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Foreign trade & human resources: challenges resulting from internationalisation

For Austria as a small open economy, suitable competences and skills of employees active in the international business field represent major location and success factors. On the one hand, this includes the field of foreign language and intercultural knowledge, on the other hand, however, and very essentially it also includes the know-how about international business connections, specific knowledge and soft skills acquired due to cooperation with foreign partner companies (supplier companies, subsidiaries, customers abroad, etc.) as well as the willingness to be mobile and travel. What is the economic significance of the mentioned knowledge and competences for companies, or phrased the other way round: what does a deficit of this knowledge and these skills mean for companies and their economic success? How are students prepared for these challenges? Is any use made of the foreign language know-how and intercultural competence of people with a migration background?

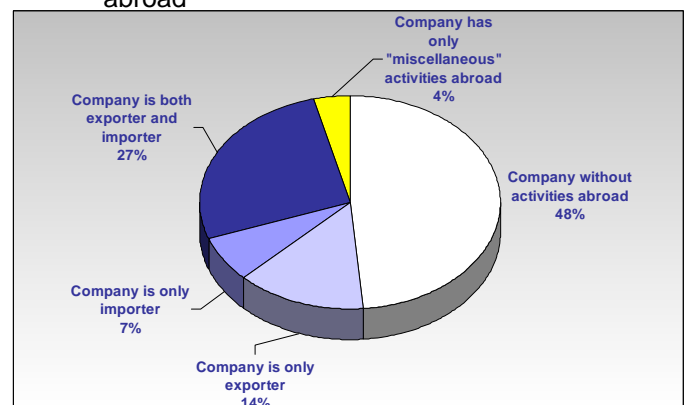
Background information about the degree of internationalisation of the Austrian economy¹

The ibw's representative primary survey on which this study is based and that was conducted among some 1,200 companies of the private sector² shows the high degree of internationalisation of the Austrian economy: According to the study, **about half of the Austrian companies** (with at least one gainfully employed person) **are engaged in business relationships with other countries³ (with foreign trade – i.e. exports and/or imports – predominating)**. Some 50,000 companies report export revenues of EUR 150,000 or more. One in five companies with activities abroad is active worldwide, and one in two companies is also active outside the EU.

Companies with activities abroad employ some two thirds of the entire workforce (and **one in two employees in the Austrian private sector is active in a company that also exports goods/services**). One third of these employees are mainly or at least occasionally/sporadically active in the international business sphere. Overall these are approx. 500,000 people. Their qualifications, competences and skills therefore provide an important basis for the business location Austria. Although - as can be expected - the management is most strongly involved in international business activities, this also applies to many employees in the fields of administration and distri-

bution/sales. Staff in production are naturally least active in international business.

Fig. 1: Distribution of companies by type of activities abroad



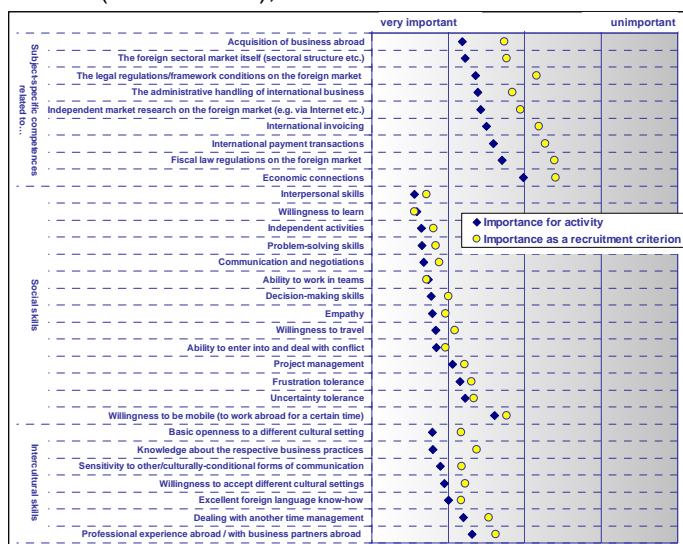
Source: ibw company survey 2009

Skills and competences necessary for employees in the international business sphere

The study illustrates the specific competence requirements on this staff in the international business sphere: on the one hand, this concerns the field of foreign languages and intercultural knowledge and skills, on the other hand, however, and very essentially it also concerns the know-how about international business connections, specific knowledge and soft skills acquired due

to cooperation with foreign partner companies (supplier companies, subsidiaries, customers abroad, etc.) as well as the willingness to be mobile (the willingness to travel as well as mobility in the sense of a medium- or longer-term stay abroad in one company branch or at partner companies in another country, etc.). It is precisely the consistently high importance of these individual aspects (cf. fig. 2) that illustrates that only a combination of all three dimensions of intercultural competence (intercultural knowledge, intercultural sensitivity and intercultural capacity) can be understood as overarching international capacity in conjunction with specialist competence. From the viewpoint of companies, there are competence deficits in all fields - although on average across all companies they are not very pronounced.

Fig. 2: Importance of various competences for employees primarily active in international business (mean values);



Source: ibw company survey 2009

Nevertheless there are **many companies that do not fully exploit their business potential abroad**: some 80% of companies that have already had business relations with foreign countries in the past (these are some 90,000 companies with about 700,000 employees) perceive considerable growth potential regarding their exports. Three quarters of all companies for which production abroad is of relevance state that they are far from exploiting the potential. **Reasons for this under-exploitation** of potential are manifold. As well as lacking own distribution structures and/or trade partners abroad (50% of companies with not fully exploited potential), non-competitive products/services (25% of companies), credit/financial restrictions (20% of companies), **lacking qualifications and skills of staff** also play a considerable role: Some 40% of companies with activities abroad stated lacking skills of employees as one relevant reason - in absolute figures these are around 60,000 companies with about 400,000 employees (about one third of com-

panies have insufficient information about the respective foreign market; one quarter of companies state lacking/inadequate foreign language skills of their staff). In another 5,000 companies with some 45,000 employees - which although they have not yet established any business contacts to foreign countries, they did strive in the past to set up such contacts - lacking competence and skills of staff are also the reason why no exports have been realised to date. **The potential annual exports lost due to lacking competences of staff total some EUR 7.7 billion.** Without these competence deficits, Austrian exports last year therefore would have been about 6% higher than they actually were. It follows that the enhancement of the staff's competences and skills represents one major decisive factor for increasing export revenues.

These lacking or obviously insufficient qualifications and competences of staff continue to exist despite high **entrepreneurial commitment in the fields of continuing education and training and/or recruitment measures**: when recruiting new employees, about half of all companies with activities abroad make sure in particular that they meet the requirements necessary for successful business activities with foreign partners. Another extremely important measure are foreign language courses: slightly over 40% of companies that pursue activities abroad have conducted such courses. About one third of companies have also carried out continuing training measures on business negotiations/presentation skills and/or employ/recruit people with a migration background to take advantage of their language skills and cultural competences. Around one quarter of companies with activities abroad recruit temporary specialists (e.g. interpreters) or have carried out continuing education and training measures in the field of subject-specific competences (such as "specialist courses" in international accounting, tax provisions in the respective country, etc.). And in about one fifth of companies, continuing education and training has been held in the field of personal development/soft skills (courses to raise intercultural competence) as well as continuing training in the sense of acquiring cultural knowledge about other countries.

This means that 80% of companies with activities abroad have taken some form of continuing education and training and/or recruitment measures. They are also highly satisfied with these measures and the data reveals the following: **continuing education and training as well as recruitment measures raise the staff's competence and skills level and thus help improve exploitation of the companies' export potential.** The contradiction between high entrepreneurial continuing training commitment and obviously still lacking competence and skills among staff is possibly due to an insufficient degree of continuing training pursued per employee. This calls

on all actors involved: companies, staff, as well as the public sector in the field of initial vocational training and the promotion of continuing training.

The reasons why quite a few companies have to date either not conducted any continuing training measures at all and/or are not planning to carry out any (further) measures, are first and foremost in lacking need, as they are fully satisfied with their staff's competence and skills (applies to 50% of relevant companies). But also cost arguments, problems with the use of staff capacities ("employees have no time for continuing training due to their workload") and difficulties regarding motivating staff for continuing training are mentioned. Some companies additionally hold the view that competences in the professional field of international business cannot be learned in courses.

But the public sector can also help enhance the international business potential. Because almost three quarters of companies wish **public support for their internationalisation activities**. Of particular relevance are basic advice about the respective foreign market (market/sector information, contact arrangement, etc.), support in the search for sales channels and partners, support in financing, and information about intercultural/foreign language challenges in the various countries. And this need for public support is proven across all company characteristics: companies of different sizes, sectors and differing degrees of involvement in foreign business have expressed corresponding need for support.

How important additional activities - both on the side of companies, employees, and the public sector - are, can be derived from the companies' assessment of the **increased importance of internationalisation**: because in the future this will increasingly affect practically all company units.

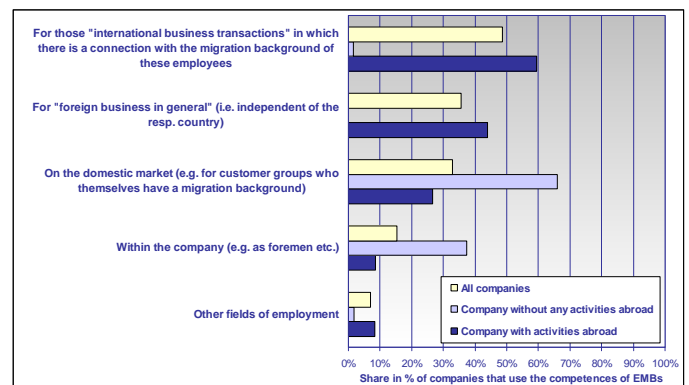
Using the migrants' potential

A large number of people with a migration background live and work in Austria. According to data of the 2008 microcensus, **some 540,000 employees in the private sector** (not including agriculture and forestry and the public sector) have a **migration background**. Their foreign language know-how and intercultural competences constitute valuable resources for entry into new markets. According to the ibw company survey, the share of companies in the private sector that employ PMBs (persons with a migration background) is over 30%. Two thirds of all EMBs (employees with a migration background) are active in companies that pursue activities abroad.

In half of all companies with EMBs, these people's language skills and cultural competences are also explicitly used, with a pronounced degree of use of these skills being observable **particularly in companies**

with activities abroad. 60% of companies use EMBs for doing business abroad which is connected with these people's migration background. "Foreign business in general" comes in second place (almost half of these companies). But the domestic market (e.g. for customer groups who themselves have a migration background) is also one area where they are employed (in one quarter of companies with activities abroad). By comparison, the explicit use of the EMBs' language skills and intercultural competences in companies without any business relationships to foreign countries is completely different: in these companies, the domestic market (in two thirds of these companies) and the firm itself (in about one third of companies) represents the main field of activity (cf. fig. 3). In addition, it is obvious that companies that explicitly use their EMBs' foreign language skills and intercultural competences also tend to better exploit their export potential.

Fig. 3: Activity fields of EMBs whose language skills and intercultural competences are used by companies; broken down by the companies' degree of internationalisation



Source: ibw company survey 2009

Note: Only companies that employ PMBs and explicitly use their language skills and intercultural competences.

Companies that pursue activities abroad employ clearly more PMBs in distribution, sales, marketing, logistics, R&D, and management than companies that have so far not established any business relationships with foreign countries. It follows that the former obviously frequently offer EMBs better job prospects in terms of activity fields than companies who have no business relationships abroad.

From the viewpoint of companies, difficulties when recruiting immigrants are mainly found in the legislation on foreigners/employment of foreign workers and in the applicants' lacking qualifications. By contrast, only one third of companies indicate particular challenges in the employment of immigrants. The reasons why more companies do not use their EMBs' skills are, on the one hand, that "there has not yet been any opportunity", but often also their lacking command of German and some-

times lacking specialist qualifications. This practically applies only to companies that are solely active on the domestic market.

Higher education graduates and internationalisation

In the context of increasing internationalisation, HE graduates represent a particularly relevant group of employees for companies. It is them in particular who, due to their professional positioning in project management, managerial positions, as well as in technical and commercial fields, etc. increasingly operate at an international level.

The company survey reveals that **for most of the study focuses, companies require and also demand knowledge of international business**. And these requirements on HE graduates are even higher than on other employees in the international business sphere.

On the basis of a representative student survey⁴ among some 1,900 students (at universities and in Fachhochschule programmes) the following findings were collected: although the majority of students are found to be open towards other cultural settings; highly prepared to be mobile; have good command of English; and show a fundamental interest in international business topics and connections, **HE students of today demonstrate substantial deficits regarding their degree of information and level of knowledge about international business topics and connections**: because only about half of students see themselves (according to their own self-assessment) sufficiently informed about these topics; in addition, only about half of them passed the ibw knowledge test of their basic skills and knowledge regarding the subject of international business.

Conclusions

The Austrian business sphere's high degree of internationalisation requires companies and employees to have a high level of specific competences, skills and knowledge (foreign languages, subject-specific knowledge for foreign business activities, soft skills, and intercultural competences) in order to be successful. This affects staff in all company units (from the management to the production level) - primarily those who are active in the international business sphere. Due to the increasing importance of internationalisation, however, this will affect ever widening circles of employees. Regarding qualifications and skills it can be stated that, despite comprehensive entrepreneurial measures (continuing education and training, recruitment), deficits persist, which are reflected in an annual export loss of around

EUR 7.7 billion. It is true that particularly companies that pursue activities abroad often (also) take advantage of the language and intercultural competences of their employees with a migration background - but there are still difficulties with recruitment due to the legislation on foreigners/employment of foreign workers and the applicants' lacking qualifications (apart from specialist knowledge this frequently concerns lacking command of German). High requirements are made on HE graduates in particular - and this is often independent of the study focus. But their degree of information and level of knowledge about international business topics and connections must in many cases be rated as merely insufficient.

Activity options include not only improved initial vocational education and training programmes (such as courses, lectures, etc. for "all" students on the thematic field of international business), but also in particular continuing education and training in the segment of international business (ranging from subject-specific courses to programmes of intercultural learning) - whether in general more staff take part in such CET measures, or whether German language acquisition (but also business know-how in their first language - job-specific language learning) and specialist qualification is enhanced for people with a migration background.

The entire research study can be obtained from ibw in printed form (ibw-Forschungsbericht Nr. 152, ISBN 978-3-902742-12-4) or [online](#).

¹ It is true that there exists a wealth of different trade statistics about the volume and composition of exports and imports - but only rudimentary information can be found in official statistics about the share of Austrian companies pursuing foreign trade activities. Therefore this ibw survey also collected major background information at company level.

² The survey was conducted in May/June 2009 and thus at a time when the international financial crisis had already had an impact on the real economy. Due to the study focus on qualification aspects, the majority of outcomes should not be substantially influenced by the crisis however. But impacts on the current situation cannot be excluded.

³ The following business relationships with other countries were enquired about: Internet-based international business / e-commerce, (indirect and) direct export and/or import of goods and/or services; the company has production sites/distribution subsidiaries and sales offices/joint venture(s) abroad; franchising abroad and/or with foreign companies; the company has project partners abroad.

⁴ The student survey was also conducted in May/June 2009.