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# IBC UPDATE

## Knowledge Capabilities Lead to Firm Success or Failure

Alliances, learning capabilities, networks, and the flow of knowledge within and between firms are of special interest to Susan McEvily, assistant professor of business administration at the Joseph M. Katz Graduate School of Business at the University of Pittsburgh. "I'm interested in knowledge-flows in and across organizations," she says. McEvily is working with a former student, Natasha Vijay Munshi, PhD, the Katz School, now a lecturer (assistant professor) in strategy at the Cass Business School in London, to examine the learning capabilities of startup companies in a cross-cultural comparison. McEvily guided Munshi's research for her doctoral dissertation, "The Role of Context in Entrepreneurial Search: A Cross-National Study on New Biotechnology Firms' Search for Financial Capital."

The team examined the contextual factors surrounding entrepreneurial success or failure. A review of the literature had suggested that two contextual factors could be important in the early search for funding: the external factor of the location of the firm and the internal factor of the characteristics of the founders themselves.

"Most biotech firms in this crucial early stage are actively searching for financial capital since they have expensive research and development programs and minimal revenues," Munshi explains. Because newly founded organizations do not have experience in raising capital, the team wanted to analyze how it was that they succeeded or failed in this critical step in an emerging company's life. They noted that, while Pittsburgh and Zurich both support clusters of emerging biotech firms, the two cities offer different types of capital to the entrepreneurs. It was reasonable to think that one location might be superior to another in providing emerging firms with access to capital to fund their growth. In fact, field work showed that the characteristics of the founders, not the location of the firm, determined the size and success of the funding network.

For the field work, the team identified 10 firms, five each in Zurich and Pittsburgh, all of which were within three to six years of having been founded. They developed a survey to pinpoint particular characteristics of company founders based on their goal orientation, as they theorized that entrepreneurs might be characterized as either learning or performance goal oriented. A learning goal orientation indicated that individuals had the ability to easily master new tasks,

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# IBC Sponsored Broadcast on Exporting to China

Live from Beijing...the latest on local economic conditions as well as recommendations for successful exporting targeted to small- and medium-sized businesses in Western Pennsylvania. On April 12, 2004, the IBC and the U.S. Department of Commerce, U.S. Commercial Service hosted a real-time video conference for small- to medium-sized businesses with speakers Matthew Gettman, commercial officer with the U.S. Embassy in Beijing, China, and Heidi Zhang, attorney with Cohen and Grigsby, in Pittsburgh.

These occasional video conferences with experts speaking from the field are part of the IBC's continuing service to the business community on topics or countries of current interest.

Thirty companies participated in the interactive briefing from three locations: the University of Pittsburgh in both its Pittsburgh and Johnstown sites, and Gannon University in Erie, PA. They submitted questions in advance to the Embassy staff.

During the live broadcast, Gettman and Zhang

addressed market opportunities in China, focusing on the necessity of developing business relationships, protecting intellectual property rights, and working with a reliable agent or distributor. Gettman discussed the basics of the Chinese business culture, as well as some of the obstacles to trade such as unfair trade practices and the difficulty of pegging the currency.

While exporting to China has some challenges, Gettman also reminded the audience that \$23 billion in bidding contracts for facilities, transportation and telecommunications infrastructure, and environmental improvements will be opened soon for the 2008 Summer Olympics to be held in Beijing. He encouraged Western Pennsylvania businesses interested in bidding on these contracts to sign up for the Olympics "hot sheet," a U.S. government-sponsored electronic newsletter, available at [www.buyusa.gov/china/en/olympics.html](http://www.buyusa.gov/china/en/olympics.html). ■

## International Collaborations—The Plus 3 Programs: MCE + 3 and ENGR12 + 3

Many engineering and business students don't feel that they can take the time from a challenging academic schedule to study abroad—nor do they recognize the competitive advantages in the marketplace that such an experience will give them. The School of Engineering and the IBC have been successful in sponsoring collaborative, study-abroad programs for engineering and business undergraduates.

"Engineering and business are natural partners in collaborating with professionally-focused, time-pressed students," says IBC Director Larry Feick. "Both schools need to educate more internationally aware students to compete effectively, and the combination of both schools provides critical mass that allows programs to exist that are less mainstream than traditional study-abroad programs."

The international collaborations that both schools sponsor include faculty-led short programs (the IFTAs or Plus 3 programs), the Semester at Sea Summer Program, language programs, longer

study and internship-abroad programs, and joint degree programs. For example, MCE + 3 and ENGR12 + 3 both target rising sophomores who typically do not have any foreign language capability. The purpose of the program is to induce interest in both language and further study abroad.

In 2004, each program involved pre-departure workshops in language and culture, followed by a busy two weeks abroad in one of four locations: Augsburg, Germany; Prague, Czech Republic; Valparaiso, Chile; and Nanjing, China. Students visit companies to learn more about industry trends and industrial practices. Day trips to local historic or scenic areas are also included. The program concludes in the fall, when the students present their research projects.

"We consider this program a success when it inspires undergraduates to obtain other international internships or experiences," says Feick. ■

# Faculty Development in International Business Tour Highly Successful



*Professor Robert Donnorummo*

This spring, eleven faculty participants accompanied by University of Pittsburgh's Dr. Robert Donnorummo, a historian and political economist specializing in Russia and Eastern Europe, spent two weeks touring Moscow, Sophia, and Prague. The FDIB program, developed by the IBC and the South Carolina CIBER (with co-sponsors the University of Memphis CIBER and the University of Florida CIBER), involved lectures and discussions on economic and business conditions along with company, governmental, and cultural visits. Most of the participants were business or economics faculty and came from the University of South Carolina, the University of Florida, Duquesne University, Community College of Allegheny County, Brigham Young University, and West Virginia University.

"The group chemistry was fantastic," says Donnorummo. "The participants were first rate and they eagerly showed up for lectures and cultural events. Because these people were so interested in what we were doing, the result was greater than the sum of its parts.

"The second thing that struck me was how effective the combination of intellectual pursuits was. The trip packed a lot of activities into one day; there were lectures on economic and business topics and visits to private-sector factories, lectures and activities to teach more about the societies of the three countries we visited, and activities and experiences with both high and popular cultures. These three areas really combined well together."

Donnorummo notes that that the participants were particularly pleased to discover the relatively little-known city of Sophia, Bulgaria. "It is a little gem, and they were surprised and pleased." Participants

stayed in a hotel in the center of town and were able to walk to Parliament and other activities. Bulgaria was also a highlight of the trip because the group was addressed by numerous high-level officials who were both expert and articulate in their fields.

This is the second year that the IBC has funded and sponsored the FDIB program, and the IBC will offer the faculty development tour again in the spring of 2005. For more information, visit the IBC Web site at <http://ibc.katz.pitt.edu/Academics/fdib.htm>. ■

## MCE + 3 Update: Senior Laura Ripo Develops Bond Pricing Model for Chilean Market

Laura Ripo, who visited Prague on an MCE + 3 program two years ago and worked in Chile in the summer of 2003, wanted to know if her



language and business skills were sufficient to support her in a demanding summer internship developing a pricing model for fixed income securities for a stock exchange in Valparaiso, Chile.

"I wanted to see if my language skills were good enough to enable me to succeed in a real working environment. It was intimidating at first, but everyone understood me and I could understand and follow all the directions given to me," Laura reports.

After spending several introductory weeks in the accounting and statistics departments, Laura was given the assignment to develop the pricing model. She researched Chilean financial instruments, primarily fixed income securities and bonds, and then worked with a computer programmer to create the model.

It was challenging and sometimes stressful to explain a complex financial instrument in a second language, but Laura was successful—the program worked. "I enjoyed my internship a lot because it was challenging, I love the people and I was learning," says Laura, who will graduate in the spring with a double degree in finance and Spanish. ■

# “Culture in Action”—IBC Co-Sponsors MBA International Research Courses in Asia and Europe

In the spring of 2004 the IBC again co-sponsored courses to provide MBA students with international experience. Two international research courses took 27 MBA students to either Tokyo, Beijing, and Shanghai or to Munich, Augsburg, Budapest, and Prague. The courses were designed to help prepare students for business careers in a global economy.

Fourteen MBA students studied the topic of the enlargement of the EU with Richard Wendell, Professor of Business Administration at the Katz School. They traveled for two weeks in Europe to engage in company visits, cultural tours, and meetings with local government representatives. Thirteen students worked with John Prescott, also Professor of Business Administration at the Katz School. Their two-week tour of Japan and China took them to see operations at the JFE Steel Corporation (formerly Kawasaki Steel), GE Medical Devices, Kennametal, and PPG.

Upon their return the students were challenged to understand key factors that are involved with assessing the implications of comparative business practices; conducting research in a country with a different culture, history, and economic structure than the U.S./Europe; and gaining an increased sensitivity to cross-cultural business practices. At-home study included preparing an in-depth research project that compared practices in the U.S. to those in the target country.

Student research projects in comparative business practices included such diverse topics as a comparison of child health care practices in Japan and the U.S., comparisons of “lean management,” human resources, and advertising practices in China and the U.S., and a study of the role of contingent (part-time) workers in China and the U.S. Teams of students were also asked to produce handouts and a presentation that focused on culture of a country, the primary institutions shaping the country’s culture, business etiquette, key cultural landmarks, souvenirs, how everyday life is shaped by the culture, contradictions/paradoxes in the culture and how they are resolved, and other insights that would help fellow students better appreciate the country.

“One of the great things about the travel portion

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## MCE + 3 Update: Pete Vicinski Brews Up Success in Germany



When rising senior and marketing major Pete Vicinski visited two Bavarian breweries on an MCE + 3 trip two years ago, he had no idea how the experience would change his life. He began brewing beer at home as a hobby and got hooked on the intricacies of the brewing process. With dreams of eventually establishing his own brewery, Pete worked with the IBC to establish a summer internship with the FÜRST-WALLERSTEIN Brewery, an internship partially funded by the IBC.

Pete overcame the challenge of language skills in order to obtain his internship with a small German company. “Many small brewers are reluctant to take people who don’t speak German perfectly, as many of their production workers don’t speak English at all,” he notes. Two years of German language classes were a big milestone for him. He then worked with IBC contacts at the University of Augsburg to find a brewery that was interested in him. The 60-employee brewery was very flexible in accommodating Pete’s interest in learning more about marketing and producing the product.

“I made valuable contacts in all aspects of the industry for the future,” says Pete. As advice for other undergraduates contemplating an international internship he adds: “Although it’s intimidating, perhaps because of the fear of not being accepted due to a language barrier, it is important to remain positive. Market yourself while you’re there. Look at yourself as a valuable asset to the company. And try to make as many contacts as possible in the country before you go.” ■

# IBC-Funded Presentation on Business Ethics in Mexico City

More than 100 Mexican businesspeople, faculty, and students from numerous universities attended a presentation in Mexico City by John “Harry” Evans III, Professor of Business Administration at the Katz Graduate School, on the topic of business ethics and accounting issues. The event, sponsored by the IBC, was coordinated by the Mexico City Chamber of Commerce.

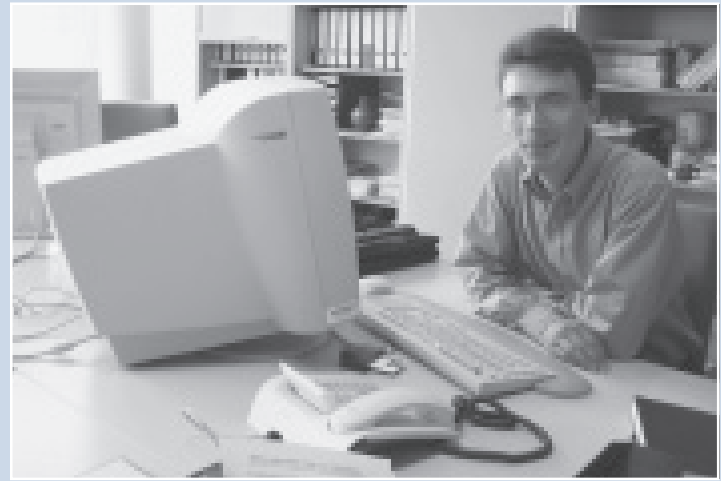
“My presentation was on the accounting scandals that a number of firms in the U.S. have experienced recently, and what we might be able to learn from them and from our research in economics and accounting,” Evans says. He notes that the inherited theory from the discipline of economics suggests that individuals make decisions based on narrow financial self-interest: that is, they will lie or commit fraud if the action benefits them and they think they won’t get caught.

“We find that this is not, in fact, how most people behave,” says Evans. “People do put important weight on things like honesty and fairness.”

When teaching accounting and examining some of the recent, spectacular failures of companies such as Enron and WorldCom, Evans covers the types of accounting and business situations that individuals were faced with—“whether to do what the boss wanted or not?”—as a way to make students think about what they would do in similar situations. Noting that almost half of the Katz MBA students are from outside the U.S., Evans adds: “It wouldn’t make sense for us to present business ethics from a narrow U.S. or even a Western point of view. We suggest that you can obtain your ethical principles from many sources—your culture, family, church, and yourself—and that there will be times that you will be forced to make a decision and you need to be able to think through the consequences of your decisions. There are some ethical issues that are independent of one’s cultural background, but then one must apply one’s own perspective.”

In addition to making his presentation in Mexico City, Evans also visited Sao Paulo, Brazil, and in both locations he met with representatives from the respective Chambers of Commerce. “The experience gave me a better appreciation of the economic

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## MCE + 3 Update: Siemens AG Extends Internship Contract for Senior David Rodriguez

David Rodriguez’s 2004 summer internship at Siemens AG was so successful that the company has extended his contract for another eight months during his senior year at the University of Pittsburgh. David’s interest in finding an international internship was fueled by his initial experience as an MCE + 3 student two years ago.

“I didn’t ever think that I’d study abroad; I thought that the time commitment was too long. Then I found that the travel portion of the MCE + 3 program was only two weeks long, so I decided: let’s go!” The positive experience motivated David to study German and to work with IBC staff to identify and obtain a business internship in Germany. The IBC funded his travel expenses.

Siemens asked David to research U.S. policies on Medicare and HMO reimbursement and payment for computer tomography (CT) scanners. “Siemens had traditionally marketed just the technical aspects of their CT scanners,” David explains. Because of changes in reimbursement policies in the U.S., a market that accounts for 45% of CT scanner sales worldwide, Siemens was now seeking to develop a new marketing strategy in the U.S., and David’s research formed a key part of the new strategy.

Although Siemens conducts much of its business in English, the company sponsored David at intensive German language classes during his internship. The demands of daily life in a foreign country motivated him to master the language and to be able to participate in business discussions as well as in casual conversations. At the end of his internship David was proficient enough in the language to provide sales training for sales executives and engineers. The company was so impressed with David’s work that it will continue to employ him part-time during his senior year as a finance major at Pitt.

“I think it would be great if every student could have an international internship,” says David. “The experience really opens your eyes to business opportunities abroad.” ■

## Knowledge Capabilities Lead to Firm Success or Failure (cont.)

and failure spurred them on to greater efforts. A performance goal orientation, on the other hand, suggested that individuals would try to maintain their constant view of themselves and their judgments and rarely took risks.

The personal characteristics of the founder determined whether or not they would pursue an “exploitative” search pattern to raise capital—going only to those contacts, such as family or friends, whom they knew well—or an “exploratory” search pattern that involved pursuing many alternative contacts and sources of funding.

The field work showed that none of the successful company founders—whether Swiss or American—fell into the more risk-averse, performance goal-oriented group. “From this analysis we found that the characteristics of the founders were more important than the location of the company,” says Munshi. “However, whether or not the individual was categorized as low or high learning goal orientation did determine whether he or she was planning to stay in academia, or to chuck it all and go work in the new organization, respectively.”

This research project, partially funded by the IBC, has led to research papers which McEvily and Munshi expect to submit to *Organization Science* and the *Journal of Business Venturing*. “Research suggests that a company’s learning capabilities that result from its early experiences ultimately affect its ability to compete in the global market,” says McEvily. ■

## “Culture in Action”—IBC Co-Sponsors MBA International Research Courses in Asia and Europe (cont.)

of the course is actually seeing the culture in action—it is one thing to study a culture and quite another to experience it first hand,” says Prescott. “Another aspect that we focus on in the course is the comparative nature of management practices; specifically why an action that seems irrational when viewed from outside the culture makes perfect sense when one understands the issues involved. Finally, the students were pleased to meet their peers in industry, to see them coping with the same kinds of problems or, depending on the cultural issue, different kinds of problems. Some of the participants have continued conversations—as I have—with their peers after returning home.” ■

## IBC-Funded Presentation on Business Ethics in Mexico City (cont.)

significance of some of the largest cities in the world and also of the importance of international business for many of the companies that we discuss in the classroom. Visiting these cities where U.S. companies have significant operations makes you more alert to the situations and challenges that these companies face and that they discuss in their annual reports.” ■

### The International Business Center

*The International Business Center at the Katz Graduate School of Business has been continuously funded since 1989 by a grant under Title VI, Part B from the U.S. Department of Education. This section of the “Educate America Bill” is dedicated to improving and increasing international education at selected institutions of higher education throughout America. The University of Pittsburgh was one of the original five universities in the U.S., and the first in Pennsylvania, to receive this grant.*

*The goal of the International Business Center is to provide tangible benefits in the area of international business to the Western Pennsylvania community—business, schools, colleges, and universities—as well as to the faculty of the University and its students. Over the years, the International Business Center has used the grant funds to support faculty and doctoral research, undergraduate study-abroad scholarships, faculty and staff foreign language instruction, conferences on international business, programming for regional businesses, and programs for faculty and students at regional colleges and universities.*

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