

Dividend

The Magazine of the U-M Graduate School of Business Administration • Spring-Summer, 1978

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Profiles

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LETTERS TO THE EDITOR

Worst Inflation in History?

Editor:

Only a captious nitpicker such as yours truly could find anything to criticize in Will Eiteman's timely "Notes on the Worst Inflation in History." Perhaps he is not responsible for the title, but Germany's trillion to one inflation was nothing compared to Hungary's coetaneous inflation of 1.4 nonillion to one (10 to the 30th power). Not that it would make much difference to an erstwhile millionaire whether his million mark or pengo fortune would buy a hundredth part of a pin or a trillionth part.

In lectures at Michigan and Harvard, I used to illustrate the meaning of a trillion with a five inch high chart showing the 100% inflation under Harry Truman (the 50% debasement of the dollar), pointing out that, on the same scale, a trillion to one inflation would call for a chart as high as 85 trips to the moon and back, 170 trips!

The author of the Hungarian inflation—at least he was President of the Central Bank when the pengo disintegrated into nothing—was a professor of economics and a fervent disciple of Keynes. He was sent to Bolivia by the United Nations to help that harassed country with its problems and he was there as the President's top economic adviser when I arrived. As a Keynesian, he was most unhappy with the measures I drafted that put an instantaneous stop to the Bolivian inflation that over the years had brought the boliviano down from 400 U.S. to 14,000 to the dollar.

And the method I employed was basically the same that Hjalmar Horace Greeley Schacht had used in Germany, and that Will Eiteman lists as Number 2 on Schacht's agenda—namely, prohibiting the Central Bank from lending the government any

more money, thus compelling the government to live within its means and stopping the Central Bank's printing presses.

As an admirer of Schacht's tremendous achievement in Germany—although my more immediate mentor was the late Professor Edwin Walter Kemmerer who had halted inflation in five South American countries—I was fully prepared to worship at his knees when I met him in 1933 while I was Manager of the International Securities Division at Standard Statistics (now Standard & Poor's). Instead, I found him to be the most intelligent and conniving individual I have ever met, the right-hand financial adviser of the late unlamented Adolf Hitler.

Had I the time, I could tell many tragic or amusing tales of inflation, not only in Europe in 1923-24, but in Shanghai and in every country of South America, where inflation reached not just trillion to one proportions, but in some cases total annihilation. But then Will Eiteman would surely remark that I was in my anecdote, so I shall desist.

Which will not prevent me from adding that I find DIVIDEND the liveliest, most fascinating magazine that comes to my desk today. In the latest issue, I was impressed not only by Will's article, but by the pictures of those seventeen handsome and amazing athletes associated with Biz Ad, from barely six to over sixty. Has anyone pointed out that, of the thirty-four knees so graphically portrayed, thirty-three are noticeably bent? And the flexed knee is the sign and the secret of athletic prowess in every sport but tiddlywinks.

George Eder
Washington, D.C.

The title of Prof. Eiteman's article was chosen by the editor, and not by Eiteman, who would have known better!—Ed.

Our Athletic Faculty

Editor:

As an MBA evening program student who spends his days as an Assistant Director of the Department of Recreational Sports, I was pleased to see the article on "Our Athletic Faculty." I can vouch that many of the Business School faculty not only are frequent users of the recreational facilities, but also are skilled athletes. Thank you for this refreshing story.

Kenneth N. Nemerovski

Social Security

Editor:

I continue to enjoy the benefits of the Dividend magazine my husband receives. I found the article on the Social Security System particularly enlightening and representing a new point of view. Criticism alone of the system is a cop out. The professors' work should be shared. I would like to share it with our state's senators and faculty from my alma mater—the U. of M. School of Social Work. I am pleased that there is always an article that I learn from and the language is not too technical. Thank you.

Judith B. Lilley, MSW '69
Clarkson, Michigan

Editor:

The article on social security by Donald R. Skadden and James E. Wheeler was the best analysis of the Social Security System I have read.

David Reed, BBA '66
Sterling Heights, Michigan

Dividend

The Magazine of the Graduate School of Business Administration

Volume IX, No. 3

Spring-Summer, 1978

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School wins Exxon Award of \$10,000, established to "stimulate and reward innovation and excellence in business education at the graduate level." Our award was for innovative integration of ethical issues into the curriculum, as developed by Prof. LaRue Hosmer.

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In this article adapted from Terpstra's book, *The Cultural Environment of International Business*, he explores differences in cultural perceptions of time, and analyzes how they affect business performance.

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Dr. Pierpont spent 16 days traveling in mainland China last summer with a group of faculty and regents. Here he discusses the trip, with particular emphasis on the workings of the Chinese banking system.

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Students from all over the world come to study at the Business School. Here we introduce you to some of them, and discuss their interests and the reasons they chose Michigan.

What Would You Do in This Case?

A sample of one of the cases developed by LaRue Hosmer, professor of policy and control, to serve as a basis for class discussion on ethical issues. Integration of these cases into the curriculum resulted in the School's winning the Exxon Award for educational innovation this year (see story on page 4).

Among Ourselves 21

Richard Gerstenberg speaks at School's commencement; McInally lecture; Kathleen Davis receives Ph.D. Forum Award; Foreign Student Association formed, and directory of overseas alumni published; Black business students hold second annual alumni day.

About the Cover

While interviewing our foreign students for the story on page 12, we asked each of them to write the word "business" in their native language. Many responded that they did not know which word to write, the one for "trade" or the one for "management." We left that up to them to decide, and the resulting words make up our cover. Languages represented include Hindi, Turkish, Arabic, Greek, French, Tamil, Japanese, Spanish, German, and Agni, an African language.

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ETHICS AND THE MBA CURRICULUM

The Exxon Award, consisting of a plaque and a check for \$10,000, was presented to The University of Michigan Graduate School of Business Administration at the annual meeting of the American Assembly of Collegiate Schools of Business April 20 in Denver, Colorado. The award is made annually to the graduate school of business in the nation judged to have made the most outstanding contribution to educational innovation.

Accepting the award on behalf of the School were Dean Floyd A. Bond and LaRue T. Hosmer, professor of policy and control. This is the second year that such an award has been given. Last year, the winner was the Harvard Business School.

In making the presentation, Troy L. Wilson of the Exxon Corporation emphasized that the purpose of the award "is to stimulate and reward innovation and excellence in business education at the graduate level in accredited schools." Selection is by a committee of Deans representing AACSB.

The award was given to the School for innovative integration of ethical issues into the MBA curriculum. Dr. Hosmer has developed a series of short cases that present ethical conflicts in stark personal terms. All of the cases are based upon recent experiences by MBAs and they promote meaningful class discussions of the personal costs of ethical behavior.



Professor Hosmer (left), Troy Wilson of Exxon Corporation (center) and Dean Bond pose with the Exxon Award plaque just after the presentation ceremonies.

"I believe that potential managers should be exposed to moral problems," says Professor Hosmer, "and particularly to the moral dilemma of management, which is that there is an economic and financial cost to ethical behavior. In a competitive world, the chemical plant that dumps its waste discharges into the river will be more profitable than the one that

invests in proper disposal equipment. The manager who stands firmly against bribery may lose his or her job, or at least his or her opportunity for promotion, to the person who condones private payments, and thus increases sales or return on investment or whatever measure is used by the control system to evaluate performance.

Michigan Wins Competition for Educational Innovation Among Nation's Graduate Schools of Business

"Many graduate schools of business administration have attempted to include ethical considerations in the curriculum by establishing a separate course. Other schools devote individual class sessions to moral problems, but the readings assigned and the subjects discussed are usually separate from the balance of the curriculum, and the students do not integrate the economic and ethical issues. Cases, when used, are often at the corporate level—i.e., should a power company build a new generating station on the last unspoiled sector of coastline in the area? Students often find it hard to relate to these issues, or to believe that they will, except after a very considerable period of time, be able to have an influence upon those decisions."

The objective of the case series developed at Michigan is to present examples of the moral dilemma between financial return and ethical behavior on a very personal and immediate basis, to start meaningful class discussion of the ethical issues and to stimulate student recognition of ethical standards.

The short cases that have been prepared describe actual situations with very apparent moral and economic consequences. Here are several examples:

1. A recent MBA, employed in industrial sales receives a request for a small (\$500) bribe by the purchasing officer of a municipality that, unfortunately, represents

20% of his annual volume. The control system used by this company evaluates performance on the basis of an expected 10% annual increase in sales volume, and the MBA is under consideration for promotion.

2. A recent MBA, employed as the manager of a small metallurgical laboratory in a large automotive parts firm, is told by her immediate superior to falsify test results on the stresses present in a car wheel stamping.
3. A recent MBA, employed by a consulting firm, is asked to hire two additional computer programmers for an assigned project, and then is told, "Remember, we'll have to travel with those people, so we don't want any women or blacks."
4. A recent MBA, employed in the comptroller's office of a large electrical equipment manufacturer, objects to cost reductions that appear to have affected the safety of high-voltage equipment and is told, "Your job is not product safety; your job is cost control."
5. A recent MBA, employed in a public accounting firm, is instructed by the senior partner of the firm to destroy evidence showing improper behavior by the president of a large client.

The cases, all one to three pages in length, are used in the required

fourth term course in business policy. Each one is passed out during the class, and the students are given five minutes to read the case, understand the situation, and prepare a response. A lively discussion immediately follows. This format, stressing quick comprehension and response, is used since in actual situations moral issues are presented suddenly, and the person involved has no opportunity for extended consideration. Also, the insistence upon immediate response seems to generate a much more natural discussion, without inhibitions, since the students do not have time to develop socially acceptable choices that avoid the issues; instead the discussion centers on the individual cost of ethical actions.

Professor Hosmer has compiled 21 cases which are available under the title, "Michigan Case Series on Personal Ethics in Business." They may be ordered from the Division of Research, Graduate School of Business Administration, University of Michigan, Ann Arbor, Michigan 48109.

For a sample case from the series, see page 20.

"The clock, not the steam engine, is the key machine of the modern industrial age."

Lewis Mumford

Time as a Circle, Time Line.

Differences in Cultural Perceptions of Time

by Vern Terpstra
Professor of International Business

Editor's Note: During a sabbatical leave at The University of Michigan, Professor Terpstra started work on a book which would translate anthropology in a way meaningful for international business. Having lived in Europe and Africa for ten years before starting to teach in American universities, he was disturbed by the lack of such materials. The resulting book, *The Cultural Environment of International Business*, was published this year in paperback by Southwestern Publishing Company in Cincinnati, Ohio (\$6.95). Four of the eight chapters were written by Terpstra, and the rest by four different doctoral candidates in Michigan's International Business Program (all of whom are now teaching at major American universities). This article is excerpted from Terpstra's chapter entitled "Values and Attitudes." He has been a member of our faculty since 1966, and has published widely, particularly with reference to the multinational corporation.

One of the commonest kinds of culture shock experienced by American managers traveling abroad is reflected in the following typical questions: "Why are foreigners so late for business appointments? And why are they so slow in getting down to business?" Attitudes toward time are indeed a cultural distinctive; they vary from culture to culture (a clock "runs" in English but "walks" in Spanish). Differing attitudes to time can have important economic consequences as well. In spite of the diversity of attitudes toward time, however, there is justification for classifying them into just two categories which we shall call "traditional" and "modern."

Time as a Circle

In the traditional, pre-industrial view of time, life was governed by the regular unhurried flow of events of nature—seed time and harvest, birth, puberty and death. There was no sense of urgency or time pressure. Life went along at its "natural" pace. In the gross and imprecise measurement of time by these natural events, hours and minutes obviously have

little significance. The natural events which measure time—the movement of the sun, the phases of the moon, the tides, the seasons of the year—all are recurring, suggesting a circular pattern. If today is lost or wasted, there is no concern, for it will return tomorrow. Life and time are endless repetition. Most of the religions in Southeast Asia have developed notions of time involving vast cosmic cycles which are directly related to the interpretation of human life in terms of an endless series of rebirths. Manglapus, a Philippine scholar, says that in Asia the traditional cyclical conception of time and life has led to a fatalistic outlook and also determines the Asian attitudes toward wealth, consumption and investment.

As many have observed, the traditional attitude toward time is a barrier to industrialization. Gross measurement of time by natural events will not work in industry which follows the "artificial" but precise rhythm of the machine. In industry everything must proceed "like clockwork." This applies not only to the operation of an assembly line but also to the punctuality, orderliness, and



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regularity of the worker in the factory. The leisurely cycle of seedtime and harvest is foreign to industry.

Sayigh, an Arab economist, notes that in the Arab world one problem is "the sloppy or cavalier attitude toward time that upsets industrial organization . . . Arab character in this respect shows an endless capacity for patience, manifest in the ability to wait; people who can wait are not exigent about punctuality. The sloppy attitude toward time shows itself in, among other things, inadequate rationalization of movement, over-staffing, or featherbedding."

An example from the Hopi Indians illustrates how a traditional view of time can bring trouble to nonagricultural work projects.

For the Hopi, time is not fixed or measurable as we think of it. It is what happens as the corn matures or a sheep grows up—a characteristic sequence of events. There is a different natural time for everything. Hopi houses were often in the process of being built for years and years. The Indians had no idea that a house should be built in a given time span, as a house had no natural time system such as the corn and sheep had. This way of looking at time cost the government untold thousands of dollars on construction projects because the Hopi could not conceive of a fixed time in which a dam or road should be built. (Example drawn from *The Silent Language* by Edward T. Hall, Doubleday & Co., 1959, p. 133).

Another aspect of the traditional view of time is the emphasis on the present versus the long-run future. Industrialization and economic development are difficult to achieve without long range planning. An Argentinean discusses what the emphasis on the present has meant for his country:

Argentines emphasize Present time. This attachment to the Present and the emphasis on immediate goals have been accentuated in recent decades. The writings and works of the nineteenth century men who shaped the union of the

"Gross measurement of time by natural events will not work in industry which follows the 'artificial' but precise rhythm of the machine"

provinces and the political framework of modern Argentina show that they were leaders with some sense of future, long-run objectives. Early immigrants were people mainly driven by their pioneer spirit who were prepared to make sacrifices so that their descendants might have a degree of well being not available to them. Recent immigrants are impelled by the hope of immediate gains. They emigrate primarily for their own sake, not for the sake of their descendants.

The social and economic implications for a society whose members emphasize Present time are obvious. Such an emphasis is inimical to planning for the future; to long-run political, economic, or social commitments; to the emergence of a collective sense of duty—especially of the sense of duty to do productive work; or to furthering the interest of a group, an organization, or a community. (Excerpted from Thomas Fillol, *Social Factors in Economic Development*, The Argentine Case (Cambridge: M.I.T. Press, 1961), pp 13-14.

Time as a Straight Line

In the modern view, time is perceived as a straight line rather than as a circle. Yesterday is gone forever, today is here only briefly, and tomorrow is almost upon us. Time is measured less by recurring natural events than by the artificial but precise movements of the clock. Hours, minutes, and even seconds become important measures of human activities.

In an intriguing analysis, Lewis Mumford illustrates how the clock was the critical machine for the development of industry. The application of quantitative methods of thought to the study of nature had its first manifestation in the regular measurement of time. The mechanical concept of time arose in part out of the routine of the monastery. In the seventh century, Pope Sabinianus decreed that the bells of the monastery be rung 7 times in the 24 hours. It then became necessary to have some means of keeping track of these canonical hours and assuring their regular repetition. Although the mechanical clock did not appear until the thirteenth century, the habit of order and the earnest regulation of time sequences had become almost second nature in the monasteries. Some historians look on the Benedictines, the great working order, as perhaps the original founders of modern capitalism. (At one time there were 40,000 monasteries under Benedictine rule.) It is not unreasonable to suggest that the monasteries helped to give human enterprise the regular collective beat and rhythm of the machine; for the clock is not merely a means of keeping track of the hours, but of synchronizing the actions of people. (Adapted from Lewis Mumford, *Technics and Civilization* (New York: Harcourt, Brace & Co., 1934), pp. 12-18.

The clock dissociated time from natural events and helped create the perception of time as an independent world of mathematically measured sequences—the special world of science. This affected behavior and attitudes. Human behavior became regulated by the clock, and abstract time became the new medium of existence. One ate, not upon feeling hungry, but when the clock sanctioned it; one slept, not when one felt tired, but when the clock sanctioned it.

When one thinks of time not as a sequence of experience but as a collections of hours, minutes and seconds, the ideas of using time, wasting time, and saving time come into existence. Ben Franklin said
Continued on page 27

Notes on a Visit with a (Mainland) Chinese Banker and Other Views of China.

By Wilbur K. Pierpont
Professor of Accounting

Editor's Note: Dr. Pierpont spent sixteen days traveling in Mainland China last summer with a group of faculty and Regents from The University of Michigan. The group visited Canton, Kweilin, Shanghai, Nanking and Peking, and here Professor Pierpont gives a brief report on the visit, with particular reference to a meeting with a Chinese banker, arranged by the China Travel Service while the group was in Peking. From 1951 to 1977, Dr. Pierpont served The University of Michigan as vice-president and chief financial officer. In September, 1977, he returned to the Business School as professor of accounting (a post he has held for the past 25 years). He is a graduate of this School, having received his M.B.A. in 1938 and his Ph.D. in 1942.

These notes are, of course, written from a background of education, freedoms, culture, and other characteristics of our American way of life which are in many respects very different from the backgrounds of the Chinese and the characteristics of their way of life. Sixteen days in China leaves one with quite mixed reactions to the sights, sounds, and impressions of that large country with a population of over 900,000,000 people. And an afternoon visit with

an official of the Peoples Bank of China and three of his staff left many unasked questions and a few incomplete answers.

Our meeting with the Chinese banker took place at the headquarters of the Peoples Bank in Peking, in an American-style conference room, furnished with easy chairs and writing materials, and during which we were served tea. As is usual with Chinese visits of this kind, we were briefed for thirty to forty minutes on the Chinese banking system, with almost no interruptions, followed by a two-hour exchange of questions, responses, and general conversation. The briefing and discussions covered the following matters of interest:

The Peoples Bank of China has four main operating activities:

(1) *Currency Control*

The Bank is the controller of currency in China and acts as the agency of the government for this purpose. Currency is used by the Peoples Bank, the state-owned enterprises, governmental units, and other employers for wages, pensions, welfare expenses, other payments to individuals, and miscellaneous expenses of the system; the government then releases commodities and

services for sale to "soak up" the currency paid out; if more people work (or higher wages are paid), more commodities are released, such as food, bicycles, and clothing and/or more services are made available such as theaters, concerts, medical care, and recreation, so the release of currency to the system and the withdrawal of currency from the system is generally in balance.

In such a system, prices are controlled, cost of living is stable, earnings by workers and peasants in excess of current needs are absorbed in savings, which may be withdrawn from the system, and there is essentially no inflation. The national government through its control of prices, wages, and all commodities and services, working through the Peoples Bank, leaves no surplus funds available for investment outside of the government.

(2) *Deposits*

It is the main depository for savings of individuals, particularly in the cities, and along with the Rural Credit Cooperatives which accept deposits from people living in the rural areas, the two institutions control all deposits. Savings consist of both passbook accounts, available on request and paying 2.16% interest per

annum, and time savings, available after one year and paying 3.24% per annum. A large proportion of the people have savings accounts, from 70% to 80% it was estimated, and the amount of savings is increasing.

The increase in savings results from the increase in salaries and wages even though these increases are infrequent, more people working, stable prices, and a stable standard of living (no place to spend, no goods to buy). For example, in a visit to a housing commune, we were told by a worker that he earned about 70 Yuan per month (\$1 = 1.83 Yuan, currently), his wife earned about 60 Yuan per month, and they saved some 40% of their combined salary. They owned their furniture for a rented two-room apartment, owned a bicycle, attended the movies, and they were saving to buy their son a bicycle and to buy furnishings for their daughter when she married.

There is no checking account system in China. All transactions of individuals are in cash and transactions of enterprises flow through the Peoples Bank on an account transfer system. If individuals wish to transfer small sums of money from place to place or from person to person, the Postal system is used for remittances.

There is also no consumer credit structure. Individuals ordinarily build up savings for large purchases, such as a bicycle, and pay cash for these items. Loans, if made, are small in amount, are used to complete the cash required for a purchase, and are generally repaid within a few months.

(3) *Loans and Credits*

The Peoples Bank and the Rural Credit Cooperatives are the only sources of funds for short-term loans and credits for the working capital needs of industry, commerce, and other business activities and for consumer loans. Most loans are for one year or less and carry a current interest rate of 5.04% per annum. Interest rates do not change very often; since the time the Communists took control of China in 1949, rates have been reduced nine times, but never raised. Loans for working capital are often provided with no

"Savings consist of both passbook accounts, available on request and paying 2.16% per annum, and time savings, available after one year and paying 3.24% per annum. From 10 to 80% of the people have savings accounts, it was estimated. There is no checking account system in China."

particular security and the Bank acts very much like an American banker if an inventory loan is unpaid. The Bank investigates the situation, reviews the pricing structure in effect, the management, and other operating aspects of the borrower, and takes whatever steps are called for to remedy the situation. Loans to rural workers are also unsecured but the commune may cover a loan which cannot be repaid.

It appeared as though the volume of loans was small for individuals and the financing of enterprises was in most cases accomplished otherwise.

(4) *Settlement of Accounts Between Enterprises*

The bank is the clearing account agency for all transactions between enterprises, which are essentially all state-owned. Such a system provides credit and working capital funds for short-term periods in the recognition of debit and credit balances for individual enterprises on the books of the Bank. No enterprise or governmental agency may build up large balances or accumulate large unused deposits. Adjustments to prices, costs, and output and the transfer of profits to the government are all used to control balances and deposits effectively.

Organization of the Peoples Bank

The Peoples Bank of China is a department of the National Government, closely allied with the Ministry of Finance. It is the only bank in China, with some 35,000 branches and some 350,000 employees. Branches or

sub-branches are located in all cities, large communes, neighborhoods, large factories, mining areas, rural areas, and any other areas where people are concentrated for productive activities or living purposes.

The Peoples Bank has four major subsidiaries: The Bank of China, which has a few overseas branches and handles foreign exchange; The Peoples Insurance Company of China, an insurer of activities carried on outside of China proper (airlines, shipping); the Peoples Construction Bank, which acts as the banking arm of the Ministry of Finance in handling all government funds allocated for capital investments, generally supervises construction, and monitors the use of funds provided; and the Controlling Office for Joint State-Private banks, which supervises such banks outside the country in Hongkong, Macao, and southeast Asia.

The Peoples Bank is organized internally into seven functional areas: Credit and Planning, Industrial Credits and Loans, Agricultural Finance, Currency Issue and Accounting, Registration and Currency Printing, Foreign, and Insurance. These functional areas are considered the Administrative and Business Department of the Bank, and there is a Political Department. Apparently, the Political Department organizes and conducts group studies for the personnel of the Bank, provides educational materials, works with the May 7 Cadre schools in selecting bank employees who will attend these schools, and carries on other activities involving the relationship of the

Bank and its personnel to the government. There is a president and the normal organizational structure for the personnel in the Bank, with the management staff appointed by or approved by the national government. (The May 7 Cadre schools are located in the countryside and are attended by residents of the cities to maintain close contacts between the cities and the rural areas).

The Peoples Bank supervises and audits the Rural Credit Cooperatives, which appear to be similar to employee credit unions in the United States and provide deposit and loan services to the rural workers. There are 90,000 cooperative units with 200,000 employees.

Sources of Capital Funds

The capital funds used for the construction of factories, equipment, hospitals, schools, transportation facilities, housing, and any other item requiring large capital resources, are all provided by the national government. These funds are provided essentially as grants without a regular interest charge for the use of the funds and it was difficult to determine in any given case if there were regular repayment schedules.

In a visit to a silk factory, it was stated by the factory manager that the capital provided for a new addition was repaid in three or four years. In a visit to a truck factory, the factory manager indicated that the factory had produced profits (a word used by the manager) which had returned the government's investment more than four times since 1968.

The creation of funds resulting from the excess of receipts over expenses (by bank transfer) and the return of funds to the government can, of course, be significantly influenced by the pricing and costing policies used. The auto factory produced a small pick-up truck at a cost of 10,000 Yuan, sold it to the government for 15,000 Yuan, and returned the profit to the government as repayment for the capital invested.

National Planning

In all our discussions, there was constant reference to a national plan, for the Peoples Bank, for the

university we visited, for the production of trucks, for more housing, for any new investment or commitment. In such a short time and with such short discussions as half a day, it was obviously impossible to inquire in depth into these plans. But it was a little staggering to contemplate, at least from our backgrounds and in a society of over 900,000,000 people, the structure required to prepare, adopt, and implement national planning programs; and then alter, change, and modify these plans in an expeditious and equitable manner. One wonders if the apparent pervasiveness of national planning is more a matter of a national government intent and effort than a reality in every aspect of the affairs of so large and diverse a country.

Shortage of Equipment

There is an incredible amount of manual labor, hard human labor by men, women, and children throughout the whole society. This is true not only in the rural areas but in a city such as Kweilin, with a population of two hundred fifty to three hundred thousand. In some respects, China is still a primitive country, particularly if measured by the amount of capital equipment available for use.

The area around Canton is a large, rice-producing area and it was a typical sight to see water buffaloes in the rice fields pulling plows, cultivators, and other equipment. At very rare instances, one saw a motor-driven, walking cultivator. Otherwise, every activity was human. The rice was planted by hand, weeded by hand, reaped by hand, laid out by hand

on a hard surface to dry, sacked by hand, and transported mostly by two-wheeled carts pushed by hand.

In Canton, Kweilin, and other southern areas, merchandise, equipment, food, almost everything in fact, was moved by two-wheeled carts, with one, two, or more persons providing the energy to move the cart. Construction materials, such as concrete beams, brick, stone, and lumber, all were transported in the same way. On rare occasions, we saw a truck in use, but we could look both ways on Kweilin's main street and see no automotive equipment of any kind.

The picture changed somewhat as we went north; when we were in Peking and the surrounding areas we saw ponies pulling carts, some automotive equipment on the roads, some mechanized equipment in the fields, some mechanized construction equipment; but there was still a noticeable amount of human labor carrying out all kinds of activity.

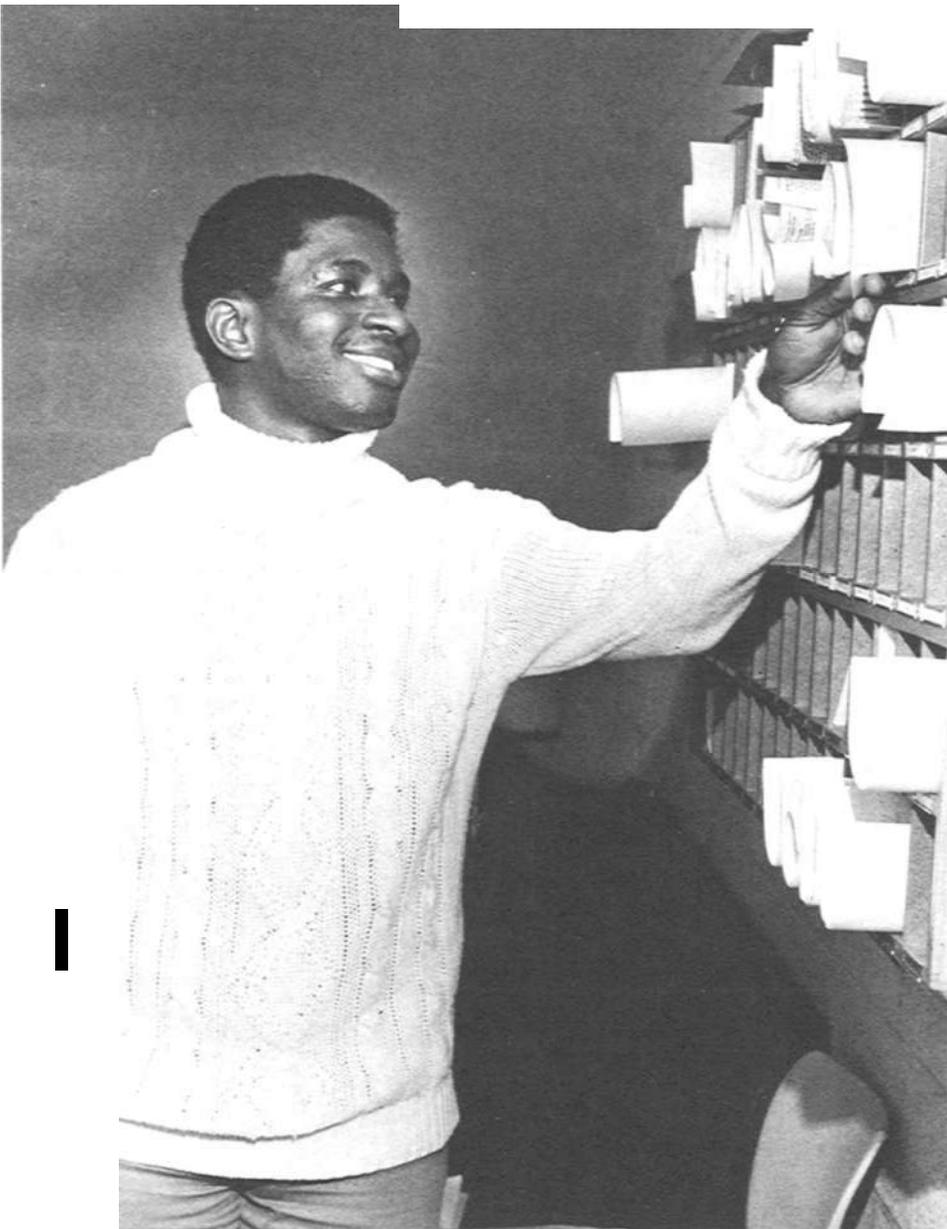
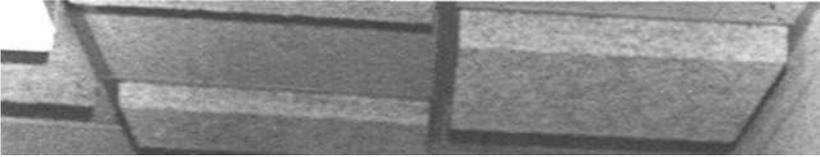
On the other hand, the bicycle is everywhere. It is the common form of transportation and in the mornings and evenings the streets were filled with people on bicycles six to eight to ten abreast, as far as one could see. The limited numbers of automobiles and buses were constantly blowing horns, slowing down, moving around almost solid masses of bicycles. The bicycle riders move along so much in unison and at the same speed that one wonders what will happen when the first motor bike appears, as it inevitably will.

China has, of course, quite fantastic places to visit and a group touring

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"The capital funds used for construction of factories, hospitals, schools, and any other item requiring large capital resources are provided by the national government. It was difficult to determine in any given case if there were regular repayment schedules"

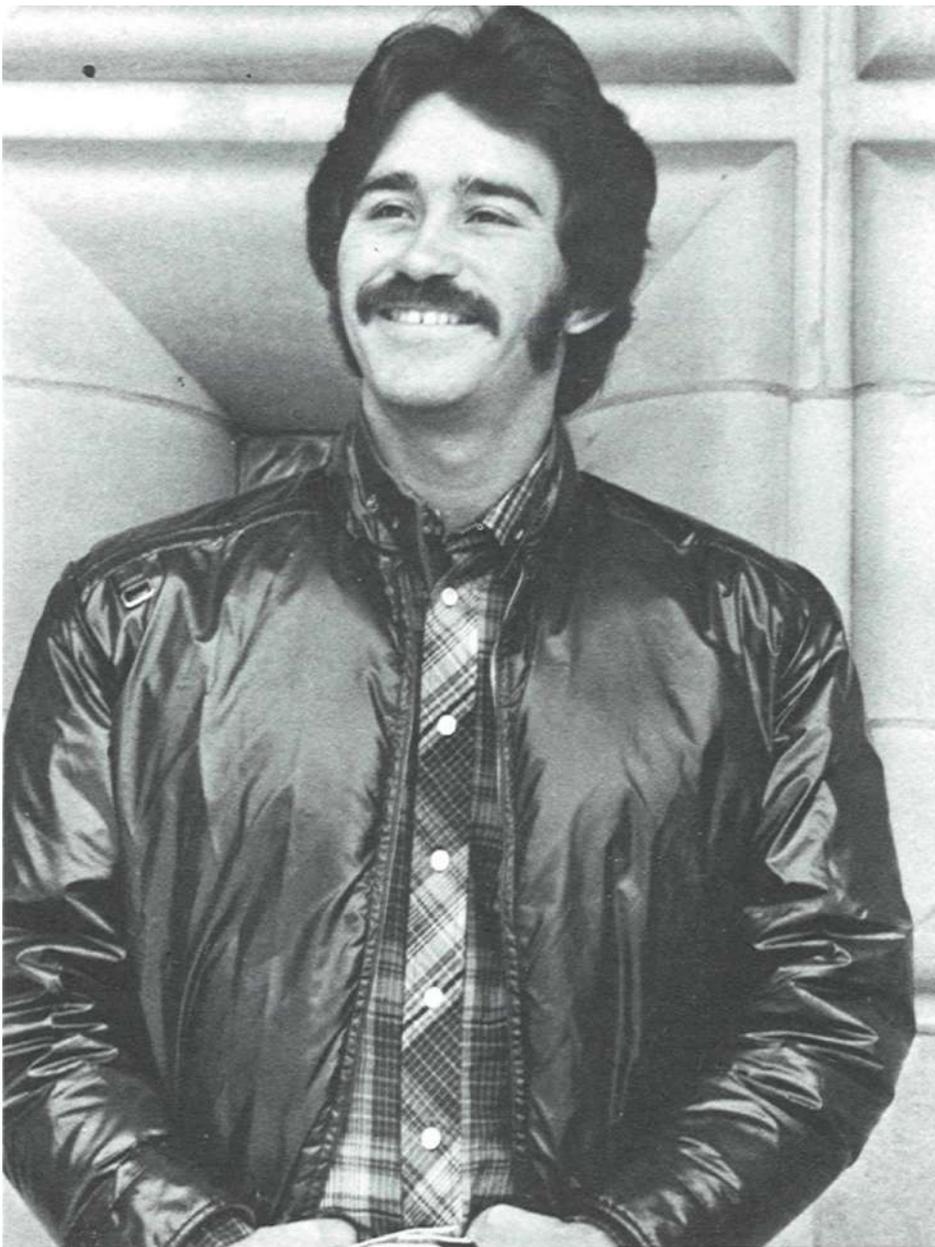
FOREIGN STUDENT PROFILES



Although Yapo Kouassi of the Ivory Coast, West Africa, was working full time while studying for his degree in economics at the University of Abidjan, he still graduated second in his class. The offer of a scholarship by the African American Institute made it possible for him to go to the University of Cincinnati for his MBA, and after that he decided to go on for the Ph.D. at Michigan. He is pictured here getting his mail in the Ph.D. Forum room. His research interest is in marketing, with particular emphasis on the role of word-of-mouth information in consumer education. "For example," he says, "if you want to introduce a new food product in West Africa—one, for instance, that is fortified with high protein fish additives to make it more nutritious—how important is word-of-mouth information in getting that product accepted by the consumer?" Such a question is complex to investigate, since 60 languages or dialects are spoken in West Africa alone. Kouassi speaks Agni and Diula—both West African languages, and says a knowledge of Diula and French is essential if you want to do consumer research in West Africa. He is also interested in the problems of distribution of food. West Africa, he says, is rich in resources but one part of the area may be suffering from malnutrition while another has plenty of food but can't get it to the location that needs it. Kouassi chose to do his Ph.D. at The University of Michigan because "it is very highly thought of in my country. One of the people who recommended it to me was the president of the University of Abidjan. I was also influenced by the fact that Professor Vern Terpstra is here. He has been to Africa and worked in Africa, and understands the cultural environment."

*Pictures and Captions About Some of
Our Many Interesting Foreign Students*

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When you go out of your country you are brought in contact with such divergent points of view," says Javier Mijares of Mexico City. "You learn a different way of behaving—you become more open and don't judge people so narrowly." In fact, one of the most important aspects of his time here, he says, has been the flexibility he has gained in outlook. When Mijares first came here for his master's degree in industrial engineering, he found the going rough. The work load was extremely heavy and he felt under a lot of pressure. "It was a very valuable experience," he says, "in that I got *through* it despite many severe doubts about whether I was really going to make it. Now I'm much better organized." Before coming to Michigan, Mijares studied chemical engineering at Universidad Ibero-America in Mexico City, and after graduation went to work designing computer programs for a large mining and refinery company in Mexico. He applied to the Business School while a student in the Engineering School here, and started work towards his MBA immediately after receiving his masters in industrial engineering. His ultimate objective is to be in general management, with particular emphasis on corporate planning, either in a multinational firm or in a Mexican company.

Photos by Virginia Geren



When Otto Obrist was growing up in Ecuador, he developed a strong love of the sea, and when he was 19 spent a summer as a crew member on a tuna boat. After graduation from high school, Obrist (who has Swiss citizenship as well as Ecuadorian because his father is Swiss) went to Switzerland to study. But he was looking for training that would combine his love of the sea with something practical, and eventually came to America for the associates degree in commercial fisheries at the University of Rhode Island. There he learned techniques of fishing, the economics of fishing, navigation, the different ways of processing fish, and even how to make nets. After receiving the associates degree, he continued at the University of Rhode Island for a bachelors

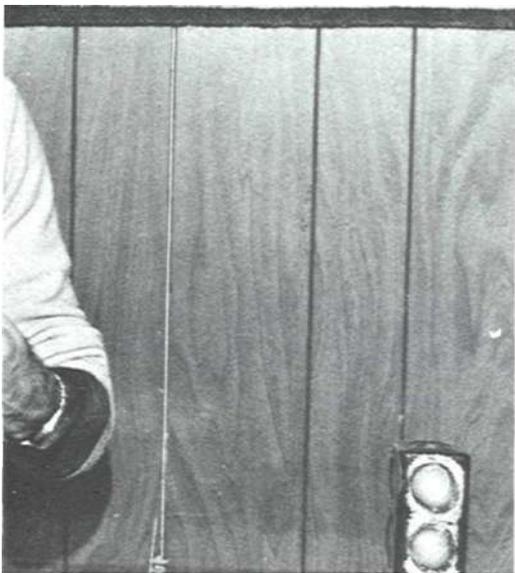
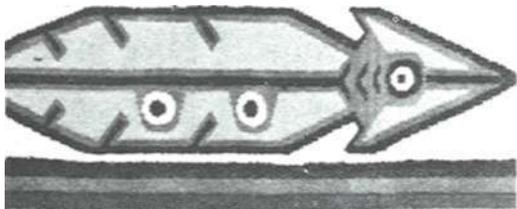


'T_T opefully, the emphasis on A A performance won't obscure the opportunity to focus on areas that might be relevant to one's understanding of contemporary business but might not affect one's grades," says Stephen Willis of Lincoln, England, "for instance, some of the publications in the library which might otherwise go unread because they were not assigned for the final exam." While studying law at Cambridge University, Willis became acquainted with people who had studied here on a Power Scholarship, and decided to apply for one himself. (Each year, former regent Eugene B. Power makes it possible for one student at Cambridge University to

study at The University of Michigan and vice-versa.) Willis came here on a Power Scholarship immediately after receiving his BA in law, and is studying for the MBA with as broad a program as possible. "I believe it's a mistake to concentrate heavily in one area," he explains, "only to find one is receiving similar specialized training on moving into a company. It's that wide exposure to the general business environment that can be so valuable about business school, both to those uncertain of their most suitable career, and to those experienced in but a narrow field." After receiving the MBA, Willis plans to return home to a career in banking.



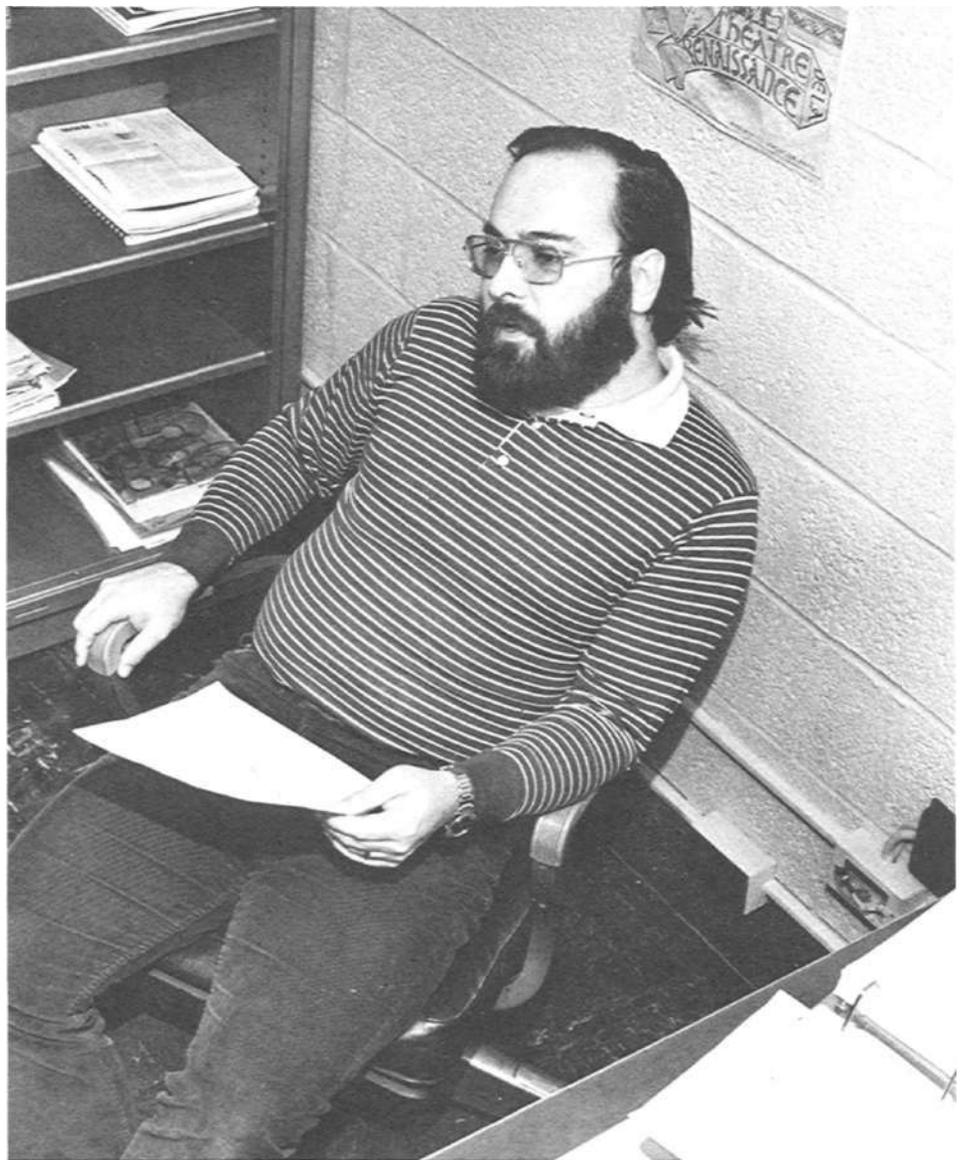
degree in agricultural and resource technology, but by this time had decided to go on for the MBA in international business. "Fishing is something *very* specific," he says, and I didn't want to be limited to that. I wanted a more general background, to broaden my opportunities." He chose Michigan because "frankly, I thought I could get the best education for the dollar here, because it is not as expensive as the other top ten schools." What surprised him most about America? "When I first arrived here, I couldn't get over your highway system—I couldn't get over the fact that every place is connected to almost every other place by a *highway*, not just a mere road." He is pictured in front of a wall hanging woven by the Otavalo Indians of Ecuador.



The University couldn't hold classes with shells falling on the campus," says Fuad Saba of his student days at the American University of Beirut. He was within 10 credits of receiving his BBA from there when civil war broke out in Lebanon and the university was shut down. Since Saba had already been accepted as an MBA candidate at The University of Michigan, where he planned to specialize in accounting, arrangements were made for him to finish his BBA here. (He chose Michigan partially on the recommendation of his accounting professor at the University of Beirut, Aziz Marmura, who received his MBA from here in 1958.) Saba, who grew up speaking four languages—Arabic and English at home; German and French at school—says he is very much

at home in the West. "I feel Western," he says, "particularly when it comes to music. I have played the violin, the drums, and the cello, and am very much involved in music of the West and not very much involved in Middle Eastern music. Sometimes I even felt like a stranger over there." He is pictured here reading a newspaper from home during a study break. Saba always knew he wanted to go into business, and may eventually go on for the Ph.D., but for the moment he wants to get some working experience in a public accounting firm. Did anything surprise him about America? "I was a little taken aback by the American preoccupation with sports," he says, "also, I couldn't get over the massive scale of the country—it is so huge compared with the Middle East."

One of Julian Cattaneo's primary research interests is the study of compensation in countries with very high inflation rates. Since he comes from Argentina, where inflation rates have run as high as 600% annually, and were over 150% in 1977, he has had first-hand experience. He worked for Ford Motor Argentina as a supervisor in the industrial relations office after obtaining his degree in sociology at the University of Buenos Aires. "We would give general increases three or four times a year and sometimes even more, and we were carrying out salary surveys three times a year," he says. "It's not a matter of falling behind 5% if you don't get a salary adjustment, but of falling behind 30 or even 50%! And what happens to the merit increase in such a situation?" Cattaneo had started the doctoral program in sociology at the University of Belgrano in Buenos Aires when he decided to switch to a Ph.D. in business with a concentration in organizational behavior and industrial relations. He is interested in studying the interactions between large corporations and the society in which they are operating, thus combining his interest in organizational behavior with his training in sociology. He chose Michigan because of its excellent reputation in both sociology and business. In addition, he heard from the Ph.D. program here promptly after applying, and the reply had a personal touch—"not just the usual form letter, and that personal approach just put Michigan ahead of the other excellent schools."



It's amazing how small things can puzzle you when you're not familiar with the country's ways of doing things," says Basker Santhakrishnan of Madras, India. "For instance, when I got off the plane in Detroit I wanted to call my friend in Ann Arbor. But I didn't know which coin was which. When I finally got the operator, she kept asking me for money, and I didn't know how to make the payment. I didn't realize, you see, that she would know how much money I put in the phone. The whole thing puzzled me so much that I finally just gave up and waited until I got to Ann Arbor to make the call." Basker has a degree in engineering from the College of Engineering in Madras, and then finished a master of technology in business at the Indian

Institute of Technology. A two year stint in designing and implementing management information systems for a steel tube manufacturing company in India increased his interest in the area of management accounting, finance, and corporate planning so much that he decided to go on for the Ph.D. He chose the U.S. "because everyone knows you get the best management education in the world in the U.S." Although his Ph.D. will be in finance, he is hoping to combine business policy and finance in his research proposal. Besides his studies, Basker is also serving as the president of the newly formed Foreign Students Association in the Business School. (For an article about the Association, see page 24). He is pictured here studying in the student lounge.

Students from developing countries often have a painful conflict between what's best for them as individuals, and what's in their country's development interests," says Ph.D. student John Cole of Trinidad, British West Indies. "If you have extensive training and skills, you know your country can use that expertise. On the other hand, your own personal opportunities for advancement can be quite limited in a developing country. That creates a difficult dilemma." Cole worked several years for a chemical company in the West Indies after graduation from high school, and then went to the University of Alberta in Edmonton, Canada, where he financed his way through by working at an oil refinery. After graduation with a degree in business administration and commerce, Cole became a financial analyst for the provincial government at Alberta, but knew he was eventually going on for his Ph.D. "There were too many things that were incomplete—too many questions still remaining, and I knew I had to go on with my education," he says. His Ph.D. thesis relates to the relationship between the price behavior of securities and the information content in dividends of the company. He is pictured teaching an introductory class on corporate finance.



To us in Japan, management is an art based partially on intuition. You can be very smart, and have excellent ideas, but if you lack what we call 'a sense of management,' your chances for promotion will be slim," says Ryoichi Kawai, who is being sent here for his MBA by the Nippon Credit Bank. He was one of five bank employees chosen in 1976 to study abroad because of his high scores on competitive examinations given by the bank. After graduation from Kyoto University with a degree in economics and several months of on-the-job training at the bank, Kawai was chosen as one of its employees to attend six months of English conversation school. On his return to the bank he worked in the advertising department and as an investment counselor before coming here for his MBA. He is pictured here in the Business Administration library. He says when he returns to Japan, the bank will give him a period of "observation." "Sometimes people change after studying abroad," he explains, "and they want to transfer the knowledge they have gained very directly. This can sometimes cause problems with co-workers, so employers watch the person for a while to see how he is readjusting to Japanese ways."



My country is small," says Constantine Balafoutas of Athens, Greece, "and therefore we have very few specialized departments. What we need is generalists." That is why he is taking courses in as many different aspects of business administration and economics as possible, even though his main interest is in corporate finance. After a year in law school at the University of Athens, Balafoutas decided that business was more what he wanted, and came to the University of Pennsylvania for his undergraduate degree in economics, which he received cum laude. After graduation, he headed for the U of M for his MBA. When he first came to America, he felt lost, he says, because the people did not seem friendly compared with the warmth of southern Europeans. Now, however, he feels quite at home. "In the business school here we have a small town atmosphere—almost like a large family." Despite that, Balafoutas is impressed by the amount of pressure Americans put on themselves. "There is a terrific amount of ambition to get to the top," he says. "Americans at work, at school, even when they play there is pressure." After receiving his MBA, Balafoutas will return to Greece for the required 2½ year stint in the army, after which, he hopes, he will go to work for a multinational firm either in Greece or in Europe.

When Hasan Besneli was on his way from the Detroit airport to Ann Arbor, he was sure he wasn't going to like America—"all those fast food shops and garish signs along the way made me think 'this is a synthetic place,'" he says. "But the next morning I walked around the campus with amazement, thinking 'this is one of the very nicest places I've ever been'—and I've been all over Europe and lived in England and Switzerland." After graduation from high school in Ankara, Turkey, Besneli went to England to study mechanical engineering. There he worked in the summers for a car manufacturer that produced fiberglass car bodies, and on his return to Turkey he opened his own business designing, producing and marketing fiberglass furniture. At the same time, he was studying for a degree in management from Middle East Technical University. After finishing there, he took competitive examinations held by the

Turkish Foundation for Education, and achieved the second highest score in the history of the foundation. When they offered him a scholarship to get an MBA he closed the business, sold his molds, and set out for Michigan. "It's very important to choose a University that is well known in Turkey," he explains, "because people there assume there are two kinds of universities in the U.S.—those they have heard of, and all the others, which they assume give students a degree if they just show up for classes. So I only applied to the best schools. And I was particularly partial to Michigan because two of my professors in international business at Middle East Technical University advised me to come here." Besneli, currently vice-president of the Foreign Students Club, likes to study in the international business library, where he is pictured. (A story on the aims and activities of the Foreign Students Club, newly formed last year, may be found on page 24.)



WHAT WOULD YOU DO IN THIS CASE?

Editor's Note: What follows is a case presenting a moral dilemma to a manager. It is one of the cases prepared by Professor LaRue T. Hosmer as a basis for class discussion. If, after reading it, you would like to write and tell us what *you* would have done and the reasoning behind your decision, we would be very interested to hear from you. Responses might make an interesting future article for *Dividend*. Respondents should indicate if they do not wish their names to be used. Here is the case:

The Concord Equipment Company was founded in 1955 to produce a new machine that would permit the recovery and sale of the waste products at a sawmill. When a round log is cut into square lumber, the outer portions of the wood, termed slabs and edgings, are surplus. In the 19th and early 20th centuries, when sawmilling was a major industry in the United States, these slabs and edgings were burned in a boiler to produce steam power for the mill; with the extension of electrical service to rural areas in the 1930s and 1940s, it became cheaper to purchase power, and the slabs and edgings became a complete waste product, that had to be disposed of through open air burning or dumping. Since the slabs and edgings represented 20% to 25% of the content of the logs, by weight, this disposal represented a considerable problem and expense for the mills.

Many persons, particularly those associated with the various conservation groups, had suggested that the slabs and edgings might be chipped, or reduced into pieces about 5/8" x 1" x 1" through a mechanical knife action, and then sold for use as pulpwood, in the production of paper. The problem, however, was that the bark was still on the slabs and edgings, and the bark did not dissolve in the pulping process, but remained as gritty black specks in the finished

paper, which obviously detracted from the quality. The Pinchot League, an organization dedicated to the preservation of the American forests, had sponsored a contest in the early 1950s for the design of a machine to debark the slabs and edgings, but this sawmill waste is in the form of long, awkward strips of wood, with knots and root swells, that are difficult to handle and difficult to debark, and no successful machines were produced.

The founder of the Concord Equipment Company had the idea of debarking the logs before they were sawn; this would obviously reduce the handling required for the individual slabs and edgings, and would also reduce many of the mechanical problems involved in the bark removal. The prototype machine was finished in the fall of 1955, and ran successfully at a sawmill in northern Maine through the winter. However, sales were not as quick to develop as had been anticipated; only 12 machines, at an average price of \$12,500 were sold during 1956, and while sales increased in 1957 and 1958, the company by 1958 was just barely above break-even:

	1956	1957	1958
Company sales	\$158,00	\$324,00	\$575,000
Company profits	(22,000)	(3,000)	14,000

There were a number of reasons for the disappointing growth in sales. There were 18,000 sawmills east of the Mississippi, many of whom were interested in the machine as a solution to the disposal of the waste slabs and edgings and as a source of additional revenue through the sale of the pulpchips, but many of these sawmills did not have adequate cash or credit to purchase the debarkers. Also, each sawmill required a contract from a paper company to purchase the chips, but the paper companies were very hesitant to sign these contracts since they had to install expensive truck and rail car unloading equipment to handle the wood chips.

(Until 1956, all pulpwood was delivered to paper mills in the form of logs cut 5' in length, to be debarked in large drums and then chipped at the mill.) Pulpmills in Georgia and Alabama, where there was a shortage of pulpwood, were the only ones to install the chip unloading and handling equipment up to 1958, and over 100 log debarkers were sold in those two states, but two small companies started in that area to build competitive (and copied) equipment.

In 1959 one of the major paper companies in the United States, with pulp mills at three locations in the New England area, decided to conserve their own forest resources by purchasing chips from local sawmills; chip unloading and handling equipment was to be installed at all three pulp mills, and 120 log debarkers were to be purchased for lease to the sawmills. This action would prove the validity of the log debarking and slab chipping concept in the eastern U.S., and would lead to increased sales as other paper companies followed their example. This sale of 120 machines would ensure the success of the Concord Equipment Company; since the firm was already operating at break-even, the contribution would flow directly through to retained earnings, and provide the financial basis for expansion into other sawmill and pulpmill equipment.

There was just one problem: the vice president of woodlands for the paper company wanted a guarantee that he would receive a personal payment of 5% of the purchase price, in return for placing the order with the Concord Equipment Company.

What action should the founder and general manager of the Concord Equipment Company take in regard to the potential order for 120 log debarkers?

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Amonſ Ourselves

An informal collection of items, including news of the faculty, of alumni, and of the school, and assorted other information, opinion or comment that we think will interest you.

Foreign Alumni to be Involved in Admission Process

The evaluation of students' records for admission to the School is difficult. This applies even more to applicants from foreign countries.

In order to improve our information about applicants, and provide applicants with better information about the School, a pilot program has been initiated by James Ardis, director of admissions, in cooperation with Gunter Dufey, professor of international business and Herbert Hildebrandt, professor of business administration. The key element of the plan is to involve alumni systematically in the admission counseling and selection process.

All applicants for the fall term, 1978, from Hong Kong, Japan, Korea, the Philippines and Taiwan are being asked to contact a small group of specially designated, recent alumni in their country. The applicants are advised that one of the normally required letters of recommendation should be issued by the alumni group on the basis of an interview. Having successfully completed the program, our former students should be in a good position to assist in evaluating applicants. In turn, prospective students will obtain from the alumni helpful information about how to make the adjustment to Ann Arbor more easily when they begin their studies here.

Professor Crawford Re-elected President of New Association

C. Merle Crawford, professor of marketing, has been re-elected to a second year as president of the Product Development and Management Association. He was instrumental in the formation of this new association in 1976, and served as its first president.

The association is composed of professors at some 90 universities in seven countries, plus practitioner product developers from a growing list of business firms, currently numbering about 20.

Association activities center on annual conferences—the first held in Chicago last fall—the publication of a newsletter and monographs, and the creation of a full-scale research program designed to meet the needs of people engaged in marketing, finance, international business, management, operations research, engineering and other fields.

Crawford joined the Business School faculty in 1965 following a ten-year career in marketing with Meade Johnson & Co. A graduate of the University of Illinois, he taught at Illinois and at the University of Florida before entering the business field. He has served as *vice* president of the American Marketing Association.

Booklet Published About the Class of 1937

A booklet containing recent news of members of the class of 1937, has been sent to the class by its president, J. Herman Fles, in honor of the fortieth reunion year.

To gather information for the booklet, Fles sent a questionnaire to all members of the class. He is president of Associated Freightways, Inc. and Associated Central Terminal Company. In the foreword to the booklet, Fles wrote: "This booklet is dedicated to all members of the graduating class of 1937. Although the years 1936 and 1937 were most difficult from an economic point of view, they were years sprinkled with happy memories—years during which many friendships blossomed among us. And while the physical facilities of old Tappan Hall left much to be desired, we were indeed blessed with an excellent faculty, who gave us so much of themselves."

The booklet contains pictures of some of the class members, and includes a picture of Tappan Hall.



Richard Gerstenberg (pictured to the left of the podium) and Dean Bond congratulate graduates.

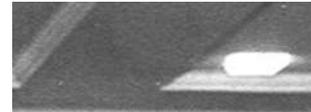
**Richard Gerstenberg
Speaks at School's
Special Commencement**

Richard C. Gerstenberg, former chairman of the board of the General Motors Corporation, was the featured speaker when the School held its special commencement April 28 at 8 p.m. in Rackham lecture hall.

The special commencement began three years ago at the request of students who wanted an event, in addition to the University commencement, to which they could bring their spouses, parents, relatives and friends and which would mark the culmination of their two years of work at the School. The event was held on an experimental basis the first year, and was so successful that it has been continued each year.

On behalf of the faculty, Dean Bond congratulated the graduates as they marched across the stage.

A reception to honor the graduating students was held from 2 to 4 p.m. in the Executive Lounge of the Assembly Hall building. Following the reception, initiation into Beta Gamma Sigma business honorary was held for students with high grade averages.



Gerstenberg and Dean Bond pictured just before the commencement ceremonies.

Influential German Economist Delivers 12th McNally Lecture

"I am a hopeless optimist for growth in the long run, but serious problems need to be solved in the medium run," said German economist Herbert Giersch at the beginning of the 12th annual McNally Lecture April 7 in Hale Auditorium. Title of Giersch's talk was "A European Look at the World Economy."

Giersch's talk considered four major questions for the future: 1) How much growth will there be in the West? 2) How much policy coordination will there be among advanced countries? 3) How much adjustment to imports from less developed countries will there be? and 4) How much change in the world economic order will there be?

Giersch is professor of economics at Kiel University in Germany, president of the Kiel Institute of World Economics, and chairman of the Association of German Economic Research Institutes. He is spending this year as Dean Acheson Visiting Professor at Yale University.

Widely known and influential both in Europe and the United States, Professor Giersch has had a major impact on economic policy throughout the free world. His writings and lectures include: "Growth, Cycles, and Exchange Rates—The Experience of West Germany" (Wicksell Lecture, 1970); "Indexation and the Fight Against Inflation"; "The European Community and the World Economy" (Spaak Lecture, 1976); and "Current Problems of the West German Economy" (American Enterprise Institute, 1976).

The speaker is a member of the Council and Executive Committee of the International Economic Association, an honorary fellow of the London School of Economics and honorary member of the American Economic Association.

The William K. McNally Memorial Lecture is named and held in memory of one of the U-M's Regents. Other speakers in the series have included Harvard economist James S. Duesenberry, humorist Richard Armour, and attorney F. Lee Bailey.



Professor Giersch relaxes in the Executive-in-Residence suite before his speech.

Paton Center to Study Environment's Impact on Accounting Firms

The impact of today's environment on accounting firms will be the topic of a study to be made by the Paton Accounting Center under a \$75,000 grant from Arthur Andersen & Co.

The goal of the research is to recommend specific steps that might be taken by individual accounting firms and by the profession to assure a climate in which accounting firms of all sizes and types can remain viable and qualified to serve the public interest effectively and efficiently.

Factors involved in the study could include economic and business trends, the computer, the multinational corporation, worldwide inflation, capital needs of business, the energy problem, the litigation climate, changing public attitudes, audit committees and outside directors, government regulation, and the "explosion" of the body of professional knowledge.

BBA Graduate Wins Paton Award for Highest Score on Michigan CPA Exam

James F. Tompkins, who graduated first in his class when he received the BBA in December, 1976, from the Business School, has won the Michigan Association of Certified Public Accountants' William A. Paton award for attaining the highest grades on the November, 1977 Uniform CPA Examination in Michigan.

The award is given twice annually. It was established in 1961 with the dual objective of honoring the highest ranking candidate and to give recognition to Professor Emeritus William A. Paton for his long service and contributions to the accounting profession.

In addition to winning the Paton Award, Tompkins also received an Elijah Watt Sells Honorable Mention Award from the American Institute of Certified Public Accountants for his achievement nationally on the same examination.



Kathleen Davis, winner of the Ph.D. Forum Award, in her office.

Kathleen Davis Receives Ph.D. Forum Award

The 1977-78 Ph.D. Forum Outstanding Service Award was presented to Kathleen A. Davis, programmer analyst at the Division of Research, on Friday, April 21. Forum president Duncan G. LaBay made the presentation at the fourth annual awards ceremony sponsored by the GSBA doctoral students. Lucy Reuben and Denise Tanguay, out-going president and vice-president, each received University of Michigan steins in appreciation of their service to the Forum during the 1977-78 school year.

The Outstanding Service Award was established for the purpose of recognizing exceptional service on behalf of the Ph.D. program or on behalf of individual doctoral students at the Graduate School of Business Administration of The University of Michigan. Each recipient is presented with a plaque, and a trophy inscribed with the name of each recipient remains permanently in the Ph.D. Forum lounge. Prior recipients include Timothy J. Nantell, associate professor of finance; Dick A. Leabo, director of the doctoral studies program and professor of statistics; and Linda L. Kell, formerly administrative assistant to the director of the doctoral studies program. Ph.D. Forum vice-president David J. Askin made arrangements for the reception which followed the presentation of the awards.

Foreign Student Association Formed, and Directory of Overseas Alumni Published

A Foreign Student Association has been formed this year at the School. The Association started as an effort to establish a network of European alumni. The response of the European alumni was so enthusiastic that the Association was expanded to include the entire world.

The FSA has four objectives: 1) to promote the School's name worldwide; 2) to coordinate the activities of the alumni around the world; 3) to assist in the placement of foreign students in the U.S. and abroad; and 4) to help incoming foreign students acclimatize to Ann Arbor.

A major project taken on by the Foreign Students Association, in cooperation with Herbert Hildebrandt, professor of business administration and director of alumni affairs, was the compiling and publishing of an international directory of alumni. Questionnaires were sent to all international alumni of the school with known addresses (about 500 people). A 19 page directory has just been published including the name, class year, and address of all those who responded. In some cases, the directory also indicates the title of the alumnus and the company he works for. Names are arranged alphabetically under each country. A copy of the directory may be obtained by writing to the

Alumni Office, Graduate School of Business Administration, Ann Arbor, Michigan 48109. The Alumni Office also asks any international alumni not included in the directory to send information about themselves to the Alumni Office, so that it may be included in an updated directory.

Another project has been the establishment of area coordinators in each country. The area coordinators actively promote the name of the school in their country and also assist the admissions office in the selection and admissions process. Coordinators will organize occasional alumni gatherings in their area, and serve as an information source for prospective students. A list of coordinators follows:

Belgium:

Wouter S. Burger
MBA 74
13, Avenue Thiriar B6
1020 Brussels

Jan V. G. Sustronck
MBA 76
Apt. D-4
Residentie Castor III
Weppervolkdenlaan
8500 Kortryk

Brazil:

Persio Pacheco e Silva Neto
MBA 54
Rue Grecia, 258-CEP-01450
San Paulo

Colombia:

Leo Eisenband
MBA 74
Box 1695
Barranquilla

England:

Richard P. Parry
MBA 74
179 Tennial Rd.
Harborne
Birmingham 32

France:

Patrick Brissiaud
MBA 72
4 Bis Rue Pasteur
92100 Boulogne

Greece:

Petros Pappos
MBA 77
19 Korai
Nea Smirni
Athens

Hong Kong:

Victor W. Sun
MBA 77
39 Mody Rd.,
6 Floor (front)
Kowloon

India:

A. C. Chhatrapati (Dr.)
MBA 45
23 Orion, Oomer Pk.
Bhulabhai Desai Rd.
Bombay 400036

Indonesia:

Sunadji Hadibroto
MBA 58
Jl. Ir. H. Juanda
(Merdekal) #2
Medan

Iran:

Bahrain Farmanfarmaian
MBA 51
105 Iranshahr Ave.
Tehran

Italy:

Antonio Vanoli
MBA 73
110 Corso V. Emanuele
80121 Naples

Japan:

Kyoji Kurata
MBA 73
5-31-3-104 Youogi
Shibuyaku, Tokyo

Mexico:

Juan Manuel Ibarra B.
MBA 72
Juan De Dios Batiz
135 Pte.
Col Guadalupe
Culiacan, Sin

Netherlands:

Frank Verveld
MBA 77
1 Thysselaan
Bloemendaal

Philippines:

Antonio W. Diokno
MBA 57
113 Amapola, Bel Aii
Makati
Metro Manila

Spain:

John D. Finerty
MBA 65
Avenida de Burgos 20
Torre II, 1°5
Madrid 33

Sweden:

Karl G. Ohrner
MBA 73
O. Blomsterg 7
26400 Klippan

Switzerland:

Christian R. Muggli
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Faculty News

Gunter Dufey, professor of international business, has been appointed as a consultant to the OECD, Financial Affairs Directorate. He is undertaking research on the regulation of international banking operations of both financial institutions and non-banks in Japan. He has also been appointed managing editor of a new series of dissertations to be published by University Microfilms International. The series is entitled "Research for Business Decisions." His major responsibility will be the selection of a limited number of titles from dissertations submitted to UMI by graduate schools of business administration. His book, *The International Money Market* (co-authored with Ian H. Giddy) has been released by Prentice Hall and appears in the Foundations of Finance Series.

Vern Terpstra, professor of international business, had two books published in 1978. They are *The Cultural Environment of International Business*, published in January by Southwestern, and *International Marketing*, published in its 2nd edition by Holt, Rinehart and Winston in March.

Mary C. Bromage, professor emerita of written communication, has conducted seminars, coast to coast, since Christmas on functional writing for governmental and industrial managers. She is also conducting similar seminars under the auspices of the Division of Management Education of the School, and for the University's Training and Development section of the personnel office. This year she served as a judge in the Hop wood literary contest for the English department, and in March moderated discussion between leaders in the Irish theater movement coming from both Dublin and Belfast for the University's Yeats Theater Festival. She also made a half-hour television show for the University Television Studio called "Ireland—A Nation Divided." The show was part of a series on "Conflict and Crisis" with Professor Alan Whiting as anchorman.

James Reece, professor of policy and control, is one of four authors of a new book entitled *Understanding Management*, published in March by Harper and Row. The book is a core text for introductory management courses, and explores such questions as why there are business organizations, how they are structured, how people in them are measured, and what the managers of these organizations actually do. It also includes a straightforward explanation of fundamental business economics, including a treatment of basic financial measurement approaches. Co-authors with Reece are Jay W. Lorsch and James P. Baughman, both of the Harvard Business School, and Henry Mintzberg of McGill University.

James F. Filgas, professor of business administration and director of student services, was a visiting professor in the College of Business Administration at the University of Notre Dame during the spring semester.

Arthur F. Southwick, professor of business law, has a new book scheduled for publication this summer. Entitled *Law of Hospital and Health Care Administration*, the book will be published by Health Administration Press of the U-M School of Public Health. Professor Southwick is also serving as editor of a new journal which is entitled *Hospital and Health Law. Journal of the American Society of Hospital Attorneys*.

Carl H. Fischer, professor emeritus of insurance and of actuarial math, has been asked by the International Executive Service Corps to accept a six week assignment in Monrovia, Liberia, where the government hopes to establish a social security system. He has been asked to make a study of the half-dozen private pension plans in existence in Liberia in order to determine the extent to which their assets match their current actuarial liabilities and to advise on whether they should be taken over by a government corporation.



Barbara Mahone

Karl G. Pearson, professor of business administration, has been elected an honorary member of the International Real Estate Federation. He has made several speeches recently: one on "Urban Growth Structures" to the Alabama Association of Realtors; one on "What's Ahead for Real Estate in Michigan" before the annual convention of the Michigan Society of Surveyors; and an analysis of the real estate market for the Illinois Association of Realtors.

M. H. Waterman, professor emeritus of finance, has been elected president of the Golden Rain Foundation of Laguna Hills, California. Waterman has also served as chairman of the Leisure World Tax Study Committee and also participated on the Orange County Property Tax Reform Committee created by the board of supervisors of the county.

I. Philip Wernette, professor emeritus of business administration, spoke on "What Future American Prosperity Means to All of Us" at the meeting of the Southwestern United States Automobile Dealers Association held in Honolulu in April. Other speakers at the conference included television personality David Frost, newspaper columnist Abigail Van Buren, and former California governor Ronald Reagan.

Black Business Students Hold 2nd Annual Alumni Day

Barbara J. Mahone, MBA 72, Executive-in-Training at General Motors Corporation, and Dr. Alfred L. Edwards, Director of the Division of Research at the Business School, were featured speakers at the second annual Alumni Day and dinner dance sponsored by the Black Business Students Association April 8.

The day began with a luncheon at which Dr. Edwards spoke. Dean Floyd A. Bond brought greetings from the School, and Bill Brooks, Director of Personnel and Planning at General Motors Corporation, brought greetings from the national Black MBA Association. Following the luncheon two workshops were held: one on admissions, recruitment and financial aid, and the other on ways black alumni can help black business students.

Ms. Mahone was the featured speaker at the dinner meeting. She addressed the question of how to be attuned to the corporate climate, and how a young, inexperienced MBA can operate in the corporate environment to insure success.

At this year's meetings, the BBSA gave three awards: The Black Business Person's Award went to Ms. Mahone, who was formerly manager of career planning for General Motors Corporation and is now an Executive-in-Training. The Distinguished Service Award went to Dr. Edwards for his role as adviser to the BBSA as well as for his work in individual counseling of BBSA members. A Special Recognition Award was given to Booker T. McGraw, MBA '26, who is the first black MBA alumnus of the Business School. McGraw has had a distinguished career in housing agencies in the federal government. In addition, members of the BBSA who are graduating this year, including six MBA's, were given a gift of gold pens by the organization.

Facilitator for the luncheon meeting was Lucy J. Reuben, MBA 74 and doctoral candidate at the School. A report on the BBSA was given by Benjamin Newhouse, MBA 72 and doctoral candidate. Terrence McGuire, president of the BBSA, introduced the luncheon speaker.

The BBSA was founded in 1970. Among its goals are to increase opportunities for blacks to obtain a business education; to promote relationships with other black students and business organizations; to increase black student enrollment and graduation; and to represent black student interests in the Business School.

Technological Entrepreneurship, Pay-Cable TV and Minority Business Discussed in Three Recent DOR Books

Recent publications from the Division of Research include: a report on research about technology-based spin-off firms by Dr. Patricia Braden of the DOR; a monograph by Professor Emeritus James Scott devoted to management aspects of pay-cable TV service; and a collection of papers given at the Seventh Annual Symposium on the State of the Black Economy held under the auspices of the Chicago Economic Development Corp.

Braden's book is entitled *Technological Entrepreneurship* (Michigan Business Reports No. 62, 85 pp., paper, \$5.50). The study it describes, which was co-sponsored by the University's Institute for Science and Technology, finds a definite correlation between the success of the firm and both managerial style and the manager's initial motivation in forming the venture. The research, which yields profiles of the Michigan entrepreneur and of the operating characteristics of successful and unsuccessful technology-based firms, was specifically designed to help entrepreneurs identify the potential problem areas in new enterprises.

The monograph by Professor James Scott, *Bringing Premium Entertainment into the Home via Pay-Cable TV* (Michigan Business Reports No. 61, 62 pp., paper, \$3.50), covers the practical issues that a cable-TV operator should weigh when thinking about adding pay-TV (premium entertainment) to basic cable service. The report draws on wide research into the actual experiences operators have had to date to cover matters such as: alternative technical approaches to transmitting and billing, programming and how to tailor it to the preferences of a specific community, contributions pay-TV can make to the financial health of a cable system, and functions of the distributor/booker vis a vis the individual operator. Scott emphasizes the role of careful pricing and well-designed market research in helping the individual system succeed.

Minority Businesses: The Second Stage of Growth, edited by Gerald F. Whittaker (1978, 167 pp. paper,

\$3.75), features 15 papers directed to the specific needs of minority enterprises as they move into the phase of needing to increase sales, productivity, and profitability in order to flourish. Strategy, finance, and marketing are primary areas of concern. Contributed papers come from a broad spectrum of well-known business executives, academics, and professional people, and include a keynote address by Maynard Jackson, mayor of Atlanta, Georgia, on "Government Contributions to the Growth of Minority Enterprises."

The Research Division has scheduled for early summer publication the following titles: *Current Issues and Research in Advertising, 1978*, edited by Claude Martin and James Leigh; *Call Option Models: Theory and Evidences*, by Richard J. Rogalski; *Academic Strategy*, by LaRue Hosmer, and *The Soviet Lawyer and His System*, by George D. Cameron III.

Time as a Circle, Time as a Line *Continued from page 8*

"Time is money;" therefore, it must be handled with the same careful stewardship. The modernizing communists in Russia shared Franklin's attitude toward time. In 1923 the Soviet Time League was obliged to report every waste of time encountered. They distributed leaflets saying:

Measure your time, control it!
Do everything on time! Exactly
on the minute!
Save time, make time count, work
fast!
Divide your time correctly, for work
and for leisure!

A sense of urgency, time consciousness, or time pressure is thus part of the modern attitude toward time. It is obviously related to the productivity of industry. In his book, *The Achieving Society*, David McClelland cites several studies that show that this sense of urgency is especially strong among individuals with a high

need for achievement. Such individuals are acutely aware of time passing rapidly. He suggests that "the longer forward time perspective of individuals with high achievement may be in part the explanation for their superior ability to delay gratification."

In looking toward the future, one must raise the question of whether "modern" attitudes toward time are appropriate for tomorrow and the post-industrial world. In his book, *Future Shock*, Alvin Toffler says that the clock, which has been so important historically, will lose some of its power over human, as opposed to purely technological, affairs. He does feel, however, that a long-run perspective is necessary and that we need even more future orientation than we now have. And it is probably safe to say that as we reach the post-industrial society, time will continue to be one of our scarcest and most precious resources.

Notes on a Visit with a (Mainland) Chinese Banker and Other Views of China

Continued from page 11

China will have opportunities to visit many of these places. We visited the Great Wall, the Forbidden City in Peking (now called the Former Imperial Palaces), the Sun Yat Sen Memorial in Nanking, the Cultural and Recreation Park in Canton, the Ming Tombs, the Kweilin area for its beautiful landscapes, and many others. One would not want to visit China without visiting these and other reminders of the history, geography, and the political, economic, and cultural developments of China.

The People of China

Almost everywhere we went, we saw large numbers of people; not crowds in that sense, but men, women, and children engaged in some kind of activity, or sitting, resting, or talking. We can drive from Ann Arbor to Lansing or Detroit and see very few people along the road, in the fields, in the villages, or elsewhere. In our

country we see more people on the highway in automotive equipment than elsewhere. Not so in China. People seemed to be everywhere, in small groups, large numbers, individuals, on the roads, along the roads, in the fields, on the streets of the villages, and most of them in motion.

The people were uniformly friendly and helpful but the language barrier is so great that communication is very limited. They were also curious, in a polite way. When we were visiting the department stores, a purchase generally attracted a group of Chinese to watch the proceedings in an unobtrusive manner.

Everywhere we went we met with the general expression that "we are better off now than before liberation," which occurred in 1949 when the Communists came to power in China. The comparisons were made with

respect to food, no famines now, and everyone has food to eat; to housing, from mudhuts to apartments; to clothing, everyone has wearing apparel and shoes for everyday use; "the oppressive landlords or military groups do not now take everything from us," "we now benefit from our own efforts and have radios, bicycles, work days off, recreational parks,

One final view should be noted as an observation on the entire trip. We did not feel particularly constrained in our conversations and in our activities. In the evenings, we attended a musical concert, an acrobatic exhibition, a movie; we walked in the streets and parks of the cities we visited; we shopped in the department stores. Our guides were friendly, cooperative, helpful, and unobtrusive. And we would like the opportunity to make another visit to China in the future.