

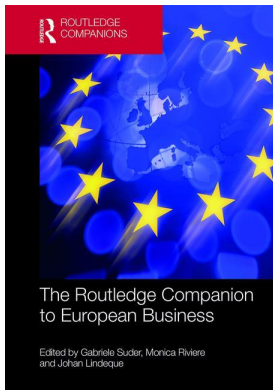
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# INTERNATIONAL COMPETENCIES FOR EUROPEAN SME GRADUATE EMPLOYEES

## A Dutch experience

*Louise van Weerden and Marjo Wijnen-Meijer*

### **Introduction**

The globalisation of the world's economy has made it possible for small and medium-sized enterprises (SMEs) to become global players (Oviatt and McDougall 1994; Reynolds 1997). In 2016, non-financial SMEs in the EU-28 accounted for 99 per cent of all business and are considered a major source of economic growth (European Commission 2017). They represent 67 per cent of total employment and create 8 per cent of gross value added (Kalinic and Clegg 2017). Since exporting is the most common mode of SME's internationalisation, export performance is regarded as one of the key indicators of the success of a firm's operations. In fact, SMEs are key generators of export in many EU countries, with medium-sized enterprises (50–249 employees) accounting for the largest average export value per exporting SME (Eurostat 2014). In 2011, almost 81 per cent of EU exporting enterprises outside the EU were SMEs, with Italy, France, Spain and Germany as the leading countries accounting for over 50 per cent of total EU SME exports (Eurostat 2014).

Due to its geographical position and the small home-market of its economy, export is essential for economic growth in the Netherlands. In 2015, 26 per cent of Dutch SMEs contributed to the export income in the Netherlands (CBS 2016). Moreover, 10 per cent of Dutch companies were exporting in 2010, while the European average was between 6 and 7 per cent. In 2015, five EU countries were responsible for 55 per cent of total Dutch exports: Germany (23%) being the most important trade market for Dutch firms, followed by Belgium (10%), the United Kingdom (9%), France (8%) and Italy (4%) (CBS 2016). Export to non-EU countries such as the United States, Switzerland, Norway and Turkey has increased in the past years. The share of exports in the Gross Domestic Product (GDP) of the Netherlands amounts to almost 80 per cent, which is particularly due to the phenomenon of re-exports: goods that are on transit through the Netherlands, are factored into the Dutch trade statistics, and account for about 50 per cent of Dutch exports. By comparison, Germany, one of the largest net exporters in the world, has a share of only 50 per cent.

An important initiative of the EU is The Small Business Act for Europe (SBA), which aims to support SMEs through a set of policy measures ranging from entrepreneurship to internationalisation (European Union 2017). The internationalisation measures, covered by almost all EU member states, involve incentives to stimulate trade missions and export support programmes on specific (e.g. legal, financial, linguistic) issues. An overview of the performance measured by SBA indicators between 2011 and Q1/2016 shows that most policy measures aimed at supporting SME network building (European Union 2017).

Despite the differentiated EU trade policies and export measures (Cernat et al. 2014), only 25 per cent of EU-based SMEs were engaged in export activities and an even smaller share of SMEs (7 per cent) exported outside the EU. Consequently, there are still many SMEs with untapped export potential. Internationalisation poses difficulties for these firms due to, among others aspects, the lack of scalable business models, the financial resources required and the process of selecting international business partners. One SME-specific barrier is the human resources constraint (Hessels and Parker 2013): the lack of requisite managerial skills, employee qualifications, knowledge and time (Cernat et al. 2014). This illustrates that, together with internationalisation, human resource management is becoming more global and complex as well (Schuler 2000).

European companies find it difficult to match their managerial skills with the specific organisational and cultural contexts of foreign companies (see Chapter 19 by Latukha in this book). Given the fact that many SMEs often lack resources for development the talent of their employees, especially in comparison with larger organisations (Hill and Stewart 2000; Chapter 18 by Mikhaylov in this book), it is particularly important that their employees are adequately equipped for carrying out their international duties. The employment of recent graduates, trained at institutions of higher education, allows SMEs to access to young talents (their future export managers) for international starting positions.

One of the goals of higher education is to equip students with the knowledge and skills within the domain of their future profession. Given the growing need of exporting SMEs for graduates with degrees in international business, the preparation of students for their first export job is crucial. Consequently, business educators need to have a clear understanding about the competency requirements that create value in the SMEs' internationalisation processes. A better understanding of these international competencies will facilitate a smooth transition from education to an international starting position.

This chapter aims to describe the international competencies paramount to the starting export professional in his/her first international job. Following a discussion of the relevance of international competencies for European SMEs, it describes an empirical study among Dutch SME employers about their expectations from graduates in their first export job.

### **Competencies for internationalising SMEs**

Empirical studies illustrate the importance of networks for SMEs' internationalisation processes (Ojala 2008; Dragoni et al. 2009; Bucker 2013) as their engagement in long-term relationships provides them quicker access to market knowledge, resources, further alliances and new international markets through a joint marketing infrastructure (Forsman et al. 2002; Lages et al. 2004; Sousa et al. 2008). In order to identify business opportunities in international markets (Chandra et al. 2009), managers require knowledge, attitudes and skills to build and manage cross-border relations with potential business partners (Johansson and Wiedersheim-Paul 1975; Johansson and Mattsson 1988; Myzychenko 2008). Purhonen (2012) contributed to a better understanding of these skills by analysing networking as the interaction between companies globally. Acquiring

market knowledge through interaction with other experienced internationalised firms implies that export managers should have a proactive attitude towards networking.

Obviously, a firm benefits from relationships in networks only when its managers can communicate effectively across the globally positioned network partners, which is complicated because of cultural differences (Trompenaars and Hampden-Turner 1998). Therefore, firms need export managers who serve as cultural liaisons (Bucker 2013). According to many academic and business authors, the key success factor of global managers is their cross-cultural competency (Davies et al. 2011; Bucker 2013). While there are a number of definitions of cross-cultural management (Bennett 1984; Phipps and Gonzalez 2004; Sercu et al. 2005; Dearthoff 2008), the concept generally relates to the individual's ability to function effectively with people from different cultures (Gertsen 1990) and is summarised by Byram as 'being able to interact with people from another country and culture in a foreign language' (Byram 1997, p. 71). Consequently, the concept of cross-cultural management can be considered as an interdisciplinary human resources field concerned with management and effective communication across borders.

On a European level, too, the interaction between people and their respective cultures is important as the encounter of cultures may lead to misunderstandings, compounded by a lack of foreign language skills, and present an impediment to the economic development of the EU. The exchange of opinions between different cultures, the intercultural dialogue, stimulates a growing awareness of different cultural identities and engenders openness and respect for other people (Council of Europe 2008). This explains why it is one of the main objectives of the EU cultural policy in the field of education, multilingualism, culture and integration.

On the level of enterprises, various studies on the skills of potential new hires have argued that teamwork, effective communication and building interpersonal relationships are among the qualifications that employers value most for future managers (Rodriguez et al. 2002; Hart 2006). In their research, Davies et al. (2011, p. 9) observe that:

in a truly globally connected world, a worker's skill set could see them posted in any number of locations—they need to be able to operate in whatever environment they find themselves. This demands specific content, such as linguistic skills, but also adaptability to changing circumstances and an ability to sense and respond to new contexts.

Vonk (2006) underlines the relevance of international competencies for Dutch and German exporting companies. In his study, SME directors in the Netherlands and Germany were asked to assess the importance of various competencies for international business graduates in their first international position. Compared to the German respondents who valued highly professional and intercultural competencies, the Dutch respondents considered the social competencies to be more important. This difference may be explained by the focus of German professional education on the acquisition of knowledge and technical skills, whereas Dutch professional education is generally more profession-oriented with a focus on the acquisition of practical skills and experience (Vonk 2006). According to Dutch and German entrepreneurs, export managers must be 'a jack-of-all trades': on the one hand, they must master the basics of business knowledge about marketing and management, write export plans and speak several foreign languages. On the other hand, they must be team players who excel in setting up and maintaining international relationships with potential business partners in other countries (Vonk 2006). Consequently, the success of SMEs' internationalisation depends very much on the quality of its globally competent managers, who must have the required skills, business knowledge and attitudes to adapt quickly to international business and cultural contexts (Hutchinson et al. 2006).

This implies that business educators must train students in a large array of skills, attitudes and relevant knowledge (Laguador and Ramos 2014; Sharma 2015) related to the graduates' effective interaction and personal adjustment in the context of international business (Jackson 2009). Employers expect business educators to provide bilingual graduates with specific social and intercultural competencies for operating in a global economy (Hutchinson et al. 2006; Treleaven et al. 2007). This call for investment in soft skills presumes a disconnect between competencies acquired in school on the one hand and employer needs on the other (Vonk 2006; Jackson 2009), as illustrated in growing research on education and competency mismatch of graduates (Vonk 2006; Green and McIntosh 2007; Islam et al. 2015; Peng et al. 2016).

### **Competencies for graduates in international business**

The success of graduates on the global labour market specifically calls for a greater investment in new basic skills such as digital literacy, social competencies, entrepreneurial skills and language learning in higher education programmes (European Commission 2016). Therefore, the EU has instituted several training programmes (see the New Skills Agenda, 2016) with The Junior Achievement Europe as the largest provider of educational programmes (3.5 million students were involved in 2015). This programme promotes work readiness among students across all levels of education and is designed to forge close cooperation between educational institutions and business communities as well as governments to ensure that students acquire the skills and competencies required to succeed in a global economy. Another leading program is the Erasmus Programme (**E**u**R**o**e**p**e**n **C**o**m**munity **A**ction **S**cheme for the **M**obility of **U**niversity **S**tudents), a popular student exchange programme launched in 1987 that fosters learning in and understanding of the host country. For many students, participation in the Erasmus programme is considered a great opportunity to study abroad and to socialise with people from other cultures. In so doing, exchange students improve their language proficiency and develop their social competencies as they become more open-minded towards other cultures.

The literature recognises that international competencies and practical experiences are key factors of successful future employability (Stan et al. 2016). Graduate employability can be conceptualised as a set of skills, knowledge and personal attributes that makes a person useful for the labour market (Knight and Yorke 2004). In the case of international competencies, knowledge refers to grasping general international business issues such as export management, marketing planning, financial regulations, cultural values and norms and customer procedures (Ogreaan et al. 2009). By 'skills' is meant the behavioural ability to acquire and develop specific skills over time – such as communication, team building and relationship management – to supervise effectively an international team or set up and maintain international business relations. Skills also refer to so-called strategic skills, such as problem solving, analytical thinking and planning (Ogreaan et al. 2009). 'Attitudes' refers, for example, to curiosity, taking initiative, open-mindedness, motivation, patience, empathy, respect for others and perseverance (Ogreaan et al. 2009). In the next section, we will discuss the conceptualisation of international relations competency as a driver for employability of graduates in international business.

### **International Relation Competency Model**

Based on the literature and empirical studies on relationship management (Bloemer 2009; Kuhlmeijer and Knight 2010; Purhonen 2012), we have developed the International Relation Competency Model, see Figure 17.1, to give insight into the crucial qualifications graduates need to function effectively in their first international job.

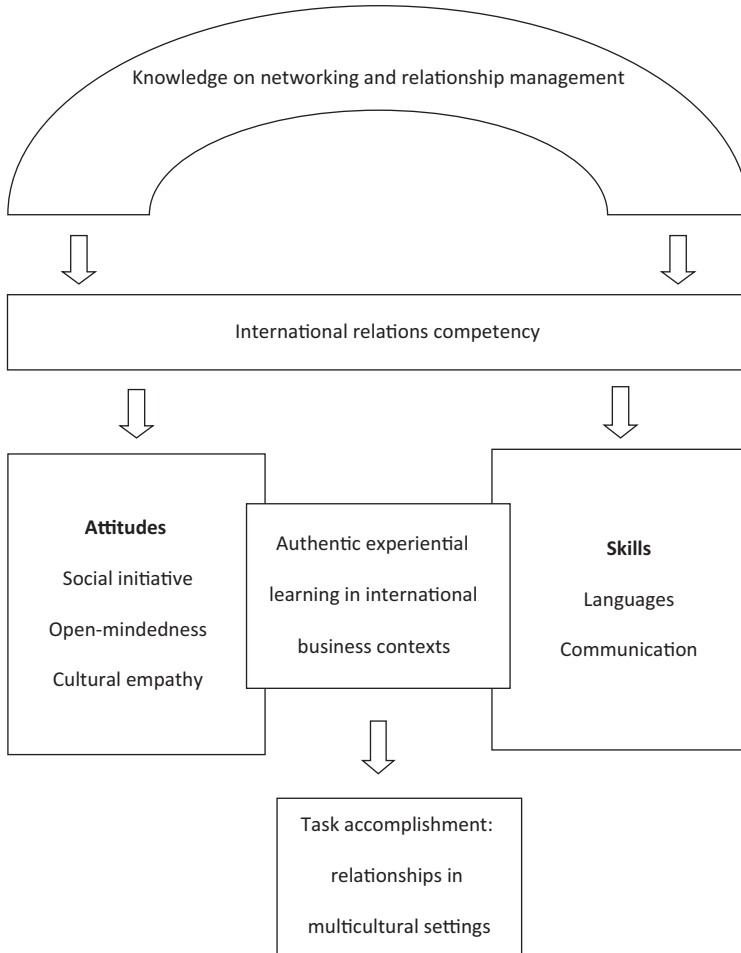


Figure 17.1 The International Relation Competency Model

A major task for the starting export professional is to realise international relationships in multicultural settings, which constitutes the learning outcome of the model. In the upper arch of the model, knowledge on networking and relationship management is presented as the necessary input for relationship building. The first dimension of the International Relation Competency concept is the starting export professional’s attitudes, such as social initiative, open-mindedness and cultural empathy. To build relationships, the starting export professional takes the initiative for social interaction with international business partners and has the ability to handle (un)expected differences while engaging with these potential business partners from dissimilar cultures, and negotiate their business motivations, needs and wishes (Davis 1983). These attitudes are also selected from an educational perspective, since business educators want to train students to become competent in building international relationships. We therefore selected only those attitudinal indicators that are trainable instead of predictors that appear to be more stable over experience and time and are therefore less trainable. Some studies on multicultural effectiveness empirically demonstrated that ‘stable’ competencies, such as emotional

stability and flexibility, are deeply embedded in the individual personality and hence difficult to develop, which is why they may constrain one's potential to develop a skill (Van der Zee and Van Oudenhoven 2000). The second dimension of the International Relation Competency concept refers to the export professional's ability to communicate in an effective and appropriate way which helps them to realise professional goals and tasks (Purhonen 2012). In their first export job after graduation, young professionals experience the importance of good communication skills as they learn that the same techniques may not work for all people in different cultural situations. Consequently, these communication skills go beyond ordinary foreign language skills and knowledge about other cultures (Knapp-Potthoff 1997). For instance, does the word 'yes' means 'yes' or does it follow the interlocutor's rules of politeness? And how does one interpret non-verbal signals in other cultures? These examples illustrate that good communication skills include the ability to listen, write and understand the specific language of foreign business partners to interpret their wishes as well as read non-verbal signals.

The development of selected attitudes and skills for students during their undergraduate education is enhanced by learning within the work context (Kim and McLean 2014). To prepare students for the global labour market, learning in authentic environments confronts students with realistic situations and tasks in international business settings (Moore 2010). The indicators of international relationship competency form the building blocks for the qualification of international business students. Next, we will further divide these building blocks of international relations competency into specified items in order to collect the views of internationalising Dutch entrepreneurs, as the Dutch traditionally have been successful in international trade and business acumen.

## **Empirical study**

### ***Background, aims and research questions***

We expect the International Relation Competency Model to be useful for business educators in teaching students the relevant skills and attitudes. We assume that students with an expanded inventory of these attitudes and skills are more likely to perform well in building international business relationships. To provide a competency match with international business practice, it is imperative that curriculum developers have a clear understanding of SMEs' requirements for international relation competency. Our study was guided by the following aim: to provide insight into the crucial competencies starting export professionals need in relation to their training during bachelor education; a topic that has so far received little research attention.

To define the dimensions of the International Relation Competency Model, we carried out a survey among representatives of exporting SMEs in the Netherlands. The main research question was: which skills and attitudes of the International Relation Competency Model do exporting managers of SMEs consider to be of paramount importance for graduates when they start their first international job?

In order to answer this question, the following sub-questions were addressed:

- How do export managers of SMEs rank the functions of relationship management?
- How do they rate the importance of the selected attitudes and skills of the International Relation Competency Model?
- According to the export managers, which of these selected competencies do graduates need to learn at school and which ones need to be developed in professional practice?
- Do representatives of exporting SMEs consider graduates employable for their first international job?



### ***Methods: Participants and procedure***

Participants comprised representatives from SMEs of different economic sectors acquainted with competency levels of starting export professionals. We selected companies with export turnover of 10 per cent or more. All representatives who met this criterion ( $n = 1670$ ) were asked to participate. In October 2015, we invited the companies by email to complete a questionnaire in an electronic format, accompanied by information about the purposes of the study.

### ***Questionnaire design***

The questionnaire focused on international Relation competency and its aspects were drawn from a literature review of selected competency frameworks and empirical studies on international competencies related to international business contexts (Purhonen 2012; Bucker 2013). Three aspects relate to the attitudes dimension and two aspects pertain to the skills dimension.

The questionnaire consisted of five parts. In the first part, the participants were asked about the international activities of their company. In the second part, they were asked to rank both the international tasks of starting export professionals and the function of international relationship management. To evaluate the participants' perceptions on the required attitudes and skills of starting export professionals, participants were asked in part three to rank the relevance of these attitudes and skills on a Likert scale with values from 1 = totally irrelevant to 5 = very relevant. In part four, participants rated their perception of the readiness of graduates for their first international job. Finally, participants gave their views on the role of education in the development of selected attitudes and skills of the international relations competency.

This questionnaire was successfully piloted in a study among directors and export managers of internationalising SMEs from different sectors in April 2015. Nine representatives of SMEs participated in the pilot study. The reliability, calculated by means of Cronbach's Alpha of the components of the pilot questionnaire, varied from acceptable (.73) to good (.86). The participants were asked if they had any questions or ambiguities concerning the questionnaire. This was not the case.

### ***Analysis***

We calculated means, medians and standard deviations for all questions. In addition, the skewness of the distributions of the ratings was computed to check on symmetry and to check whether the respondents' judgments tended to be in one direction. Factor analysis (oblique rotation) indicated that the items were divided among three factors, namely 'attitudes', 'skills languages target country' and 'skills English language' (see Tables 17.1 and 17.2). Reliability analysis showed high internal consistencies based on a Cronbach's Alpha of  $>0.9$  for each factor. In addition, the high degree of consistency among participants is reflected in the Jury Alpha of the total questionnaire .97.

### ***Results***

Of the 1,670 participants, information was received from 166 respondents, which yielded a response rate of 10 per cent. Despite our careful selection of the participants, 55 of the respondents did not meet the selection criterion on export turnover. Therefore, the results described in this chapter are based on the remaining 111 respondents. Most respondents were



Table 17.1 International Relation Competency Model evaluation: Constructs, measurement items, reliability and validity

Construct	Measurement items	RFL	Mean	SD
<b>General Attitude</b>				
(Alpha = 0.96; AVE = 0.45; CR = 0.95)				
	Understands feelings	0.74	3.93	0.90
	Tries to understand other people's feelings	0.84	4.22	0.76
	Puts his/her own culture in perspective	0.80	3.78	0.87
	Takes other people's habits into consideration	0.81	4.32	0.80
	Knows how to act in social settings	0.42	4.27	0.74
	Knows how to get things done	0.54	4.17	0.79
	Makes contacts easily	0.58	4.25	0.76
	Sees opportunities in other cultures	0.89	4.07	0.88
	Seeks contact with people from a different background	0.75	4.13	0.80
	Waits to judge	0.76	4.14	0.90
	Respects people with other opinions	0.80	4.22	0.86
	Puts his/her own culture in perspective	0.82	3.61	0.92
	Is interested in other cultures	0.96	4.04	0.80
	Is open to new ideas	0.60	4.32	0.72
	Is considerate of other's people's motives	0.38	4.03	0.88
	Takes other people's habits into consideration	0.63	4.08	0.82
	Pays attention to the emotions of others	0.59	3.70	0.82
	Is able to voice other people's thoughts	0.40	4.06	0.79
	Puts others at ease	0.53	3.74	0.92
	Asks questions	0.41	3.97	0.81
	Good listener	0.65	4.60	0.73
	Interprets body language for understanding	0.59	4.04	0.87
	Checks understanding of message with partner	0.56	4.50	0.75
<b>Skills Languages Target Country</b>				
(Alpha = 0.95; AVE = 0.65; CR = 0.95)				
	Masters foreign language other than English	0.54	4.12	0.98
	Solves business problems in language target country	0.75	3.52	1.16
	Negotiates export orders in language target country	0.65	3.59	1.12
	Communicates technological knowledge in language target country	0.90	3.29	1.16
	Communicates market knowledge in language target country	0.93	3.29	1.15
	Communicates marketing knowledge in language target country	0.88	3.19	1.16
	Telephone calls in accurate language of target country	0.95	3.24	1.17
	Formulates appointments in accurate language of target country	0.82	3.66	1.00
	Formulates arguments in accurate language of target country	0.84	3.49	1.03
	Reports market research in accurate language of target country	0.67	3.10	1.08
	Quotations in accurate language of target country	0.81	3.51	1.12
<b>Skills English Language</b>				
(Alpha = 0.93; AVE = 0.53; CR = 0.93)				
	Solves business problems in English	0.93	4.37	0.90
	Negotiates export orders in English	0.89	4.34	1.00
	Communicates technological knowledge in English	0.88	4.23	0.97

(continued)

Table 17.1 (Cont.)

Construct	Measurement items	RFL	Mean	SD
	Communicates market knowledge in English	0.83	4.13	0.99
	Communicates marketing knowledge in English	0.66	4.08	0.96
	Translates information into accurate English	0.64	3.93	0.98
	Telephone calls in accurate English	0.60	3.97	0.94
	Communicates and clarifies arguments	0.46	4.15	0.80
	Formulates appointments in accurate English	0.71	4.33	0.85
	Formulates arguments in accurate English	0.71	4.24	0.91
	Reports market research in accurate English	0.44	3.77	1.09
	Quotations in accurate English	0.83	4.42	0.83

RFL = Rotated Factor Loadings (ML, Promax with Kaiser Normalisation).

Table 17.2 International Relation Competency Model evaluation: Descriptives and correlations

	Mean	SD	1	2	3
1 General Attitude	4.10	0.59	–		
2 Skills Languages Target Country	3.45	0.89	.495**	–	
3 Skills English Language	4.16	0.71	.663**	.363**	–

\*\*p < 0.05; (two-tailed significance tests).

small employers (50.5%; 1–10 employees) followed by employers in medium-sized companies (21.6%; 11–50 employees). The others were employers in companies with 50–250 employees.

The largest number of companies operated within the sector ‘Industry, Metal and Plastics’ (31.5%) and a sizeable number operated within ‘Other’ (27%) and ‘Wholesale and Retail’ (18%). The main activity of these companies was export, followed by import. Respondents consider international sales and export support services to be the appropriate starting positions for international business graduates.

The relevance of training students in relationship management is confirmed by representatives of internationalising SMEs who indicated that building and maintaining relations is the key task of starting export professionals, combined with acquisition. This supports previous studies on international managers’ tasks, in which building and maintaining relationships with potential business partners is seen as crucial for the operationalisation of export strategies (Bloemer 2009; Purhonen 2012; Bucker 2013). Employers consider communication skills, including language skills, to be highly relevant, as has been confirmed in many studies on the qualifications of international managers (Laguador and Ramos 2014; Van Heugten et al. 2016). Most of the respondents indicate that attaining a high level of proficiency in English was by far the most important language-learning goal for students. Given the lower ranking of questions about ‘the other language’ or ‘the language of target country’, employers favor English proficiency instead of the language of target country. Next, respondents valued the ability to communicate accurately in writing, such as quotations, agreements and confirmations of appointments.

The importance that employers place on the attitude of business graduates (McMurray et al. 2016; Van Heugten et al. 2016) is shared in our study where employers indicate all aspects of the selected attitudes as relevant.

The SMEs' representatives further expect higher education institutions to play a more active role in the development of international relations competency by giving it more focus in the curriculum of international business programmes. In addition, the respondents considered the learning of attitudes and skills to be effectively developed only in the actual working environment (Davies et al. 2011) during bachelor education. Finally, the scores on the views of employability show an unambiguous result: all aspects received a score of 'average', which suggests that there is room for improvement.

### **Discussion**

The survey results reveal a potential mismatch between education and business: our findings suggest that the development of international relation competency is underestimated in business education. This mismatch can also be illustrated from a European perspective. With its high level of policy measures aimed at supporting SME network building (European Union 2017), the EU confirms the importance of relationship building as an internationalisation strategy for SMEs. However, the SBA policy measures for skills and innovation (2011–16) show a significant decrease in the measures that encourage SMEs to internationalise and grow compared to research competency development since 2011 (European Union 2017). In order to strengthen the development of international relation competency within education, closer linkages between institutions of higher education and business may enable the sharing of information and experiences in the training and development of attitudes and skills of students. The strength of this study is that the participants in the survey were SME representatives from different economic sectors. This means that the scores and relevance apply equally to more than one economic sector. For example, all respondents very much agreed on the average employability of recent graduates. A limitation of the study was the relatively small sample size.

### **Conclusions**

The aim of this empirical study was to determine which international competencies directors from internationalising Dutch SMEs considered to be important for their future export managers. The findings suggest that employers highly value the selected attitudes, social initiative, open-mindedness and cultural empathy and the communication and language skills of the International Relation Competency Model. They strongly recommend that business educators strengthen training and development in these aspects within the curriculum of international business programmes, preferably in close cooperation with international business practice. Such improvement will lead to a higher employability of graduates for a starting international position: a serious consideration for institutions of higher education given the growing need of SMEs for graduates for international starting positions. The Dutch success in international trade illustrates the extent to which several industrial sectors (e.g. the dredging industry) depend on internationalisation. Following the Dutch example, the need for international qualifications is apparent. The attitudes and skills of the International Relation Competency Model, valued by Dutch entrepreneurs, will likely aid the internationalisation processes of industrial sectors in other European countries as well.

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