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IBC UPDATE

Innovation Network Study Wins NSF Funding

Over the last few years, both scholars and practitioners have shown increasing interest in "innovation networks." However, given that innovation networks are a fairly recent development in organizational theory and strategy, the day-to-day mechanics of structuring and managing them optimally are yet to be fully explicated. The IBC, in conjunction with a Hewlett Grant from UCIS, recently provided seed funding for a NSF-funded research study headed by Ravindranath Madhavan (Katz Graduate School of Business.)

"IBC and the UCIS/Hewlett Grants program (\$6,000 and \$2,500, respectively) provided me with the preliminary funding to begin working on the program," says Madhavan. "This funding allowed me to do some pilot data collection, establish the feasibility of the study, and develop the detailed proposal, which was then funded by the NSF's 'Innovation and Organization Change' program. The University of Pittsburgh

received \$181,436 over a two-year period, with \$162,484 going to Arizona State University. (Co-principal Investigators: Balaji Koka and Mike Hitt, now at Texas A&M University.)"

"Our study examines the network of a nonprofit organization (www.pratham.org) in India that has established a firm track record as an innovator in the development and delivery of educational programs with support from the World Bank, UNICEF, other worldwide development agencies, local governments, a wide-ranging network of corporate and individual donors, community-level organizations, and business entities such as the consulting firm McKinsey," continues Madhavan. "The organization focuses on eradicating child illiteracy, especially for those children that have dropped out of school, usually due to economic reasons. It offers bridge programs to give these children basic skills and prepare them to reenter the school program. This organization has been very effective in taking innovative technology and rolling it out on a large scale."

Madhavan and Hitt are examining how a network develops and diffuses innovations to be successful. "The broader literature on organizational networks has heretofore focused on three primary aspects of a network: network structure (the pattern of inter-organizational ties that constitute the network), network content (the resources that flow through the ties), and network governance (the set of formal and informal institutional and contractual ties that serve to keep the network functioning as a coherent whole" says Madhavan. He notes that in the past these three attributes have mostly been studied in isolation from each other. By

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IBC Funds Conference on Globalization of Steel Industry

The University Center for International Studies (UCIS) recently granted a Global Academic Partnership (GAP) award sponsored by the IBC to a team led by John Prescott and Ravindranath Madhavan (Katz School) and Frank Giarratani (Economics). Their workshop on "Globalization in the Steel Industry: Drivers, Processes, and Consequences" will be held on April 16, 2004. Participants will be drawn from the United States, Europe, and Asia, by invitation only.

"More and more major steel firms are establishing a global footprint," notes Giarratani. "Our workshop will examine the factors driving this activity, the processes involved, and the related consequences in terms of firm strategy and public policy."

The overarching goal set by Prescott, Madhavan, and Giarratani is to shape and direct academic research in this critically important topic area. This high-profile workshop is meant to draw attention to factors that facilitate globalization as well as to the institutional barriers involved. The workshop will examine the ways that firm strategies may affect industry structure and trade policy worldwide, and fundamental questions will be

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addressed about the ways that steel firms can take advantage of the networks formed by their global reach to gain competitive advantage in terms of technological innovation, process improvements, and market penetration.

John Surma, president of U.S. Steel, will deliver the keynote address. Other distinguished panelists include Pankaj Ghemawat, professor of business administration and head, strategy unit, Harvard Business School; Marc Lacroix, senior vice president-corporate strategy of Arcelour, Luxembourg; and Armand Sadler, chief economist, Arcelour, Luxembourg.

"By drawing expertise together from industry and academe we hope to turn attention to phenomena of immense long-term significance to steel makers in the United States and abroad," says Giarratani. "Consolidation in the steel industry is step one for international competitiveness; globalization is step two." ■

Engineering and Business Students Go Global with New Semester at Sea Program

The University of Pittsburgh's School of Engineering and the College of Business Administration, working with the IBC, have designed a new study abroad program for engineering and business students. "Manufacturing and the Global Supply Chain in the Pacific Rim" is expected to attract engineers and business students from across the country to the well-known Semester at Sea program this summer.

"Unlike humanities or fine arts students, students of engineering and business sometimes have difficulty breaking out of a tightly organized curriculum to obtain the valuable experience of living or studying abroad," notes Paul Watson, director of enrollment management for the Institute for Shipboard Education. "Our program, offered for the first time in the

summer of 2004, will enable these students to continue with their specialized studies, while obtaining a unique global dimension to their education."

The program is intended for undergraduates who have completed two to three years of study at their home institutions. In-class course work is combined with tightly integrated field practica that will include a series of site visits to manufacturing facilities, as well as invited lectures from manufacturing engineers, managers, and corporate executives working in the countries visited. One course offered, Global Manufacturing Systems Engineering, will cover product design, manufacturing planning, systems and processes, global trends, tooling, production flow analysis,

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Undergraduate Organization Sponsors

Prominent Speaker

In late October 2003, the IBC and the Society for International Business of the College of Business Administration sponsored a lecture by Ann Florini of The Brookings Institution on the topic of "Corporate Social Responsibility: The New Social Contract." More than 70 students, faculty, and community members attended Florini's discussion of the role of the multinational corporation in international business and global governance.

"We were very pleased with the number of individuals attending and their enthusiasm," notes Jo Olson, professor of business administration and faculty advisor to the newly created undergraduate organization. "The Society for International Business did an excellent job both in attracting such a renowned speaker to the campus and in advertising the event."

Florini, a political scientist, has worked on issues related to global governance and transparency for over 15 years at organizations including the Rockefeller Brothers Fund and the United Nations Association of

the USA. She has also served as a consultant for such organizations as the World Bank and the World Resources Institute. Florini is currently senior fellow at the Brookings Institution in Washington, D.C., where she directs their project on new approaches to global governance.

Her publications include *The Coming Democracy: New Rules for Running a New World* (2003), *The Third Force: The Rise of Transnational Civil Society* (2000), and *Secrets for Sale: How Commercial Satellite Imagery will Change the World*, with Yahya Dehqanzada (2000). ■



Ann Florini of The Brookings Institution

IBC Offers International Business Opportunities and Connections

In July 2003, the IBC, in conjunction with the Pittsburgh Technology Council and the United States Department of Commerce Commercial Service, provided a briefing to interested regional firms on exporting to the U.K. and the Czech Republic. More than 30 participants, most from small- to medium-sized businesses, attended the briefing, which included live video-conferencing with U.S. government officials from London and Prague.

"The program was very well received," notes Steven Murray, international trade specialist with the Pittsburgh office of the U.S. Commercial Service. "U.S. Commercial Service officers located at the embassies in London and Prague discussed the general business climate in the U.K. and the Czech Republic during the two live video presentations. The industry specialist on information technology in the U.K. noted that the software market in the U.K. was quite mature and competitive. The industry specialist on environmental products and services in the Czech Republic told

participants that there were many opportunities for U.S. exporters, especially if they were willing to partner with a Czech firm."

In addition to the updates from London and Prague, the sponsors were pleased to introduce three Pittsburgh-area experts in international finance, law, and business development, who gave advice and provided insight into making profitable export decisions. Alexandra Hendrickson, president and founder of Amaranth Group Inc. (www.amaranthgroup.com), presented options for expanding international sales. She suggested working with the Internet, licensing the product or service to a foreign manufacturer or producer, or forming a joint venture with a foreign company. Hendrickson cautioned, however, that each of these options could result in unforeseen control and management issues. She urged companies considering export options to prepare a detailed business plan, and to use the many resources available from U.S. government agencies.

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Faculty to Visit the Transitional Economies of Central and Eastern Europe

In May of 2004, faculty from colleges and universities across the United States will visit the Czech Republic, Bulgaria, and Russia to develop an understanding of regional business and economic integration issues among these markets, as well as between these markets and world markets and other regional markets, such as the European Union. The program, developed by the IBC and the South Carolina Center for International Business Education and Research (with cosponsors from the University of Memphis CIBER and the University of Florida CIBER), will involve lectures and discussions on economic and business conditions along with company, governmental, and cultural visits.

"Because the Czech Republic will enter the EU in May, with Bulgaria expected to follow by the end of the decade, we expect participants to be particularly interested in observing how the integration process works as it actually occurs," notes Matthew Malinowski, program coordinator of Faculty Development in International Business (FDIB). "This is a unique opportunity to visit a real-life economic laboratory."

This is the second year that the IBC has funded and sponsored this FDIB program. Last year 12 faculty members from universities across the country participated. The faculty leader in 2004 will be Robert Donnorummo, a historian and political economist specializing in Russia and Eastern Europe. He has published numerous articles on the transition in Eastern Europe as well as monographs on Russia and the global economy, and is a frequent visitor to both Russia and Eastern Europe.

"While the Czech Republic, Bulgaria, and Russia are very different countries, they do have three things in common," notes Donnorummo. "They are all located in the eastern side of the continent, they are all former socialist countries making the transition to both capitalism and democracy, and they all have important roles to play *vis à vis* the EU. We'll explore the economic and business situation in all three countries with regard to privatization, the opening of markets, and the changing political structure. We'll also have lecture and discussions on social issues: not culture, per se, but issues related to, for example, the status of minority groups, or on historical and

social topics as they relate to the economy."

Donnorummo notes that the format includes external lecturers, meetings with government officials,



Last year's FDIB participants in Bulgaria

plant trips, and meetings with representatives of American private companies. "The program is not geared to Eastern European specialists; we want to provide a broadening experience to a range of business and economics faculty."

For a registration form for this year's FDIB program and information on fellowships, visit <http://ibc.katz.pitt.edu/Academics/fdib.htm>. ■

The International Business Center

The International Business Center at the Katz Graduate School of Business was funded in 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.

Contact the IBC

1R19 Wesley W. Posvar Hall
Pittsburgh, PA 15260

Director: Lawrence Feick, feick@katz.pitt.edu
412-648-2145

Associate Director: Lori Molinaro, Lrider@katz.pitt.edu
412-648-1559

Visit our Web site: <http://ibc.katz.pitt.edu>

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MBA/MIB Students Enter International World

"The world is getting smaller all the time," says Mark Dobbins, who earned his joint Master of International Business and MBA degrees from the Joseph M. Katz Graduate School of Business in 1997. "I realized that having my MIB in addition to the MBA might be a differentiating factor in my future employment. Just learning in the MIB program that not everyone operates under the same paradigms as in the U.S. or even Western Europe was an invaluable experience."

The MIB program is an additional year of study added to the basic, one-year MBA program offered by the Katz School. Students must demonstrate proficiency in a second language, and they are required to perform an internship abroad in a country in which their second language is spoken. The IBC provides financial support for this internship.

Dobbins, who had been an exchange student to Spain in high school, spent nearly a year in London working for a British accounting firm before returning to Pitt for his MBA/MIB. He is currently a manager in the forecasting group of GlaxoSmithKline, gaining a variety of experiences designed to position him as a global marketer. "You can't just go directly from a marketing role in the U.S. to marketing internationally," Dobbins notes, adding that because many foreign companies do not have a big budget for market research and analysis, their marketing departments must be able to forecast sales and define market opportunities.

"Whether I am in Kabul meeting with an Afghan minister, negotiating a contract payable in Uzbek Soum, or simply handling the day-to-day difficulties of running eighteen offices in six culturally and linguistically distinct countries, I find that the MIB degree has provided me with a solid and flexible set of tools on which to rely."

Fellow MBA/MIB graduate Michael Curtis, currently regional director for Central Asia and Afghanistan for the American Councils for International Education, a U.S.-based education consulting organization, agrees.

"I found my MIB experience to be invaluable," says Curtis. "It was an opportunity to study in depth the international aspects of many of the courses and topics covered in the basic MBA program. My background before the Katz Graduate School included three years of work in the Russian Federation, and my intent always was to continue on an internationally focused career track."

Curtis' dual degree and language skills have taken him from Pittsburgh to Uzbekistan, Kazakhstan where he has worked for the past five years. "Since graduating with the MBA/MIB in 1998, I have moved into the not-for-profit sector.

Curtis continues, "Whether I am in Kabul meeting with an Afghan minister, negotiating a contract payable in Uzbek Soum, or simply handling the day-to-day difficulties of running eighteen offices in six culturally and linguistically distinct countries, I find that the MIB degree has provided me with a solid and flexible set of tools on which to rely." ■

Southwest PA International Activity Database in Progress

The Pittsburgh Regional Alliance, in conjunction with the IBC, is midway through the investigative phase of a project to collect information on the international activities of businesses in 10 counties in southwest Pennsylvania. Student interns have collected data from nearly 550 companies, with another 550 targeted to be completed by the end of the spring semester. Jim Futrell, director of market research for the Pittsburgh Regional Alliance, notes that not only will the data be useful for researchers, but also it is hoped that the resulting database, some portions of which will be Web-accessible, will enable local firms to exchange export information and to network with each other. Analytical results from the data are expected to be released later this year and will serve as a basis for assessing the extent of Western Pennsylvania firms' participation in international activity. ■

Innovation Network Study Wins NSF Funding (cont.)

contrast, the team's primary research goal is to understand how these three key attributes interact to jointly influence the effectiveness of an innovation network.

Madhavan continues, "We are asking these questions: How do you go about creating an effective network? How do you manage it; that is, how much time do the top executives spend in making and maintaining network contacts? Are the contracts and agreements formed through the network formal—written contracts—or informal—handshake agreements or assumptions? We felt that it was critical to examine how all three of the key components work together to make an organization successful in developing and diffusing innovation. We'll use this research as a basis for developing and empirically testing a theoretical model that could be extrapolated to more general applications." ■

Engineering and Business Students Go Global with New Semester at Sea Program (cont.)

and global scheduling. Another course, Manufacturing Culture in the Pacific Rim will address topics such as the human aspects of organization, manufacturing organization structure, corporate codes and culture, the ethics of child labor in manufacturing, and international cooperative relationships. The program will be offered to a group of about 30 of the 450 students on the voyage.

The semester will run from June 17 to August 21, 2004. Students will travel from Vancouver, British Columbia to sites in Alaska, Russia, Korea, China, Hong Kong, Vietnam, Taiwan, and Japan. Detailed information on the Semester at Sea program for Engineering and Business students, including a program application, is available at www.semesteratsea.com, or by calling the Institute for Shipboard Education at 1-800-854-0195. ■

IBC Offers International Business Opportunities and Connections (cont.)

Once a company has a sale, the next question—or perhaps the first question—is "How to get paid?" Alan D. Andrews, vice president of PNC Bank (www.pncbank.com), offered advice on international finance. Due to political instability in some parts of the world, as well as to complexities of international banking, Andrews urged U.S. firms to include a financing proposal as part of their export sales proposal. He also noted that, due to mergers and layoffs in the U.S. banking industry, some banks have lost their expertise in international finance and have become more risk-averse. He suggested that U.S. exporters work with banks that offer international financing as a core business.

Susanne Cook, chair, International Business Group, Cohen & Grigsby, P.C. (www.cohenlaw.com) gave participants advice on the important issue of protecting intellectual property rights when engaged in exporting products or services. She reminded companies that it is insufficient to rely on U.S. law and U.S. patents to protect their intellectual property overseas: U.S. patents protect the property only within the United States. She suggested that companies require foreign partners and investors to execute confidentiality agreements as a critical method to protect a company's intellectual property rights. Cook also provided advice on how to handle international legal disputes and reminded U.S. companies to be sure that they complied with U.S. export regulations.

The IBC, in cooperation with the Pittsburgh office of the U.S. Commercial Service and the District Export Council, plans more country-briefing events of interest to faculty as well as local businesses throughout the year. For more information on export resources and country-briefing programs provided by the Commercial Service in Western Pennsylvania, contact Lyn Doverspike, director, at 412-395-5050, or visit the Web site at www.buyusa.gov/pittsburgh. ■