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MSU-CIBER Releases its New EMPI Index

Emerging Markets, high-growth, high-potential markets of East Asia, Latin America, Eastern Europe, and elsewhere have been the focus of interest for most U.S. manufacturers. Countries such as China, India, Malaysia, Mexico, Poland, and Turkey present substantial growth opportunities for U.S. exporters, franchisors, and others looking for strategic business partners.

Since 1995, MSU-CIBER has been systematically examining the market potential of emerging markets from the perspective of U.S. based firms using a unique statistical methodology. The research considers a broad range of market potential indicators in determining the attractiveness of each country. These indicators fall into eight overall dimensions. They are: Market Size, Market Growth Rate, Market Intensity, Market Consumption, Commercial Infrastructure, Economic Freedom, Market Receptivity, and Country Risk.

Next, researchers compile comprehensive data, on all of these indicators, for 24 emerging markets that are generally considered to be the top fast-moving markets (these are the same countries monitored weekly by *The Economist*). Data on these countries are carefully checked for accuracy and recency before they are standardized for cross-country comparisons. An index is then created for each of the eight overall market potential dimensions, and each dimension is assigned a relative weight before an overall index of Emergency Market Potential Indicators (EMPI) is computed.

The September 2003 update of the EMPI features Hong Kong, Singapore, and South Korea at the top of the most attractive EMs. All three countries quickly recovered

from the recent Asian financial crisis, and are experiencing rapid growth rates. China ranks fifth in the release. At the other extreme are three Latin American countries, Venezuela, Argentina, and Columbia, all suffering from an extended economic recession.

Companies use the EMPI in several ways. First, the rankings provide an objective basis for prioritizing these countries in the process of planning international market expansion. The EMPI rankings provided by MSU-CIBER are interactive and can

The September 2003 update of the EMPI features Hong Kong, Singapore, and South Korea at the top of the most attractive EMs.

be viewed on CIBER's knowledge portal, <http://globalEDGE.msu.edu/>, so that users can rank EMs on the basis on any of the eight dimensions that comprise the overall index.

Second, managers can choose to modify the assigned weights in order to fit the unique drivers of their own industry. Companies in food and telecommunication equipment industries, for example, may attach different weights to,

say, market size. Similarly, managers may add additional indicators that are not currently in the MSU-CIBER EMPI as a way of refining the tool for greater precision. Often these will be industry-specific indicators of market potential. Those in the pharmaceutical and medical equipment business, for example, will consider adding health care expenditures, number of hospital beds, surgeries preformed, physicians per capita, and so on.

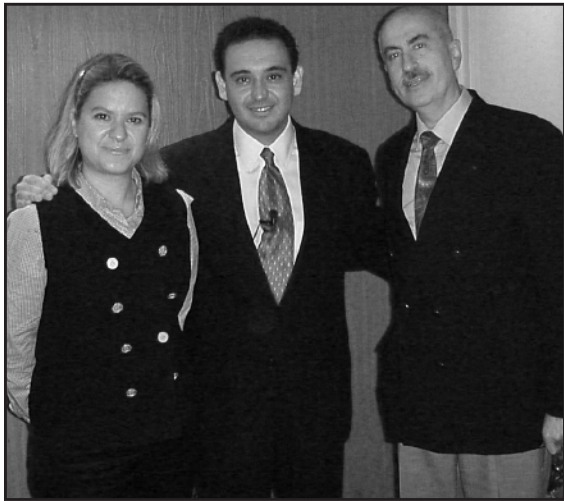
Third, regardless of which international market expansion strategy (exporting, global sourcing, direct investment/joint ventures, or licensing/franchising) a company may be employing, EMPI can be quite helpful.

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MEXICO: A Surprising Tale of Economic Reality and Potential

If you are not intrigued by what has been happening in Mexico throughout the last decade, you probably have not been paying enough attention. Direct investments have about tripled since 1994, the political party that ruled the nation since 1929 was voted out of office, and the Mexican economy seems to have weathered a weak global economy.

"Mexico has withstood pretty well what happened over the last several years in the world economy because of strong fundamentals," Dr. Jorge Gonzalez told an audience at the International Busi-



Dr. Ulku Yuksel (visiting scholar at MSU-CIBER), Dr. Jorge Gonzalez, and Dr. S. Tamer Cavusgil

ness Forum on October 7. Gonzalez, who earned his masters and Ph. D. in economics at MSU, is chairman of the Department of Economics at Trinity University in San Antonio, Texas. "I'm relatively optimistic that Mexico is moving in the right direction," he said.

During his presentation, Gonzalez illuminated aspects of Mexico's economy and culture that are strengthening the nation as a solid member of the world economy. Among them are a strong currency that he refers to as the "super peso," political reform, goodwill between Mexico and the United States, and low inflation. "Since 1997, I've been very concerned with the Peso," said Gonzalez. "I said that the Peso is too expensive. It's

going to have to depreciate...when the next economic crisis in the world occurs, the peso is going to have to depreciate. Well, in 1997 we had the crisis in Asia, and nothing happened to the peso. In 1998 we had a crisis in Russia, and nothing happened to the peso. In 2000, Brazil collapses. What happens to the peso? Nothing."

"Adverse economies in Argentina in 2002 had no effect on the Mexican currency, nor did the most recent recession in the United States," said Gonzalez.

Global economic fluctuations of the past had horrific impact on the Mexican economy, but Gonzalez believes NAFTA and other influences are moving Mexico to a sound economic footing. Prior to 1994, Gonzalez said, foreign investment in Mexico was about \$4 billion annually. As a result of NAFTA, the nation is currently drawing in about \$13 billion in investments annually. "Mexico became much more attractive as a place to invest," he said. "In spite of a really weak world economy and despite the lack of structural changes in Mexico, investors continue to send money to Mexico." Foreign investment, he said, is only half the story of the

"super peso." The other half lies north of the border with millions of Mexican citizens working in the United States and sending half of their wages back to Mexico. "Last year they sent about \$10 billion [to their families in Mexico]. This year the number is probably going to be about \$12 billion [an amount just about equal to direct foreign investment]."

Gonzalez reports some gridlock in governance, but says he is optimistic that President Vicente Fox and Congress will learn to work together. A new president in Mexico and a new president in the United States, he said, have brought the two nations closer. "Especially at the government level," he said. "For the first time, we have in the United States a

president that really knows about Mexico, really trusts Mexico, and has done all kinds of things with Mexico. We have a president in Mexico that also trusts the United States, trusts the leadership of the United States and is willing to work with the United States," he said. "In 2000, with President Fox and President Bush, we had the best relationship between our governments than we probably have ever had. They're willing to talk to each other."

In addition to these influences, Gonzalez highlighted economic policies that have taken hold within Mexico that are having a direct impact on the lives of average citizens. "Mexico has had tremendous problems with inflation," he said. "Inflation in the 1980s reached over 150 percent. The 1990s eventually brought it down, but it spiked again to 50 percent. In 2003 the goal of the government is to have an inflation rate of 3 percent, my forecast is somewhere between 3.5 and 4 percent." "Mexico has not had an inflation rate between 3.5 and 4 in about 35 years. This year, 75 percent of Mexicans [those 35 years old and younger] are going to see the lowest inflation rates they've seen in their lives. Mexico really has followed very strict monetary discipline, which has brought the inflation rate down." What this translates to, according to Gonzalez, is more investment, more jobs, more construction, and more individual purchasing power.

While the news is good on many economic fronts, Gonzalez says the nation still has a long way to go in order to keep the momentum going and to remain competitive globally. Short-term, he said he believes the peso is too strong and needs to be devalued somewhat. Prices in Mexico for the same goods are higher than they are in the U.S., he said.

In closing, Gonzalez said, "The economic stability of Mexico, in spite of the world weakness, should not come as a surprise because Mexico has very strong fundamentals. They have changed the management of their economy to one that is pretty sound."

Knowledge Creation and Sharing across Borders isn't Necessarily Painless

Even the most advanced and forward thinking corporations can run into major problems when attempting to share their processes and successes with international partners. Dr. Marietta Baba, an anthropologist and dean of the MSU College of Social Sciences, presented such a finding at the International Business Forum September 9 at the Michigan Athletic Club.

Baba was a primary investigator in a National Science Foundation sponsored three-year study that focused on knowledge sharing and performance in globally distributed teams. The study followed six globally distributed teams representing international corporations for up to 15 months as they worked toward convergence in new product development, marketing strategy, product improvement, new product launches, and leadership development.

"We studied six globally distributed teams to try to see how people in different countries, who come from different cultures and speak different languages share what they know across the boundaries of time and space and create new knowledge that can be of value to a company," Baba said.

Baba focused her presentation on a case study of a multibillion-dollar American consumer products manufacturing firm that was working with a French distributor on a marketing strategy that was assumed by the American firm to be of benefit to both.

The two firms established a "global team" in Paris, where the French company was based. This interface team was headed by an American with the goal of building market strategy for the French firm, which was a global retailer of the U.S. firm's products. Elements of the team also included partners in Belgium, Latin America and Asia. "The basic ideas were that they (the U.S. firm) wanted to set up a partnership with their French customer, a very close partnership, so that they could work together to improve sales and profits at both firms... sort of a win-win," said Baba. Top management at both firms was excited about the prospects,

Baba reported. The Americans had established a marketing strategy called Product Family Management that was very successful in the U.S. market. "The Americans knew this method cold," she said. "It was very successful, and they wanted to teach the French how to do this." It's an example of recontextualization Baba said, "a method or something created in

French middle managers not directly involved in the process began "freaking out," said Baba. "There was something going on in Asia. They don't know what it is and they hadn't been invited to have anything to do with it." This exclusion contributed to a battle of wills that threatened any success to the partnership. "The French came up with their

Shockingly, the pilot in Asia was a spectacular success, with great profits and sales, but the French executives in the customer firm rejected it.



Bill Motz, Marietta Baba, S. Tamer Cavusgil

one context, picked up and moved into another, and expected to function."

While the Americans at the firm and on the global team were sure it would work and executives of the French firm were sure it would work, French middle managers didn't like it at all. "They found it threatening," said Baba. She said that French middle managers also felt that nothing was broken in their current strategy, so why fix it? Additionally, they felt that the new strategy would lead to ethical problems where these two firms might be too cozy.

As the project moved forward, the U.S. firm convinced the French firm to run a pilot project in an Asian retail store owned by the French. The U.S. team gutted the store, reorganized the stock, and consulted their data. "They were doing amazing things in the store," Baba said, "But they really didn't ask the French for much help, and that includes the French on their own team." Progress was relayed back to Paris. At least on the surface, things seemed to be going well to members of the globally distributed virtual team. Sales in the Asian store did increase, and all reports from that side of the world seemed positive. However,

own method of family product management, gave it a name, and enlisted French members of the American team to join their cause," she said. "Warring factions broke out on the global virtual team, and each team tried to get the other group's project killed by using their contacts at the French firm." "Shockingly, the pilot in Asia was a spectacular success, with great profits and sales," Baba said. "But the French executives in the customer firm rejected it." The Americans, she reports, were perplexed. "We proved that this thing works and it works better than what you're doing," they said. "So, what's wrong?"

Things got so adversarial in the process, Baba said, that Americans and French participants resorted to name-calling and insults during a videoconference. "The chief expert on this new method, who was in Asia, jumped up, started to cry and ran out of the room," Baba said. "I quit" were his last words as he left the videoconference and the room. At this point, Baba reported, all participants realized that what was happening was not good. Instead of being global team players, representing global

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A Warm Welcome to Drs. David Griffith and Chris White

MSU-CIBER and the Eli Broad College of Business welcome two new faculty members, who joined the college this fall.



Dr. David Griffith

Dr. David Griffith comes to MSU from the University of Hawaii. He received his Ph.D. in Business Administration/Marketing with a concentration in International Business from Kent State University. His primary research interests include international marketing strategy, inter-organizational behavior and the impact of new technology on commerce. He has published over 50 academic and practitioner articles in journals including: *Journal of International Business Studies*, *Journal of International Marketing*, *Journal of World Business*, *Thunderbird International Business Review*, *International Marketing Review*, and *Journal of Global Business*.

"I came to MSU because of the quality of faculty in terms of their overall marketing and international focus as well as the high quality of doctoral students who come out of MSU," said Griffith.

Since arriving, Griffith said he has been pleased by the collegiality of the college. "Colleagues are friendly, inviting and supportive. I have also found the doctoral students a joy to work with."

While at the University of Hawaii at Manoa, Griffith was managing director of the CIBER there. He said he is intent on keeping a hand in CIBER activities here at MSU. "I was very impressed with how MSU-CIBER operated," he said. "I anticipate a very close working relationship with MSU-CIBER. I believe I can contribute much to the focus that Professors Cavusgil and Hult are putting forth."



Dr. Chris White

Dr. Chris White comes to MSU from the University of Central Florida. He received his Ph.D. in Marketing from Texas A&M University in College Station, Texas. His research has been published in *Journal of Marketing*, *Journal of the Academy of Marketing Science*,

Journal of Retailing, *Marketing Education Review*, and *Marketing Letters*. His research interests include marketing strategy and management: strategic decision-making, marketing strategy formulation and implementation, and managerial information processing.

"Some of the research that I do has international applications," said White. "It's a great benefit to be at a place [MSU and Broad] that has eminent scholars to work and collaborate with."

White said he's also impressed with Broad's doctoral programs and the number of international business-related issues being researched by doctoral students. He also said he anticipates working closely with MSU-CIBER in his work.

Griffith and White join the faculty as assistant professors of Marketing and Supply Chain Management.

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for the 2003 EMPI Index
and its archives.

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Those considering foreign direct investment, for example, may pay greater attention to Country Risk. Franchisors may consider intellectual property protection and the legal environment for contracts. And exporters will have to monitor foreign exchange rates if they are anticipating payments in the future. Finally, additional countries may be included in the analysis

beyond the 24 EMs that are highlighted by MSU-CIBER.

For assistance in the customization of EMPI or specific uses in industries, you may contact Professor S. Tamer Cavusgil.

Several MSU-CIBER researchers assisted in the preparation of the September 2003 EMPI release including Tunga Kiyak, Sengun Yenyurt, and Goksel Yalcinkaya.

MSU Researchers Present in Capri, Italy

As part of a three-nation swing through Europe, two MSU researchers, sponsored in part by MSU-CIBER, presented papers at an international agriculture conference in Capri, Italy, this summer.

Dr. Suzanne Thornsbury, assistant professor of agricultural economics, presented a paper entitled, "Explaining Multifunctionality in Trade Negotiations: Valuing Non-Traded Commodities" (co-authored with Charles Moss, and Andrew Schmitz). Mollie Woods, a visiting specialist working in the Agricultural Economics Department, presented a paper entitled, "The Implications of Multifunctionality on World Commodity Markets: A Preliminary Examination" (co-authored with Lorie Srivastava).

Their presentations in Capri were part of the "Agricultural Policy Reform and the WTO: Where are we Heading?" conference. The conference was held June 23–26, and was organized by the International Agricultural Trade Research Consortium (IATRC). IATRC is an organization of more than 180 economists in 25 countries interested in research, policy analysis, and current developments in international agricultural trade.

"This particular conference was especially timely," said Thornsbury. "It dealt with the

World Trade Organization and measuring the impact of the Uruguay Round Agreement on Agriculture. The conference was also instrumental in setting the stage for discussions about issues relevant to the Doha Round of agriculture negotiations in Qatar."

"My research focuses on global markets and trade, particularly for Michigan produce industries," said Thornsbury. "For me, professionally, this was a very important conference for forging connections for collaborations for future work, and just for gleaning information important to industries in Michigan."

In addition to presenting in Capri, Thornsbury and Woods traveled to Poland and the Netherlands this summer for research purposes.

The Capri conference was co-sponsored by the USDA-Economic Research Service, the Italian National Research Council, the European Commission, and Agriculture and Agri-Food Canada. The entire conference program and text of Thornsbury's and Woods' presentation can be viewed online at <http://www.ecostat.unical.it/2003agtradeconf/>.

NOTICE TO OUR READERS:

This is the last issue of CIBERNews. Starting in 2004, MSU-CIBER will publish an Annual Report. The globalEDGE electronic newsletter will continue to be distributed. To sign up, register free at <http://globaledge.msu.edu/>.

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companies, they were fictionalized. "Their careers were going to be in jeopardy." The videoconference ended, and in the following week the American team facilitator made individual contact with all parties concerned. "He found out a lot of things he hadn't known," Baba said. In the process, "the Americans had kind of an epiphany," she said. They realized that they were moving too fast with the marketing strategy and that their customers, the French, weren't ready. "The French people on the team knew that, but the Americans wouldn't listen to them," she said.

Following the "video conference from hell" and the one-on-one conversations with the facilitator, Baba said, relationships

dramatically changed for the better. "The biggest part of the new path," she said, "was to figure out how to introduce Product Family Management to the French in a way they would accept." Discussions about cultural diversity arose, American team members relocated to Paris, and American and French team members "finally got to the point where they were converging behaviorally and in their thinking as well."

"Knowledge is associated with belief," Baba said in conclusion. "What we learned from this case is that the idea that you just share some technical information and then measure it to see if people can perform is an incomplete formula for understanding how knowledge is related to performance in a global context."

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Happy Announcements!



Two MSU-CIBER staff families welcomed babies this semester. Molly Elizabeth Pitts, precious daughter of Jason and Lauren Pitts was born on October 19.



Another bundle of joy, Ederick Stephane Plantegenest, was born on September 16 to Geraud Plantegenest and his wife Tania Plantegenest. They also have a three-year-old daughter, Shenika Francheska Plantegenest.



Irem Kiyak and Robb Clarke, School of Packaging, MSU

Irem Kiyak, Associate Director, earned her Ph.D. in Packaging this semester. Irem defended her thesis, "Analysis of Package Labeling: An Evaluative Tool to Compare Cost Structures and Implementation of Postponement Strategies" on August 21. The study, chaired by Dr. Robb Clarke, was global in focus.

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