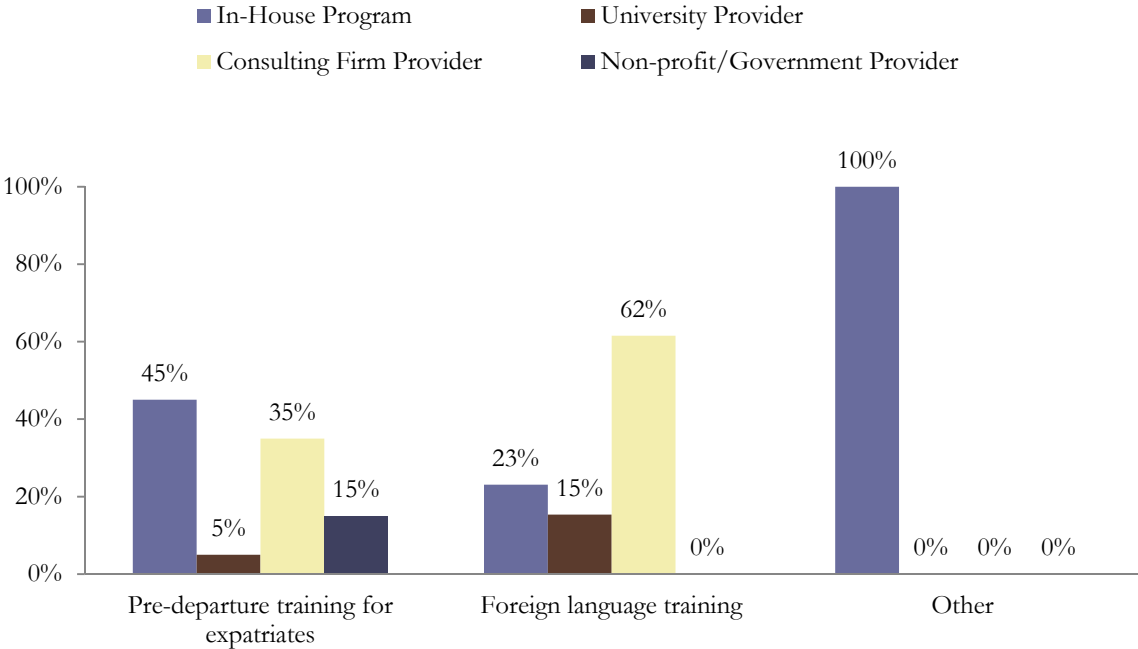
Furthermore, 56 percent of businesses indicated not having engaged in any sort of programs to improve international business competence, while 29 percent of those surveyed indicated having taken steps to improve international business competence (see **Figure 26**).

Figure 26: Has your firm already engaged in programs designed to improve international business competence?



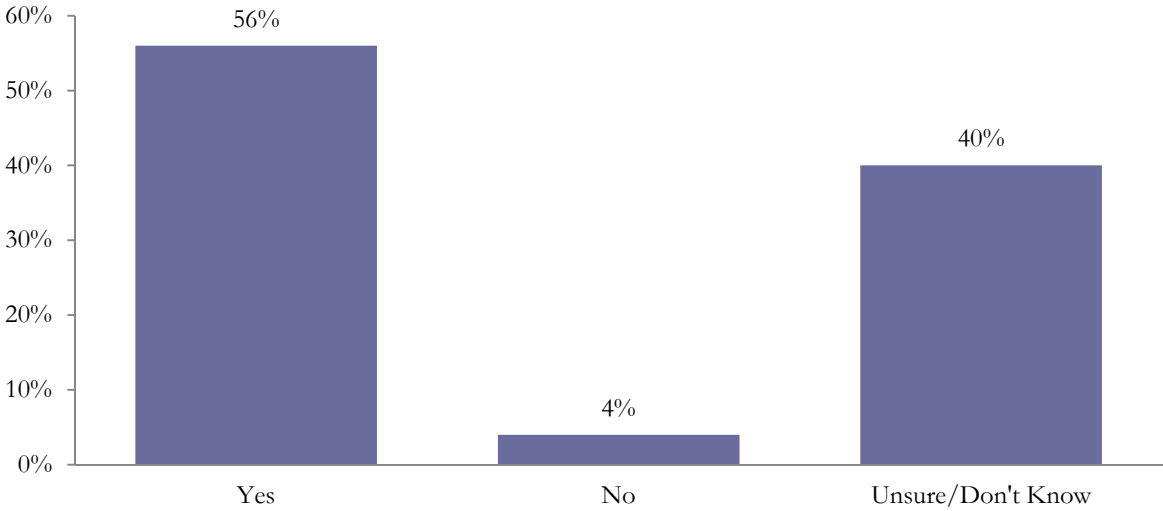
In-house programs are overwhelmingly the most common strategy used by businesses in our survey to improve international competence among their staff, followed by the use of consulting firm providers (see **Figure 27**).

Figure 27: Below is a list of common programs that firms use to improve the international competence of their staff. If your firm has employed any (or all) of these types of programs, please indicate the type of providers your firm used for the program.



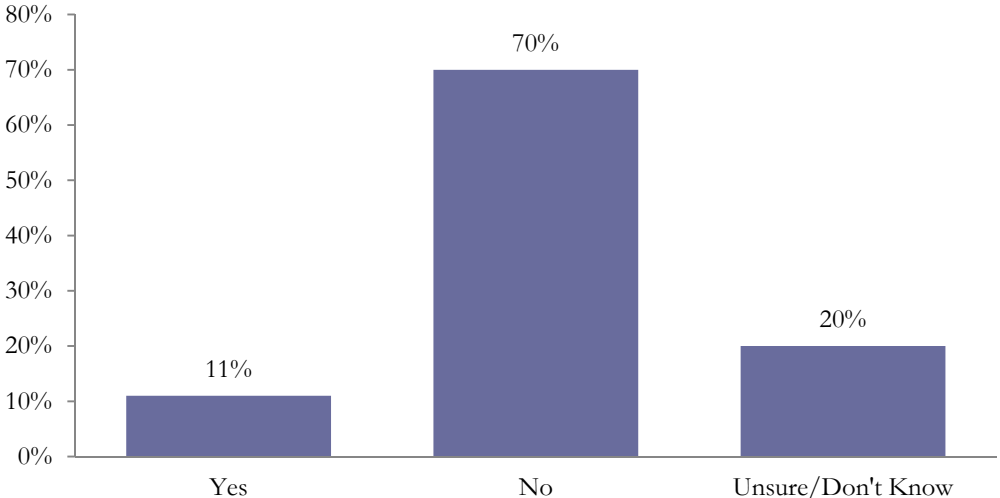
Overall, 56 percent of businesses indicated that the strategies mentioned in the previous graphic met their international business needs, while 4 percent indicated that they did not, and 40 percent were unsure or did not know (see **Figure 28**).

Figure 28: Have the programs mentioned above met your international business needs?



A clear majority of businesses in our survey indicated not having used university business schools or other university programs to assist in the development of their international business practices (see **Figure 29**).

Figure 29: Has your firm used university business schools or other university international programs as a resource to assist in the development of international competencies?



Respondent Demographics

As **Figure 30** illustrates, respondents primarily occupied the roles of directors, VP or C-level employees (40 percent), or managers/supervisors (28 percent).

Figure 30: What is your role or title?

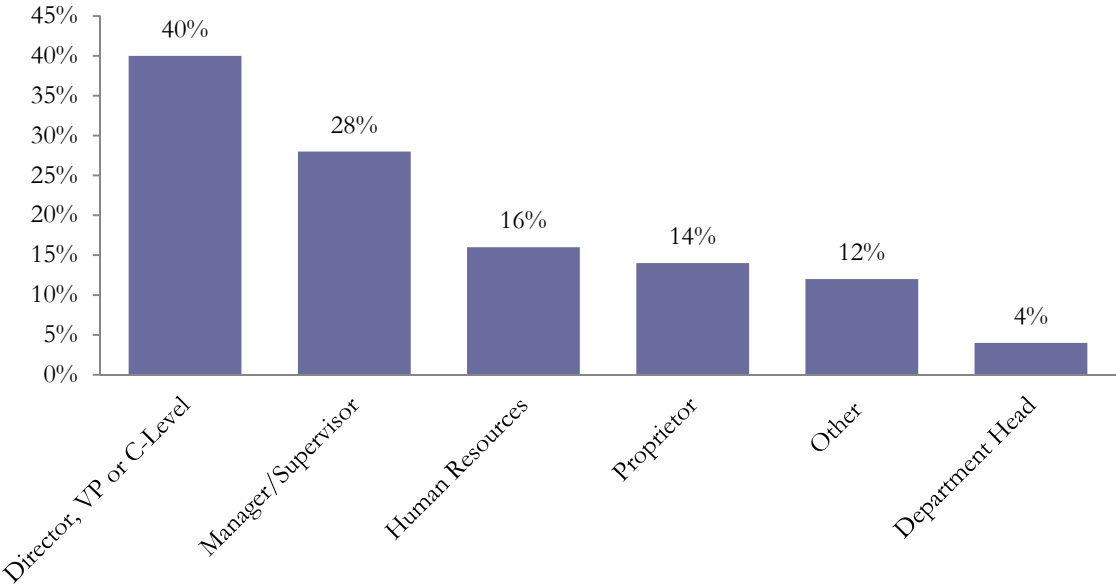
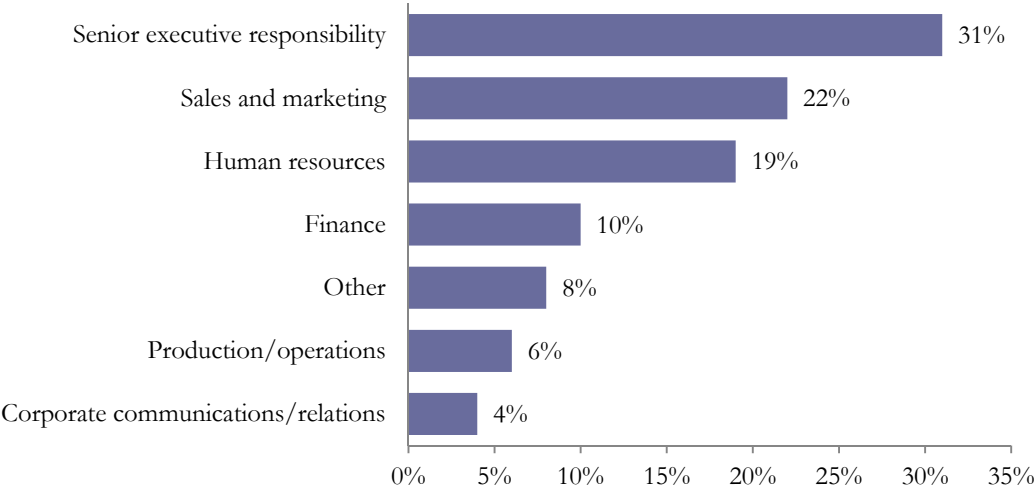


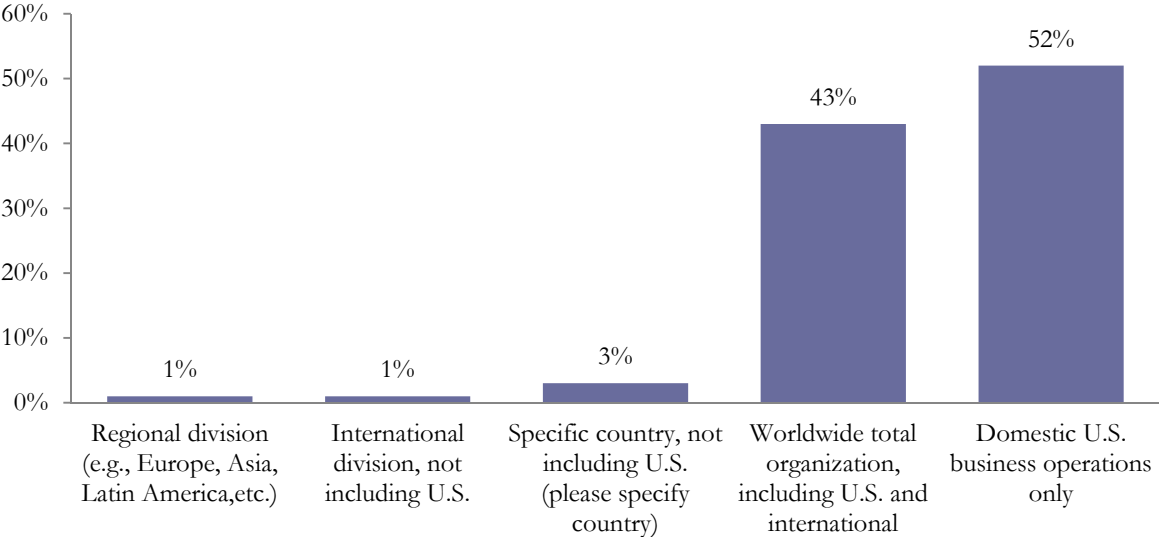
Figure 31 shows the job responsibilities among respondents were primarily concentrated in senior executive responsibilities (31 percent), sales and marketing (22 percent) or human resources (19 percent).

Figure 31: How would you describe the functional scope of your primary job responsibilities?



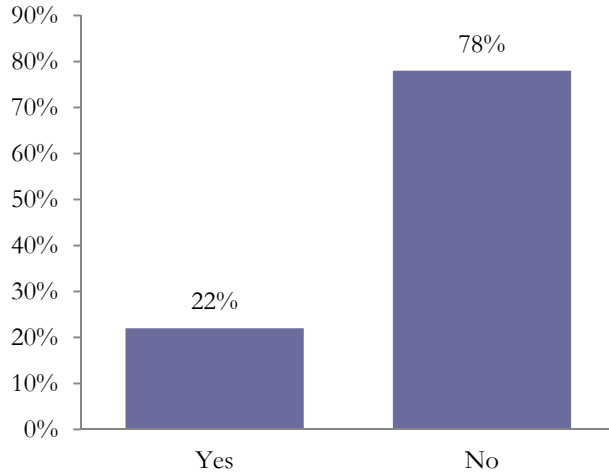
Fifty-two percent of respondents worked in domestic U.S. business operations only, while 43 percent of respondents indicated having some worldwide/international business responsibilities (see Figure 32).

Figure 32: How would you describe the geographic scope of your primary job responsibilities?



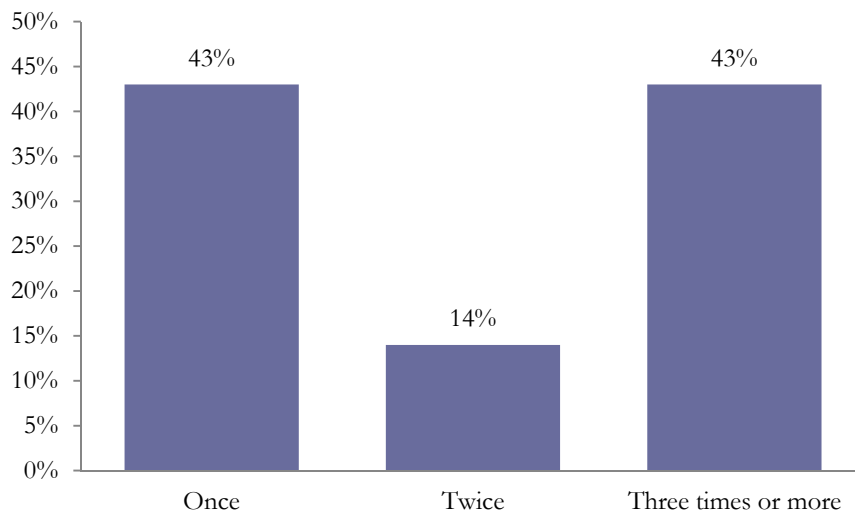
Overall though, the majority of respondents (78 percent) have not held international assignments (see **Figure 33**).

Figure 33: Have you ever held an international assignment(s)?



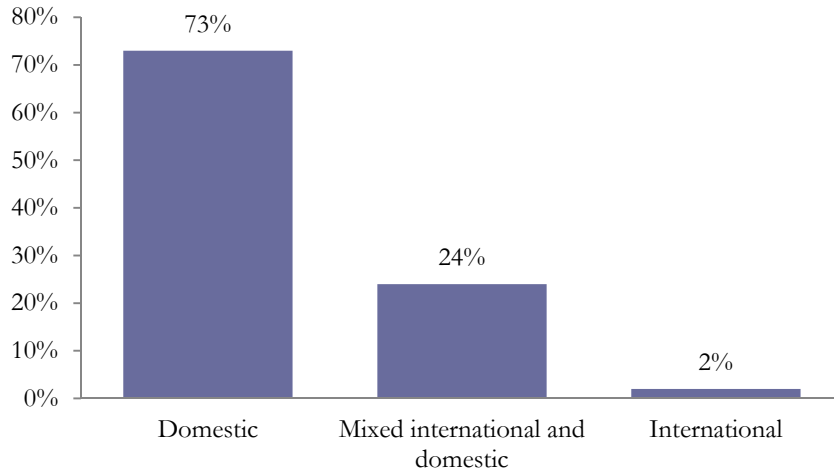
Among those that answered yes in the previous graphic, 43 percent of respondents have worked abroad once, 14 percent worked abroad twice and 43 percent worked abroad three times or more (see **Figure 34**).

Figure 34: If you answered 'yes' to the previous question, how many times have you worked abroad?



Seventy-three percent of respondents indicated having primarily domestic careers to this point (see **Figure 35**). Fifty-five percent indicated hoping to remain having domestic careers, while 37 percent would like to have mixed international/ domestic experience going forward.

Figure 35: Which of the following best describes your career in terms of assignments you have had in the past?



Sixty-two percent of respondents do not speak any foreign languages. Fifteen percent speak Spanish, but no other language is spoken by more than 8 percent of respondents (see **Figure 36**).

Figure 36: Other than English, which language(s) do you speak?

