The growing importance of Latin America as well as the Hispanic communities in the United States, the increasing cost of a higher-education degree in business, and the large divide between business science and practice are important challenges that call for creative initiatives. The present article describes a new and innovative model for business–university collaboration as implemented by the Institute for Global Organizational Effectiveness (IGOE) in the Kelley School of Business at Indiana University (http://www.kelley.iu.edu/igoe/). IGOE creates synergistic relationships among MBA and PhD students, faculty, and partner organizations to achieve its mission of enhancing the global effectiveness of organizations by augmenting their human capital—with a special emphasis on Latin America. We hope the model we have created will be followed, and expanded and improved, by other similar initiatives for enhancing human capital in the United States and other countries around the world.
The resource-based view (RBV) of the firm is one of the most studied, established, and influential theories in the field of strategic management (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984). A fundamental premise of RBV is that firms differ in terms of the types and levels of productive resources they possess (Penrose, 1959), particularly those that are either difficult to copy or acquire (Barney, 1991; Lippman & Rumelt, 1982; Peteraf, 1993). RBV posits that firms that are able to secure bundles of resources that are valuable, unique, and difficult to imitate or acquire have a competitive advantage that leads to their superior market and financial performance (Bergh, Aguinis, Hanke, & Perry, 2010).

Although there are different types of productive resources (Bergh et al., 2010), human capital resources play a critical role (Ployhart & Moliterno, 2011). The importance of human capital was described by Adam Smith more than 250 years ago when he referred to “the acquired and useful abilities” of individuals as a source of “revenue or profit” (1776: 213–214). Human capital is “the knowledge and skills of professionals that can be used to produce professional services…and is knowledge about unique routines and procedures that have limited value outside the firm” (Pennings, Lee & van Witteloostuijn, 1998, 426). Human capital has all of the characteristics of a type of productive resource that leads to superior firm performance: It is valuable, unique, and difficult to acquire or imitate. Accordingly, the “knowledge, skills and experience of human resources have been considered as one of the key contributors to a firm’s bundle of resources and its capabilities” (Kor & Leblebici, 2005, 967; Coff, 2002). In short, human capital is a key determinant of firm performance and, consequently, is a type of resource that makes or breaks organizations (Aguinis, 2009; Huselid, 1995; Lado & Wilson, 1994).

Given that human capital is a key determinant of firm performance, in the aggregate, human capital is also a key determinant of a nation’s productivity and economic prosperity (Aguinis & Kraiger, 2009; Becker 1962, 1964). As an illustration of the value-added contribution of human capital, van Leeuwen and van Praag (2002) calculated the costs associated with employee training and the impact of such training on country-level macroeconomic variables. These researchers concluded that if employers receive a tax credit of €115 per employee trained, the total expense for the country would be €11 million, but €114 million would be generated in increased revenue resulting from the new skills acquired.

The goal of the present article is to describe a new initiative recently launched in the Kelley School of Business, Indiana University, whose goal is to enhance the global effectiveness of organizations by augmenting their human capital—with a special emphasis on Latin America. The newly created Institute for Global Organizational Effectiveness (IGOE) (http://www.kelley.iu.edu/igoe) represents a new model of business-university collaboration that could be implemented at other universities in the United States and around the world. Moreover, although IGOE’s mission refers specifically to Latin America, the same model can be used to enhance human capital in any other region or specific country.

Next, we provide a description of IGOE and its initiatives. Prior to this description, we first discuss the challenges and needs that gave impetus to the creation of the Institute. Then, we describe implications of this new business-university model of collaboration for students, academics, business practitioners, and organizations including both businesses and universities.

**Institute for Global Organizational Effectiveness**

The Institute for Global Organizational Effectiveness was created in April 2010 through a $4.8MM private gift coordinated by the GEO Global Foundation. The Institute is housed in the Kelley School of Business at Indiana University in Bloomington, Indiana, and its mission is to enhance the global effectiveness of organizations by augmenting their human capital—with a special emphasis on Latin America. The Institute for Global Organizational Effectiveness fosters a unique collaboration of MBA and PhD students, faculty, alumni, and highly selected partner organizations working hand-in-hand to develop specialized and diverse talent that can meet the global market demand and create new knowledge. This innovative business-university collaborative model as implemented by the Institute for Global Organizational Effectiveness addresses several important challenges and needs. These challenges and needs served as impetus for the creation and implementation of this new model. We describe each of these next.

**Challenges and Needs**

An important impetus for the creation of IGOE is the potential for economic expansion in Latin America, which mirrors what is taking place in other emerging markets around the world (e.g., China, India, South East Asia, and the former Soviet bloc in Eastern Europe). For example, at present Brazil is the world’s eighth largest economy as measured by nominal gross domestic product and the seventh...
largest by purchasing power parity (The World Factbook, 2011). Several other countries in Latin America—particularly Perú, Chile and Mexico—are attracting foreign investment and also growing at a fast pace. The Institute’s emphasis on Latin America is also driven by the increasing importance of the Latino population in the United States (i.e., Americans with origins in the Hispanic countries of Latin America or in Spain). The demographic projections by the United States Census Bureau indicate that by July 2050 there will be 102.6 million Americans of Hispanic origin in the United States. In other words, the percent of individuals of Hispanic origin living in the United States will increase from the present figure of 15.8% to approximately 25% (United States Census Bureau, 2011), making it the largest ethnic minority in the country. In short, the Institute provides a model for addressing the challenge of enhancing the human capital of businesses in Latin America, as well as the human capital of the Hispanic communities in the United States. Enhancing human capital will lead to improved organizational competitiveness as well as further economic development.

A second challenge that is addressed by the Institute involves what some have referred to as a non-sustainable situation leading to a true crisis in higher education (D. C. Smith, 2010). In today’s global and hypercompetitive economic environment, a higher-education degree becomes crucial for obtaining a good job. However, tuition cost has been rising and continues to rise at many times the rate of inflation, making access to a business degree—particularly an MBA—a luxury item only accessible to a smaller and smaller minority of individuals. Moreover, the cost of obtaining an MBA degree in the United States for individuals from Latin America is so high as to make it virtually impossible to all but a small minority of qualified degree applicants. This situation is true not only for private universities, but also for public ones, which face increasingly harsh budget cuts from their respective States and have no choice but to continuously raise tuition cost to continue to operate at a competitive level (i.e., delivering valuable degrees, conducting research). The Institute provides a new model of business-university collaboration that addresses this challenge.

A third challenge that gave impetus to the creation of IGOE is the gap between science and practice in the field of business and the field of management in particular (Cascio & Aguinis, 2008a; García-Izquierdo, Aguinis, & Ramos-Villagrasa, 2010). Thousands of business school researchers around the world publish thousands of journal articles every year (Podsakoff, McKenzie, Podsakoff, & Bachrach, 2008). Taken together, this vast body of research describes scientific advances related to all areas of business including organizational behavior, human resource management, and strategy, to name just a few. However, many organizations fail to adopt the practices that business research finds to be most effective (Dipboye, 2007), leading to the creation of what has been called the “science-practice gap” (Aguinis & Pierce, 2008). One reason for the lack of knowledge transfer from the scholarly to the practitioner world is that many managers and other organizational decision makers view academic research as abstract rather than practical, not really useful, and not readily applicable to their jobs and needs (Bailey & Eastman, 1996). To say it bluntly, academic research is viewed as irrelevant in relationship to today’s organizational realities. The model used by the Institute for Global Organizational Effectiveness also addresses this challenge and attempts to bridge the much-lamented science-practice divide.

Institute Initiatives and Activities
The Institute for Global Organizational Effectiveness accomplishes its mission of enhancing the global effectiveness of organizations by augmenting their human capital through three major types of initiatives: (1) teaching, (2) research, and (3) outreach. As we describe next, these three types of initiatives are fully interconnected. Also, more detailed descriptions can be found at the Institute’s website, http://www.kelley.iu.edu/igoe.

Teaching
Teaching activities include Global Fellowships for MBA and PhD students. Global Fellowships include financial support to students so they can develop the special skills demanded in the global marketplace. Global Fellowships are awarded with a preference given to students who

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are originally from Latin America or have a direct connection with Latin America (e.g., knowledge of Spanish or Portuguese, Hispanic ancestry, nationals from Latin American countries, those who work or have worked in Latin American companies).

The Institute includes two types of Global Fellowships: MBA Global Fellowships and PhD Global Fellowships. MBA Global Fellowships are offered to approximately eight MBA students each academic year. Currently, it consists of an annual sum of $25,000 to be used toward tuition and fees during each of the two years in the program. PhD Global Fellowships are offered to one or two PhD students each year and currently consist of an annual stipend of $25,000 in addition to a full tuition fee waiver during the five-year doctoral program. Also, doctoral students receive funding for research projects and travel to research sites and to attend professional conferences. Global Fellowships will foster the training of approximately 50 MBA alumni and eight PhD students within the next decade.

As part of their Global Fellowship and in addition to their regular MBA degree course load, MBA students enroll in a “Global Organizational Effectiveness” course during each of the two years in the program. The course includes conducting applied “mini-consulting projects” with partner organizations and in collaboration with PhD students, who participate in these projects as part of their Global Fellowship duties. These projects serve the goals of marketing each student through identifying and highlighting each student’s unique skill set and value-added, building relationships with multiple industry partners, and identifying collaborative projects with those partners. The projects allow students to improve and demonstrate their skills, build an important social network focusing mainly on Latin America (i.e., businesses located in Latin America, conducting business in Latin America, or targeting Latino market segments in the United States), increase our partners’ global organizational effectiveness, and increase our understanding of what makes organizations globally effective. In short, these projects allow for the creation of new knowledge that organizations can use and for the MBA students to apply what they learn with real organizations. As described later in our article, these projects also provide unique opportunities to collect valuable research data that are used for doctoral dissertation projects as well as conference presentations and journal articles.

At present, projects sponsored by the Institute can be classified broadly as being in the areas of marketing and sales, corporate finance, business operations and technology, and strategy. However, the types of projects are continuously expanding based on the needs of partner organizations as well as the skills and interests of the MBA and PhD Global Fellows. Below is a brief summary of illustrative projects in each of these broad domains:

- **Marketing and Sales**: The Institute assists partner organizations in the areas of consumer goods, business-to-business, professional services, and not-for-profit activities. Projects in the Marketing and Sales domain include issues about brand asset management (i.e., evaluation and recommendations about marketing decisions that create and sustain brand equity); branding (i.e., assessment of brand strategy and brand results); merchandising (i.e., trend forecasting, inventory planning, and performance monitoring); digital/social media (i.e., use of statistical and strategic-analysis techniques to determine and improve the alignment between digital/social media marketing activities and a firm’s overall brand goals); and communication (i.e., recommendations for conveying and sharing vital information with target audiences and stakeholders).

- **Corporate Finance**: The banking systems in Latin America have evolved to dynamically respond to high inflation and economic instability. Thus, working with them requires specific competencies including advanced corporate finance techniques. The unique collective background of the Institute’s Global Fellows, combined with the quantitative skills they are acquiring in their MBA and PhD studies, enable them to understand and evaluate financial situations with all types and sizes of organizations. Examples of projects in the area of corporate finance include company valuation (i.e., holistic business valuation that considers the extrinsic and intrinsic value of companies and the firm’s competitive advantage and value-gener-
ation capacity); company analysis (i.e., determining a firm’s position relative to its closest competitors, evaluation of the alignment of business units with overall corporate strategy, and appraisal of a firm’s capital structure); project evaluation (i.e., determination of capacity requirements and implications for profit, cash flow, assets, and liabilities); and business financial performance (i.e., corporate financial performance by geography and business segment).

• Business Operations and Technology. Our Global Fellows provide customized recommendations for the operational practices of our partner organizations. Such projects lead to information on how to leverage technology to improve a firm’s operations and profitability. Illustrations of projects in this area include procurement analysis (i.e., analysis of procurement policies and assessment of the quality of agreements with vendors); demand planning (i.e., analysis of new markets, planning products or services for those markets, and how to meet the anticipated demand); inventory management (i.e., recommendations on how to keep materials, parts, products, and stock items supplied and readily accessible and also how to track inventory costs and usage rates and create better systems for tracking shipping schedules and delivery); and data mining (i.e., extracting and interpreting patterns from company databases in order to improve profitability).

• Strategy. The Institute’s Global Fellows assist our partner organizations in evaluating their particular internal and external situations to determine a firm’s appropriate strategic objectives to increase its competitive advantage. Projects within the Strategy domain include market intelligence (i.e., identification of opportunities in new markets and untapped or under-served potential customers); and market risk profile (i.e., analysis of the competitive forces that surround and affect company performance, including a firm’s internal market structure, current trends, supply and demand dynamics, price volatility, and government policies and regulation).

Research

While teaching activities mostly promote the dissemination and application of existing knowledge, research activities promote the generation of new knowledge. Although the previous section emphasized the knowledge dissemination aspect of the Institute’s projects, all of the projects also include a research component because knowledge is another type of key resource that gives firms a competitive advantage (Nonaka, 1994; Grant, 1996). Research activities focus on the PhD Global Fellows, faculty, and partner organizations, but also include the active participation of MBA Global Fellows. In fact, a unique aspect of the Institute is that it involves a collaboration between MBA and PhD students, which is not typical in most business schools. Mirroring the science-practice divide in the field of business described earlier, most business schools have an “MBA-PhD divide” whereby students in these programs do not interact with each other. By involving both MBA and PhD students in the projects, MBA students can conduct work that is more methodologically rigorous and, at the same time, PhD students can conduct research that is more relevant for organizations and society (Aguinis, 2011).

In addition to the participation of MBA and PhD students, research activities involve faculty in a supervising capacity and also partner organizations where the data are collected. Faculty benefit because they are able to gain access to data collection sites. Partner organizations benefit because they are able to gain new knowledge that is directly relevant to their business activities. Given the active participation and involvement of MBA and PhD students, faculty, and partner organizations, research topics are also constantly evolving and they are identified based on the interests and expertise of students, faculty, and partner organizations.

Outreach

The Institute has established a synergistic relationship with businesses so they inform and support the Institute’s teaching and research efforts. At the same time, partner organizations gain specialized knowledge and an opportunity to augment their own human capital. The Institute’s Advisory Board plays an important role because board members, and their respective organizations, provide financial support for the Institutes’ initiatives, including Global Fellowships, and also benefit directly from many of the Institute’s activities. For example, partner organizations commissioned applied research projects that result in improvements in their strategy and/or operations. Also, partner organizations are given an opportunity to recruit MBA Global Fellows. As such, these businesses have access to a supply of current and former MBA students whom they can engage in temporary and permanent assignments. MBA Global Fellows have extensive experience working in many different types of industries throughout Latin America as well as in the United States and Europe. All of them are multicultural and fully fluent in two or three languages (i.e., English, Spanish, and Portuguese). In addition, in many cases MBA Global Fellows speak several additional languages (e.g., German,
Dutch, French, Italian). Overall, they share a common and highly desirable ability to adapt and adjust to fluid busi-

ess environments, particularly those in emerging markets such as Latin America. Thus, having access to this high-quality human capital is an important benefit for the Institute’s supporters.

Finally, an important component of the outreach activities incorporates the development of a network of highly tal-
ted individuals with a common interest in developing their own human capital as well as the human capital of their respective organizations and countries. In other words, the Institute is also creating social capital. Social capital is the “the sum of the actual and potential resources within, available through, and derived from the network of relationships posed by an individual or social unit … [and] comprises both the network and the assets that may be mobilized through that network” (Nahapiet & Ghoshal, 1998: 243). Social capital is also an important determinant of an organization’s competitive advantage because it is valuable, rare, difficult to imi-
tate and non-substitutable (Lavie, 2007).

Taken together, the research, teaching, and outreach activities lead to the creation of not only human capital but also knowl-
edge and social capital which, in turn, create a virtuous cycle that allow for further human capital development.

**The Institute for Global Organizational Effectiveness fosters a unique collaboration of MBA and PhD students, faculty, alumni, and highly selected partner organizations working hand-in-hand to develop specialized and diverse talent that can meet the global market demand and create new knowledge**

**Implications and Looking Toward the Future**

The development of human capital is a necessity for both organizations and nations. Given that it is a resource dif-
cult to create or acquire, only those organizations and countries that are able to secure human capital are the ones who will achieve a competitive advantage in the global and hypercompetitive environment of the 21st century. The growing impor-
tance of Latin America and the Hispanic communities in the United States, the increasing cost of a higher-education degree in business (particularly an MBA degree), and the large divide between business science and practice call for innovative and creative ideas. The present article described a new model for business-university collaboration as implemented by the Institute for Global Organizational Effectiveness in the Kelley School of Business at Indiana University. By creating synergistic relationships among MBA and PhD students, faculty, and partner organizations, the Institute can achieve its mission of enhancing the global effectiveness of organizations by augmenting their human capital—with a special emphasis on Latin America.

The new model implemented by the Institute for Global Organizational Effectiveness has important implications for students, academics, businesses, and universities. For students, the Institute allows for a new model of business education involving learning that takes place both inside and outside of the classroom on an ongoing basis. Also, the learning that takes place is a blend of research and practice and of rigor and relevance. In addition, the applied projects allow students an opportunity to be exposed to potential employers.

For academics, this new model allows for access to data collection sites that are usually inaccessible unless there is a long-term relationship with a particular organization. Moreover, by interacting with practitioners, academics are able to gain insight into issues and questions that are highly relevant, thereby improving the chances that any research conducted will have greater impact. Such research addresses challenges faced by businesses and requires multidisciplinary and multi-
level work (e.g., measuring performance at the individual, group, and organizational levels of analysis), which are the approach-es that are more likely to lead to important breakthroughs in the future (Aguinis, Boyd, Pierce, & Short, 2011; Ployhart & Moliterno, 2011).

Regarding businesses, the new model we are implementing allows them to gain insights into the latest knowledge produced—and this knowledge is gathered real-time and is directly applicable to today’s marketplace (i.e., knowledge capital). Businesses thus have access to actionable knowledge, which is another important determinant of a firm’s competitive advantage. In addition, businesses are
able to recruit MBA graduates after having seen them in action first hand. Rather than seeing only thin slices of behavior through the usual recruitment, interview, and selection process (Cascio & Aguinis, 2008b), partner organizations are able to select first-round draft picks based on their performance as demonstrated while working on the applied mini-consulting projects.

Finally, the model of business-university collaboration we are implementing allows universities to build valuable social capital including a vast network of partner organizations and former students which over time continue to be involved with the Institute’s activities by providing financial support for future generations of students. Thus, universities are able to tap into their social resources to obtain financial resources that are becoming increasingly scarce due to budget cuts in higher education. In addition, universities shift from a classroom-only learning approach to a classroom + field learning/application approach which, according to the learning and training literature, leads to improved knowledge acquisition and utilization (Aguinis & Kraiger, 2009).

In closing, we believe the realities of the 21st century including globalization, hyper competitiveness, and challenges in higher education require innovative and creative win-win solutions for both businesses and universities. We hope the model we have created will be followed, expanded, and improved by similar initiatives at universities in the United States and around the world.

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Author(s) have declared no conflict of interest or conflicting material support in writing this article.