Does the 21st Century pose specific Skill Challenges for International Managers?

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- Van Tulder, R., Verbeke, A. & Jankowska, B. (2019). *International Business in a VUCA World: The Changing Role of States and Firms*, Progress in International Business Research, Volume 14. Bingly: Emerald
- Van Tulder, R. (2018). Skill Sheets. An integrated approach to research, study and management, 3rd Edition. Pearson
- Van Tulder, R. (2018). Getting all the Motives Right. Driving International Corporate Responsibility (ICR) to the next level. Rotterdam: SMO

1. IB management in a VUCA world

Managing internationally operating companies arguably requires quite a distinct set of skills compared to 'ordinary' management skills. The more companies operate on an international scale, the more managers are faced with a business environment that is either non-regulated or volatile and therefore difficult to anticipate or predict. Following the fall of the Berlin Wall in 1989, international management seemed to be primarily related to seizing the opportunities associated with processes of increased international integration and convergence—either in a regional or global guise. International management (IM) challenges related to market entry decisions, international sourcing decisions, but primarily to questions involving the 'internalisation of markets' and the efficient operation of business across borders. Consequently, skills training for international managers in many curricula concentrated on instrumental and functional skills relevant to the efficient internal operation of multinational enterprises (MNEs), such as cross-cultural management, language skills, coordination skills, the management of relationships between headquarters and subsidiaries, or internally absorbing external risks – ranging from currency risks to political risks.

Increasingly, however, international managers are confronted with a so-called VUCA world. This acronym refers to the increased volatility, uncertainty, complexity and ambiguity that the world is currently facing. This is due to rapid technological change (the Fourth Industrial Revolution), but also to rapidly changing international political and economic circumstances. Witness the emergence of trade wars, regional de-integration processes and violent migration processes, pointing to a deterioration in the terms of trade and investment for most MNEs. Increased animosity in the political realm between countries makes MNEs more susceptible to greater scrutiny of their taxation (evasion) strategies, the way they innovate, and the extent to which they use intellectual property regulation to protect their interests. More generally, the way MNEs act upon ‘grand challenges’ such as climate change, global health, poverty and the like has become part of the negative discourse surrounding MNEs. A VUCA world also signals a serious backlash against capitalism and MNEs as its principal carriers.

Consequently, most MNEs face very low levels of trust in the societies in which they operate, which in turn increases transaction costs in almost every area of management. It has not only become disputed whether MNEs provide a more efficient approach to market failure around the world – the mainstream concern of IB research – but even whether MNEs produce relevant products for the needs of the world – the core of the ‘value proposition’ of MNEs. MNEs face a serious trust issue which hampers their licence to operate and increases transaction costs in an increasing number of areas.

In response, many MNEs have been supportive of societal goals like the Sustainable Development Goals (SDGs) in order to shift societal discourse in a direction that provides them with greater legitimacy and licence to operate. In August 2019, the American Business Roundtable – organising the CEOs of 181 major MNEs – issued a statement in which they redrafted the basic purpose of a corporation as creating value for all stakeholders, not just shareholders. This statement signals a radical breach with the dominant discourse in the United States (and in considerable parts of the IB profession). However, critics have already responded that there are no guarantees that this statement will lead to actual action.

Rather than treating this as an ethical question, I argue that a successful transition from ‘shareholder capitalism’ to ‘stakeholder capitalism’ is primarily a strategic and practical challenge, in which MNEs need to connect with the real needs of societies across the world and consequently develop value propositions that are ‘future-resilient’ and supported by key stakeholders in society. The licence to operate then also becomes a ‘licence to scale’ and a ‘licence to innovate’ in developing new products together with involved stakeholders (van Tulder, 2018). Co-creation is central to this.

This new ambition requires managers at all levels of the company to be skilled in managing changing relationships with a variety of external stakeholders in addition to managing internal processes, as well as possessing the ability and willingness not only to adapt to rapidly changing circumstances (the internalisation challenge), but also to create opportunities for more forward-looking, trust-restoring action in a VUCA world. A world increasingly characterised by VUCA dynamics seriously hampers the way organisations and people make decisions, plan ahead, manage risks and foster change – especially when adopting a longer-term perspective in addressing today’s grand challenges. The recent ‘Progress in International Business Research (PIBR) volume on *International Business in a VUCA World* delineates some of the major theoretical challenges for IB scholars (Van Tulder, Verbeke & Jankowicz, 2020).

2. An upgraded skill profile for international managers

Given these developments, what concrete skills are relevant for international managers? Five skill clusters can be distinguished: contextual skills (dealing, in particular, with changes in the regulatory environment); agility skills (understanding the urgency of events and the capacity to take appropriate action immediately); decision-making skills (dealing effectively with issue complexity and ambiguities); social skills (dealing with the organisation of groups and teams), and specific individual skills (related to mindset development and entrepreneurial capacities).

First contextual skills. IM managers are confronted with at least three regulatory challenges that define the novel skill profile they should be able to cope with:

- ***Divergence***: Laws between countries not only differ, but the differences are increasing; convergence between countries is declining. As regulation can differ by issue, should companies and their managers adopt different practices per issue and per country?
- ***Volatility***: The international environment has become more turbulent and unpredictable than most national environments. What change can be anticipated and what changes can be created? What skills do managers need to create greater stability in an increasingly unpredictable world?
- ***Governance gaps***: In the international arena, there are hardly any laws, only norms, 'morals', guidelines or 'voluntary' initiatives. These governance gaps create room for companies to adopt both higher and lower standards of corporate practice. However, such gaps or institutional voids can also be filled through new forms of cooperation between companies and non-market actors (NGOs, governments, knowledge institutes) based on common purposes. Can purpose-driven frameworks like the Sustainable Development Goals be operationalised more effectively within MNEs, and what skills are required of international managers to shape these practices?

Secondly, most of these contextual challenges exist instantaneously and often simultaneously. The challenges are cross-cutting, interdisciplinary and dynamic, and therefore particularly difficult to master. The same applies to the actual effectiveness of certain management practices: what seems reasonable (best practice) may, in fact, have unintended consequences that completely overturn the expected positive effects. It is therefore easier to steer on risks and risk mitigation in present activities and existing markets (which are relatively well known) than on investment opportunities for future activities, markets and needs (which must be explored). International managers are faced with ever longer lists of risks. Research on risk identification in annual reports of MNEs shows a more than doubling of reported risk categories over the last twenty years (Van Tulder and Roman, 2019). In many MNEs, 'international management' has become 'risk management'. This practice underestimates the substantial 'opportunities' that the international arena also has in store for MNEs, offering a more entrepreneurial and normative legitimation for their existence. Donaldson and Dunfee (1999) identified the governance gap between countries as a 'moral free space', in which each person, stakeholder and company is entitled to formulate their own perspective. Particularly in IM contexts, creating hyper-norms – developed as corporate cultures of ethical and socially accountable conduct – can generate competitive advantage over local firms and help overcome the dilemmas of fragmentation that, for instance, multi-domestic firms face in adapting to local norms and values. The skill profile of international managers should therefore include not only the ability to manage risks reactively, but also the ability to timely recognise responsibilities and address them proactively.

Thirdly, in a VUCA world, the realisation of strategies is based on a large number of complex decision-making processes – trade-offs and dilemmas – for which no easy solutions exist. It has therefore become more important to develop general (or meta-) skills rather than purely instrumental skills. VUCA reinforces the need for international managers to develop 'soft skills' rather than 'hard skills' such as analysis, accounting, ICT skills, and technical know-how. In short, navigation skills that enable companies to operate in increasingly hostile environments. Mainstream IM thinking primarily focused on company-internal capabilities; now, external capabilities are increasingly important – aligning with stakeholders across countries and understanding complexity in order to develop appropriate business strategies.

Fourthly, some business schools are already acknowledging these insights by stressing the importance of soft and social skills over 'hard skills'. Hult Business School, for instance, asked one hundred of the world's leading CEOs what key competencies business graduates need in the 21st century. In international business, CEOs confirmed that soft skills – such as interpersonal influence, networking and collaboration – are critical for employability and success. However, Hult's seven-priority skills list (see table) still adopts a relatively traditional perspective by emphasising cross-cultural communication and emotional intelligence linked to adaptive thinking. The emphasis remains largely on internalisation challenges *within* firms as a response to VUCA.

Finally, the skill profile of 21st century international managers must address the increased complexity of the VUCA world while also embracing skills that enable managers to develop positive alternatives and help companies create new purpose and value propositions for the world's grand challenges. A World Economic Forum overview provides a useful starting point for this ambition. In 2016, it estimated that by 2020, 35% of skills considered vital in today's workforce would change. While some jobs would disappear due to advances in robotics, materials and biotechnology, others will emerge. Jobs that do not yet exist today will become commonplace. Employers identified complex problem-solving, critical thinking and creativity as consistently important skills – skills that are particularly relevant for international managers. Additionally, more collective skills – such as people management, coordination and negotiation – have grown in importance. Supporting these are emotional intelligence, cognitive flexibility, service orientation, and judgement and decision-making. Lower ranked in the top 10 skills 'to thrive in the 4th Industrial Revolution' are the more 'instrumental' skills – such as quality control or listening skills. The European Commission's new Skills Agenda further emphasises several obvious IM skills such as foreign languages, but – more importantly – the explicitly add the ability and willingness to contribute to societal challenges in an entrepreneurial manner.

Table 1 Complementary skill requirements for 21st Century International Managers

Hult International Business School (2016) Top 7 skills needed for success in International Business	World Economic Forum (2016) Top 10 skills to thrive in the 4th Industrial Revolution	European Commission – New Skills Agenda for Europe (2016)
▪ Cross-cultural communication skills ▪ Excellent networking abilities ▪ Collaboration ▪ Interpersonal influence ▪ Adaptive thinking ▪ Emotional intelligence	▪ Complex problem solving ▪ Critical thinking ▪ Creativity ▪ People management ▪ Coordinating with others ▪ Emotional intelligence ▪ Judgment and decision making	▪ **Basic skills:** literacy, numeracy, foreign languages and digital skills ▪ T**ransversal skills:** ability to learn and take initiative, to work with others, and solve problems will help people deal with today's varied and unpredictable career paths;

▪ Resilience	▪ Service orientation ▪ Negotiation ▪ Cognitive flexibility	▪ **Entrepreneurial skills:** knowledge and attitudes will contribute to employability, support new business creation and benefit individuals and society on the whole

3. Towards an upgraded skills curriculum

Gradually, the discourse on skills in general and international management skills in particular has resulted in a set of relevant components. Combined, they form a more or less coherent framework that should ideally be included in an upgraded skills curriculum. All presented lists emphasise the importance of a learning mind-set and a willingness to invest time in developing more generic (meta-) skills rather than focusing on a proven talent or specific technical abilities. Hardly any of these top-tier skills are instrumental (related to relatively simple problems or skills that can be trained in dedicated skills tracks) or 'reactive' (aimed at mitigating risks only). Rather, they address complex challenges requiring creative and purposeful approaches.

It is also clear that skill development at universities should be linked to real-world challenges faced by MNEs and societies. Complexity-resilient skills can only be developed through interaction with others. While this is ambitious, research shows that students and managers are more motivated to engage with real-world problems than with simplified versions of these problems. Purpose also plays a critical role, as it motivates students and managers to not only acquire specific skills during a course but also adopt a learning attitude and *sustain* engagement with complex challenges. In a VUCA world, the greatest challenge for many MNEs is not only declining societal trust, but also creating a shared sense of purpose among managers to work on a common goal. Deloitte (2019) research among millennials, for instance, shows that they value 'purpose' more than 'profit' when choosing employers. Resilience as a skill attribute for individual managers, therefore, is increasingly linked to the purpose and value propositions of companies.

Business schools have not yet fully adapted to these evolving skill requirements, nor have they been sufficiently adequate in training students in acquiring these new sets of skills. This is partly due to the continued influence of mainstream IB thinking, which focuses on how MNEs add 'efficiency' to the operation of global capitalism through the internalisation of markets across borders. This defines a narrow – and not very inspiring – skills agenda. It should be complemented by recognising the role of MNEs in promoting *equity* and *fairness* through the 'internalisation of norms' and effective stakeholder management, and MNEs' willingness to address grand societal challenges such as presented by the Sustainable Development Goals. The responsible MNE-manager seeks to create a synthesis between both lines of reasoning – that is, between the 'internalisation of markets' and the 'internalisation of norms' – pursuing to strengthen the belief that MNEs can be potential agents of positive change in the world.

A second issue concerns prevailing teaching practices. In a critical analysis, *the Economist* (November 2019) highlights the deficiencies of MBA schools in the United States. It warns for the demise of leading business schools, pointing out that a tenth of the full-time MBA programmes in America disappeared since 2014. This is not only due to business schools asking excessive tuition fees, but also because these schools prove less apt to train students with adequate modules fit for 'stakeholder' capitalism. The Economist characterises the problem as a didactical one: future leaders must "manage conflicting demands placed upon them by myriads of interested parties, while still fulfilling their fiduciary duties to shareholders. The curriculum can no longer rely on one-dimensional case studies. We need to be better at playing back the trade-offs facing bosses navigating a 3D environment".

Concluding, education must reflect the multidimensional trade-offs of a VUCA world. Teaching approaches that engage with unresolved societal challenges may better equip students with the skills required for 21st-century international management. An entrepreneurial approach to VUCA requires purposeful companies and managers that have acquired appropriate skills to manage transitions. Case studies that do not provide 'answers' but address grand societal challenges and identify novel approaches might be the new way to teach business students to apply and acquire relevant skills for the 21st century.

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