Global Advisory Board of the Institute for International Business presents Issue Number Fourteen

Donald L. Stevens, Ph.D., Managing Director, Institute for International Business

This spring the University of Colorado at Denver was privileged to host the semiannual conference of the Southwest Regional Consortium of Centers for International Business Education and Research (CIBER). The consortium includes University of Colorado at Denver, Brigham Young University, San Diego State University, University of California at Los Angeles, University of Southern California, University of Hawaii at Manoa, and Thunderbird-The Garvin School of International Management.

The conference theme was “Building Successful International Business Programs.”

Academic institutions, just as any business, must continually adapt to changes in the marketplace and the needs of the population they serve. Consequently, CIBERS are inspired to develop programs that will better prepare students to compete in a global environment that did not exist when many textbooks were originally written.

Students are more entrepreneurial now than they used to be, as one visiting professor pointed out, and their needs differ from students of previous generations. Even though most students will not get a job that takes them overseas, they will be working in a global environment and need to understand how that affects their area of expertise.

Summaries of the conference sessions are included in this Forum report because of their significance for faculty, students and business leaders. Read more on Pages 12-19.

The new face of Europe

Central Europe was the venue for the recent Global Executive Forum. We traveled to Austria, Czech Republic, Hungary, Slovakia and Slovenia, meeting with high-level officials to learn how their economies were faring in the post-communist era. I was reminded of another trip we took to this part of the world twelve years ago.

In 1992, we led a business executive group to Prague, Warsaw and Budapest. This was just after the Berlin Wall fell and the USSR collapsed. These countries had just installed the first democratic governments and were either contemplating or implementing reforms such as privatization, as they began the process of opening up to the world. At that time, there was a mix of enthusiasm, fear and puzzlement. Previously state-owned companies that had been privatized were trying to understand what it meant.

In their prior lives somebody from the outside told them what to produce, how much to produce each month and allocated them the resources to meet their quotas. As privatization progressed, they had to figure out what a “market” was, how to acquire resources, how to finance and how to sell to the market. This produced a lot of anxiety as these were, for the most part, yet to be acquired skills. In addition, the change in governments was traumatic for many citizens as privatization usually meant unemployment, which was unheard of in Communist times.

As one professional said to me at that time, “Under the Communists we were all poor but we were safe. Now we see some people becoming very rich but many don’t have jobs and the safety net is gone.”

Twelve years later, these countries, which have had several governments since 1992, have just entered the European Union—the “major league” of democracies and open market-based economies in this part of the world—and are still working on privatizing state-owned industries.

On May 3, 2004 ten countries entered the EU (Czech Republic, Hungary, Slovakia, Slovenia, Cyprus, Estonia, Latvia, Lithuania, Malta and Poland) bringing the total to 25. Most of the 10 were former Soviet con-
The movement of low-end jobs to developing countries is a phenomenon that’s happening all over the world.

trolled countries of Central and Eastern Europe. These countries are still developing, with GDP per capita at one-quarter to one-third of the Western European members. The new members are still in the process of privatization and each of them we visited is actively seeking foreign investment.

More kids or more immigrants

Everywhere we visited we asked citizens of each country about entry into the EU and what it meant to them. Virtually all of them didn’t know what to think or weren’t sure what the impact would be. They seemed quite passive about it although each country voted in a referendum and the vote was positive in each case.

The most optimistic and enthusiastic were the people under 30 years of age who have grown up in a post-Communist world. They have experienced the turmoil of reform to a market economy, learned to deal with it and are finding lots of opportunity. They are the entrepreneurs and they see lots of business deals coming their way.

The young people we saw, particularly teenagers, had both hands full all the time. One hand held a cigarette and one hand held a cell phone. Many more young people seem to smoke although our 22-year-old guide in Prague said the new trend for the young is to not smoke.

The folks who are of the parents’ generation, over 50 years of age, have not responded the way their children have to the new face of Central Europe. The older generation grew up under the Communists, often witnessing the brutality of the regimes of the 1950s-1970s, and learned to survive. They are not entrepreneurs and even after the fall of the Soviet Union, they have not made much of an adjustment to take advantage of their economic freedom. Truly, the future lies with the younger generation, which is why several of these governments are offering subsidies to families to have more kids.

Western Europe is a rapidly aging area with low birth rates and, hence, fewer working age people to build Social Security reserves for the retired folks. The new EU countries are trying to stimulate birth rates to assure an adequate workforce in the future. In Slovakia, for example, the next generation of workers will be either young Slovaks or young immigrants from their Eastern neighbors or other poor countries in the region.

Disorienting changes

One story that stands out is a conversation with our local guide in Piran, Slovenia, on the Adriatic Coast. He was about 40 years old, had lots of business interests and saw a lot of opportunity for himself. However, he emphasized that most Slovenians did not have the perspective needed to take advantage of economic opportunity. He felt they were passive and too often looked to the government to solve their problems. What the country needed, he said, was an influx of Western entrepreneurs to stimulate economic development.

To explain the prevailing attitude of apathy, he spoke of his 93-year-old grandmother who had lived in the same house in Piran her entire life. “She lived in one house but four different countries during this time,” he said, underscoring the disorienting changes in this region over the last century.

So for many older folks in this region the EU is just another conquering force, albeit an economic conqueror, and they will lay low and see what develops before deciding if it is good or bad.

Some of the more entrepreneurial businessmen we spoke with see opportunity in their country but say there is much need for reform. Among their Western European neighbors, Germany and Austria are viewed as rich and unmotivated. German companies are hanging on by their fingernails because they are such high-cost operations and the only way they can go is down.

One businessman described Austria as a no-growth country of small and family businesses that were self-satisfied and didn’t want any change. They said: “In Austria a company knows that it has to come up with something new every five-seven years so they try to do that. But other than that they don’t want to grow.”

Each of the countries we visited relied on “cheap foreign labor” to do many of their low-end jobs. The workers come from Georgia, Ukraine, Turkey, the Middle East and North Africa, some of them legal and some not. Most Americans tend to think that the movement of low-wage jobs to developing countries is primarily a US phenomena, but it’s happening all over the world. No matter how poor a country’s economy, there are still lots of low-end jobs that attract workers in even poorer countries.

The businesses in Slovenia that need math and computer scientists get them from Romania, which has excellent university programs in these areas.

The Slovak Republic has adopted an across the board flat tax rate of 19 percent for personal and business taxes. Hungary is adopting the same structure and the Czech Republic is discussing the same. This is causing much concern in western European countries, especially Germany and France, where tax rates are more than double those of Slovakia.

In Slovenia that need math and computer scientists get them from Romania, which has excellent university programs in these areas.

The businesses in Slovenia that need math and computer scientists get them from Romania, which has excellent university programs in these areas.

The Slovak Republic has adopted an across the board flat tax rate of 19 percent for personal and business taxes. Hungary is adopting the same structure and the Czech Republic is discussing the same. This is causing much concern in western European countries, especially Germany and France, where tax rates are more than double those of Slovakia.

A major strategic issue here is the viability of the social welfare benefits accorded to western European citizens who have unmatched vacation, sick leave, maternity, job protection, health care, education and retirement benefits. In some of these countries, unemployed individuals receive 80 percent to 90 percent of the income of employed people. Hourly wages in Germany are 8-10 times the wages in Central Europe. In Slovakia, where there is major investment of global auto manufacturers, the workers earn about $4.50 per hour compared to $40 in Germany.

Even under the Communists, the education system in these countries was strong, so the workforce is well educated and skilled. There will be a struggle for the high-wage developed countries of the EU to compete with their new members. In fact, this has been the case for over a decade and is reflected in the long-term unemployment in western Europe which is approaching 10 percent. In the US, an unemployment rate of even half that rate is seen as too high.

Forum member Peter Widmer feels EU enlargement will be good for all of Europe. Peter is a Swiss citizen and retired investment banker whose insights we value. He says, “There is plenty of room for optimism over the outcome of this unprecedented and peaceful enlargement of the EU as an economic and political bloc.”

On the following pages, we share highlights of our meetings. Special thanks to Earl Wright and Gail Schoettler for their reporting skills and observations.
The transition to a free market system, untested in this region, has opened a wide gap between older and younger workers.

Boosting the Czech Republic in the world economy

On the recent Forum trip to Central Europe, Forum members and guests met with Robert Hejzak, director of the marketing division of CzechInvest, the Czech Republic’s economic development agency. Article information from Earl L. Wright and Gail Schoettler, Wright is president/CEO of AMG Guaranty Trust, N.A.; Schoettler is a former lieutenant governor of Colorado and US ambassador.

The race is on in Central and Eastern European countries to attract foreign direct investment, the make-break factor in their developing post-Communist economies. All these countries have pluses and minuses that have to be weighed by would-be investors.

In the Czech Republic, social costs, relatively high taxes, and a restrictive banking system are seen as negatives. On the other hand, this landlocked country has some things going for it that many investors find appealing: a highly-skilled workforce, wages that are well-below that of neighboring Germany, and a strategic location which makes it cost-effective for transshipping operations. These are some of the positives that CzechInvest promotes as it seeks to position the CR in the world economy.

Enormous challenges

The transition from the Communist system of centralized planning to a free enterprise system, largely untested in this region, has opened up a wide gap between older and younger workers. On one end of the gap is the up-and-coming generation which is faced with making the free enterprise system work against a backdrop of job and pension uncertainty. On the other end of the gap is the retiring generation which under the Communist system had been totally provided for and which now must depend on younger workers to fund their retirement through more work and more taxes.

“It is a transition that, unfortunately, does not bode well for the country itself,” says Wright.

Meanwhile, Czech companies are struggling to understand this newfangled concept called “competition” so they can take advantage of free enterprise and grow globally. However, they first must grow locally and this is difficult given the fact that there are no capital markets other than what the banks provide, and the banks are not in the business of lending to Czech business people.

The banking system is dominated by foreigners. Of the three major banks in the country, one has Swiss-French roots, one is from Austria and one is local. The consumer is burdened with exceptionally high banking fees, from the cost of transfers to ATM fees.

Lacking a capital market, there is no place for people to invest their money except in banks, which pay relatively low interest rates.

CzechInvest works on an annual budget of US$6 million, which must be stretched to include incentives for incoming businesses and support services to keep existing businesses healthy.

Relative to its goals, “The Czech Republic is undercapitalized,” says Schoettler, which makes foreign direct investment essential to the economy’s growth.

Foreign direct investment

The Czech Republic has been more successful than the rest of the former communist countries in attracting FDI, says Schoettler, “due mainly to the low wages of both skilled and unskilled labor.” In Germany, unskilled manufacturing labor costs are US $19,000 per worker per year. In the US, the cost is $18,000, in Poland it's $6,300 and in the Czech Republic it's US $3,700. Only in Hungary and Slovakia are wages lower than the CR, $3,000 and $2,100 respectively.

In other comparisons, CzechInvest claims that FDI per capita is $3,603 in the CR, whereas it is $2,754 in Slovenia, the second best performer of the Eastern European bloc. This is another way of saying that the Czech Republic receives more foreign direct investment than any of the other former Communist countries. Subsidaries of more than 1,600 foreign manufacturing companies operate out of the CR.

FDI in 1993 was EUR 1 billion. In 2002, it was EUR 9 billion. Between 1993 and the third quarter of 2003, the Czech Republic was favored with nearly EUR 38 billion in FDI.

“Privatization accounts for about half of the FDI,” says Schoettler. Wright adds, “Without privatization, the historical level of foreign direct investment appears to be in the $3-$5 billion range for the last five years and is forecast to be in the $5-$7 billion range for the next five years.”

Germany is the No. 1 source of investment capital in the Czech Republic; Japan is No. 2.

The automotive industry gets a hefty share of FDI inflows, followed by the electronics sector. The jobs created “are engineering related but not of the high skill level you would find in the US,” says Wright.

According to a 2004 study by the management consulting firm of A.T. Kearney, the CR “possesses the best transport network in Central and Eastern Europe.” This, and its close location to Poland and Germany, gives the Czech Republic a distinct advantage in luring companies engaged in import/export trade.

Currently, the corporate tax is 30 percent versus 19 percent in Slovakia. The Value Added Tax ranges from 22 percent to 5 percent, depending on the product. Now that the Czech Republic is in the European Union, the VAT will go to the market rate to meet EU requirements. The corporate tax rate will be 24 percent in 2006.

Educated workforce

Twelve percent of the Czech population has a university degree. While this is better than other Eastern European blocs, their retirement through more work and more taxes.

It is a transition that, unfortunately, does not bode well for the country itself,” says Wright.

Meanwhile, Czech companies are struggling to understand this newfangled concept called “competition” so they can take advantage of free enterprise and grow globally. However, they first must grow locally and this is difficult given the fact that there are no capital markets other than what the banks provide, and the banks are not in the business of lending to Czech business people.

The banking system is dominated by foreigners. Of the three major banks in the country, one has Swiss-French roots, one is from Austria and one is local. The consumer is burdened with exceptionally high banking fees, from the cost of transfers to ATM fees.

Lacking a capital market, there is no place for people to invest their money except in banks, which pay relatively low interest rates.

CzechInvest works on an annual budget of US$6 million, which must be stretched to include incentives for incoming businesses and support services to keep existing businesses healthy.

Relative to its goals, “The Czech Republic is undercapitalized,” says Schoettler, which makes foreign direct investment essential to the economy’s growth.

Foreign direct investment

The Czech Republic has been more successful than the rest of the former communist countries in attracting FDI, says Schoettler, “due mainly to the low wages of both skilled and unskilled labor.” In Germany, unskilled manufacturing labor costs are US $19,000 per worker per year. In the US, the cost is $18,000, in Poland it's $6,300 and in the Czech Republic it's US $3,700. Only in Hungary and Slovakia are wages lower than the CR, $3,000 and $2,100 respectively.

In other comparisons, CzechInvest claims that FDI per capita is $3,603 in the CR, whereas it is $2,754 in Slovenia, the second best performer of the Eastern European bloc. This is another way of saying that the Czech Republic receives more foreign direct investment than any of the other former Communist countries. Subsidaries of more than 1,600 foreign manufacturing companies operate out of the CR.

FDI in 1993 was EUR 1 billion. In 2002, it was EUR 9 billion. Between 1993 and the third quarter of 2003, the Czech Republic was favored with nearly EUR 38 billion in FDI.

“Privatization accounts for about half of the FDI,” says Schoettler. Wright adds, “Without privatization, the historical level of foreign direct investment appears to be in the $3-$5 billion range for the last five years and is forecast to be in the $5-$7 billion range for the next five years.”

Germany is the No. 1 source of investment capital in the Czech Republic; Japan is No. 2.

The automotive industry gets a hefty share of FDI inflows, followed by the electronics sector. The jobs created “are engineering related but not of the high skill level you would find in the US,” says Wright.

According to a 2004 study by the management consulting firm of A.T. Kearney, the CR “possesses the best transport network in Central and Eastern Europe.” This, and its close location to Poland and Germany, gives the Czech Republic a distinct advantage in luring companies engaged in import/export trade.

Currently, the corporate tax is 30 percent versus 19 percent in Slovakia. The Value Added Tax ranges from 22 percent to 5 percent, depending on the product. Now that the Czech Republic is in the European Union, the VAT will go to the market rate to meet EU requirements. The corporate tax rate will be 24 percent in 2006.

Educated workforce

Twelve percent of the Czech population has a university degree. While this is better than other Eastern European blocs...
Under the communist system, people had better care. Today, they must learn to take care of themselves.

countries, it’s nowhere near the 60 percent in the Netherlands.

“The communist regime restricted enrollment and the Republic has been trying to reverse this situation,” says Schoettler. In 2003, the total number of students graduating from bachelor, master and doctoral programs was 34,594, up dramatically from the 18,928 in 1989.

CzechInvest emphasizes its highly educated work force comprised of college and technical school graduates, i.e., engineers. Wright notes that the skill level of the Czech workforce may be overstated; however, the manufacturing companies that are being set up suggest that the labor force is good enough to compete with the labor force of other developed European countries. Factor in low wages and high productivity and it’s easy to appreciate why an increasing number of foreign companies are relocating their production facilities to the Czech Republic.

The minimum wage in the CR is US$257 per month. The average wage is about US$520 per month. There are perks, however. Workers receive four weeks of paid vacation a year in addition to 12 national holidays. Unemployment nationally averages 10.5 percent, running as high as 25 percent in some rural areas and as low as 3 percent in Prague.

Traditionally, Czechs don’t move; consequently, the workforce tends to remain fixed. A company can put up a manufacturing plant or facility in a particular area and count on that labor force to have a relatively low turnover. However, with the country’s ascension to the European Union, this may change. “The EU is heading toward the same vision as the 50 US states, with free movement of people, capital and jobs,” says Schoettler. “Unlike the US, language barriers are a big difficulty, and each country has its own history, culture and religion.”

According to EU rules, there will be restrictions on the movement of labor for the next seven years. Once restrictions are lifted, the CR expects about 8.4 people per 1000 to move to other countries in search of work.

Observations

One of the economic development arguments put forth by CzechInvest is the country’s low manufacturing costs. A company can set up and run a factory in the CR for approximately one-fifth of what it would cost in developed countries such as Germany or France.

“The disadvantage,” says Wright, “is that there isn’t a huge amount of additional labor force available to take advantage of these cost savings.

“An issue that was unanticipated is the influx of Albanians, Ukrainians and immigrant workers from the east who will eventually start infiltrating the Czech Republic. This in turn will cause additional social costs, which the government is not prepared to handle at the present time.”

Wright questions how long the Czech Republic and its former communist neighbors will be able to tout the advantage of cheap labor given the attendant social costs.

“It is clear that in the near term, the advantage will exist,” he says.

Where Wright sees an opportunity is for venture capitalists to invest in Czech-owned companies and bring in new management and modern management techniques. “The goal would be to produce and export goods unique to the Czech Republic utilizing the skill sets that have been developed by certain labor forces such as at the Bohemian Glassworks Factory.

“But this is a relatively small opportunity,” Wright adds. “Bohemian Glassworks, even though it produces a worldwide product, is only a $22 million-a-year company. It appears there may be other companies around the Czech Republic like Bohemian Glassworks, but not of a huge magnitude.”

Unresolved social issues are looming on the horizon, says Schoettler. “Under communism, people were taken care of by the state. Today, they must learn to take care of themselves.”

The pension system, which is supported through taxes, is in a state of confusion. “There must be reform because the current pension system is unsustainable,” says Schoettler. “The country is working on pension reform and there are many proposals on the table, from a public-based and guaranteed system to one where each person would take care of himself or herself, saving personally for retirement. But it is proving very difficult to get a consensus on any particular program.”

The problem may lie in the makeup of the legislative body, says Wright.

“In the Czech Republic there is no clear majority in the legislature. Approximately 13 percent of legislators are in the Communist party with the balance split between conservatives and liberals. Thus, the Communist party has a lot to say regarding which laws will or will not be passed.

“I don’t imagine this would bode well for the controlling of social costs.”

Bohemian Glassworks
An old industry in modern times

Visit the Bohemian Glassworks Factory and you might find yourself in a time warp, for both the glass making industry and the village of Skalice, where the factory is located, are right out of a medieval past.

The factory itself is of the 20th century, but it is steeped in the ancient Czech discipline of crystal and art glass manufacture. Bohemian Glassworks is now challenged to bring factory equipment and methods into the 21st century and comply with environmental standards that didn’t exist when glass makers first started plying their trade.

“The factory is not mechanized,” says Gail Schoettler. “There are no moving belts to convey things from one part of the factory to another during the manufacturing process.” Humans do the legwork.

While at the factory, Schoettler says she observed how a worker carried two candlesticks from the forms to the cooling ovens over 30 feet away each time the candlesticks were released.

The company is introducing modern techniques into the factory. Ten years ago, the ratio of hand-to-machine-produced crystal was 60/40. Today it is 20/80, and the volume of production is two times what
Despite high unemployment, Bohemian Glassworks has difficulty finding workers with the right technical skills.

Slovenia: High inflation, unemployment

Presentations by the assistant dean of the Bled School of Management and the assistant dean of a tourism school. Article information from Earl L. Wright.

What Slovenia lacks in size and world power it makes up for in great natural beauty. “The northern two-thirds of the country is similar to the Swiss Alps in geology,” says Earl Wright. “The bottom one-third is similar to Italy, with its lush aromatic vineyards.” A short coastal strip, 46.6 km, sits on the southwest corner.

Small wonder then that tourism accounts for about 10 percent of the gross domestic product. “There is no clear indication as to how much this industry could grow or if it could become an even bigger part of the overall economy,” says Wright.

Slovenia is a transportation hub thanks to good, well-maintained highways and a strategic location. Goods are moved along the corridors linking Eastern Europe, Turkey and into central and western European countries. Plus, the port of Koper on the Gulf of Trieste at the northern end of the Adriatic Sea, is very active. Sixty-five percent of the country’s economy is dependent on exporting, says Wright.

Of the ten new Eastern bloc entrants to the European Union, Slovenia’s transition to a free market economy has been the most trouble-free. The government, made up of a democratically elected president and bicameral parliament, “has been effective in paving the way for Slovenia to meet all of the standards for EU entry. The GDP growth is 3.2 percent, relatively better than that of other EU countries,” says Wright.

GDP per capita in 2002 was $11,027, and there was a slight deficit. “The forecast for a small deficit for 2003 suggests extremely strong fiscal controls.”

A lingering problem, however, has been high inflation. Slovenia has the highest inflation of any of the EU countries: 2002 at 7.5 percent, 2003 at 5.2 percent.

Another problem for the economy has been the decrease in foreign direct investment over the last couple of years. There are signs that this situation is beginning to turn around and “it is anticipated that FDI will pick up in the future.”

“The banking system supports the relatively heavy savings pattern of the population, which runs 10-15 percent of income per year,” says Wright. “However, most of the money, according to the assistant dean of the Bled School of Management, is transferred by banks outside of Slovenia and not reloaned in Slovenian businesses or investments within the country.

Despite high unemployment, Bohemian Glassworks has difficulty finding workers with the right technical skills.

**Slovenia Vital Signs**

- **Capital:** Ljubljana
- **Population:** 2 million
- **Population growth rate:** -0.01% (03)
- **Labor force:** 876,100
- **Unemployment rate:** 11.2% (03)
- **Language:** Slovene
- **Literacy:** 99.9%
Slovenia has a stock market but it is small and, says Wright, “subject to insider trading abuses. It is likely to become more sophisticated as the laws and government become more sophisticated in establishing the rule of loan processes by which all people can be treated as close to equal as possible.”

Current property laws and titling are murky. Anyone buying real estate is cautioned to proceed at his own risk as it is hard to determine what, if any, previous claims are attached to the property and what rules govern ownership. The laws are currently being revised and should invigorate the real estate market once they are clearly written and understood.

Labor issues revolve around a lack of jobs for the well-educated labor force and concern that pension funds will dry up.

Funding for pensions is problematic, similar to that of neighboring countries where as much as 35 percent of the worker's salary may be taxed for this purpose. “These monies are not being reinvested for the future but rather are used to pay current pensioners,” says Wright. If future generations’ pension payouts are to be secured, changes in the system are necessary. The fact that the population is decreasing doesn't help.

There are about 50,000 students currently attending college. Some say that many of these students stay in school a prolonged length of time because the job situation is so unattractive.

Slovenia is home to the internationally acclaimed Bled School of Management which has 120 graduate students, 20 percent of whom are from Slovenia and the balance from other countries. Eighty percent of those students are supported by their employers.

Conclusions
Wright is optimistic about Slovenia’s future. “Slovenia is a country in transition with a well-educated population, unique language and an opportunity to take advantage of being part of the European Union. First, a different mind-set needs to occur.

“Large corporations have to exercise their muscle in dealing with the various government ministries, the uncertainty of laws and the uncertainty of the judicial system,” says Wright.

“Entities that will have an opportunity to prosper in the potential economic opportunities are those that are natives, that are entrepreneurial in nature and that know how to deal with the conditions that are unique to the Slovenian culture.

“EU membership has created an opportunity for Slovenian businesses, government and the general population can take advantage of to enhance their economic future. Whether or not it is done depends upon two things: the revision of government rules and regulations to allow foreign direct investment to be made in an environment that is not overly risky, and the development of management talent that is now in short supply.”

---

Radio Free Europe: Broadcasting ‘just the facts’

Forum members met with the executive director of Radio Free Europe and several senior administrators. Article information from Donald L. Stevens.

Radio Free Europe is a private, non-profit corporation chartered in Delaware and funded by the US Congress. Its mission is “to promote democratic values and institutions by disseminating factual information and ideas” in countries where the airwaves are government-controlled. Oversight is provided by the Broadcasting Board of Governors, comprised of nine Presidential appointees.

“RFE is well known to many Americans of the over-50 generation,” says Don Stevens. “For most of my earlier life they provided a ‘free-world’ perspective on the news to countries behind the Iron Curtain. For many citizens of those countries, this was their primary and perhaps only source of news from the outside world.”

Based in Prague, RFE has 23 news bureaus throughout Europe and the former Soviet Union. It broadcasts in 28 languages to 30 countries in eastern and southeastern Europe, Russia, the Caucasus, central and southwestern Asia and the Middle East. Excluded are countries that are already established democracies such as the Czech Republic, Hungary and Poland. “It may surprise some to learn that Saudi Arabia also is considered a democracy and thus excluded from the RFE broadcast region,” says Stevens. “So sometimes politics determines whether or not a country qualifies as a democracy.”

Invited to sit in on a daily roundtable of editors from each country served, Forum members got to hear what the editors thought was newsworthy for their country that day. “It was interesting to see that the news delivered by RFE each day was determined by a country editor and not dictated by senior staff,” says Stevens. “In most instances, the editors have lived and worked in the country they are responsible for, so they focus on local and regional news. When international events are covered, it is the country editor who sorts out what is relevant for his country.

“We asked about the changed role of RFE since 1989 and the fall of the Berlin Wall. The response was interesting in that it emphasized the continuing importance of delivering news in an objective format to people who live under oppressive regimes.

“During Soviet times, the Soviet government controlled the news and it was heavily propagandized. Consequently, its citizens disregarded or distrusted most of what was reported. Through RFE they had access to straight news or what RFE calls ‘just the facts’ which are separate from opinions about those facts.”
Slovakian workers have a significantly better attitude about work and productivity than German workers.

Slovakia: Well positioned for economic growth

Meeting with Allen & Overy, a UK law firm with an office in Bratislava. Article information from Earl L. Wright.

Slovakia's economy and governance issues were the subjects of a meeting Forum members had with two attorneys at Allen & Overy's Bratislava office.

Allen & Overy, whose practice centers on clients in the corporate, banking and financial sectors, enjoys an international reputation. It was the first UK law firm to establish a presence in Bratislava in 1999.

Thirty staff attorneys provide clients with advice on international and major Slovak and UK transactions.

On the economy, there was not much new to talk about, says Wright. Slovakia's transition from a centrally planned economy to a modern market economy has generally gone well. In the period 2001-03 the economy did better than expected, despite the slowdown in Europe. Privatizations have progressed on schedule and foreign direct investment has picked up.

There are still problems, however. At 15 percent (03), the unemployment rate remains too high, as does inflation at 8.6 percent (03).

Some of the details provided insight into the pension system, says Wright.

"The government has privatized the Social Security system, as have many of the new EU countries." Radical pension reform, which was introduced in 2003, is based on three pillars.

The first pillar is mandatory, public and financed by equal contributions by employers and employees.

The second pillar is mandatory, fundamentally private and fully funded. Resources come from the split of total contributions originally paid to the first pillar, a so-called 'carve-out' approach. In this tier, employees can allocate 9 percent of their share paid under the first pillar to be invested in a private pension fund.

The third pillar is voluntary, fully funded and private. "There are three funds an employee can pick from: growth, balanced and conservative," says Wright. "If you are over 50 years of age, you are not allowed to invest in the more aggressive funds that are available."

Attorneys at Allen and Overy "expect that 50 percent of the private pension monies will be invested internationally and 50 percent in Slovakian bonds and/or stocks. They do not think this will last very long because Slovakian stocks and bonds will be overwhelmed by the amount of money that will be invested in this area."

"The private pension funds will have qualified pension fund managers to invest their monies, primarily in major European insurance companies and banks," says Wright. "I was told that the banks most likely to be favored by the populace for investments would be the relatively local banks of Vienna, which is less than 100 kilometers from Bratislava."

Pension fund managers will be required to meet certain performance criteria in line with group performance. "Their returns will have to be within 70-120 percent of what the management group for their investment style is doing," Wright explains.

"For example, if the average manager over a six-month period is at 10 percent return and there is a manager amongst the group that is at 5 percent return, that manager must make up the difference between the 5 percent and 10 percent average return. After the first six months or a comparable period, that return must be made up on a monthly basis. This is rather unusual as a means of trying to make sure there is a guaranteed return to the private investor."

"It is my belief that a significant amount of those funds will have to be in bonds and government bonds, with varying degrees (0-40 percent) in stocks."

"The retirement age for the public pension continues to rise to accommodate the financing that is needed to support the aging population." As a means of motivating an increased birth rate, which in time translates to an increase in the labor force, the government is looking at the possibility of offering a special tax deduction for new births.

Slovakia's skilled and low-wage labor force is the engine that drives the economy. Says Wright: "According to the director of purchasing for Volkswagen Works in Slovakia, there is very little difference in skill level between their factory workers in Slovakia versus those in Germany, where wages are much higher. But Slovakian workers have a significantly better attitude with regards to work, productivity efficiencies and flexibility."

"The Tuerag, being made in a similar line at the Bratislava plant, is one of Volkswagen's highest end, more precision cars. Their margins are better at that facility than in Germany. This is true of all of the automobile manufacturers that have come to Slovakia and set up new plants in the last decade."

"The purchasing power of Slovakia will grow as the production capability of Slovakia grows, resulting in a significant increase in the overall economy."
Politics do not interfere with business. In fact, Austria tends to be a very favorable environment for business.

Austria: Strategic location for foreign investors

Meeting with KPMG, Vienna, Austria. KPMG was formed after World War II. It is an amalgamation of small companies over time. Its biggest development as a firm was in the 1980s with the growth of European common markets. Article information from Earl L. Wright.

As Austria looks at its closest neighbors, it sees nothing but opportunity. Of the 10 new EU countries, four sit on Austria’s borders: Czech Republic, Slovenia, Slovakia and Hungary. “Citizens of these countries have been working for Austrians for the past decade,” says Earl Wright. “While all the new EU countries, excluding Poland, tend to distrust Germany and France because of their size and financial power, they identify with Austria for precisely the opposite reasons.

“The growth of the Austrian economy is strongly related to the growth of the new EU countries, particularly in the financial sector in the Vienna area,” says Wright.

As the new EU countries seek funding for their infrastructure needs and pension reform, they will look to the long-established banks in Austria to support these projects. “Vienna will offer the financial resources for the expansion of these new EU countries.”

Landlocked Austria is also bordered by Germany, Italy, Liechtenstein and Switzerland, which are part of the original 15-member European Union. It’s a strategic location at the crossroads of central Europe with many Alpine passes and valleys that are easy to negotiate. The Danube River runs through Vienna and offers a valuable commercial transportation link to Germany, Slovakia, Hungary, Serbia, Croatia, Bosnia and Herzegovina, Slovenia, Bulgaria, Romania, and Ukraine.

Austria’s location gives it an edge in attracting foreign investors who see the country as the gateway to the single European market. “Most of the foreign direct investment comes from Germany, with a significant amount also coming from the United States.”

Small and midsize companies are the backbone of Austrian commerce, representing 90 percent of the country’s GDP. The service sector accounts for 70 percent of the GDP, agriculture makes up about 4 percent, and the balance comes from manufacturing.

Forty percent of all industrial production and business takes place around Vienna. Fifteen percent of all business activities and production are centered around Linz.

The low unemployment rate constitutes full employment “which limits the growth of the country at the present time.” However, with inflation at 1.2 percent (03 est), “the economy is stable,” says Wright.

“Politics do not interfere with business. In fact, Austria tends to be a very favorable environment for business.”

Capital markets

With their dominant position in Austria’s capital market, banks are like reservoirs for a thirsty population. “Banks are the primary source of financing for small companies as well as larger companies,” says Wright. But, he adds, “it is tough to get entrepreneurial funding in this country unless you have connections. Large companies have access to bank financing; small companies need to have connections through individuals.” Wright emphasizes that this is his observation and not based on anything KPMG said.

“The other component of the capital market is bonds. Bonds are the primary source of providing private capital monies for corporations. At the present time, the maximum length of term is 10 years at 5 percent interest.

“Banks provide venture capital investments typically in the size of $5 million to $15 million in deals. There are multinational syndications of loans and deals so the size of capital transactions is not a limiting factor,” says Wright.

“Most Austrians put their money into the banks, with a savings rate that is 10 percent and climbing. Deposits receive 2 percent in the current marketplace.”

There is a retirement plan available similar to the 401(k) plan in the United States. “You can make your government pension contributions and also private pension contributions. It is not broadly used even though you get a tax deduction if you invest your money in the Austrian stock market,” says Wright.

“The Austrian stock market may look like it has a significant number of listings but it is dominated by companies that are, to a large extent, family controlled.”

Bottom line: “This is a cash flow environment. The idea of a great deal of potential revenues in the future as you develop something is not something this capital market can support.

Politics, labor

The Hungarian Plains lie in the eastern part of the country, and the Austrian Alps in the west. “Voting tends to be split along these geographical lines, with more socialist leanings in the Hungarian Plains and Vienna and more conservative political and fiscal leanings in the Alps,” says Wright.

“Socialists dominate the politics of Austria and tend to spend the most money; their programs are expensive. However, the conservatives are getting stronger and the conservative philosophy is impacting both political parties because the costs of social programs exceed the government’s capabilities to fund them,” says Wright. “Furthermore, Austria has a large bureaucratic population, which is a real burden on the country’s budget.”

The costs are reflected in the high taxes. “Austria has one of the highest tax structures for individuals in Europe,” says Wright. “You can get into the 50 percent marginal tax bracket very quickly.” However, the government is planning a EURO
500 billion income tax cut this year and new tax cuts have been proposed to make Austria more competitive with the new European Union countries.

The pension system seems to be in good shape. “Pension funds are invested by the government. Fifty percent of these investments is in government bonds, 20 percent in stocks and 30 percent in corporate bonds.

“The maximum pension that can be earned is $32,000 euros per year. Management of corporations may have their own pensions, but it does not tend to be a big deal. Workers are paid 14 times a year, twice in the summer to help pay for summer holidays and twice in November/December to help pay for holiday gifts. Retirement age is 65. Most women retire at age 56-57, most men at age 62.

Real estate market
The real estate market has been flat to down for some time, Wright reports. “Vienna represents most of the real estate investment opportunities of the country. It is a city that is built for a significantly larger population than it currently has. The population of Vienna has not been growing; in fact, it has decreased over the last half century and is now about 1.8 million and stable.

Rent controls in Vienna are a fact of life, dating back to 1918. Rents are frozen for as long as the tenant or his heirs remain in the property. Tenants’ rights also survive transfer of the overall ownership of the building. After only three years occupancy, a renting tenant becomes difficult to remove. So renters can pass their unit on to the next generation at a very favorable rate. This creates inequality among the tenants. In the same apartment building, some tenants with a decades-long possession may be paying as little as US$100 per month while another tenant may be paying over US$1,500 per month for an apartment of a similar size.

“This form of rent control will end with the current generation occupying these buildings,” says Wright.

Generally, an apartment rents for $14/square foot, about the same as for office space.

There is a serious shortage of affordable housing in Vienna, and 90 percent of all apartments now built are subsidized by the government. The construction of public housing projects has increased in scope, but waiting lists are long as demand for middle and lower income housing is far ahead of supply. This is not expected to improve in the near term as Vienna is expected to receive between 8,000 and 10,000 new immigrants annually.

At the upper end of the market is single family housing, which requires an upper end income. The high-end condominium market in Vienna is the only area where there is an oversupply.

Says Wright, “I think the Austrian stock market, because of the private pension investments, has an inherent capability of growing with the continual supply of money to invest.”

Waiting lists at public housing projects are long as demand for affordable housing is far ahead of supply.

OPEC: Making a case for controlling output

Meeting at OPEC headquarters with OPEC representatives:
• Dr. Abdurrahman Al-Kheraigi, Media Relations Officer (PR & Information Dept.)
• Omar Varouk Ibrahim, Ph.D., Head-PR & Information Department
• Mohammad Alipour-Jeddi, Head-Petroleum Market Analysis Department
• Dr. Maizar Rahaman, Indonesian Governor for OPEC (Acting for the Secretary General)
• Mohamed Hamel, Head-Energy Studies Department
• Karin Chacin, Head-Office of the Secretary General

Article information from Earl L. Wright.

Anyone who thinks that OPEC is made up of bearded, robed men who sit around and laughingly play dice with the world’s economic well-being needs to look at the way this sophisticated organization works. Love them or hate them, it’s important to know what the organization is about, and why, from their point of view, it exists at all.

OPEC was founded in 1960 by Iran, Iraq, Saudi Arabia, Kuwait and Venezuela. It was a joint effort to combat the monopoly of the “7 Sisters” oil companies which included Exxon, Royal Dutch/Shell, Texaco, Gulf, Mobil, British Petroleum and Socal. Between 1961 and 1975 eight other countries joined: Qatar, Indonesia, Libya, United Arab Emirates, Algeria, Nigeria, Ecuador and Gabon. Gabon pulled out in 1993 and Ecuador in 1995. Membership since 1995 has remained at 11 (see sidebar).

Despite the power that gushes from their oil wells, OPEC is sensitive to world opinion.

“It is clear that the OPEC Secretariat and two planning heads, as well as the public relations people, met with us to justify their existence,” says Earl Wright. “They made a case that they are very responsible members of the worldwide economic community, contributing to economic stability versus economic chaos and instability.

“They say their pricing is justified because it allows them to make long-term investment commitments that will lead to the
OPEC insists it is not a cartel. Compliance is voluntary and members are not penalized for cheating.

stability of pricing and supplies.

“In trying to create a stable supply of energy, they claim they are acting in the best interests of all the developed countries.”

Often accused of being a cartel, they refute this emphatically, insisting they do not have the power of a cartel. “They cannot dictate that all members price their product the same way or commit to a certain level of production,” says Wright. “Compliance is voluntary and members are not penalized for cheating.”

Prices and production quotas are set at OPEC’s semiannual meetings by the unanimous vote of the Member Countries.

Supply & Demand

Pricing is a touchy subject for a large part of the world that is dependent on oil imports. OPEC defends its pricing policy. “They are certain that their current oil pricing between $22-$28 per barrel is the appropriate pricing for energy at the present time,” says Wright.

They attribute today’s high prices to events that are not within their control. “There are extraordinary situations occurring in the United States as well as in the current high prices, they say.” In the US, these situations are a lack of refinery capabilities and the inability of certain refineries to deliver to different markets due to the composition of some gasoline.

“In the rest of the world, extraordinary spikes in demand from time to time and unusual situations that attract speculators and traders are what’s causing the current abnormal and unexpected high level of energy prices.”

Demand can only go one way up. “OPEC is forecasting that the demand for oil in the next decade will increase by 25 - 50 percent,” Wright reports. “By 2025 there will be a demand of 105 million barrels per day. Two-thirds of that will begoing to Asia and other developing countries. This happens to be their upside estimate. They believe they have the capabilities of meeting that demand.

“If hybrid cars grow in popularity, the demand could drop by 5 million barrels per day just due to the advancement of technology,” says Wright.

OPEC keeps a sharp eye on what is happening in other oil-producing countries. “They anticipate that Russia will provide 55 million barrels per day, at their best. By 2015, the plateauing of all energy resources from Russia and other non-OPEC countries will occur. After 2015, OPEC says they will have to step up and make up for the growth in demand.

“They see OPEC oil as the hedge against Russia not being able to deliver as much oil as people anticipate. OPEC’s members currently produce around 27 million to 28 million barrels per day of oil, or some 40 per cent of the world total output, which stands at about 75 million barrels per day.

Energy demand is tied to GDP growth. “For every 2.5 percent growth in GDP in the world, there will be a little less than 1 percent energy growth demand. The world economies are forecast to grow at 3.6 percent per year. At this rate, OPEC believes their reserves are adequate to meet the next 30 years of demand.”

Wright reports that OPEC plans to invest profits in finding new proven reserves within their countries. “Having some stability in pricing is extremely important for them to make the investments necessary for additional oil exploration as well as investments in natural gas. My guess is that current ranges of $5 Mcf (one thousand cubic feet) or higher must exist for them to make the investments in LNG infrastructure (liquefied natural gas), which they feel will be an important part of their energy exploration,” says Wright.

“In general, this group came across to me as relatively cautious and concerned about their ability to take the profits from their current situation and invest in the future.”

Each country invests its profits according to need. “Indonesia’s profits from their energy sales go into building infrastructure for the country,” says Wright.

“Algeria has two purposes for their profits. One is to provide a cushion if oil prices were to fall below $19 a barrel. They have created enough reserves to fund the deficit a sharp decline in prices would create in the budget. Secondly, they use profits for further oil and energy investment.”

“Algeria has increased its production from 800,000 barrels of oil per day to 1.5 million barrels per day. In addition, they have invested significant sums in creating a more viable agricultural base for their country.

“Iran has created an oil stabilization fund in case oil prices drop below $22-$23 a barrel. They say profits have been invested in ‘promising sectors of their economy.’ What is meant by ‘promising sectors’ is unknown,” says Wright.

Functions/Structure

OPEC is made up of 11 member countries which are heavily reliant on oil revenues. Therefore, their objective is to bring stability to the oil market by adjusting their output to help ensure a balance between supply and demand.

The oil and energy ministers of the OPEC members meet twice a year or more frequently if necessary to decide on the organization’s output level. Delegates have supreme authority in the decision-making process.

Non-OPEC countries are welcome at the meetings. The Board of Governors is responsible for running OPEC.

The Secretariat is financed by the member countries (MCs) with equal contributions and staffed by nationals of MCs called officers, and by support staff, recruited locally and abroad, together with secretarial and clerical staff.

The chief executive officer is elected for three years by unanimous vote. He is the CEO, Secretary General and official spokesman for the organization. He reports to other members of OPEC and the Secretariat.

The Secretariat consists of the Secretary General and the research division headed by the director of research and comprising the petroleum market analysis, energy studies and data services departments. Other functions include the PR & information department, the administration & Human Resources Department, and the Office of the Secretary General.

The economic commission assists in promoting stability in the international oil market. It is composed of a commission board, national representatives, and staff. The commission board consists of the Secretary General, the national representatives appointed by the Member Countries, and
The high cost of the pension system in the 10 new EU countries is an onerous burden on future generations.

Earl L. Wright: Insights, Analysis, Conclusions

The Forum visited Austria plus four of the 10 new members of the European Union: Slovakia, Czech Republic, Slovenia and Hungary. Moving from 15 to 25 members is a huge jump for the EU, resulting in a population of 450 million. In time this population will be able to flow freely across borders.

Free trade zones and a huge consumer base are among the advantages of enlargement. The economic growth of the new EU members has been stronger in the past two-three years than that of the 15 older EU members. The education base of the EU-10 is sufficiently strong to create a competitive workforce with the 15 original members.

Personal income is still higher in the original 15 EU countries, two-three times that of the 10 new members.

**Significant issues**

There appear to be significant issues with regard to governance and property rights in the four new EU countries we visited. Property rights are weakest in Slovenia.

Home ownership is lower relative to the United States in all of the countries we visited. I think this will increase significantly as the capital and financial markets improve and mortgages become available to those who want to buy a home. The heavy savings rate will support the desire for home ownership in all these countries. The free flow of capital in the EU will allow a mortgage marketplace to be developed similar to what we saw being created in Hungary.

The capital markets, however, will not be enhanced by the stock markets. The stock markets are not sophisticated enough and they are too small to be much of a resource for private capital investment.

The ability of the capital markets to function will depend upon a more sophisticated level of laws that will allow the execution of property rights transfer. There also needs to be a means by which actions can be taken against those that default on debt or fail to meet the requirements under which they obtained the capital.

In the EU-10, 35-40 percent of everyone’s salary goes to support the pension system, which includes healthcare costs as well. It is an onerous burden on future generations, particularly as the population base in these countries is declining. They are all looking at privatizing part of their pension system, which would create opportunities for financial institutions to manage those assets.

In Slovakia, an unusual system is being created which may generate some real problems if copied by the other countries. It will affect any company that may decide to manage the privatized assets of pension funds.

The Slovakian situation dictates that if there is a deviation below 70 percent of the performance within the standard group investments, the fund manager has to make up that difference from his own resources. That is a burdensome condition which, if placed on everybody else, will subject the investment return of privatization to mediocrity at best, with investments in nothing other than high quality bonds and with a modest amount in equities under any and all conditions.

**Opportunities**

Financial institutions will benefit from the growth and financing the growth of the new EU countries. I believe the Viennese banks that will participate in the management of some of the defined contribution private pension funds, particularly in Slovakia and possibly in Hungary and the Czech Republic, will be positively impacted.

I also believe that there will be a consolidation of the financial institutions, especially in Vienna.

The Slovakian, Hungarian, and Czech Republic stock exchanges are very small, but some of the privatization monies going into these exchanges may increase their value. Other than that, I do not know how these stock exchanges will have a significant benefit because there is not enough size nor enough financial sophistication to use them as part of the capital markets for growth.

Because Hungary, Slovakia, Czech Republic and Austria are right in the middle of Europe, they have significant manufacturing and distribution capabilities. In the near future, this part of Europe has exceptional growth potential as it works to catch up with the rest of Europe.

The financial institutions which will be providing funding for the new EU countries may represent good opportunities for investors who do their due diligence.

---

Earl L. Wright is president/CEO of AMG Guaranty Trust, N.A.
Overview of IB Studies & Program Development

Academic understanding of IB environments and operations has changed in the past 15-35 years, said Lee Radebaugh in his address to the CIBER faculty development conference.

Radebaugh is the KPMG professor at Brigham Young University. He previously taught at Penn State University and was a visiting professor at Escuela de Administracion de Negocios para Graduados, Lima, Peru, and Glasgow University, Scotland. He is the coauthor of several books including International Business Environments and Operations (10th edition), Globalization and Business, and International Accounting and Multinational Enterprises (5th edition). He has published several other monographs and articles on international business and international accounting.

As the world has become more complex, universities have been challenged to make international business more relevant to IB students in particular and all students in general.

Radebaugh has been deeply involved in this challenge for decades and, with the 10th edition of his textbook “International Business Environments and Operations,” has taken a forward-looking approach to the development and teaching of international business.

“Thirty-five years ago,” Radebaugh said, “only 4 percent of the schools had a separate IB department and 24 percent put the IB group into another department, usually management. The most popular IB course back in 1969 was international management, but by 1974 the functional courses – international marketing and finance – took over.”

The climate for international business studies today has heated up considerably as it has become clear that we live and work in a global environment. The 10th edition of Radebaugh’s book has special features on ethical dilemmas, security issues, and the rise of China as a global force.

“Covering current events is extremely important to understanding the way the world works and the trade strategies that countries and companies employ,” said Radebaugh, adding that the book does not delve into current events. “This is a rapidly changing subject and trying to include any of it in a textbook would make the textbook dated even before it’s printed.

But what doesn’t work for a book works extremely well in the classroom. “A year-and-a-half ago, outsourcing was not a political issue, today it is. In class, we talk about the theory and the practical side of it.” Whether it’s outsourcing or politics in China and Russia, the newspapers are filled with articles daily. “By discussing these articles with the students, they can see it happening right now.”

Students are more entrepreneurial now than they used to be. “They’re bright and innovative and they want to know how and where they can start being productive,” said Radebaugh. And their needs differ from students of another generation.

Ten, 15 years ago, information technology was in the nascent stage and not a part of any school’s curriculum or thinking. Today, IT is all encompassing and a critical factor in the way a business operates. “Globalization and Business” places a strong focus on electronic commerce and the role of the Internet in facilitating research and business transactions.

Business strategy, cultural and economic issues are also highlighted to accommodate the growing segment of entrepreneurial students.

Students need to be trained for specific functions and not just in broad subject matter, said Radebaugh. “For somebody to be really effective in the job market, they have to have functional expertise. It’s not enough to be in international business. If they can’t do something really well they’re not going to be effective internationally.

“I don’t care how good a finance faculty member is, if he or she simply teaches a couple of capital market issues in a finance class, they’re not teaching somebody about international finance.

“The problems a company faces in Brazil, which has currency problems and different market conditions from those in the U.S., necessitates doing things very creatively and not by the book. You can’t get that in an international finance course without understanding the whole breadth of international business.”

However, in choosing electives, Radebaugh would recommend the student round out the international finance class with an international business class. “You have to look at your functional area and figure out what students need in order to have a body of knowledge, and then get to the international piece.”

A student in a master of accountancy program would do well to take introduction to international business and international accounting. “But you have to be a good accountant or nobody’s going to hire you,” said Radebaugh.

On the other hand, a student who wants to do an entrepreneurship career is “a different kind of student.” For this student, who’s going to be dealing in the broad international environment, it’s important to understand marketing, finance and a whole gamut of subjects. “But that’s different from somebody who wants a career in international finance or international accounting.

“And that’s where I think our advantage is in teaching IB. We can draw things out for students so they can see where the function fits into the context of the overall firm.”

Asked where a foreign language fits into the IB student’s curriculum, Radebaugh said, “I am a firm believer that you have to speak a second language to really appreciate what’s going on in the rest of the world.”

Speaking about trends for the future, Radebaugh said:

- More faculty will have international interest and expertise;
- There will be greater emphasis on international faculty to assist in the globalization process.
Businesses want people who can speak effectively, who can write effectively and who can think critically.

- Developing an international Business Program
- Internationalization at Large and Small Schools
- Curriculum Development

Calling international business a “hot topic,” James McCullough shared both his academic expertise and hands-on global experience with faculty participants from around the nation. McCullough is the George Frederick Jewett Chair in International Business and the director of the School of Business and Leadership at the University of Puget Sound. He was the founding chair of the department of marketing and the founding director of the International Business Institute at Washington State University.

Dr. McCullough has professional experience in more than 80 countries and conducts research on international marketing and management issues in emerging and transitional economies.

In the course of his career, McCullough has traveled across continents, from Africa to Asia to Eastern Europe and the Newly Independent States of the former Soviet Union.

“I’ve taught in Singapore, the People’s Republic of Congo and Thailand,” he said. No matter what the country, I find that businesses want people who can speak effectively, who can write effectively and who can think critically.

The international business program, with its emphasis on diversity and foreign cultures, “allows us to help our students communicate effectively and think critically.”

However, it’s the diversity piece that’s often overlooked. “Many schools are pressed to have more diversity but many of us don’t know exactly what that means. Most people are uncomfortable with simple race and gender body counts, but we should recognize that we want our students exposed to a diversity of ideas, personalities, cultures, experiences and so forth. What better way to get that than from internationalization.

The key is to bring in more international students, many of whom think differently and have different kinds of problems than American students have. “Working with international students helps us to recognize the difficulty of doing business internationally, but also recognizes the contributions that can come from this.”

According to McCullough, Washington State University has 11 percent international students; the University of Puget Sound has 1 percent. “We’re working on that.”

McCullough acknowledged that building and running an IB program costs money. But looking beyond the expense, IB should also be viewed as a source of revenue, which can be generated through tuition, grants and sales. “International students may be willing to pay a higher tuition, grants and other kinds of funding can be tapped for IB projects, and educational programs and short courses can be packaged and sold to various clientele.”

First and foremost in developing an IB program is to build faculty interest. “It’s very difficult to build an international program without it.” Money is one way to motivate faculty interest, the ability to provide funding for international travel and meetings. But answering concerns on the curricula side is a more difficult challenge.

“Most of our institutions are faced with financial constraints. When you put in more international, what do you take out? It may be a negative gain. If a faculty member has always taught basic managerial accounting, for example, he’ll have fears about being put in international accounting or being fired.

“If you set up an IB unit, whose resources are you going to take away? For most institutions, that is a very, very difficult issue. Those of us who are proponents of international have to talk about benefits. We have to convince people they can be retrained.

“If we’re going to have faculty who are actively involved in international business, the reality is that many of them are going to be gone for some period of time. And when they’re gone, what do you do about that? Policies are needed that allow you to juggle schedules.

“Unfortunately, many people do not view international work as being of high academic quality. It may not be as theoretical; much of the early work was largely descriptive. Should a faculty member who joins you with an international interest be told, as I was told at the University of Arizona, ‘Wait until you get tenure to do the international stuff. It will not count.’

“Many of us who are here are passionate about international; we believe it ought to be a bigger thing. Foreign language people recognize that this is an area they can link to. But you have to have a school that supports you from the dean on down. We cannot run an international business program today without strong support staff. Some of the regulations are overwhelming.

“If you’re looking to recruit international students, you must be willing to have somebody go around the world, talking to prospective students. You have to make sure that you have materials that are available overseas, available on the Web and available in different languages.”

McCullough described the rollercoaster ride the IB program took at Washington State.

• Faculty interest led to a course in international management;
• Additional interest led to international courses in marketing, finance and accounting;
• Funding led to increased faculty support for a major and minor in IB;
• Study abroad and language were added to requirements.

And then . . .

• Budget cuts led to a loss of interest and programs.

IB has fared better at the University...
Students need a solid understanding of business functions, but issues like cultural sensitivity must also be built into the program.

of Puget Sound, where there are 300 business students and 100 international business majors in a student population of 2800.

At UPS...
- Liberal arts support language and study abroad programs;
- Administrative links stimulate faculty interest;
- Academic restructuring eliminated business majors and reduced courses.

The result?
- International business remains strong.

Curriculum development

The classroom can't provide students with everything they need to know and some kind of international experience is necessary, McCullough said. The study abroad program is one way to achieve this. Information is easily obtained from catalogs and sales reps.

“T here are other ways students can get international experience, such as international internships and short courses where the student might go abroad.

“Foreign language programs in particular are good ways to get more experience. If we require foreign language in the IB program, then the student can study foreign language overseas and we kill two birds with one stone. But you've got to have all of these pieces in place in order for it to work.”

At the University of Puget Sound, the international experience is augmented with evening seminars conducted by people engaged in international business. That might include a trade representative from the Department of Commerce or someone from industry. Chances are that students are not going to get a job that takes them overseas, said McCullough. “But I strongly encourage my students to do something exotic, like join the Peace Corps or teach English in China.”

In developing the curriculum, “We go out to businesses and try to find out the things they would like, and we try to get our students to do internships.

“Students need to have a solid understanding of business functions. They need to know about marketing, accounting, finance and so forth.”

On the nonbusiness side, other issues must be built into the program:

- Cultural sensitivity. “That comes from exposure to people from different cultures and a myriad of activities.”
- Political understanding. What does that mean and how do we get it? We have programs in international relations and international affairs and policies and government. But looking at the theories and looking at the structures, I'm not sure that's what a business person needs. What the student needs to understand, not just from an American perspective, is that governments all over the world are in fact sovereign. We can look around the campus and see who teaches that or we can send students to places that are politically different and let them experience the differences firsthand.”
- Economic analysis. “This goes beyond knowing how to do exchange rates. We have to look for meaning in the facts and figures and how they translate on the human level. What does it mean to live in a country where people are struggling economically on 30 bucks a month? And what does it mean to live in West Africa on $300 a year? People don't die, they just live differently and they spend their money differently. How do you live with hyperinflation, like in Brazil. What does that mean?

“An international business program has to have a lot of different pieces that work together. The nonbusiness courses give students a broader understanding of the world.”

In response to a question, McCullough described the structure of an MBA program Washington State ran in Vietnam.

“We offered five courses in Vietnam and five courses in the United States, which were taught by a mix of faculty. An American faculty member from Washington State taught 30 hours out of the 45 required hours in Vietnam. He or she worked with a tutor from National Economics University who taught 15 hours after our professor left. We accepted those classes as transferred credits.

“The student then came to Washington State, and took four courses with us during one semester and in the summer did a research project and wrote a case study.

“Prior to anybody enrolling in the courses taught in Vietnam by our professor, we had a combination program at home that was taught in English by Vietnamese professors that came from National Economics University.”

Curriculum development:
Practical examples

Mikhail Grachev expanded on the subject of cultural sensitivity, focusing his address on Central and Eastern Europe where rapid change is occurring. What do these changes augur for international companies and what do IB students need to know as they embark on a career in international business?

Grachev is a management professor at Western Illinois University and the former dean of the School of Management at the State University-Higher School of Economics in Russia. He has served as a visiting faculty member at Case Western Reserve University, the University of Tulsa, and the Wharton School, and has taught at universities in France, UK, Hungary, Czech Republic and Japan.

When talking about Central and Eastern Europe, “political issues should be taken into consideration,” said Grachev.

“First, it is important to understand the perspective of the US foreign and national security policy on this region. Second, it is important to evaluate political risk to the US-based multinationals doing business in selected industries in this region.”

Incorporating information on this part of the world into course material would be valuable to students, he said.

“We understand that this region is changing; we may not understand how fast and how radical the changes are in many cases. Depending on your perspective, the changes pose both opportunities and threats for international businesses.

“I think the most important trend in Central Europe is the impact of the European Union. All these countries (Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia Malta, Cyprus) had to revise their legislation and review their social policies to comply with the EU charter.” Wages rose and as a result, a number of multinational corporations defected to China and Ukraine in search of cheaper labor, Grachev said.
Critical analysis, not negative attitudes, should guide students when thinking about Central and Eastern Europe.

"Is Eastern Europe an attractive region for business? Based on the negatives, I don't think so. Russian entrepreneurs spend 25 percent of their profits to pay bribes and stay in business. However, there are positives. If you look at the success stories, you'll learn that a number of multinational companies are very successful."

Grachev cited a few examples: "Shell invested $12 billion into oil exploration in Russia. 3M Russia, recognizing the Russian tradition of working cooperatively, aggressively implemented 3Ms team-based work practices."

Whenever a company enters a new market it is faced with challenges. Grachev cited a study he had conducted as part of Wharton-based Global Leadership and Organizational Behavior Effectiveness (GLOBE) research showing that the challenges in Russia were not of the usual marketing and managerial variety but had more to do with a breakdown of values in the country.

"The culture in Russia was damaged when the system changed and new values had not been created yet," said Grachev. "Mikhail Gorbachev is a hero in the West because he destroyed the Communist system, but he is not a hero in Russia. He made promises but he did not create a strong culture or drivers for national success."

Grachev is very cautious about advising students to travel to Russia unless he can be assured that they have protection. "I don't mean Mafia, I mean reliable infrastructure in general."

Other than travel, there are ways that linkages can be established between Russian and American institutions. He referred to a program he had launched with the University of Delaware, which established a link with a Russian university.

"We coordinated our syllabi and created virtual groups where students from both sides could interact while preparing their international business project. Then we succeeded in raising funds and bringing a group of Russian students to the University of Delaware, and they made their presentations together with the American students. It was one of the best learning experiences in international business I ever had."

Institutional partnerships can lead to funding opportunities. "I was part of a number of highly successful projects funded in the 90s by the State Department for the purpose of fostering ties with foreign countries," said Grachev. "It is not only important to use this money, but to think beyond the time the funding runs out. Do we have people who can act as champions for the project? The smallest schools now are more successful in creating these plans and building the institutional linkages than the large institutions."

To help illuminate the terrain, Grachev said "there are a number of excellent networks in Central and Eastern Europe such as CEEMAN. They have an excellent information exchange. Access to this network is readily available to faculty who want to incorporate the information into their international business courses."

Students who are still interested in the region should be advised to "change their perception from negative attitude to critical analysis. Psychologically, we still have this heritage of hostility toward Russia and its former satellites."

Establishing a Study-Abroad Program

A faculty member conducting a study abroad program "is responsible for a lot of things," said Gary Rhodes, director of the Center for Global Education at Loyola Marymount University.

In March 2002, Rhodes was awarded a Fulbright Senior Specialist Grant for India after receiving another grant in September 2001 for South Africa to collaborate with universities in both countries on issues related to international cooperation in higher education.

He earned a BA in English from UCSB, an MS Ed. from USC in Germany, and a PhD at the USC Rossier School of Education. He is considered an expert on international study programs.

Running a study abroad program is not something that can be done without a lot of planning, said Rhodes. "As a faculty or staff member, you're responsible for the two sides of the field: the academic side and the student services side. Our campuses either do one or the other, but in study abroad you're responsible for both sides of that world."

"Basically you're running the university in miniature. You've got to do the insurance, get the books, house people, provide travel to/from the country as well as transportation within the country. You have to make sure everyone has a visa and passport. In addition to handling these details, you have to write materials for the program."

"One of the things that doesn't happen in study abroad is any kind of accreditation. The accreditation that takes place in our colleges and universities and our business schools does not really look that closely at how study abroad is done. The reality is that study abroad is not done the same at many institutions across the country; there are lots of different models."

"It is critical that your institution make sure that your programs are well developed with quality support services."

Resources for establishing a Study Abroad Program:

- The primary U.S.-based professional study abroad organization.
  - NAFSA: Association of International Educators.
  - http://www.nafsa.org
  - NAFSA's Section on US Students Abroad http://www.secussa.nafsa.org
  - Center for Global Education Resources http://www.lmu.edu/globaled
  - Practical Resources for Study Abroad http://www.usc.edu/globaled rfssa
  - Student and Parent-Centered Student Study Abroad Safety Handbook http://www.usc.edu/globaled/studentsabroad
  - Worldwide Colleges and Universities http://www.usc.edu/globaled wwcu
  - Find a Study Abroad Program
    - www.goabroad.com
    - www.iiepassport.com
    - www.studyabroad.com
    - University of Michigan International Center International Internships and Work Abroad Information.
    - http://www.umich.edu/~icenter/overseas/work/index.html
Foundations offer more funding opportunities than the Department of Education, but the competition is fierce.

Funding sources for international business

Where do you find funding for international business programs and how do you write a winning proposal? Steven Loughrin-Sacco, co-director of the San Diego State University CIBER and chair of the international business program since 1997, demystified the process at the faculty development conference in Denver.

Loughrin-Sacco has received nearly 50 grants totaling over $5 million since 1988, including 14 from the U.S. Department of Education across seven different USDE programs. He also assists colleges and universities in securing international education grants.

A professor of French and European studies at SDSU, Loughrin-Sacco holds a BA in French from Western Illinois University, an MAT in French from the University of Illinois Urbana-Champaign, and a PhD in foreign language education from Ohio State University. He teaches courses in Business French and Intercultural Business Communication.

There are several reasons to pursue grants, Loughrin-Sacco said. “Internal funding nowadays is nonexistent; external funding promotes collaboration; and funding fuels programs” that otherwise would die on the vine.

In the realm of grants, the U.S. Department of Education offers what can best be described as “low-hanging fruits,” easy to reach for if you know what you’re doing, he said. Foundations and private donors are perched farther up the tree, high-hanging fruits that are extremely worthwhile but harder to come by.

USDE grants:

Title VI-A. Undergraduate International Studies & Foreign Language Program. Provides funds to institutions of higher education to plan, develop, and carry out programs to strengthen and improve undergraduate instruction in international studies and foreign languages.

In other words, it’s a curriculum development program. First and foremost you must significantly strengthen foreign language instruction and, second, foreign language folks have to work across the campus to develop a major program, a minor or a certificate program.”

Grants range from $120,000-$150,000 paid over a two-year period. However, Loughrin-Sacco pointed out, “there’s a 50 percent cost-share match. So for every dollar that the institution looks for, the institution has to provide a dollar from its own coffers. The cost-share can be cash or it can be in-kind.”

He added, “Probably 85-90 percent of all cost shares are in-kind and don’t really cost the institution anything.”

Title VI-B. Business & International Education Program. There are two requirements: “You must improve the academic teaching of the business curriculum and conduct outreach activities that expand the capacity of the business community to engage in international economic activities.

“The external community in many cases complains they’ve never heard of the universities,” said Loughrin-Sacco. “The universities have never left the monastery to go ask the business folks what they want and what they need. The BIE program is designed to strengthen the university’s ties with the external community.”

The average BIE award in 2003 was more than $78,000 for projects extending over a two-year period. Cost sharing applies.

Title VI-B programs are renewable as long as proposals are developed around a different theme. “Once you get the first grant, start thinking about your second, even your third and fourth. Come up with an action plan for the next ten years.”

For technical assistance on Title VI-B programs, contact Tanyelle Hawkins Richardson at 202-502-7626 or e-mail her at tanyelle.richardson@ed.gov.

The Fulbright-Hays Group Projects Abroad Program. Provides grants to support overseas projects in training, research, and curriculum development in modern foreign languages and area studies by teachers, students, and faculty engaged in a common endeavor.

Projects must focus on the humanities, social sciences and languages, and must focus on one or more of the following areas: Africa, Asia, Latin America, the Near East, Eastern Central Europe.

Eligible participants include modern language and area studies faculty at the college level, K-12 teachers, and a college junior or senior planning to teach in modern foreign languages or area studies.

“This program is wonderful for helping to train K-12 teachers who in the future will be sending students to your international business programs. Basically, they’re going to be your feeder system,” said Loughrin-Sacco.

“Many of our international business programs need continued sustainability. Where are they coming from? They’re coming from the high schools and the community colleges. At San Diego State over 50 percent of our students come to us from the community colleges,” said Loughrin-Sacco, adding, “More and more of the CIBERs are interested in K-12 international business education.”

Grant awards, in the amount of $50,000 for a one-month summer seminar cover round-trip international and local travel, per diem expenses, purchase of project-related artifacts, books and other teaching materials. “You can apply for three of these each year at your institution as long as they’re for different regions,” said Loughrin-Sacco.

Program officer: Lungching Chiao 202-502-7624; lungching.chiao@ed.gov.

FIPSE - Fund for the Improvement of Postsecondary Education. FIPSE has numerous programs one of which is the US-Brazil Program. Another is the North American Mobility Program which involves creating an alliance of two American, two Canadian and two Mexican universities. “FIPSE not only accepts proposals for international education, they also accept proposals from every single discipline you can think of,” said Loughrin-Sacco. “It’s high-hanging fruit with only a 4 percent success rate among applicants. That’s one I’d stay away from until you get some other programs under your belt.”

Foundations. “At some point you’re
A winning grant proposal is a combination of vision, intelligence gathering and, most importantly, seduction.

going to run out of US Department of Education funding sources and you'll have to look at other places. Foundations offer much more money and funding opportunities than the USDE,” said Loughrin-Sacco. “The Coca-Cola Foundation has been good for us, but it only works if you only sell Coke products on campus.”

There is a downside to foundations. “They are basically high-context cultures, they don't have technical review forms, and when they turn you down they usually don't tell you why,” said Loughrin-Sacco. “So there's a lot out there you have to guess at. Also, there's stiff competition for foundation grants, and your institution may not let you apply.”

Private donors. They offer more money and more funding opportunities than the USDE and foundations. However, like foundations, they are high-context cultures and the competition can be fierce. Accessibility and institutional priorities are other factors to consider. “But if conditions are favorable, targeting private donors is worth the time and effort.”

Developing the proposal

“Grant getting is about three things,” said Loughrin-Sacco. “Vision, seduction, and intelligence gathering.

- Vision. “If you don't have vision and fail to come up with a visionary program, no one's going to fund you. No one funds white toast with no butter on it. So when you're coming up with proposals for new programs, make them as exciting and sexy as you possibly can.

- The packaging, just like the packaging of any kind of product, needs to be attractive. It's not enough to say ‘we want to internationalize our business curriculum.' Unless you can give specific details that are really attractive, you're not going to get funded.”

- Seduction. “In French literature, the language, the way it's used, is part of the seduction. That doesn't mean you have to write your proposals in French, but it does mean you have to make the best possible argument for your particular program.

- Intelligence gathering. “You've got to know the funding source as much as possible,” said Loughrin-Sacco. “You've got to gather intelligence about the norms, the mores, the values and, most importantly, the taboos of this particular culture. “The RFP will give you only 20 percent of what you need to know. And so many people write grants with only that information. Even within the Department of Education, each of the programs has a slightly different culture.”

If you fall short in your intelligence gathering, “you will inadvertently violate taboos, which in many cases will keep you from getting funding.”

It's important to talk to the program officer at great length. “Let them get to know you, ask questions,” said Loughrin-Sacco. “When I review for the Department of Education, you'd be surprised how many times I've given a proposal a low grade only to have the program officer say, 'But I know them, you don't understand what they were trying to do.'

After you've completed the intelligence gathering, you need to craft your proposal. There are four questions you must answer as you build your case, said Loughrin-Sacco.

- What is the problem to be resolved? If there's no problem to be resolved, why should anyone give you money? The problem statement or assessment of need clearly defines the problem you're trying to solve, provides statistical evidence that addresses the need for the project, and describes your knowledge of the issues and your client's needs.

- What's your solution? If you don't have a solution, why talk about the problem?

- How are you going to pull it off? “If politicians wrote grants they would never get funded. They talk about solutions but not how they're going to pull it off.”

- Why you? Why should someone fund you versus 150 other applicants?

Loughrin-Sacco polled reviewers for the Department of Education, asking them to name their top 10 peeves when reading proposals. A summary of the top 10 fatal mistakes applicants make:

1. Applicant didn't read the program guidelines well enough.

2. The applicant never contacted the Program Officer. “There is a high correlation between contacting the program officer and success in your bid. Develop a good relationship.”

3. Applicant presented an insufficient problem statement.

4. Too much mud on the wall. Don't use the shotgun approach where the pellets are all over the place. Be focused, thorough. You can never be too thorough in writing a grant proposal.

5. Applicant neglected to provide details of the project's activities. This gets back to “How are you going to pull it off?”

6. Proposal lacked a strong evaluation plan and had minimum mention of qualitative and quantitative measures.

7. Applicant neglected to provide a budget narrative or the budget narrative didn't match the proposed budget. “The narrative should describe exactly why you're asking for money and how it's going to be used. Go to your accounting professors and have them check it over with a fine tooth comb.”

8. Applicant supplied lukewarm institutional letters of support with minimal specifics on institutional support after the grant. “Make the letters as specific as possible,” said Loughrin-Sacco, offering to send examples of good letters to anyone who asks.

9. Applicant neglected to describe plan of management in “plan of operation.” A grant organizational chart should be included along with specifics on management such as frequency of project meetings and description of managerial duties.

10. Beware if you're an accomplished grant-getter. “Experienced grant-getters sometimes get cocky and submit a sloppy and poorly executed proposal,” said Loughrin-Sacco. “Don't get complacent,” he urges. “Do your homework. Regardless of how many grants you get, you're going to have failures as part of the game.”

The key to success, he said “is a well-written, effectively organized proposal and a compelling approach.” If you feel unsure about the process, he suggests, “Find a recent reviewer. Those of us who review for the Department of Education have inside information about how the process takes place that not even the program officer has. Contact one of us, bring us in as a consultant to help you.”

And if you request it, Loughrin-Sacco will send copies of successful grant proposals to use as examples. “We are missionaries for the religion of international business; we're willing to go and help schools at all times.”
FDIB programs enhance your professional capabilities and provide you with a network of people with similar interests.

Faculty Development Resources/Benefits

CIBERs offer a wide range of FDIB programs designed to expand the world for international business faculty, said Manuel G. Serapio, Jr. and Donald L. Stevens.

Manuel Serapio is an associate professor of International Business and Management at the University of Colorado at Denver. He also serves as faculty director for faculty development programs at CU Denver's Center for International Business Education and Research (CIBER). He received his PhD in international business from the University of Illinois at Urbana-Champaign. His research interests are foreign direct investments, the internationalization of R&D, international alliances and cross-cultural management.

Don Stevens is assistant vice chancellor for Academic and Student Affairs at the University of Colorado at Denver, and managing director of the university's Institute for International Business. He is also director of the Institute's Center for International Business Education and Research. He holds an appointment as professor of finance in the College of Business and was dean of CU-Denver's College of Business & Administration from 1981-1991. He received his PhD in business administration/finance from Michigan State University.

Schools that would like to internationalize their courses would be well served to “focus on the many different types of FDIBs available,” said Manuel Serapio. Rather than a one-size-fits-all approach, “there are programs to fit specific needs and interests.”

Don Stevens agreed. “FDIBs are designed to make good use of faculty interests and faculty talents. Manuel develops these courses and people who attend learn the different approaches different schools take with the same subject matter.”

The result, said Stevens: “You end up with an incredible enhancement to your own professional capabilities and a great network of people who have similar interests.”

As the global environment has changed, “there has been an emergence of new subjects and geographic areas of interest, resulting in offerings of FDIBs that flow right from the news of the day,” said Serapio.

“I am currently doing research on international outsourcing and one of the things I’m learning from this research is that the skills IT graduates should have are changing,” said Serapio. “What they need is knowledge of business as well as knowledge of international business.

“However, many of the faculty members who control IT programs do not have the training to do the international piece. FDIB programs can fill the gap and provide this very necessary background,” said Serapio.

In addition to new program offerings, new delivery methods of FDIBs are also emerging. “Resource constraints are motivating program developers to make use of technology. Consequently, online programs are seen as a way to meet budget restrictions and serve a greater number of faculty.

“There are benefits to an online program,” said Serapio. “The program can be updated yearly and the number of live meetings can be cut back,” he said, adding, “Collaboration between and among disciplines is necessary to make it work.”

In the meantime, said Serapio, “We’re doing the best that we can to provide resources and scholarships to help faculty who would like to attend these FDIB programs in person but who have severe budget restrictions.”

While there are benefits associated with all FDIBs, “When a program involves international travel, the benefits are even greater,” said Stevens.

Last January Stevens and 25 others set out on a faculty development trip to China. The group, which included mostly business school professors and about six or eight community college instructors, traveled to Hong Kong and the Pearl River Delta of Guangdong Province and then to Shanghai.

“The Pearl River Delta is where the entrepreneurial activity is happening in China. There’s a lot of risk and a lot of return,” said Stevens. “China has grown at 10 percent a year for the past 20 years. This area is growing at twice that rate.

“This is the part of the world where young women from rural China come and get jobs and it’s the first time they’ve left their homes. They live eight to a room in company-supplied dormitories and work three shifts a day. On one of those three shifts they earn 62 cents an hour, which affords them six times their standard of living in the town they left,” said Stevens.

“When we were there five years ago, we were told that the women work a couple of years and go home with a lot of savings. With that they can get good husbands because they have big dowries. This time we found out that increasingly they don’t want to go home. If they do go back, they don’t want to marry some peasant boy who never did leave that village. They’ll go back and open a small business, which might be a restaurant, a bakery, a beauty salon or some other enterprise where they’re in control.

“In 20 years the entrepreneurial managerial class in China could very well be dominated by 40-year-old women who were the first generation of migrant workers to flock into factories.

“There are 100 million of these migrant workers, mostly in the Yangtze and Pearl River deltas, and there are 500 million Chinese who will leave rural China over the next generation looking for one of these jobs. So if you’re sitting in Germany with a fully loaded wage of $55 an hour, working 32 hours a week seven months a year, with 19 holidays and 35 sick days and not wanting to change any of your rules, I think there’s a market message headed your way,” said Stevens.

“The last day of the program each of four groups we set up according to interests reported back on how they saw the two-week experience as professionals. I can say I probably learned more on this China trip than any other two-week experience of my international career. To get there and put your hands on what’s going on really changes your perspective.

“But if China is not your thing, take a look at the schedule in the book. Contact a CIBER and see if there’s something that would work for you. You can choose any one of these programs and find the same kind of enriching experience that I had in China. I want to encourage you to participate in one,” said Stevens.
Panel discussion

International Business Teaching Resources/Methods

- Robert Hoover, Professor of Marketing, Idaho State University
- Glenn Doolittle, Jr. Professor of International Business & Management, Santa Ana College
- Kelly Jett Murphrey, Director of the Center for the Study of Western Hemispheric Trade, Texas A&M CIBER
- John Lewis, Associate Professor of International Business, Missouri Southern State University

There are three levels of internationalization: awareness, understanding and expertise," said Kelly Murphrey, a national and international speaker on global entrepreneurship. "Awareness, which is actually the lower level, is the most difficult level to get the students to move to. They may think they have an awareness of globalization, but once they're in an overseas environment they're not as comfortable as they thought they'd be.

“Understanding is that area that most of us are always teaching, but we can increase that level by using certain resources. The upper level of expertise is the area of specializations, which is a lifelong pursuit.”

Referring to Bloom's Taxonomy of educational goals (knowledge, comprehension, application, analysis, synthesis), he said, “Most of our material typically is filled with knowledge and comprehension and very little of application-analysis-synthesis. So I encourage you to think about these items and what you can pull in to move up to the upper levels of learning.”

Practical” is the word Glenn Doolittle, Jr. used most when describing the needs of community college students. Doolittle is the international business coordinator at Santa Ana College, which has one of the largest IB programs at the community college level.

“The traditional college textbooks don’t work very well for us,” Doolittle said. “Resources at the community college level need to be entertaining and they need to be practical” so students can take what they learn and go out and get a job.

“Most community college students will not go to work for multinational companies; they will work for very small companies, 10 employees and under. Therefore, the curriculum has to be designed to give students the skills that will enable them to get a job with these small companies.”

A few nontraditional resources Doolittle recommends: The Global Entrepreneur by James F. Foley; Kiss, Bow, or Shake Hands by Terri Morrison; Wayne A. Conaway; George A. Borden Ph.D. Offers concise descriptions of how to do business in 50 countries. And the Web site of the North American Small Business International Trade Educators, NASBITE.org.

Many companies have the ambition to assess and then access non-US markets, but they don’t have the time or resources to do it,” said Robert Hoover whose international business background spans three decades. “We put together a course that helped companies bring the resources of the university to bear on this in such a way that they could then determine whether or not to enter a market.

“What I try to do in class is help students understand that companies and consumers make brand decisions in a product category. Once you recognize this, you recognize there is competition for the consumer’s dollars.”

Among Hoover’s recommendations:


Technology is changing the dynamics in the classroom, noted John Lewis who specializes in teaching the managerial aspects of international marketing and international business operations. “I think it’s important to start using some of the technology, whether it’s the Internet, video, or a blend of technology and traditional teaching resources,” he said.

Missouri Southern State University’s International Trade Resource Catalog contains a listing of available publications, videos, CDs and other databases. Lewis recommends US Government agencies:

- International Trade Administration www.itat.doc.gov
- Office of the United States Trade Representative, wwwustr.gov
- For a listing of foreign embassies embassy.org

Each of these sites has links to many other agencies that will prove helpful.

Wrap Up Discussion

“The world that we knew in the 70s is definitely not the world of 2000-plus," said Prof. Robert S. Spich, Anderson School at UCLA. “The word internationalization is passe and now we talk about globalization.” There was a time when international was relatively benign and international business was seen as beneficial. But globalization activists are pointing out that it’s no longer so benign or beneficial. Also, terrorism and home security are very real issues and CIBERs have been charged with taking a look at what those issues seem to mean.

So I don’t think we can be naive about international being loved. We’re dealing with a more complex, dynamic world and our explanations are going to have to be more sophisticated.

About 15 percent of Americans are internationally oriented, he said. “Our programs have to be aimed at increasing that percentage of people. Therefore, there is a constant need for champions of international business education.”

Spich is concerned about overreliance on the Internet, which he said “is not necessarily the final and only source of information about things. Information without theory is just facts and incoherence.”

He talked about the power and importance of ideas. “Part of our job as educators is to teach coherence and engage people in a discussion of ideas. Then all of the stuff that’s out there enriches those fundamental ideas and provides some reality for them.”
The Hon. Ronald Arculli  
Managing Partner  
Arculli & Associates  
Hong Kong

Brian E. Baldwin, Founder  
Baxa Corporation  
Englewood, Colorado

Richard H. Bard, President/CEO & Pamela S. Bard  
Bard & Company, Inc.  
Denver, Colorado

Stephen L. Barnett  
Englewood, Colorado

Robert T. & Teresa A. Birdsong  
T&R Birdsong Fund  
Denver, Colorado

Seth D. Blumenfeld, President  
MCI, International Group  
Rye Brook, New York

Burton C. Boothby  
Chairman of the Board  
The Cumberland Companies  
Englewood, Colorado

Michael M. Byram, President  
University of Colorado Foundation, Inc.  
Boulder, Colorado

Richard J. Callahan, Chairman/CEO  
Callahan Associates, LLC  
Denver, Colorado

Richard W. Connor, Managing Partner  
KPMG, LLP  
Denver, Colorado

Steven C. Halstedt, Managing Director  
Centennial Ventures  
Denver, Colorado

Thomas J. Hilb, President/CEO  
Hilb & Company  
Denver, Colorado

Peter M.R. Kendall, CEO  
Coors Brewers Ltd.  
Burton-on-Trent, England

Lawrence T. Kurlander, Chairman  
Central Asia Partners  
Silverthorne, Colorado

Donald W. Phillips, CEO  
WestAM (USA), Ltd.  
Chicago, Illinois

James P. Rooney  
J.P. Rooney & Associates, Ltd.  
Bangkok, Thailand

Mark D. Safty, Attorney-at-Law  
Holland & Hart, LLP  
Denver, Colorado

Thomas M. Shane  
Chairman of the Board  
Western Stone and Metal Corporation  
Englewood, Colorado

Donald L. Stevens, Managing Director  
Institute for International Business  
Denver, Colorado

Peter S. Swinburn, President  
Coors Brewing Worldwide  
Golden, Colorado

Peter J. Widmer  
Zurich, Switzerland

Meredith Williams, Executive Director  
PERA of Colorado  
Denver, Colorado

Earl L. Wright, President/CEO  
AMG Guaranty Trust  
Englewood, Colorado