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## Article

# Changes in Globalization: How Should IB Education Respond?

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## AIB Insights

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A new phase of globalization has made the world cognizant of the job losses, inequality of gains across countries and socio-economic sectors, and climate degradation that has resulted from prior global business practices. We examine what changes international business (IB) education should consider as these patterns evolve. Non-routine analytical skills and global interpersonal skills will still be important in the changing economy. However, evidence suggests that IB education should also emphasize broader knowledge of politics, institutions, sociology, and anthropology in order to help future business leaders navigate and balance the increasingly complex requirements of both local and global stakeholder interests.

“...globalization has not given way to deglobalization; it has simply entered a new phase. This new era will bring economic and societal benefits, boosting innovation and productivity, offering people unprecedented (and often free) access to information, and linking consumers and suppliers around the world. But it will also be disruptive. After certain sectors fade away, certain jobs will disappear, and new winners will emerge. The benefits will be tangible and significant, but the challenges will be considerable. Companies and governments must prepare for the coming disruption” (Lund & Tyson, 2018: 131).

Educators must prepare for the new phase of globalization as well. In this article we discuss pre-2008 globalization and how International Business (IB) educators shaped their curricula to meet it. We address what implications this new phase may have for IB education, how to tackle its challenges, harness its opportunities, and prepare our students for this new world.

## PHASES OF GLOBALIZATION

### THE GROWTH OF GLOBALIZATION

In recent decades, multinational corporations (MNCs) went global in a quest “to become bigger and brainier.” From the 1980s until 2008, the growth of global trade more than doubled the growth of global GDP. A 2007 McKinsey study reveals the fruits of such efforts; MNCs located in the United States accounted for 19% of private sector jobs, 25% of private wages, 25% of profits, 48% of exports and remarkably, 74% of research and development (Economist, 2017). This growth of globalization was largely fueled by market liberalization and new multilateral trade agreements. From 1980–2000 the number of democracies doubled, providing fresh locations for customers, capital, production and management (Bach, 2019). Plunging transportation costs and improved communications sparked a “global value supply chain revolution,” combining developed-country know-how with developing-country labor (Baldwin, 2016).

### THE GLOBALIZATION BACKLASH

The global financial crisis in 2008 and ensuing recession

shifted the focus of the world’s economies from the benefits of globalization to its negative domestic impacts: job loss, inequality, and climate degradation. In the US, the bottom 50% of society grew significantly poorer and the top 1% richer, illustrating globalization’s losers and winners (Piketty, Saez, & Zucman, 2018). These gains and losses were spread across countries; the middle class in developing economies saw incomes grow as much as 65%, while in developed countries, this sector witnessed virtually no growth (Milanovic, 2016). Yet, despite acquiring well-paying jobs, China, among others, has paid a price. With “its four-tiered smog warnings and lethal dumps of toxic waste, China has become Exhibit A for the environmental costs of economic development” (Bach, 2019).

Not surprisingly, nationalistic parochialism and opposition to globalization have surged, trust in institutions has collapsed, and the spread of democracy has stalled. Since November 2008 the G-20 countries have implemented more than 6,600 protectionist measures as the structure of rules underpinning global business has splintered. The US has retreated as an exemplar of democracy while China’s influence grows. Profits of the top 700 MNCs in the developed world have fallen by 25% over the past 5 years whereas profits of domestic firms increased by 2% in comparison.

Yet, there have been areas of strength. The technology sector saw its earnings up 17% over the last decade and half of all trade in global services depends on digital technology. Cross-border bandwidth grew 90-fold from 2005–2016 increasing information and communication availability, and will continue to grow. Furthermore, in 2000 5% of the world’s largest MNCs were headquartered in the developing world; by 2025 that figure may reach 45%, with the largest companies calling China home (Lund & Tyson, 2018).

## GLOBALIZATION AND INTERNATIONAL BUSINESS EDUCATION

IB education responded to the needs of the globalizing economy by developing understanding of the foundational principles and strategies in international business: the geographic, linguistic and cultural contexts, and the drivers of international competitiveness. The Centers for International Business Education and Research were established by

Congress in 1988 to provide resources for effective teaching in these areas. However, to respond to the new phase of globalization, IB education must now turn from the “what” to the “why”: developing within students an understanding of why the multiple forces of globalization work in diverse ways for differing countries and individuals. Although digital competencies will continue to be a given, within this new phase are a host of issues that IB educators specifically are able to address. We need to develop business leaders who are sensitive to distrust of free trade by those who have not profited from globalization, and who can effectively rebuild this trust. We should explore complex issues such as sustainable, equitable and inclusive growth, leveraging the expertise of fields such as law, history, and anthropology “to provide students with a holistic perspective on how we got to this point and what solutions may look like” (Bach, 2019: 26). International business people must understand the shifting geopolitics, and be able to navigate differing – and dynamic – regulatory and legal environments. Skilled negotiators will be needed to strike the balance between protection of individual privacy and national data security with the need to maintain open digital flows across borders. We should cultivate within students a comfort in working across borders and an independence in applying their particular skills. Finally, we need to foster “continuous learners,” who can be agile and adaptive given more uncontrollable and uncertain conditions than in prior eras (Baldwin, 2016).

## CHANGES IN JOBS AND SKILLS TRENDS

To consider how IB education can best prepare students for jobs today and in the future, we investigate job and skills trends, and then present data that give us a more specific picture of these changes. Technological change now allows for complex customer interactions with little human intervention. Skills for routine work are easily, and more effectively, replaced. At the same time, demand for employees with non-routine cognitive skills (complex problem solving, innovation and creativity, and learning and adaptability) and global interpersonal skills (including leadership, coordination and collaboration, empathy, and persuasion) are growing because these skills are not currently replaceable by technology (PwC, 2018), and are increasingly features of jobs in today’s business models in the context of a more diverse workforce. These skill trends towards non-routine cognition and global interpersonal skills are visible in both emerging (growth from 19 to 23% since 2001) and more advanced (33 to 41%) economies, and are expected to continue (World Bank, 2019).

Most researchers agree that jobs continue to require these non-routine and interpersonal skills, including increased adaptability and flexibility. Further, a strong orientation toward learning promotes the experimentation needed to effectively adapt to unfamiliar or changing circumstances. Learning is a fundamental component of effectiveness in the new globalization for at least two reasons. First, workforce entrants and current job occupants must continually learn to keep up with changes in how business is conducted in a variety of contexts, to interact effectively with diverse co-workers, and to work with evolving technology. Second, investments by governments and other organizations in education earlier in life will be required to provide a better foundation for the complex cognitive skills required today and in the future (World Bank, 2019).

Based on this discussion, we examined trends in different skill sets to demonstrate configurations illustrating their

changing importance. In addition to considering routine and non-routine analytical capabilities and general global interpersonal skills, we created three sub-categories of global interpersonal skills for further analysis. First, skills and abilities that are not easily incorporated in technological solutions (*not AI replicable*) enable understanding of diverse others and their relationship to the context in order to create workable, people-based decisions. Second, *broader knowledge* is more difficult to build into technological solutions, and can reflect complex knowledge regarding local contexts. Third, skill elements that are not easily taught in the classroom (*experiential*), such as the ability to work autonomously, are of increasing value in response to changes in technology, the workforce, and global business models.

We utilized the O\*NET database and employment statistics provided by American Community Survey and Census Data to assess these changes. O\*NET is a survey administered by the U.S. Department of Labor to a random sample of U.S. workers in each occupation, collecting information on tasks performed, skills and abilities used and worker characteristics desired in the occupation. First, we grouped occupations with respect to the importance of global interpersonal knowledge, skills, and abilities (KSAs) along with their intensity of non-routine cognitive KSAs (the overall highest valued KSA set) and tracked the trends in their employment shares relative to 1980 values.

Figure 1 demonstrates that employment share has been increasing for occupations requiring both high *non-routine analytical* and *global interpersonal skills*, and for those requiring global interpersonal skills. However, there is a slight decrease in employment share over time for occupations with high non-routine analytical and low global interpersonal skills demands, and a steeper decline for those with low demands for both types of skills.

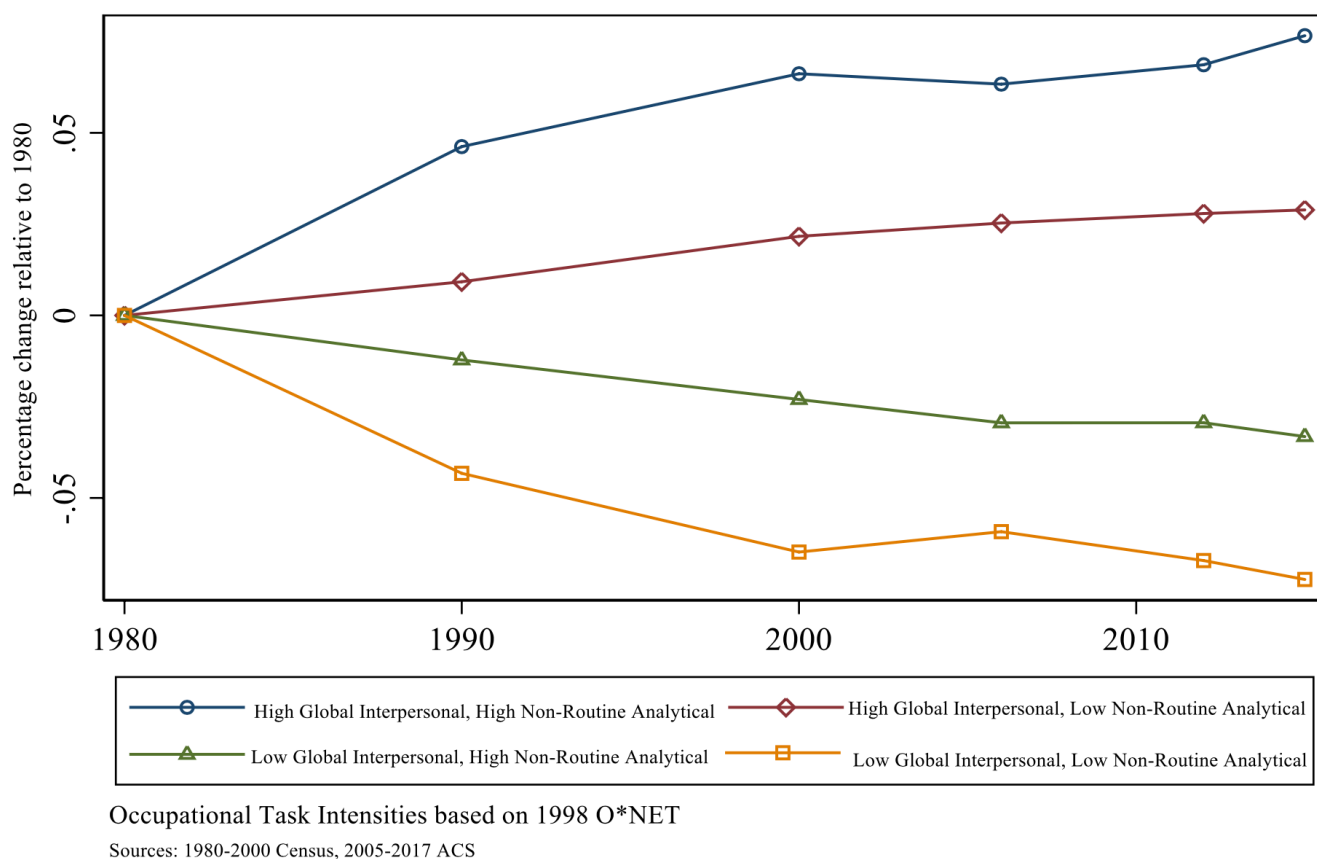
Second, we extended Deming’s (2017) measure of social skills and created measures of global interpersonal KSAs to capture elements associated with IB education described above. Specifically, we distinguished global interpersonal KSAs that are *Not AI Replicable* (Social Perceptiveness, Coordination, Persuasion), KSAs that are part of *Broader Learning* (Knowledge of Foreign Languages, Sociology and Anthropology, Law, Governance and Jurisprudence, Negotiation) and KSAs that are *Experiential* (Autonomy and Independence).

Figure 2 shows these subcomponents and compares changes in their importance in the labor market subsequent to 1980 in these and in non-routine and routine analytical skills. This graph shows task intensity of global interpersonal skills has increased greatly relative to other groups of skills (shown as relative demands for *broader knowledge* and skills that are *not-AI replicable*). Routine skills demands show a steep decline, whereas both non-routine analytical and experiential skill demands appear relatively constant.

## DISCUSSION

These analyses illustrate the critical importance for IB education to help students develop global interpersonal and non-routine analytic skills, as jobs requiring these skills are an increasing component of this new phase of globalization. In combination, the skills appear particularly important. That is, such jobs require their occupants to both effectively interact with diverse people and to confront and resolve non-routine problems.

Further, when we looked at more nuanced skill categories, it is apparent that while both non-routine analytical



**Figure 1: Relative Changes in Employment Share by Occupation Task Intensity 1980 to 2015**

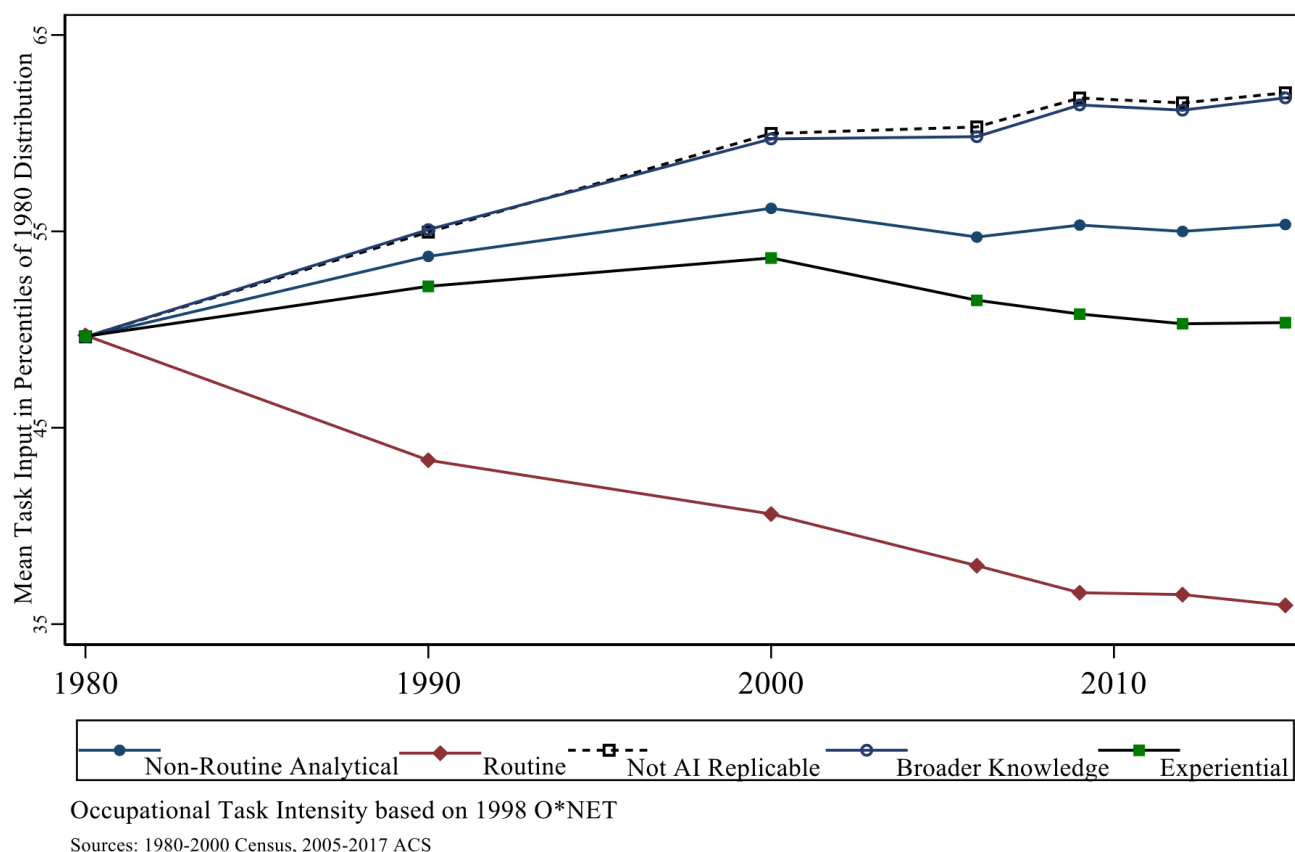
Notes: In Figure 1 each line plots 100 times the change in employment share – relative to a 1980 baseline – between 1990 and 2015 for occupations that are above and/or below the 50th percentile in math and global interpersonal skill task intensity as measured by the 1998 O\*NET.

and experiential (autonomy and independence) capabilities continue to be significant, other skill requirements have changed. As would be expected, routine analytic skills showed a decline in occupational demand in relation to other skills. Global interpersonal skills such as social perceptiveness, coordination, and persuasion are not AI replicable, and demonstrated an increase in demand, and broader knowledge, such as language, governance, anthropology, and sociology, showed a similar increasing trend. These skill categories showing the greatest occupational increases are directly in the IB education domain, and can be further emphasized within IB curricula through enhancing the *breadth* of course content and the *depth* of global interpersonal skills training.

As the world moves into a new phase of globalization, IB education must be responsive to the needs of multiple stakeholders – businesses, students, and societies. Although we argue that much of what we have been doing, such as educating students in non-routine analytical and global interpersonal skills, is still important, we also see room for improvement in three areas. First, broader knowledge of topics such as politics, institutions, sociology, language, and anthropology is increasingly vital. IB educators should study and use frameworks from these other fields to help our students make sense of their local contexts. And even as others currently dispute the value of the humanities, it would behoove us to encourage our students to minor in these broader fields so that they can gain a different and valuable perspective on environmental analysis. Students should use this knowledge in conjunction with global interpersonal skills to better balance the needs of local

stakeholders and global businesses. This approach to managing in diverse environments has been identified in prior research, which shows that attempting to pull all people under one global umbrella is not likely to be a universal solution to collaboration across subgroups. Instead, business leaders must be able to build bridges between local subgroups, while respecting their needs and differences, to enable engagement toward higher-level shared goals.

Second, it is clear that conveying knowledge regarding “what” constitutes business contexts and strategy is insufficient, and technology skills alone, while essential, will not make an individual competitive in the future. Rather, the issue of “why” local and global dynamics demonstrate particular configurations will be key. This issue can be informed by a deepening of global interpersonal capabilities often acquired beyond the traditional business classroom: strong cross-cultural communication skills that enable flows of information about these dynamics, and non-routine analytical capabilities such as social perceptiveness, coordination, and persuasion that allow creative solutions to complex problems. To encourage the strengthening of these capabilities in our students, IB educators should be intentional in their project-based classes and study abroad programming such that our (or international) students not only live in a foreign culture, but actually work and solve problems within it. For example, one could devise multi-cultural student teams completing a consulting project for a local business; in such settings students must learn how to communicate, coordinate and create solutions on a team where each member might approach the problem and express themselves differently, and where the client also may have unan-



**Figure 2: Worker Tasks in the U.S. Economy, 1980-2015. Detailed Global Social Skills vs. Non-Routine Analytical and Routine Skills.**

Notes: Figure 2 illustrates the extent to which changes in the occupational distribution over the period 1980 to 2017 resulted in changes in the tasks performed by the U. S. labor force. By construction, each task variable has a mean of 50 centiles in 1980. Subsequent points depict the employment-weighted mean of each assigned percentile at given year.

anticipated expectations based on idiosyncrasies in the environment. Although business knowledge attained through these experiences is important, it is often eclipsed by the extent of global interpersonal (non-AI replicable) capabilities gained.

Lastly, our mission as IB educators should be to instill a life-long learning orientation to support effective behavior in constantly changing, complex, and vastly different situations. This foundation provides the possibility that global and local conflicts can be resolved, and multiple stakeholder needs can be met, both by and for our students of the future.

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