

**GLOBAL PERSONNEL SKILLS: A DILEMMA
FOR THE KARPIN COMMITTEE AND
OTHERS**

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ABSTRACT

The Karpin Committee's review of Australian management concluded that Australia's predominantly Anglo-Celtic senior management group has significant shortcomings that are retarding Australian enterprise in its desire to meet the challenges of the 'Asia-Pacific' century (Page xv). This paper reviews the recent progress of Australian business activity in Asia and observes that while some advances have been made, the level of activity remains below potential. A lack of 'globalisation' skills has been identified by Karpin and others as being the problem, but there is no consensus as to what these are, or how they can be achieved. 'International' knowledge and skills have been shown to be directly related to success in international business but this relationship is not well accepted among Australian managers. Tests confirm that levels of international knowledge in Australia are biased in favour of Europe. The paper concludes that language and cultural ignorance is retarding Australian business penetration of Asian markets and recommends a more strategic approach to human resource management in this area.

GLOBAL PERSONNEL SKILLS: A DILEMMA FOR THE KARPIN COMMITTEE AND OTHERS

1. INTRODUCTION

The Karpin Report has focussed attention on the importance of management skills for success in international markets. Lower tariff barriers and improving living standards in Asia are creating new opportunities for Australian businesses. However, a consequence of greater opportunity is greater competition and, constructively, the Karpin Report set out to identify the central skills Australian management needs to match international competition, particularly in Asia. Evidence was drawn from many sources both among the Australian management community and from foreign managers. The latter group supplied a very sobering assessment. Of special concern was the very poor regard with which Asian managers judge contemporary Australian management skills. Asian managers were asked to rank management from six non-Asian countries according to a series of management skills. Australian managers were ranked below average and frequently last in each skill area (Karpin: Vol 1,69). The poor standing of Australian management skills in Asia has been recognised before. A survey of Singaporean businessmen in 1990 showed that they viewed their Australian counterparts as being smug, self-satisfied, brash, unreliable, crude, arrogant, untrustworthy, unresponsive to change, lacking marketing skills and sloppy in presentation (Haig, 1990:2).

Why are Australian managers rated so lowly? The Karpin Task Force addressed this question and concluded that a lack of globalisation skills, among others, was a major shortcoming, retarding both economic achievement and reputation. Australian managers 'lack sufficient understanding of cultural differences and the complexities of the global market (Karpin:Vol.1,68).' It ascribed these shortcomings to the country's protectionist history and to a bias towards technical education: 'Australia's history of protectionism and the prevailing culture toward learning, particularly the personal and integrative skills which are de-emphasised by the education system, have produced these weaknesses (Karpin:Vol.1,67).'

Ignorance of Asia and Asian business practices represents a competitive disadvantage for Australian business. The growing role of services and elaborately transformed manufactures have reinforced this disadvantage because they demand more inter-personal communication than traditional commodity exports. There is a greater need to "get close to the customers". (Athukorala,1995:5; Karpin:Vol.1,58; McKinsey, 1993:22). Unfortunately, the Karpin Report, while accepting the shortcomings highlighted by the survey of Asian managers, and including the need for global skills among its recommendations, was unable to resolve the dilemmas the recommendation posed or to give clear guidance on how it might be operationalised.

With a view to exposing the Australian economy to international competition, the Australian Government has initiated a series of macro and microeconomic reforms. Initiatives have included floating the currency, tariff reductions, waterfront, shipping, airfreight reform and deregulation of the finance sector. However, while these reforms are necessary for globalisation to occur, they are insufficient in themselves. The country's human 'infrastructure' also needs to develop in a complementary manner. In particular, an export culture is required to focus attention and activity on international markets and to encourage management to acquire global skills so companies can fulfil their international potential. The Karpin Report highlighted this but did not offer guidance on what global skills are important, how extensive they need to be, how companies might develop strategies for their acquisition or what role management schools and other educational bodies might play. Similarly, the McKinsey (1993:v) report on 'Emerging Exporters' concluded that : 'A greater

effort is therefore needed to build a much more pervasive export culture in Australian industry and in the wider community'. However, it did not investigate the human resource management issues involved in developing such a culture.

This article seeks to draw a link between the international literature which deals with the role of management in the internationalisation of business and Australian industry's performance in Asian markets. It will collect evidence, well articulated by others, that Australian businesses are missing opportunities in Asian markets. It will seek to appraise the level of knowledge of Asia among selected Victorian managers and management students and will summarise the dilemma that language and cultural studies pose for those recommending that Australia should develop an 'export' or 'global' perspective. It concludes by asserting that Australian management is ill-equipped to make the most of market opportunities in Asia and that this poses a challenge for Australian management schools.

Section 2 describes the economic relationship between Australia and Asia. Section 3 supplies evidence of the comparative level of knowledge of Asia and Europe among selected Victorian managers and students. Section 4 reviews the literature which relates knowledge of foreign countries with success in export marketing. The final section offers policy recommendations and conclusions.

2. AUSTRALIA'S EXPORTS AND INVESTMENT WITH ASIA

Australia's foreign trade has grown quickly over the last decade. Exports have grown at a trend rate of 7.8 per cent per annum and imports at 6.2 per cent (DFAT, 1995-1:82). The Asian market has been important in generating this growth. Taken as a whole, the Asian region now accounts for 63 per cent of total exports, around double the proportion thirty years ago (DFAT, 1995-2:7). Exports to ASEAN have grown particularly strongly and now account for 14.2 per cent of total exports, up from 10.5 per cent in 1989 (DFAT, 1995-1:82).

Despite these apparently good figures, there is a consensus that business has not taken full advantage of the opportunities available in the Asian market. Australia has lost market share in many Asian markets. For example, total imports entering the ASEAN market grew by 14.3 per cent in the five years to 1994, but imports from Australia grew by only 10.2 per cent, insufficient to maintain market share (DFAT, 1995-1:26). This suggests it has been growth in demand rather than improvement in competitiveness by Australian businesses that has generated the aggregate export growth. The agricultural and resource base of Australia's exports has not helped maintain market share in a context where Asian import growth has focussed on manufactures (Drysdale and Lu, 1996:33). However the major factor explaining the decline in market share has been increased competition: 'Taken as a whole, it would appear Australia has had to work hard just to sustain market shares in the countries of the Asia Pacific region which we consider to be our back-yard; in many respects we are running fast just to stand still (ACCI, 1995:30).' The Karpin Report also noted this situation: 'Australia is being pulled along in the slipstream of massive regional trade growth rather than making major market share gain (Karpin: Vol.1,60).' McKinsey (1993:38) reached the same conclusion and explained it by focusing on attitudinal and other barriers: '90 per cent of manufacturing companies are not exporting and we believe that a large percentage of these companies are potential exporters. This latent export opportunity could be tapped if we can shift attitudes in these firms.'

Australia's modest export performance in Asia contrasts with the more successful efforts of European business: 'The big winners in the race for greater market share in the markets of the Asian

region are countries from the EC and the Newly Industrialising Economies (NIEs): in simple terms, the Europeans are making successful pushes into the dynamic Asian market places, while the Asian nations are trading more and more with each other (ACCI, 1995:30).¹ It is interesting to note that the advances by European businesses are consistent with Asia's relatively high regard for British and German management skills, as reported by Karpin (Vol.1, 69).

In summary, Australian business is not making the most of its opportunities in Asian markets, a point emphasised by Karpin (Vol.1, 60): 'The Task Force believes the trend is definitely towards greater internationalisation of the Australian economy, and an increasingly diverse export base. However, only a fraction of those enterprises with potential for exporting or building overseas ventures are yet involved with the global market.'

One plausible explanation for the passive nature of the export sales growth is Australian enterprise's disinclination to make a long term commitment to the markets. Relatively few companies have been prepared to establish operations there. The business dealings are therefore mainly at arms length. By contrast with firms from the US, EC and Japan, Australian companies have not been prepared to enmesh themselves in Asian markets, preferring to remain outsiders (East Asia Analytical Unit, 1994:29). Asia plays a relatively minor role in corporate Australia's investment strategy, with the great majority of investments going to English-speaking countries. In 1994, 21.8 per cent of Australia's Foreign Direct Investment (FDI) abroad was located in the US, 14.7 per cent in New Zealand and 39.2 per cent in the UK. ASEAN accounted for just 13.8 per cent. No other Asian destination for FDI was sufficiently large to warrant separate publication by the Australian Bureau of Statistics (ABS). (All FDI data are taken from ABS Catalogue 5305.)

The lack of physical Australian business presence in Asia may help explain the modest export results. FDI can contribute to export generation by supplying markets for Australian production and by facilitating the identification of additional market opportunities. For example, research into the relationship between Australian exports and the operations of Australian subsidiaries in Britain has shown that over 50 per cent of Australian parent companies export to their subsidiaries (Edwards, 1994). An East Asia Analytical Unit (1994:4) survey showed that ninety per cent of Australian firms were sourcing some inputs for their offshore operations from Australia, thus driving Australian exports. McKinsey (1993:31) found that exports continued to grow after establishing an off-shore production facility for 59 per cent of firms. Exports declined in only 10 per cent of cases.

Why have Australian businesses invested so little in Asia? There is a voluminous literature which argues that the direction of FDI is determined primarily by the knowledge, attitudes and perceptions of management personnel. This research largely stemmed from the work of Johanson, Vahlne and Wiedersheim-Paul. The term 'psychic distance' was coined to describe the willingness, or otherwise, of management to pursue business in particular foreign markets. Such willingness was determined by: 'factors preventing the flow of information between the firm and the market (Johanson and Wiedersheim-Paul, 1975).' These factors include cultural, language, political, educational and industrial differences between the home and foreign market. As a consequence of psychic distance, the usual strategy of firms with global aspirations is to initially venture into markets which are most familiar in their social and business settings. Successful experience in the first foreign venture then gives management sufficient confidence to venture into more exotic and therefore more risky territory. Internationalisation therefore involves a learning experience whereby management become less uncertain about foreign markets (See Bilkey and Tassar, 1977 and Johanson and Vahlne, 1990).

Various studies have attempted to identify the particular skills needed to support internationalisation. Roux (1987) for example, found that management's individual characteristics are more important than firm characteristics in determining psychic distance. Specifically, management's exposure to foreign media and capacity in foreign languages were the two most important factors. According to Reid (1981), managers' perception of psychic distance will depend on factors such as ability to speak a foreign language, extent of overseas travel, foreign nationality and level of education. Fletcher (1996) found, from an Australian survey, that firms whose managers perceive psychic distance to be less of a barrier to internationalisation are more likely to have staff who are knowledgeable about foreign cultures and business practices.

Various studies which link this line of thought in the international business literature to explaining Australian trade and investment patterns will be discussed in section 4 below.

The literature on psychic distance suggests that inadequate knowledge and misplaced perceptions of Asian markets may help explain the current profile of exports and investment in Asia. To pursue this line of argument an assessment of knowledge among Australians was carried out.

3. THE STUDY

If management knowledge and attitudes impact on the internationalisation strategies of firms, how well informed are Australians, especially managers, about the Asian market? To answer this question the authors conducted a survey of managers, university and secondary school students. A questionnaire was developed which had two sections. The first aimed to investigate the respondents' views of their school and university education on Asia and Europe and their view of their knowledge of Asia and Europe. These views were indicated on five-point Likert scales. The second section aimed to compare the respondent's actual knowledge of Asia with their actual knowledge of Europe. This knowledge was demonstrated through short answer testing and recognition of maps.

A convenience sample of 280 people was selected. The sampling frame included final year (VCE) students from three secondary schools, undergraduate students from two universities and business persons from two colleges. These institutions were subjectively representative since the three secondary schools were State, Private and Catholic, the two undergraduate courses were Business and Education and the two colleges were a Management College and a TAFE College. Commitments to ensure confidentiality prevent the institutions being named. All the sampling was performed in Melbourne. Demographic details of age and sex are provided in the following table.

Table 1: Demographic Details of the Sample

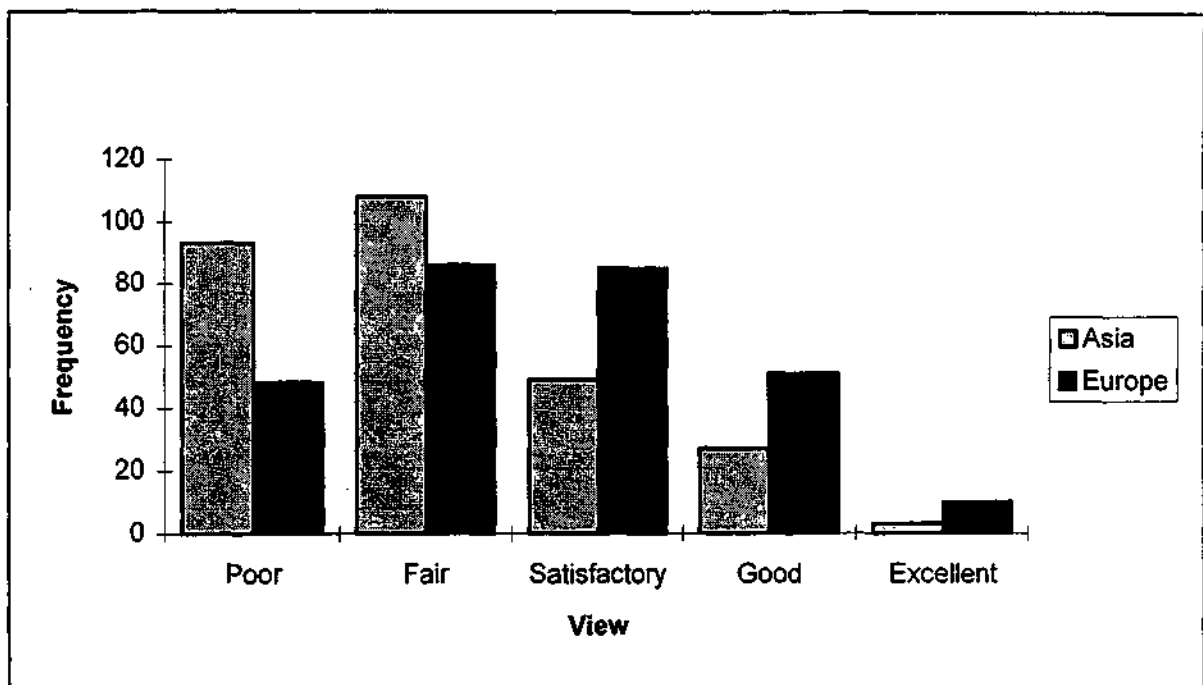
Age	Frequency	Percentage
17 - 19 years	114	41
20 - 29 years	115	41
30 - years	51	18

Sex	Frequency	Percentage
Male	148	53
Female	132	47

Present status	Frequency	Percentage
Pre-tertiary student	129	46
Tertiary student	73	26
Business person	78	28

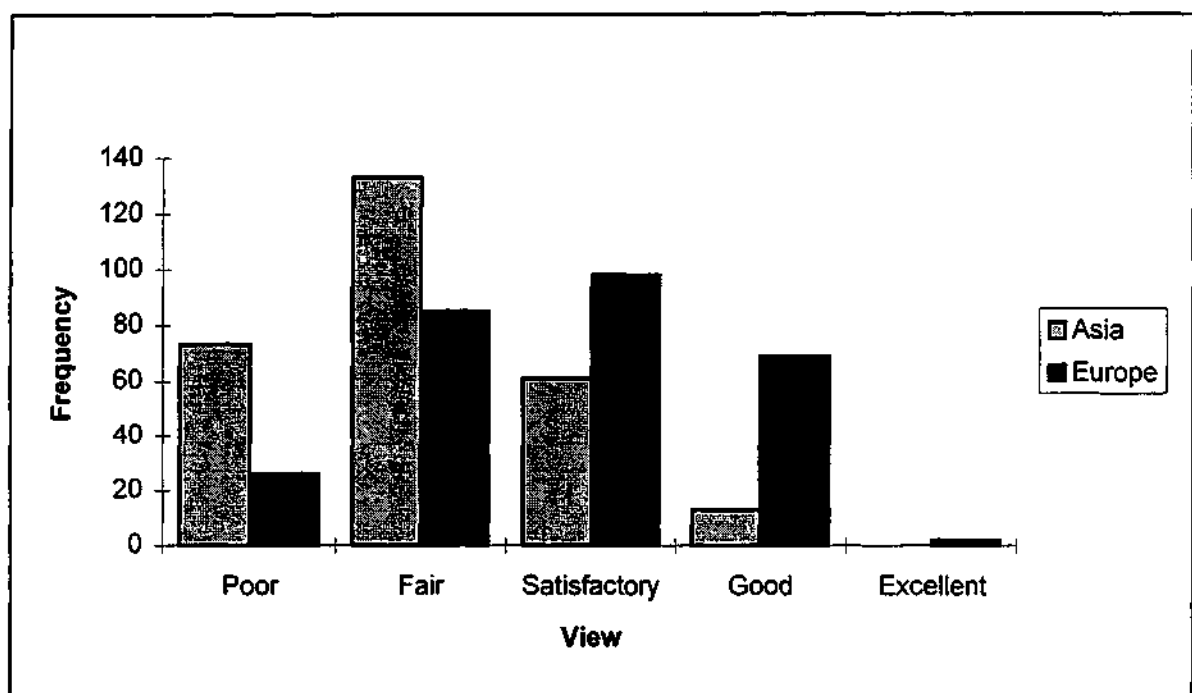
Firstly, the respondents were asked to rate their knowledge of Asia and of Europe on a five-point scale ranging from poor to excellent. Comparison of these views indicated a significant difference in that the respondents rated their knowledge of Asia as being poorer than that of Europe. This is illustrated below.

Figure 1: Respondents' Views on their Knowledge



The respondents were then asked to rate their education of Asia and Europe. The difference here was even more significant. It was clear that the respondents viewed their European education to be better than their Asian education. This is illustrated below.

Figure 2: Respondents' Views on their Education



In both figures it is clear that 'poor' and 'fair' views were dominant for Asia. Note also that no one rated their education on Asia as 'excellent' and less than five per cent rated it as 'good'.

The knowledge test was made up of two sections. The first section asked respondents to identify the capital city, language, major religion, head of government and the monetary unit of four given Asian countries and four given European countries. The second section requested the identification

of five Asian countries and five European countries which were indicated on regional maps. Responses that were 80 - 100% correct were labelled 'excellent'; 60 - 79% 'good'; 40 - 59% 'satisfactory'; 20 - 39% 'fair'; 0 - 19% 'poor'. These questions were not chosen because of their specific importance in the conduct of international business, such factual information being readily accessible during market briefings for managers responsible for securing new markets, but as valuable indicators of the respondents' knowledge and familiarity with those markets. It is worth reiterating that the literature, discussed earlier, links market selection with familiarity. While pre-travel briefings on Asia may convey the factual information asked for in the test, such briefings will not occur if perceptions and actual knowledge encourage business decision-makers to think of other markets ahead of Asia.

The results show that, for both Asia and Europe, less than 17 per cent of respondents achieved scores that could be considered good or excellent. That is, less than one in five respondents could answer very straightforward, general knowledge questions about significant European and Asian countries. However, the results indicated that scores for Europe were significantly higher than scores for Asia, for both sections of the test.

Figure 3: Knowledge Test Results

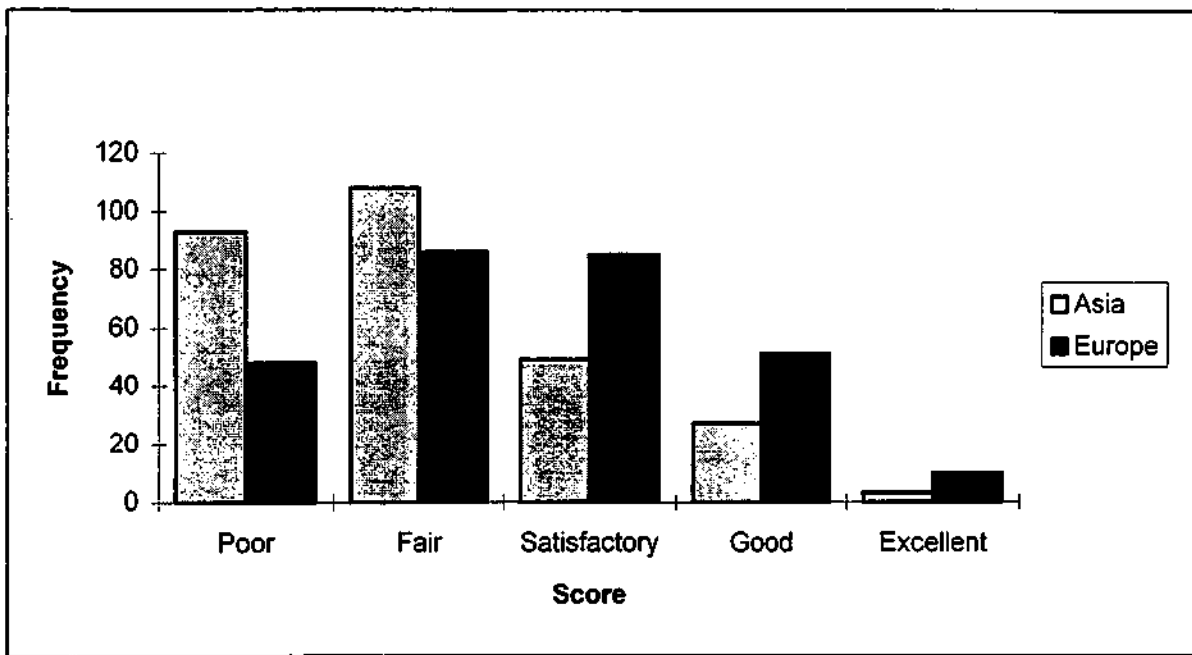
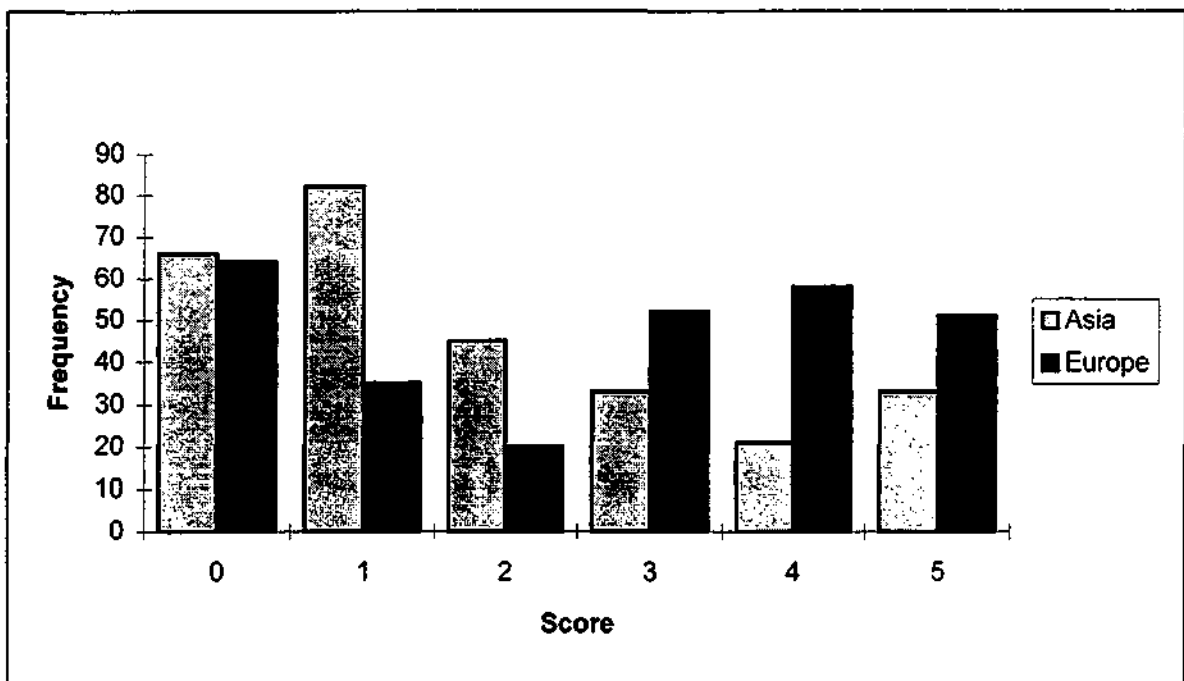


Figure 4: Map Test Results



Cross tabulations of responses revealed that variation in scores was not dependent on birth place or sex, but it was dependent on age and status. Practising managers had a better knowledge of Asia than the other groups surveyed.

Extended surveying is considered appropriate to assess whether such results are representative of all Australia, but the initial findings from this survey support the Karpin Committee's view that the level of international knowledge in the Australian community, such as it is, is particularly weak in regard to Asia. Many other studies have reached the same conclusion. For example, research by

the Asian Studies Council (1988) found widespread ignorance of Asia in the Australian community. As a result of this situation the Asia Education Foundation was established to foster the study of Asia, and many educational programs have been put in place. However, recent research undertaken for the Foundation (Baumgart and Elliott, 1996) has again reached similar results. The Foundation's sample of secondary school students, randomly selected from across Australia, were asked to draw a map of Asian countries, indicating major cities, the page already containing a map of Australia. Thirty percent of secondary students drew no named countries and 69 per cent included no cities. (Primary students performed marginally better.) Similarly, Lancelotti and Laws (1993:21) found that: 'The level of knowledge displayed by students of the population of the countries, the geographical locations of the countries and current events was not high, nor was their knowledge of the links between countries.' Without equivalent data from other countries to act as a benchmark it is not possible to conclude that Australians have poor international knowledge in general. However, the authors found the level of general knowledge of other countries to be alarmingly poor.

The Karpin Committee also accepted that Australian managers have insufficient global knowledge and concluded that this would have to be addressed if firms are to be competitive: 'The majority of Australia's managers do not have the education or skill levels of those of the major trading partners.....Australian managers in large enterprises need to be more productive in creating opportunities and more outwardly focused in their thinking (Karpin:xvi).'

4. LANGUAGE AND CULTURAL KNOWLEDGE: THE LINKS WITH EXPORTS AND INVESTMENT

The importance of foreign language and cultural knowledge for Australia's internationalisation has received considerable attention in the literature. From the late 1980s a string of publications severely criticised the inadequate attention and resources foreign language training received in Australia and argued that this was clearly a factor retarding export potential (see for example Lo Bianco, 1987 and Asia in Australia Council, 1995). The Hughes Committee (1989) endorsed language and cultural skills as being essential for international business and emphasised the important role of educational institutions in developing an 'export culture'. It also observed that attitudes and lack of educational opportunities had contributed to Australia's poor trading performance: '...education for managers is limited in Australia, and particularly limited in relation to export promotion.....Few courses are available, particularly at a high level. Foreign language training capacity for export managers is lacking. Immigrants provide most of the linguists for Australian exports, mainly fortuitously (Hughes, 1989:36).'

Subsequent research has confirmed this assessment (Cascio, 1992; Enderwick and Akoorie, 1993). For example, Enderwick's survey of New Zealand companies found that language competence and export success were positively correlated. Successful exporting firms, as identified by industry export awards, employed more foreign language specialists. Enderwick found that language competence facilitated contact, developed trust, improved communication, assisted understanding of business practices, improved ability to negotiate, gave a psychological edge in selling and facilitated effective management and control. This conclusion is consistent with European research into the relationship between export sales and language skills. For example, Hagan's survey of British firms found it essential that multinational corporations train their personnel in foreign languages. Companies that had internationalised their culture improved not only their company's and their own image abroad, but more significantly, contributed immeasurably to their company's international business success (Hagan, 1988). In the Australian setting, McKinsey (1993:39) found that

appropriate attitudes were essential for management to accept the export challenge: 'Australia's export challenge is one of leadership...Firm leaders' attitudes to exporting determine whether or not they export, and how successful they are as exporters'.

Yetton, Davis and Swan (1992) found that Australian manufacturing firms tended to invest in familiar, English-speaking environments because they preferred to minimise risk, assessing cultural risk as too much to bear in addition to the other risk factors involved in investing overseas. Subsequent research has shown that most of the current cohort of Australian manufacturers in Britain selected their location mainly because of the anticipated familiarity of the business environment, including the legal, financial and cultural settings. In every case the British investments were their first (Fenwick and Edwards, 1994).

Research by the East Asia Analytical Unit showed that the major reason Australian companies have avoided investing in Asia has been difficulty in obtaining finance: 'This suggests that the Australian financial sector may have perceived South-East Asia as a riskier destination for investment than other parts of the world (East-Asia Analytical Unit, 1994:6).' The heightened risk assessment, not shared by the international financial sector that has financed very large investments in Asia from other countries, is another expression of the 'unfamiliarity' factor.

The conjecture that language and cultural knowledge are important in the conduct of international business receives broad agreement. Questions remain, however, on their level of importance and the range of people for whom they are important. Surveys of attitudes among Australian managers consistently give language knowledge a low rating in importance, even for employees involved in exporting and in management of foreign operations. These low ratings are a concern as they contrast with much higher ratings given by business people overseas. For example, Valverde's (1990) survey of NSW exporters found that Australia's monolingualism was acting as a blockage to the nation's internationalisation process as the availability and importance of English had created a casual and dismissive attitude to language and cultural awareness development. Stanley, Ingram and Chittick's (1990) study of Australian companies also showed that awareness of a possible relationship between foreign language skills and export success was very low.

Why do Australian managers commonly reject or at least downplay the role of foreign language and cultural skills? Those who argue against the importance of international studies do so either because 'English is the language of international business' or 'using local managers means we do not need international skills'.

(i) "English is the Language of International Business"

A common justification for relying on customers to adopt the English language is that competency in English has grown in Asia in recent decades and that Asian customers prefer that medium. Australian and US managers often make the ethnocentric assertion that English has become the language of international business. A recent survey by the Australian Language and Literacy Council accepted this view and concluded that: 'The new emphasis on Asia and Asian trade as the basis for this new concentration on language overlooks the fact that the economic elites of Asia are becoming proficient in English (Language and Literacy Council, 1994:9).' An extreme representation of this view was put by one Australian manager who said: 'It is easier for them to speak English than it is for us to speak Indonesian or Thai (Language and Literacy Council, 1994:10).'

One reason for practising managers to de-emphasise language training is that it is often seen as being competitive with the development of technical or functional skills. To have staff who are

proficient in languages seems to imply that they will not be competent in other fields. This perception possibly reflects the tradition in the Australian education system of restricting language training to Humanities students. It invites commentators to weigh the advantages of language skills against others: 'Facility in a language other than English is not pre-eminent in determining the success of business and industry (Language and Literacy Council, 1994:4).' The Language and Literacy Council argued that language assumes its importance for business as an ancillary skill: 'An engineer or lawyer with language proficiency is potentially valuable in a given business situation provided always that the professional or manager has the management or professional qualities that warrant their employment in the first place'. The Council therefore avoided making a recommendation that encouraged international skills in business.

Other commentators have agreed that Australian managers are poorly placed to make a judgement on the value of foreign languages and cultural studies: 'Monolingual managers tend to be blinkered by their narrow linguistic and cultural vision and fail to appreciate how much more effective they could be with knowledge of another language and its culture....Never having experienced the enriching and liberating (and often financially profitable) experience of contact with another language and another culture, these managers are often only dimly aware of what they have missed (DEET, 1991:10).'

However, the Council denied the possibility that Australian business people might be ill-informed about the value of second languages, perhaps even feeling threatened by the common assertion that fully trained business people should all have a second language: 'First, most critics have never had to earn their living selling goods or services to overseas markets; industry people do this every day. Second, industry will contemplate only what is affordable in terms of cost, benefits and the outlay of their own precious time (Page 4).'

An examination of the management processes involved in contemporary international business has led others to conclude that the value of international knowledge should not be discounted so lightly: 'Selling value-added products is dependent, among other things, on the careful articulation of the products' benefits in ways which are comprehensible to our potential trading partners. It also depends on the formation of effective networks. We have 'got by' in the past with English, but in a more sophisticated and competitive global market place and with the shift in our trading partners away from countries where English is spoken as a first language, this is no longer adequate in bilateral trading negotiations (DEET, 1991:23).'

The fact that a customer can speak English does not mean s/he will always be equally well disposed to a proposal in English as s/he would to one in her/his own language. The often quoted German Trade Minister's statement in 1985 is relevant: 'If you wish to buy from us, there is no need to speak German. But if you wish to sell to us.....(DEET, 1991:23).'

Research conducted on behalf of the Karpin Report elaborated on how language and cultural skills can facilitate the management function in Asian settings, even where English is widely spoken: 'The changes in competitive frameworks towards behavioural success factors, the importance of teamwork and process management, the networking nature of global business all suggest that language is important. Executives in Asia who can communicate well and directly to their front-line management and staff in their own language, will in our view, clearly do better than those who cannot (Karpin:Vol 11,1271).'

Regrettably, Karpin did not accept this advice or provide clear direction on this matter: 'Task Force researchers disagree as to which managerial skills should be given priority in development plans.

Some consider all round business skills should be placed before the so-called international skills, others argue that cultural understanding and languages are equally important (Karpin: Vol.1,26). This conclusion reflects the 'business or language' misperception which is described above.

(ii) "Using Local Managers Means We Do Not Need International Skills"

The Karpin Report argued that many enterprises are better served by relying on host country nationals to provide the necessary local knowledge and skills, rather than by developing international skills among the home country workforce: 'Locally hired managers better understand cultural no-no's and can help companies shed their imperialist image. But more important, they are often more in tune with subtle changes in consumer buying habits, customer complaints and government regulations all of which can affect operating profits (Karpin:26).' Local managers are likely to have better networks which are helpful when subsidiaries seek to establish supply and distribution systems.

This point, applying as it does to the management of foreign subsidiaries, does not apply to the bulk of Australia's involvement in the international economy which remains export-based. Exports of goods and services must be undertaken with the involvement of staff in the home company. Nor is Karpin's view compatible with the nature of foreign subsidiaries. According to Dunning (1988), the subsidiary is an extension of the home company. The multinational corporation must make the most of its competitive potential by working closely with the parent. Communication between the parent and the subsidiary, necessarily involving cultural and language interaction, will occur even if a local manager is hired. Use of a local manager merely changes the context in which the cross cultural interchange takes place.

Employment of local managers offers many advantages, as described by Karpin and quoted above. However, the majority of Australian multinationals use Australians as Chief Executive Officers (CEOs) to manage their subsidiaries, especially in the early period of the subsidiary's life (Edwards and Buckley, 1995). They see this strategy as being necessary to ensure that the parent's advantages in technology, management system and culture are passed to the subsidiary. An expatriate, Australian CEO may be in a better position to safe-guard shareholder interests, given their longer track-record with the parent company. This context is not compatible with Karpin's notion that use of local managers removes the need for the parent company's personnel to possess international skills. Nor is it consistent with the needs of a truly global firm whereby the most competent people should be recruited regardless of nationality (Adler and Bartholomew, 1992:55).

According to Karpin, 'many Australian enterprises may be better served to improve the basic business education and skills of managers so that products and services of Australian companies are world class (Page 27).' Karpin therefore concludes, despite his call for 'globalisation', that international skills are unimportant: 'In this philosophy a basic business education would include broad exposure to global opportunities and some exposure to other countries but not necessarily in-depth language or cultural skills (Karpin:26).'

In summary, there is currently a stand-off in the debate over the role of language and cultural skills in developing an export culture. The prevailing view among Australian senior management, as expressed in the Karpin Report and elsewhere, is that such skills are of little consequence. Language professionals, international research and a minority of practising managers disagree, arguing that such skills promote international business. Is there a sensible reconciliation of these conflicting views?

One possible reconciliation is offered by Adler and Ghadar's (1990) analysis of the evolving human resource needs of firms as they progress through different stages of internationalisation. Drawing upon work by Vernon (1966) and Davis (1987), Adler and Ghadar describe four stages in internationalisation, each generating quite different demands for language and cultural knowledge. The first three stages are taken from Vernon's life cycle model. In the first stage the product is new and unique, it commands a high price and is sold mainly in the home market. Product uniqueness and the absence of competitors negate the firm's need to demonstrate sensitivity to cultural differences. Foreign buyers adapt rather than the firm. In stage two, firms expand foreign sales by exporting and foreign production. Competitors enter the market, driving down prices and giving buyers much greater discretion.

Marketing the product is now far more important. In this stage sensitivity to cultural differences is very important in designing and marketing the product and critical in managing the foreign subsidiary. In stage three, a multitude of firms sell standardised, almost undifferentiated products. Due to competition, price falls to the bare minimum. Price competition reduces the influence of culture. In stage four, mass customisation is the norm with firms addressing individual clients' needs. To be successful firms will recognise cultural diversity and the impact it has on the organisation.

How does this help us understand the divergent views held among Australian managers towards the importance of language and cultural knowledge? It is a matter for further research, but it may be that managers who downplay cultural knowledge are concentrated in stage one and stage three firms. Either their product differentiation gives such market strength in their particular niches that they can afford to ignore cultural differences or they manage stage three firms, selling standardised commodities, and they cannot afford to address cultural issues. The rapid growth of manufactured exports in recent years suggest that many Australian firms are in stage one. The fact that a large percentage of Australia's exports are commodities, such as unprocessed minerals and agricultural products, suggests that for many firms stage three conditions apply. Thus it may be that practising manager perceptions of international skills is dependent on the level of internationalisation achieved by their firms. It should be noted at this point that various competing theories of internationalisation exist, each with their particular implications for the human resource requirements of the firm (See Rosson and Reid, 1987). Nevertheless, it is clear that market conditions and the nature of client interaction change as firms extend their reach in international markets.

What should practising managers make of this debate? How should they develop an approach that recognises the exigencies of contemporary commercial realities and yet makes best use of current and prospective market opportunities? The authors suggest a strategic approach to the issue is possible. Development of such a strategy is beyond the scope of this paper but two propositions might assist the process. These are that the commonly argued proposal that 'all Australians should learn an Asian language' is excessive and unnecessary and, secondly, that a targeted approach to language and cultural education is more appropriate.

Like financial and marketing skills, not all people involved in a business need expert knowledge of foreign languages and cultures. Senior management is able to delegate tasks, including those that require highly developed language and cultural skills. People who are advanced in their careers may well find the investment in time required to achieve fluency in a second language to have a poor return. Nor is it necessary, as is shown by the prevalence of monolingual but successful export managers in Australia. Unlike senior executives, people at the beginning of their management careers, especially those still planning their initial training, may assess the investment differently

because they face a more extended reward for any investment in language and cultural study. Although Chief Executive Officers need not be expert, they should at least have a good knowledge of basic principles and respect for every function's contribution to the overall business. They should also understand how international skill and knowledge requirements are likely to change as internationalisation proceeds.

The time and cost involved in study of any kind, but especially that of Asian language and culture, calls for a more commercial approach to investment in such skills. Industry does not have to accept the 'all or nothing' approach to languages which is reflected in the debate. Which corporate roles call for advanced skills, for more modest skills or none at all? What type of international engagement calls for such skills? When is it appropriate for companies to 'contract out' tasks that require such skills? Little has been done to answer such questions. However, an AGB McNair survey has made a useful contribution in this area (Reported in Lingo Magazine, 1994:27). It found the perceived importance of language and cultural skills increases with company size and that companies with merchandise trading links with Asia were less likely to consider Asian skills important than were those engaged in service trade or investment. Knowledge of Asian languages and societies was most likely to be perceived as beneficial in negotiating contracts, product promotion and after sales service. This kind of study needs to be extended so the language and cultural needs of industry can be defined more precisely, thereby helping to avoid the high cost of overly ambitious calls to make language study compulsory in schools.

5. CONCLUSION AND RECOMMENDATIONS

The Karpin Report aimed to identify the key reforms required to ensure that Australian business will be competitive in the 'Asia-Pacific' century. Having identified these challenges, Karpin sought to develop a strategy for business, government and business schools. 'Globalisation' skills were essential but evidence collected by Karpin showed Australian business to be particularly weak in this regard. The survey work carried out by the authors confirmed that knowledge of Asia among managers, university students and senior secondary students is weak.

School curricula must therefore give more attention to Asian studies. An examination of the current Geography and History syllabus in New South Wales has revealed that the study of Asia only exists as an option. It has been left up to individual schools or even teachers to make the decision to incorporate studies of Asia into these courses (Lancely and Laws, 1993:8). It is possible for many students to complete their secondary education without doing any Asian history at all (Hoban, 1990). The study of Asia is optional and many schools are opting not to pursue it. The Australian education system, at all levels, therefore needs to increase the Asian content of curricula to a level appropriate for a country with Australia's regional setting and trade pattern. Significant resources must be invested in training current and future teachers to be capable of implementing this reform. Unhappily, research indicates that student teachers are also poorly informed about Asia. Edwards and Walker (1992:48), analysed student teachers' perceptions and knowledge of Asia and Europe and concluded that Australian teachers-in-training had limited European or Asian knowledge or cultural empathy.

The importance of international skills for management personnel suggests that the study of foreign, especially Asian, cultures, languages and business practices must be included in Business and other professional degrees at university. Such topics have traditionally been seen as Humanities subjects, not central to a Business education. Instead, Business curricula are loaded with technical subjects at the expense of broader learning. For broadly-based attitudinal change, mainstream Business and

Economics programs, where the bulk of business personnel receive their training, must provide access to studies of international business, including foreign language and cultural studies.

Although Australia has a rich history of political rhetoric on the subject of integrating more closely with Asia, the nation has a poor record in developing significant and meaningful changes in attitudes, knowledge and awareness of Asia. Unfortunately, the Karpin Report continued this tradition by failing to recommend concrete action to address the problem. If Australian firms are to extend their international operations beyond the comfort zone to make more of the opportunities in Asia and other emerging markets, they need access to management personnel with global skills, particularly cultural and foreign language knowledge.

With the link between export success and language proficiency well established, Australian business needs to change attitudes and behaviour in the interest of export performance. Australia must move from rhetoric to concrete action in internationalising its people as well as its economy. Priority attention must be given to cultural and language studies in schools and universities. Course changes must occur to give prospective business people access to such programs. Research should focus on how and where these skills can be best used.

In conclusion, the challenges of 'globalisation', well expressed in the Karpin Report, call for a more full-bodied response than the one the Report tentatively proposed. Nevertheless, by bringing government and business community attention to the need to support the strategic focus on Asian markets with on-the-ground management skills, the Report progressed the debate from one which largely remained at the macro level to one where actual management skills are being reassessed. It brought the dilemmas into clearer focus. This paper has sought to address one of these.

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