Teaching international business entrepreneurship

The Institute for International Business hosted a development program for faculty in international entrepreneurship (FDIE) in June 2007 in Denver, Colorado. Jointly sponsored by the Centers for International Business Education and Research (CIBERs) at the University of Colorado at Denver and Health Sciences Center, and the Kelley School of Business at Indiana University, the FDIE is the first faculty development program specializing in international entrepreneurship among the CIBER schools.

The program was facilitated by two leading scholars in the field – Dr. Patricia McDougall (Kelley School of Business) and Dr. Walter Kuehnerle (formerly of the Harvard Business School).

Intersection between international business and entrepreneurship

During the program, we addressed the intersection between the two fields of international business and entrepreneurship, and its relation to other business functions such as marketing, finance, management, and strategy. The four-day program focused on addressing best approaches to teaching, research, and practice of international entrepreneurship.

The twenty-six faculty participants, the majority of whom were from US schools, were in strong agreement about the growing need to teach international business from an entrepreneurial perspective as well as to add global dimensions to the entrepreneurship course.

Nuts and bolts of international business operations

Faculty noted that a course in international entrepreneurship provides students with knowledge, skills, and abilities related to the “nuts and bolts of international business operations” that will help them lead these entrepreneurial organizations.

The discussion during the program covered a broad array of topics. Professor Kuehnerle addressed the “E-entrepreneurship” in the international entrepreneurship course. He talked about cross-border entrepreneurship, frameworks for international expansion among entrepreneurial firms, international entrepreneurship finance, and the use of cases in teaching international entrepreneurship.

Emerging research topics, methodologies

Professor McDougall traced the development of the field and identified emerging research topics and methodological issues in conducting international entrepreneurship research.

My session focused on teaching international business from an entrepreneurial perspective. Together with Jim Beach
FDIE program: Courses in international business differ

FROM PREVIOUS PAGE

of Georgia State University, and other faculty participants in the program, we examined how the international entrepreneurship course differed from the traditional international business course.

We also identified and reviewed various teaching resources including books, articles, websites, course outlines, and other references.

**Colorado-based companies featured**

A major highlight was business case presentations by executives from four Colorado-based companies. **Wheelabrator, Re/Max International, ProLogis, and Larabar** are successful entrepreneurial companies with superb business models. These companies come from different industries and are at different stages of their entrepreneurial life cycles.

Wheelabrator, ProLogis, and Re/Max International represent interesting cases of corporate entrepreneurship in an international context.

For example, Wheelabrator is a 100+ year old company that found itself having to think and act more entrepreneurially following its acquisition by an Eastern European private equity concern and the shift of its customer base from North America and Europe to Asia.

In contrast, Larabar's story is about a Denver-based company that grew into the leading brand in the power/health bar market with annual sales of more than $20 million and numerous opportunities for international expansion.

In this special issue of The Global Executive Forum Report, we highlight the business case presentations of the above mentioned companies. All four companies shed light on the opportunities and challenges of international entrepreneurship and why it has become more important to teach and learn international business from an entrepreneurial perspective.

**Faculty contributions recognized**

The Global Executive Forum Report also features other key IIB initiatives and the contributions of faculty to our work at CIBER (Center for International Business Education and Research.)

In May, the IIB and the Business School cosponsored the Robert Reynolds Distinguished Lecture in International Business. Our speaker was Dr. Rafiq Dossani of Stanford University. Dr. Dossani’s lecture, “India Arriving,” examined the rise of India in the global economy, and the opportunities and challenges facing the country as it competes in the global marketplace. Nearly 70 people from the business community, faculty, and students attended the lecture.

**CIBER at CU Denver and Health Sciences Center**

The Institute for International Business (IIB), home of CU CIBER, was established in 1988 by the University of Colorado’s Board of Regents. The Institute for International Business Advisory Council was established in 1992.

The Center for International Business Education and Research (CIBER) is part of the Institute for International Business (IIB) at the University of Colorado at Denver and Health Sciences Center (UCDHCSC).

The Colorado CIBER is one of 31 universities located throughout the United States that are recognized by the US Department of Education as centers of excellence in international business education and charged to increase American competitiveness in the global marketplace.

The CU CIBER and the Institute for International Business exist to...

- increase international business expertise and awareness in those they serve - students, faculty, public policy makers, American business people and the general public;
- expand the knowledge base of international businesses and the foreign cultures in which they operate;
- serve as a focal point and catalyst for international business teaching, research and outreach at the University of Colorado at Denver and Health Sciences Center as well as for the University of Colorado Statewide System; and
- deliver faculty development programs for the Rocky Mountain Region and other schools throughout the US.

**Over 95% of the world's economic activity occurs outside the United States, underscoring the need for international business education.**

(Source: Colorado State Officials’ Webpage)

During the past year, the IIB also sponsored several international executive roundtables (IERs), applied research, and course development projects focusing on the overarching themes of our CIBER’s current grant period:

- international entrepreneurship,
- globalization of knowledge work and services, and
- exploiting new markets—the awakening giants of China and India.

The presentations by Barbara Bauer, Pegy McMahon, and the contributions of Dr. Wayne Cascio and Dr. Stephen Thomas are also featured in this report.

**14 years**

The past academic year marks the 14th year of the IIB at UCDHCSC’s designation as a Center for International Business Education and Research. UCDHCSC received this prestigious designation from the US Department of Education in 1993 and won renewal four times in ‘96, ’99, 2002, and 2006.

The IIB and CIBER have enjoyed stable leadership during the past 15 years. Two of my colleagues and leaders of the IIB, Managing Director Dr. Donald Stevens and Associate Director Dr. William Murray, retired from the IIB this year. We acknowledge with gratitude their many contributions to the IIB and CIBER, and wish them the very best in their retirement.

Finally, the IIB and CIBER have greatly benefited from the support of UCDHCSC’s Provost Mark Heckler, the faculty and students of various schools and colleges at the University of Colorado, particularly the Business School at UCDHCSC; and the members of our Global Advisory Board and CIBER Advisory Council. We are grateful for their support and look forward to continuing to play a leadership role in the internationalization efforts at the University of Colorado.

**Manuel G. Serapio Jr., Ph.D.**

Faculty Director,
Center for International Business Education and Research Interim Director, Institute for International Business
Wheelabrator: Global company in niche industry

Shift in regional manufacturing creates challenges

Robert E. Joyce Jr., is president and chief executive officer of WGH Holding Corp., doing business as Wheelabrator Group (WG). Golden, CO. WG was formerly the largest subsidiary of International Surface Preparation Corp. (ISPC) until its divestiture in 2005. Prior to divestiture, Joyce was president/chief operating officer of International Surface Preparation Corp., and before that held top positions (executive vice president, president/COO) at United States Filter Corp. A former Marine Corps captain, Joyce holds an MBA from the Wharton School and a BS in aerospace engineering from the University of Michigan. He is an advisory board member of the University of Colorado Business School.

Wheelabrator is both an old company -- dating back to 1908 when it was established as American Foundry Equipment -- and a new company that has had to contend with challenges brought about by changes in the marketplace, ownership and funding mechanism.

The name “Wheelabrator” reflects the company’s signature product: a patented wheel-based design for centrifugal cleaning and finishing of industrial products, said Robert Joyce in his presentation to the Faculty Development in International Entrepreneurship program (FDIE).

Wheelabrator is the world’s largest provider of surface preparation technology and services with annual revenues of $310 million, 1250 employees and numerous agents in 17 countries. It is the twelfth largest private company based in Colorado, according to Joyce.

“Even though we look like a traditional multinational, we’re a relatively small company. We operate in a very narrow market segment that is global by nature.”

Unprecedented shift

North America, which for 50 years was fertile ground for the surface preparation industry, is now a “mature region,” said Joyce, attributing the decline to “an unprecedented shift in regional manufacturing.” Western Europe and Japan also fall into the “mature” column, he added.

“In the history of the world there’s never been a shift like this short of a major war, where capacity has shifted literally over night. And this is being driven by the low-cost labor rates.”

To serve its customers, Wheelabrator “must go to where demand is, not was.” That demand is in China/Asia, Russia, India and Eastern Europe, “where everyone is moving their production,” said Joyce. “These are separate regions and one business model doesn’t fit all.”

In Russia, for example, the company deals with pervasive corruption by doing most of its business through third parties. “We tell our agents what they’re allowed to do and not allowed to do.”

Long-term growth or short-term profits?

Throughout most of its history Wheelabrator has been a subsidiary of a string of larger publicly traded companies. In 2006, through a management buy out and private equity funding, Wheelabrator became an independent company in charge of its own destiny. More or less.

Private equity investors are about returns in the short term not growth in the long term. The short term is five-seven years. So if a company has a 10-year vision and needs additional funding to get there, chances are investors will keep their checkbooks closed.

“No private equity investor in the world is going to make an investment that takes more than five years to pan out.”

So along with the challenges of expanding into foreign markets, “the issue then becomes whether the CEO should lead to achieve long-term growth for the business or create short-term profits for investors,” Joyce’s outlook is positive. “My approach is that we’re going to match investors to our strategy with the view that we’re not going to get fired in five years.”

“My next buyer will probably be focused on Asia-Pacific or India because that’s where I have to make my next investment.”

Joyce points out the pitfalls of private equity financing: “If GE were owned by private equity in the 1930s we wouldn’t have a GE today; it would have been broken up into pieces and sold off.” On the other hand “private equity forces management to be accountable and to be cash efficient.”

In addition to juggling expansion and investor needs, Joyce and his management team must raise the company’s sensitivity quotient as it pertains to cultures in a multi-ethnic, multi-theistic global environment. Wheelabrator’s employees represent every ethnic background, every religion in the world.

Also, because Wheelabrator has had so many parents in growing up, “integration never occurred and there’s no common culture within the company.” Joyce aims to correct this and instill in employees “a continuous improvement mentality.”

Surface preparation: Process, industry, customers

According to Robert E. Joyce Jr., “surface preparation is the act of bringing an abrasive into contact with a (primarily) metallic surface for the purpose of cleaning, strengthening (peening) or polishing. This is accomplished through three different methods:

- a wheel that propels the abrasive mechanically;
- air blast, where the abrasive is propelled with pneumatic pressure;
- vibration, where products are submerged in a big bathtub of media that gently vibrates over time to create a very high quality polish on those products.

“The market for cleaning, strengthening and polishing is about $1.2 billion. It’s a small, concentrated industry.

“Wheelabrator’s customers are in the Fortune 1000 globally and in industries such as aerospace, automotive, construction, electronics, foundry, medical, power, railroad, recreation,” said Joyce. “We sell the equipment that gives products the finish these customers want.”

The company is not on the radar of the average consumer, nor is surface preparation a familiar term. Except, perhaps, for fans of stone-washed jeans. “We sell equipment to jean manufacturers that can blast the jeans and create that worn look,” said Joyce.

“It’s not our focus market but we never say no to an order.”
The RE/MAX formula for spreading the wealth

Sharing the dream, building a world-class company

WILLIAM E. SOTEROFF is RE/MAX’s senior vice president of international development responsible for international growth and developing new and existing markets including Australia, New Zealand, Asia, Europe, the Middle East, the Caribbean, Mexico, and Central and South America. Previously he was chief operating officer and managing director of RE/MAX Europe based in Vienna where he led this operation’s growth to 10,000 sales associates in 44 regions and 1400 franchises in 31 countries. He joined the RE/MAX network in 1993 and served as executive vice president and regional director of RE/MAX of New England, responsible for 250 offices and over 2500 sales associates. Prior to his career with RE/MAX Soteroff worked for a number of national and international corporations.

Born in Canada, he is a graduate of the University of Western Ontario.

William Soteroff, refers to company cofounder Dave Liniger as “my hero; he’s a true entrepreneur.”

Liniger, together with his wife, Gail, created the company in 1973 using an innovative business model that ran against the traditional mindset prevalent in the industry. Over the years, RE/MAX has become a leading real estate franchise nationally and internationally, with its red-white-and-blue balloon floating in the sky and an army of agents boasting more control over their finances and lives.

“Agents in our system pay management fees and a percentage of their income, usually 5 to 10 percent, to belong to an office,” said Soteroff. “So for the first time in the industry real estate agents get to keep 90 or 95 percent of their income.” This is a substantial increase over the standard 50/50 commission split between broker and agent.

Liniger’s dream for a new kind of real estate company went beyond the commission structure. He developed a corporate culture that focused on giving agents formal training to boost performance and allow them to promote themselves in the community. A RE/MAX agent’s business card often sports his/her photo, a practice unheard of at the time.

Starting out, Liniger faced opposition from real estate boards wanting to preserve the status quo. He stood up to them and prevailed. The rest is history. “We’ve had 34 straight years of growth,” said Soteroff.

RE/MAX does not recruit agents; it sells franchises to licensed real estate brokers who then recruit agents. “We have 6,960 offices as of today in 101 regions in 67 countries. There are some regions that aren’t countries and some countries that have a number of regions. Germany has five regions; Italy has three; Croatia, Hungary and the Czech Republic account for one.”

Of the 101 regions, Soteroff opened 64. “We’re growing at a faster rate internationally than we are in the United States,” he said, adding his goal is to increase the international ratio to 50 percent of the company’s growth.

“Last year we had 1,151 franchise sales. That’s 1,151 people who paid money to join our network. Of that number, 554 are in the United States. Brokers are key to the company’s continued growth, and RE/MAX has a vested interest in helping them succeed. “As an individual entrepreneur who owns your own office, you’re in business for yourself but not by yourself,” Soteroff emphasizes. The RE/MAX team offers ongoing training and support.

Broker/owners most often are experienced professionals “and they have an asset they can leave to their children or sell,” said Soteroff. Being a professional is a measure of success. “If they have not reached their financial goals within five years then I suggest they don’t renew their contract.”

Different marketplaces, different challenges

“There is no such thing as a typical marketplace,” Soteroff said. The key is in finding the right people, and “right” is hard to define. “I look for people who have some ability, some skill, some personality and an ability to learn,” he said. Beyond that, Soteroff leans on instinct. “As soon as somebody walks into a room, I kind of know if they’re a RE/MAX person, male or female. These people have a firm handshake, confident carriage and don’t hesitate to make eye contact,” he said.

“It takes between six and nine months to find someone who’s going to work out. But not everyone does.” The failure rate in some new regions can be very high.

“The first step in establishing an office internationally is to contract with someone capable of being an owner/master franchiser of a geographical region or country,” Soteroff said. The regional owner sells franchises to other brokers in smaller areas. Success depends on “like-minded people who are pulling in the same direction.”

Different cultures and languages require a training approach to meet everyone’s distinct needs. However, Soteroff said there is no book that can teach us how to be real estate entrepreneurs in Croatia, or Germany or any of the countries where we operate.” So the RE/MAX team is creating that knowledge by gathering input from owners and agents. “They’re going to tell us what’s necessary to build their business.”

The entrepreneurial conundrum

Although entrepreneurs often wear all the hats in the early years, Soteroff believes that “entrepreneurs are not the best people to do the many jobs it takes to run a business.” Nor is “the person who writes the business plan always the best executor of that plan,” he added.

“The entrepreneur’s hardest job is growing the company. In my company the hardest job is selling that franchise and getting those franchisees up and operating so they can become successful.

“International entrepreneurs don’t make a conscious decision to go to a particular country. They go where they’re allowed to go. They don’t think of borders, they don’t think of politics. They just want to sell product and get to the next step. They don’t think logically about the next step; they think of the opportunity that becomes available to them.”

William E. Soteroff
Larabar: Making a name in a crowded sector

Who says a nutrition bar can’t taste good?

LARA MERRIKEN is founder and CEO of Humm Foods, producer of Larabars. With a degree in psychology from the University of Southern California, Merriken had no aspirations to be an entrepreneur until one day on a hike while training to run the Denver marathon. There was nothing different about that hike from others she had made in Colorado’s Rocky Mountains, except for one thing: Health-conscious Merriken speculated on why energy bars lacked taste and wondered why good taste and good nutrition couldn’t be combined in one bar. That was in 2000; she launched the company in 2003. Sales are now nearly $20 million annually. How she got from there to here is as interesting as it is instructive.

When Lara Merriken decided to build a company based on her idea for an energy bar, she knew little about business and even less about the food industry she wanted to conquer. But what she lacked in business knowhow, she made up for in passion and persistence, two qualities no would-be entrepreneur should leave home without.

To people who tried to discourage her by pointing out that the energy bar category was saturated, she’d say, “I know this is the right thing for me to be doing.”

Her father, who was retired from his retail clothing business, agreed to help her write a business plan. “He became a partner in my business after reading the business plan that he helped me write.”

Merriken’s father balanced her creative vision with solid operational procedures.

That was in 2000. Three years of R&D and a steep learning curve followed, including a two-year job with Whole Foods where Larabar’s core customers shopped. “It was the smartest thing I’ve ever done,” Merriken said, adding that it allowed her to “learn how they operate from the inside.”

There was much more she had to learn before her vision could become a reality such as packaging, commodities, manufacturing equipment and product promotion.

As the launch date approached, everything that could go wrong went wrong. Backers backed out, equipment broke down, promises of manufacturing facilities didn’t pan out. “We had manufacturing lined up at four different places and they all fell apart at the eleventh hour every single time.”

Plans to launch in the fall of 2002 had to be scrapped.

Then six months before the rescheduled launch date, the trademark attorney found that the original name could not be used. The packaging had to be redesigned before the first run went to print.

But Merriken persevered, believing that everything would work out if they remained flexible and focused on the goal. She was right: manufacturing facilities became available, new packaging was printed and with $150,000 from family and friends, Larabar was launched in the spring of 2003.

After four years in business, Merriken has reason to feel good about her accomplishments. “2006 sales were just under $20 million, with international sales 15 percent of that number; 2007 sales are expected to come close to $30 million.”

The biggest markets after the United States, are Canada, the UK and Iceland. “There are 300,000 citizens in Iceland and last year we sold about 150,000 units.”

Distributors make the difference

Larabar is sold through distributors except for chains like Costco that have their own distribution system. In-store sampling promotes the product to consumers at a very low cost.

In the international arena, distributors can be the make-break factor in a product’s success. If they believe in the product, they’ll get behind it, Merriken said. “The reason Iceland is so good is because the distributor’s wife is a health food celebrity and they both love Larabars. In the UK our first distributor didn’t like the product and didn’t support it. We finally got a new distributor and it’s completely changed our market. That relationship is huge.”

Classroom theory vs. reality

How did Merriken get from the idea stage to a thriving business? “There’s a classroom theory of life and ideas and then there’s reality. And that’s getting out there and making it happen,” she said. “I’ve seen a lot of people that have great ideas but the implementation for whatever reason just doesn’t go anywhere.”

As a start-up, Merriken wore all the hats. “I was salesperson, marketing person, complaint person—you name it.”

Classroom theory vs. reality
ProLogis: Vital link in global supply chain
Industrial real estate company emphasizes service

Participants in the Faculty Development in International Entrepreneurship program (FDIE) toured the ProLogis headquarters and several distribution facilities in Denver and heard a presentation on the company. Following is an interview with Arthur Hodges, ProLogis’ vice president, corporate communications.

Timing and an entrepreneurial drive have enabled ProLogis to seize opportunities and grow from a domestically-focused company to become the largest owner, manager and developer of distribution facilities worldwide.

Formed in 1991 and headquartered in Denver, ProLogis operates in 20 countries and 105 markets with nearly $30 billion in assets under management. Said Arthur Hodges, “40 percent of that $30 billion is in Europe and Asia.” The international growth is noteworthy considering the original business plan was oriented toward “industrial warehouses in eight western US states,” said Hodges.

Customer service was the defining element of the business plan, “a concept that had not been widely applied in the industrial development business.” Instead of building and selling its properties, ProLogis’ approach was to own and lease its facilities and deliver excellent customer service to the lessees. The objective was to create ongoing relationships with customers that could be leveraged in other markets and in other circumstances.

Satisfied customers in one city would be motivated to do business with ProLogis in other cities. “Over time the company would be able to create a more robust portfolio with better quality tenants than a builder who was just building a commodity product,” said Hodges.

ProLogis leases space to “big companies that move a lot of product around the world: manufacturing companies like Procter & Gamble; major retailers like Walmart; logistics companies like DHL; transportation companies like FedEx, UPS; shipping companies like NOL, NYK.

“Customers let us know when they want to be in India or in China or Japan. We go in when our due diligence tells us there is a pent-up demand for high quality, modern warehouse facilities in a given market.”

The due diligence process is a long one. “There are all sorts of factors we have to look at before we actually put money on the table.”

Revolutionary changes

According to Hodges, the company’s timing was excellent because early in its history revolutionary changes were taking place that affected the production and distribution of goods and thus created significant opportunities for ProLogis to extend its reach across the ocean and into Latin America.

“When Asia, Eastern Europe and Mexico became low-cost manufacturing centers for the world, supply chain networks had to be reconfigured to ensure that goods got from point of origin to point of sale in the US, western Europe and elsewhere,” said Hodges.

“The distribution center became a critical component of the new supply chain which is long, linear, highly complex and involves an intricate web of partners, vendors, and different companies.”

Hodges added, “The distribution center was always an important component of the supply chain but the old supply chain was much shorter and simpler” when the goods didn’t have so far to go from the manufacturing plant.

Local nationals in local markets

Hodges attributes the company’s international success to its policy of relying “almost exclusively on local nationals in each market.” He cited Japan, where the entire staff is made up of Japanese nationals. Whether in Asia or Europe, “ProLogis hires people who understand the market and understand how to talk with our customers in a way that’s culturally sensitive.

“Corporate headquarters identifies the appropriate business strategy for a market and then trains people locally in that strategy. You have to be able to attract and retrain the right people to carry the strategy forward. That’s one key aspect of our international expansion.”

What factors could hurt the company going forward?

“We’re very well diversified regionally and we have diversified income streams and a diversified customer base,” said Hodges.

“The main thing that would be a threat to the health of the business would be a total global economic slowdown that would curtail business spending and hurt demand across the board.”

That kind of scenario is hard to hedge against, Hodges said. “We’re not seeing that right now; demand is still very healthy. Occasionally we have markets that are weaker than others but generally the market dynamics in industrial real estate at this time are running on all cylinders.”

Property fund management fuels growth

ProLogis operates as a REIT – real estate investment trust. “REIT’s don’t pay federal taxes on their operating income but they’re required to distribute 90 percent of their operating income to investors in the form of quarterly dividends,” Hodges explained. Funding growth with the remaining 10 percent is a challenge.

In order to expand its options for growth, ProLogis innovated a financing mechanism that allows it to create and manage property funds. The fund “might have half a dozen institutional investors who have pre-agreed to purchase specific industrial properties at the appraised value,” said Hodges.

“We will then build a building with our own risk capital. Six months later the building is completed, leased and has an appraised value considerably higher than construction costs because of the dedicated income stream. ProLogis sells that building to the property fund at the appraised value recovering costs, and uses the profit from the transaction to buy an equity stake in the property fund.”

“So we get an equity interest in the fund and collect a pro rata share of the rents. We can then redevelop the original capital in the next project,” said Hodges.

ProLogis manages 13 property funds, which combined own more than $12 billion of high-quality industrial real estate assets all over the world.
Globalization: Updating myths, realities

Outsourcing, offshoring have become outdated terms

BARBARA T. BAUER is president of a new consulting organization GlobalSight Partners, which supports companies creating or improving globally distributed teams. Previously she held executive positions at Sun Microsystems, StorageTek, US West, Raynet and Bell Laboratories. She also serves as the Director of International and Volunteer Projects for Curriki, a nonprofit organization providing infrastructure, tools, and services supporting Open Source Curriculum. She is a recognized leader in technology innovation, global management and the support of women and minorities in technology. She has served on executive advisory boards for her alma mater, St. Louis University, the Women’s College at the University of Denver, and the UCB College of Engineering. In 2005, Bauer, who holds a B.S. and M.S. in physics, was inducted into the Women in Technology International Hall of Fame.

Enabled by the World Wide Web in their search for partners and new markets, record numbers of small companies are making a splash in global waters. The Web, an equal opportunity enabler, is also responsible for the birth and growth of Curriki, a community of learners and educators around the world. Barbara Bauer addressed both these topics at the International Executive Roundtable sponsored by the Institute for International Business.

According to Bauer, a very high percentage of Colorado IT companies are involved in global activities. “Mid- and smaller size companies are now becoming connected in a way that has not been true in the past” she said, adding “the technology that supports globalization has allowed this to happen.”

In this ever-changing environment, new players are entering the arena. What I see emerging — in India, for example — are boutique or niche firms becoming proficient in some more narrowly defined technology or business process and then connecting with partners who will help them exploit that capability internationally.”

The Web facilitates the search quickly and cost-effectively. But forging a business relationship requires a thoughtful, careful approach. Bauer recommends that the best way for a US company to check out the reputation and capabilities of a prospective partner is to do appropriate due diligence, including a visit to its base of operations. “You need to meet their team and get a firsthand look at the company’s culture and internal/external interactions just as you would when partnering with someone here,” said Bauer.

Labor rate differential

One of the myths associated with globalization is that the quest for lower labor costs drives international expansion. Bauer said the motivator is not only cost; it’s growth and being able to leverage competencies on a local level in order to produce high-quality work and deliver to different, broader markets.

While lower labor costs do exist in some overseas markets, Bauer points out that companies new to the global arena often forget to factor into the overall cost model, the proactive investment in management and communication essential for warding off problems likely to arise down the road. “This includes management time, communication, cultural and location challenges plus training, risk management and all sorts of details that have to be addressed in the early stages of the operation. When you negotiate strictly on labor rate, you get exactly what you bargain for: the least qualified employee on your team,” said Bauer.

With business increasingly global and borders inconsequential, “the terms outsourcing and off-shoring have become outdated. We should get them out of our vocabulary,” said Bauer. “It’s hard to tell these days whose shore is the ‘off’ one and who’s the ‘out’ in the outsourcing.”

And, yes, Bauer acknowledged, “the global distribution of work can result in the loss of US jobs.” However, the current data reveals that appropriate use of global efficiencies promotes overall economic growth, including additional job creation. The alternative is to stifle growth.

Global education

Curriki is a nonprofit wiki-based repository spawned by Sun Microsystems in 2004 to create and distribute quality educational materials that can be shared with students and educators free of charge no matter where in the world they are.

Short for curriculum wiki, “Curriki is built on open source wiki software which allows for both structured and free-to-edit content. The idea is to make it easy for educators to create new content that can be validated by experts when posted.

Curriki supports curriculum resources for all ages, but the current efforts at this time are on K-12 education. “The objective would be to support K-12 students in the areas of math, science, technology, reading and languages. Higher education and vocational adult education are being started by professors and educators around the world.”

Asked how Curriki transfers learning to other cultures, Bauer said, “Our objective is to partner with foundations, education ministries and local companies everywhere to translate the material and render it out in the local language and with appropriate cultural localization.”

Educators and textbook publishers are invited to share their knowledge with the Curriki repository. Curriki is offered free of charge and therefore does not compensate professionals who contribute material. “Publishers will make their money not on the content but on the services they provide around that content. Educators may be motivated to contribute based on personal and career goals.”

Internet availability

Curriki’s online environment has a built-in challenge: “In many places where the materials could be the most helpful, we can’t make the assumption that network access is available,” said Bauer. “In the developing world you can typically find a laptop that you can take to a village but what you can’t do is connect it to anything.”

To offset this problem, Curriki is partnering with printers in major cities of countries like India, Cambodia and Laos. “The printers download the information, print it out and distribute it to the village.”

Partnerships are key to Curriki’s continued growth, particularly between the business and academic communities. Curriki is seeing increasing interest and participation from all levels of educators and from many private companies.

“It’s almost always some leadership quality within the company and within the academic institution that makes the partnership possible,” said Bauer. For more information log onto currki.org. •
Global dispersion of work and its impacts

**Demand exceeds supply of people with needed skills**

WAYNE F. CASCIO is US Bank Term Professor of Management, The Business School, University of Colorado at Denver and Health Sciences Center. A Fellow, National Academy of Human Resources, Cascio has been a Visiting Professor at some of the world's most prestigious academic institutions including the Rotterdam School of Management, Netherlands; Macquarie University, Australia; Université de Genève, Switzerland; University of St. Gallen, Switzerland; and University of Hong Kong. He has written – and contributed to – numerous publications on international business and managing people in global markets. He holds a Ph.D. in industrial/organizational psychology from the University of Rochester.

Excerpts from Cascio's keynote address to the Faculty Development in International Human Resources Management conference, PSG Institute of Management, Coimbatore, India, July 31, 2007:

**N**ations as well as companies are racing to find and keep top talent. Countries like India and Ireland, for example, are calling for expatriates to return home and many are heeding that call.

Companies are outsourcing work within their home countries (onshore), near their home countries (nearshore), and far from their home countries (offshore). The numbers are staggering. According to one estimate, the remote, global workforce numbers in the hundreds of millions of people and is growing at many times the rate of the traditional workforce.

Much of the global talent pool lies outside of the US and Europe: 33 million young professionals with university degrees and work experience now live in 28 low-wage countries compared to 15 million in eight high-wage nations (including 7.7 million in the United States). In the US, the limited number of work visas available to foreign workers has caused domestic companies to look offshore to staff important projects and business processes as they focus on their core competencies and outsource everything else.

The implication? The global search for talent must focus on building remote capacity as opposed to recruiting foreign talent to domestic shores. More and more, battles for talent will occur overseas and managing that globally dispersed talent will become ever more important. An impending problem: Global demand exceeds the supply of people with needed skills.

Academics are starting to talk about “totally disaggregated companies.” This implies global networks of employees and the subsequent integration and management issues that need to be addressed. A recent study by DNL Global cited four key skills that are required of global managers.

**Adaptability.** A global manager adapts readily to new situations and ways of working, is receptive to new ideas, and is able to adjust to changing demands and objectives.

**Global mindset.** A global manager has more of a “cosmopolitan” than a “local” perspective on events and issues.

**Cultural agility.** A global manager is successful whether working with Russian, Indian, Chinese, or Brazilian counterparts across the boundaries of time, country, and culture.

**Relationship management.** A global manager must know when and from whom to seek input. Many issues today are complex and require collaborative decision making and problem solving.

**Self-reliant, team-reliant**

Given the complexity and volatility of global projects, it is not surprising that high-performing global managers have a tendency toward characteristics such as energy, stamina, drive, spontaneity and the need for flexibility.

Counter-intuitively, however, they also tend to score low in self-reliance. This begins to make more sense if we think of ‘team reliant’ as being the opposite of ‘self-reliant,’ and if we consider the need for the virtual global manager to depend on team members on the opposite side of the world whom he/she has never met.

Not surprisingly, top-performing local project managers do not always make a successful transition to managing global projects staffed by remote team members. Those who do have much higher-than-average intensity and greater-than-normal expectations of themselves.

In addition, successful global project managers who are able to deal with the less tangible form of interactions between members of remote, geographically dispersed teams tend to be more collaborative than assertive, and less in need of traditional social structures in the workplace.

The stakes are high in finding, developing, and retaining managers who fit this profile, whether they are located in Albania or Zambia. To be sure, networked corporations have the potential to execute breathtaking leaps in creativity, speed, and innovation. They have the potential to develop game-changing new business models. Yet none of this will happen on its own.

The winning companies of the future will be those that are most adept at leveraging global talent to transform themselves and their industries. These kinds of changes inject a level of excitement and dynamism into IHRM that will challenge the field for years to come.

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**Biggest global outsourcing sectors 2005** (in billions)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software development</td>
<td>$90 B</td>
</tr>
<tr>
<td>Engineering</td>
<td>$27 B</td>
</tr>
<tr>
<td>Human resources</td>
<td>$13 B</td>
</tr>
<tr>
<td>Logistics &amp; Procurement</td>
<td>$179 B</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$170 B</td>
</tr>
<tr>
<td>Customer Care</td>
<td>$41 B</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$170 B</td>
</tr>
<tr>
<td>Source: BusinessWeek Jan. 30, 2006</td>
<td></td>
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</tbody>
</table>
CIBER Faculty Development in International Business (FDIB) programs

Following is a partial list of the wide range of Faculty Development in International Business programs (FDIBs) offered by the 31 Centers for International Business Education and Research (CIBERs).

Foreign FDIBs cover key emerging market regions of the world: China, India, Eastern Europe, Africa and the MERCOSUR countries of South America, as well as the major markets of Western Europe. They combine business and governmental visits, university presentations and cultural experiences to illuminate how various facets of the environment (e.g., culture, economic, regulatory) impact the conduct of business across borders.

Functional FDIBs address best approaches in teaching, research and practices in select fields of international business.

Participating faculty members often use deliverables from FDIBs to develop new international courses, internationalize existing courses, inform their international research, and establish partnerships with faculty from the US and abroad.

In the current academic year the UCDHSC* CIBER will lead several FDIBs: international entrepreneurship, China, the globalization of services and the Western Regional CIBER Conference.

- **October 25-26, 2007**
  **Homeland Security and Canada-US Border Trade: Implications for Public Policy and Business Strategy**
  Windsor, Ontario
  Host: Texas A&M University CIBER
  Target audience: Business faculty, business professionals
  Conference fee: $125 plus travel costs
  [http://cibs.tamu.edu/border](http://cibs.tamu.edu/border)
  Phone: 979-845-7256

- **December 7, 2007**
  **Globalization of Services**
  Palo Alto, California
  Host: Stanford University in collaboration with UCDHSC* CIBER
  Target audience: Business and professional school faculty
  Conference fee: To be determined

- **January 2-14, 2008**
  **China: An Emerged Economic Powerhouse in the Global Economy**
  Shanghai, Hangzhou, Guangzhou, Hong Kong
  Host: UCDHSC* CIBER
  Target audience: Business, language, professional schools, liberal arts faculty
  Conference fee: $3500 plus travel costs
  [http://cibs.tamu.edu/border](http://cibs.tamu.edu/border)
  Phone: 979-845-7256

- **January 3-14, 2008**
  **India: A Faculty Development Program**
  New Delhi, Agra
  Host: University of Connecticut CIBER
  Target audience: Business, language, professional schools, liberal arts faculty
  Conference fee: $2000 plus travel costs

- **February 27, 2008**
  **Rocky Mountain CIBER Network Meeting**
  Denver, Colorado
  Host: UCDHSC* CIBER
  Target audience: Business, language, professional schools, liberal arts faculty
  Conference fee: None
  [jana.blakestad@cudenver.edu](mailto:jana.blakestad@cudenver.edu)
  Phone: 303-556-4738

- **February 27-29, 2008**
  **Western Regional CIBER FDIB**
  Denver, Colorado
  Host: UCDHSC* CIBER
  Target audience: Business, language, professional schools, liberal arts faculty
  Conference fee: $100
  [jana.blakestad@cudenver.edu](mailto:jana.blakestad@cudenver.edu)
  Phone: 303-556-4738

- **April 9-11, 2008**
  **CIBER Business Language Conference Preparing Global Business Leaders**
  St. Petersburg, Florida
  Host: University of Florida CIBER
  Target Audience: Language faculty
  Conference fee: To be determined
  [www.docf-conferences.ufl.edu/CIBER](http://www.docf-conferences.ufl.edu/CIBER)
  Phone: 352-392-3433

- **May 9-21, 2008**
  **Mercosur - 12th Annual Professional Development in International Business**
  Miami, Brazil, Argentina, Chile
  Host: Florida International University CIBER
  Target audience: Business faculty
  Conference fee: $4,500
  [ciber@fiu.edu](mailto:ciber@fiu.edu)
  Phone: 305-348-1740

- **May 11-22, 2008**
  **Business in a European Context**
  Strasbourg, France
  Host: University of Memphis CIBER
  Target audience: Business, language, liberal arts faculty
  Conference fee: $2795 plus travel costs
  [https://umdrive.memphis.edu/g-wangcenter/www/pages/strasbourg.htm#901-678-2038](https://umdrive.memphis.edu/g-wangcenter/www/pages/strasbourg.htm#901-678-2038)

- **May 11-28, 2008**
  **Africa: Understanding Africa and its Business Challenges**
  Kenya and South Africa
  Host: University of South Carolina CIBER
  Target audience: Business faculty, business professionals
  Conference fee: $6500 including travel costs from Atlanta
  [http://mooreeschool.sc.edu/moore/ciber/ciber-facultydev.htm](http://mooreeschool.sc.edu/moore/ciber/ciber-facultydev.htm)
  Phone: 808-777-6942

- **May 17-28, 2008**
  **European Economies in Transition**
  Bulgaria, Croatia, Poland
  Host: University of Pittsburgh CIBER
  Target audience: Business faculty
  Conference fee: To be determined
  [ibc.katz.pitt.edu](http://ibc.katz.pitt.edu)
  Phone: 412-648-1778

- **June 2-5, 2008**
  **International Entrepreneurship**
  Denver, Colorado
  Host: UCDHSC* CIBER
  Target audience: Business faculty
  Conference fee: $1800
  [events@www.cudenver.edu/international/ciber/303-556-4738](http://events@www.cudenver.edu/international/ciber/303-556-4738)
Is India arriving? Yes, no and maybe
Social, economic divides cast clouds on horizon

RAFIQ DOSSANI, author of “India Arriving” to be published later this year by the American Management Assoc., is executive director and senior researcher of the South Asia Program at the Shorenstein Asia-Pacific Research Center at Stanford University. Prior to joining Stanford, he served as senior vice president of Jardine Fleming in charge of investment bank operations in India and San Francisco. Dossani has consulted for multinational companies and international organizations such as Wipro, Cisco, the Software Technology Parks of India, and the US Department of Labor. He holds a Ph.D. in Finance from Northwestern University, an MBA from the Indian Institute of Management in Calcutta, and a BA in Economics from St. Stephen’s College.

Service jobs that require face-to-face interaction with customers were once thought to be safe from outsourcing. Not necessarily so anymore, according to an address by Rafiq Dossani at the Robert Reynolds Distinguished Lecture in International Business cohosted with the UCDHSC Business School.

Dossani talked about Mary, a pleasant young woman who works as a receptionist in a six-person Washington DC lawyer’s office. Mary carries out all the functions one would expect of a receptionist: she makes appointments, routes phone calls, orders lunch for staff members and greets visitors. But she does it from thousands of miles away at a call center in India, enabled by communications equipment that allows her to be there without being there.

“The advantage for this firm and others is simple math,” said Dossani. “Mary is paid a monthly salary of $200; she can do the work of eight small-office receptionists. In the US each receptionist would cost the company $3,000 a month.”

Dossani pointed out that India’s services sector is experiencing annual growth of 9.8 percent and, with a 20.5 percent share of the workforce, contributes 54 percent to the GDP. Compare this to agriculture which has a 66.7 percent share of the workforce but contributes only 20 percent to the GDP.

However, services is a category that is very broad “and there’s the risk the economy could get stuck in low-end services such as call centers,” Dossani said. This would do little to lower poverty rates. Therefore, India’s move to high-end services is crucial for its economy and its people.

Good for US economy?

Oddly, India’s IT growth started with a brain drain of its knowledge workers when in 1969 IBM separated hardware from software, creating two distinct industries. Software engineers were in high demand and US companies laid out the welcome mat for Indian job seekers eager to work in Silicon Valley’s innovative environment.

But that changed in 1984. The Indian government cut import tariffs on computer software and hardware and it became cheaper for US companies to send work to India rather than bringing programmers to work in the US.

Another boost for India’s IT sector came in the 1990s when India opened its doors to foreign participation, just in time for the Internet’s proliferation. “As a result,” said Dossani, “process work and not just project work could be done in India.” Process work includes call centers, accounting, back office functions, radiology, etc., i.e., a much larger field compared with only doing software coding projects.

Today, innovation and productivity in India are increasing on a par with the US. Dossani cited two examples: “Engineers at Broadcom India, only three years old, have the same patent rate as engineers at company headquarters in Irvine and San Jose, Calif., and Ketera India has reached the same productivity rate as its US counterpart.

“Silicon Valley is no longer the only place where the most innovative IT jobs are, and Indian IT professionals are returning home to work. This is good for the Indian economy,” said Dossani. “But I have some concern for the US economy.”

Social-economic divide

India is a “much more complex country than the average businessperson gets to see,” said Dossani, pointing to the social and economic issues that divide the society and create deep-rooted discontents.

“Poverty is a tremendous divide.”

In Mumbai (Bombay), India’s largest city with a population topping 12 million, some of the country’s worst slums exist in the shadow of a thriving middle class.

“The slums of Mumbai have an average of one toilet for every 1440 residents.”

On the other hand, Dossani said, “The complexity of India’s poverty is also a reality. Every family in the slum is likely to own a cell phone and satellite TV.”

■ Income is another divide. In Bangalore, the Silicon Valley of India, “the salary of an IT professional has risen by an average of 12 percent per annum for the past 10 years,” said Dossani. “The salary of his chauffeur has risen by 5 percent per annum; the salary of the mason who built his apartment has risen by 0 percent. If these trends continue, by 2017, the IT professional will earn $17,000, the chauffeur will earn $1500, and the mason the same $320 that he earns today.”

■ Education is the first line of defense against rampant poverty, but “the quality of education is poor. It is rote oriented and not geared to critical thinking,” said Dossani. “There is a hunger for education, but resources and teachers are missing.”

■ The language divide complicates the government’s ability to create equal educational opportunity for everyone and hinders communications. There are 18 official languages plus hundreds of other tongues spoken across the country. Hindi is the national language, spoken by 30 percent of the 1.1 billion population. About 50 million Indians speak fluent English; it is the language of the elite, of commerce and science.”

All the discontents come together in the rural regions where the majority of the population lives and where a lack of nutrition and healthcare is evident in the statistics: “1600 calories a day is what the average rural dweller consumes compared to 2100 for urban residents; 88 percent of rural women suffer from severe anemia.

“A long-term solution is needed to effect change,” said Dossani. “India needs to shift resources to rural areas. It will take decades to accomplish this.”

So is India arriving? “Previously it only stagnated. Now it both waits and moves,” said Dossani. “This century is not India’s; it is China’s.” Contrary to popular opinion, “India is not a natural ally of the United States simply because it is a democracy. Stages of development and geographical proximity also matter. “In these ways, China is viewed as a natural ally by Indians,” Dossani said. Ambitions also matter.

“India wants to be as great a country as the US, and it will play its own game.”

INSTITUTE FOR INTERNATIONAL BUSINESS - GLOBAL FORUM REPORT • FALL 2007
China: Powerhouse in the global economy

Industrialization comes with a price - pollution

STEPHEN THOMAS is an associate professor in the Political Science Department at the University of Colorado at Denver and Health Sciences Center. He received an MA in East Asian Studies and a Ph.D. in political science from Stanford University. Thomas spent one year as a visiting professor at the Johns Hopkins Nanjing University Program in Nanjing in 1995, and one year at Earlham College in 2005. He also taught one Semester at Sea. His past research focused on Chinese human rights and on Chinese historical and modern day political and economic development. His current research focuses on post-Mao Chinese financial sector reforms. He and his coauthor, UCDHSC and other CIBERs senior instructor of finance Chen Ji, have published a number of recent articles on post-1978 Chinese financial institutions such as the stock market, the banking sector and the bond market. Thomas has traveled to China more than 15 times since 1974.

NOTE: Early this year, Thomas was the co-leader of a Faculty Development in International Business program (FDIB) that took a group of business professors from across the country to explore “China: An Emerging Economic Powerhouse in the Global Economy.” Cosponsored by UCDHSC and other CIBERs “the goal of the two-week trip,” said Thomas, “was to introduce US professors to a rapidly developing China.” Following are Thomas’ observations.

I began graduate-level Chinese language and area studies in 1967-68, then lived in Macau and Taiwan in 1968-70. At that time China was closed to the world and involved in the convulsions of the cultural Revolution of 1966-76.

Macau, Hong Kong, S. Korea and Taiwan were just beginning to develop and carry out the “four tiger” export-led economic development model. In Hong Kong and Macau, Chinese refugees worked in toy factories for about $1 a day. In Taiwan, “runaway shops” were being set up to produce goods for export to the US. I do not remember anyone at that time telling me that Macau and Taiwan would achieve successful economic development through these export-led development efforts.

I returned to graduate school at Stanford in 1970 and completed Ph.D. course work by 1976. In 1974, I traveled to China for two weeks during the Cultural Revolution and saw the last two years unfold. China was stressed, trying to open up and in the process of rejoining the world.

In 1972, communist China replaced nationalist China in the United Nations, the Shanghai Communique was signed and trade with the world was opened. There were friendship tours and China was dealing with the emerging Soviet threat.

By 1976 when Mao died, China was still very poor but had made enough investment in the poor and in basic education and healthcare that increased life expectancy to about 64, some 10 years higher than in India at the time. China had to invest about 40 percent of its national income to attain this improvement.

In comparing China and India, the Economist in a March 5, 2005 article noted that “some of the main reasons for China’s better performance (since 1978) have nothing to do with the political system. Unreformed China seems to have done a more impressive job than India in educating and providing healthcare for its poor. Reforms benefit from what economists call ‘good human capital.’

Beginning in 1978, a policy of “market socialism” opened China to globalization and over a 20-year period instituted reforms that welcomed foreign investment, encouraged Chinese-foreign joint ventures, and established a modern financial services sector: banks, stock markets, insurance companies, private real estate. Long-term leases on agricultural land were offered to peasants.

Earth’s atmosphere at risk

China accumulated and allocated capital while gradually moving from a planned economy to a market economy and from an autarkic economy to one that is now vaunted as the workshop for the world with average growth of about 8 percent to 10 percent per year. Its per-capita GDP is six times higher than its 1978 GDP, perhaps even more using the measure of purchasing power parity.

If all this should come as a surprise, it is useful to remember that China accounted for about 25 to 30 percent of the world economy for the thousand years before 1800. At current growth rates they are head

The Earth’s atmosphere cannot sustain a fully industrialized China and India.

ing to that level again after falling to 5 percent of the world economy during their 19th and early 20th centuries with foreign imperialism.

Ironically, and sadly for the Earth, just as China has become proficient at economic development, the World Watch Institute and most climate scientists have issued warnings: the earth’s atmosphere cannot sustain a fully industrialized China and India if these two industrializing poor countries use anywhere near the per-dollar of production carbon dioxide emissions that the US and the other already industrialized countries have used over the last hundred years.

China domestically also cannot sustain the level of annual pollution that it has already reached, a level that is fouling the air of its cities – and of the world – and polluting its water and drawing down its natural resources. Already China has 16 of the world’s 20 most polluted cities. It is hard to say what China will do to correct these problems. But so far they have shown themselves to be remarkably resourceful and open to new ideas, particularly since 1978.

Entrepreneurism a major factor

Entrepreneurism has emerged as a key factor contributing to China’s post-1978 economic miracle in at least four major ways:

- First, the overseas Chinese have been the main entrepreneurial group throughout East- and Southeast Asia for 2000 years. They live in and are major economic forces in Indonesia, the Khmer Republic (formerly Cambodia), Malaysia, Thailand, Vietnam and three of the four Asian Tigers: Taiwan, Singapore and Hong Kong. The business structure overseas Chinese favor is the smaller family-owned storefront enterprise that can be seen in most of the cities throughout the region.

Overseas Chinese entrepreneurs include those from Hong Kong and Taiwan. There are currently over one million Taiwan...
business people living and managing businesses in China; they are the largest foreign investors in China.

- Second, foreign business people have set up joint ventures and, more recently, wholly owned businesses in China. These entrepreneurial pioneers usually work for large foreign businesses but their activities in China have been entrepreneurial in the sense that they have had to establish their business activities virtually from scratch, even when they have had Chinese partners. They have had to learn how to work in the complicated Chinese government regulatory environment.

Investing in China has not been for the timid, but the American Chamber of Commerce in China reports that about two-thirds of foreign-invested enterprises now are breaking even or making money.

- Third, the Chinese government has tasked a large number of employees to manage factories, personnel and capital in more entrepreneurial ways in an effort to move the country’s vast state-owned sector into the new market economy. Although many of these state employees have continued to follow the state-planned economy patterns of the past, an increasing number are following more entrepreneurial patterns of behavior and bringing along their older state-owned enterprises as well as newly-formed state-owned companies.

This mixed economic structure can be confusing to foreign observers. Are newer enterprises such as the China Merchants Bank or the Haier Appliance Company state-owned or private? Answer: they are state-owned companies run with much more entrepreneurship than most of the state-owned Chinese enterprises left over from the planned economy.

- Fourth, a small but quickly emerging class of genuine Chinese entrepreneurs have started and now own and manage their own enterprises. Many of these are the recreation of the traditional Chinese small family-owned storefront businesses which form the core of China’s emerging service sectors of restaurants, small retailers, small producers, and repair facilities as well as street vendors and taxi drivers.

Some private entrepreneurs have begun to form larger enterprises such as a solar company and a plastic container recycler whose owners are among China’s newly emerging wealthy class.

Though private entrepreneurs still own only 5 percent or less of China’s economy, their sector is probably the fastest growing sector in the country’s booming economy.

Overall, entrepreneurship is alive and well in China.