

# Dividend

An abstract geometric design on a black background. It features a central point from which numerous thin lines radiate outwards. The lines are color-coded: yellow lines radiate from the bottom-left, orange lines from the bottom-right, and pink lines from the top-right. The lines intersect to form a complex, multi-faceted shape that resembles a stylized, three-lobed star or a complex geometric pattern.

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**Teaching Ethics – Where Do You Draw the Line?**



# Dividend

Volume XVI, No. 3

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## About the Cover

It is rare that ethical questions have a "yes" side and a "no" side. More often, they involve many complex interacting factors and the crucial question can become — where do you draw the line? Our cover symbolizes the complexity and inter-relatedness of that kind of decision.

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# Is It a Ethics

## Five Faculty

Members of the panel are:

**Merle Crawford**, *professor of marketing*, who is particularly interested in new product development, product innovation in technology-based firms, and new product failure rate and cause.

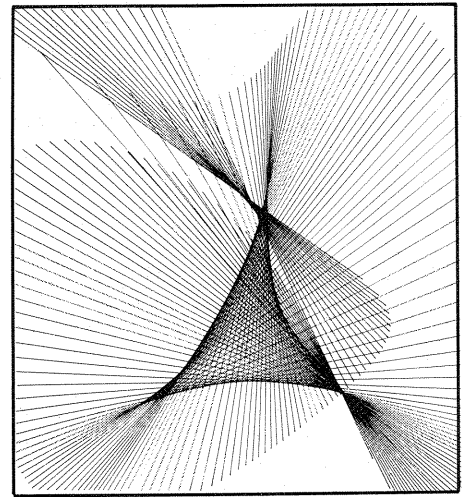
**Dennis Severance**, *professor of computer and information systems*, whose research interests include effective management control of the corporate information systems function and who has written widely on internal control in U.S. Corporations.

**George Siedel**, *professor of business law*, who is doing research on government regulation and corporate governance, and who has also written several articles on corporate governance under the Foreign Corrupt Practices Act.

**Walter Torous**, *assistant professor of finance*, whose current research activity includes continuous-time financial models and the impact of taxation.

**Janet Weiss**, *associate professor of organizational behavior and industrial relations*, whose research interests include decision making in bureaucracies, and the uses of knowledge, information, and reporting systems in complex

# Good Idea to Teach at the Business School?



## *Members from Different Disciplines Mull Over the Question*

organizations. Professor Weiss is also an associate research scientist at the Institute of Public Policy Studies.

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**Severance:** Do you think that students in the late sixties and early seventies were more or less interested in ethics than they are today?

**Crawford:** I think ethics got a bad name in the late sixties and early seventies because they were associated with all the protest movements. Here in the Business School it was difficult to raise an ethical issue in the classroom around 1970, because the very conservative students just chewed it up and threw it out. But since that time I think ethics have attained a greater degree of respectability.

**Weiss:** Last semester we had a conversation in my class about a case where one unit of a multi-divisional corporation had been caught bribing a rate commissioner. The question was, how does headquarters prevent this sort of thing? The students' answer was — either you hire people who won't get caught, or you institute systems to discourage this kind

of behavior. Either one of these seemed to be OK by the class. So it wasn't just that if something is legal, it's OK, it was that if you can get away with it it's OK.

**Severance:** Do you think that was the opinion of the majority of the class? Or of somebody with a little tongue in cheek?

**Weiss:** I would say that was the opinion of at least half the class. The genuine opinion of half the class. I don't want to give the impression that students were encouraging themselves and their peers to take the illegal but profitable point of view. It was more that the students seemed to think "well, that's life . . . that's the way it is. You can expect things like that to happen, and at least as a manager you hope if your people do that that they don't get caught."

**Severance:** I find it the other way around. That is, there is a group of people who at the beginning are reluctant to appear "too moral," but if you permit a discussion to go on for ten minutes, there will end up being quite a small minority who will stick to their guns and say if it's legal, then it's ethical."

**Crawford:** So, you say that some people take an anti-ethical posture

in an effort to gain acceptance by the group, and they later change?

**Severance:** No. It's more . . . ah . . . what's the word?

**Crawford:** Fashionable?

**Severance:** No, more provocative to take the position that it is acceptable to do something unethical if it raises profits. But, if you let the discussion go for awhile, that argument collapses.

**Siedel:** I don't detect a great interest in our students in discussing ethics. We have such an intense program here where students are battling core courses the first year and they are job interviewing the second year — trying to wrap things up and looking beyond the MBA program — that they just don't have time to reflect on and contemplate ethical issues.

**Severance:** The experience I've had is just the opposite. I included a couple of ethical issues almost as an aside one semester because they came up naturally in the class. The group became so involved that the next semester I allocated a class period to the discussion of a variety of ethical decision scenarios. It was the most lively and among the most valuable of the classes that we had.



They seemed genuinely interested in discussing those issues.

**Siedel:** If you had not taken the initiative though . . .

**Severance:** They would not have pulled it out. You're right.

**Torou:** I think in general our students are concerned with ethics because I think they realize that five or ten years down the line they not only need particular skills that we are teaching them, but they also need to interact with groups of individuals if they are going to succeed, and that is where some expertise in ethical issues might play an important role. Maybe we as faculty members haven't been doing enough to tackle these sorts of issues. Some courses lend themselves to it, others don't.

**Severance:** Some people say that it's inappropriate and unnecessary to teach ethical issues at this age, because morals and standards have been ingrained in people by the time they are 15 years old. Is it really appropriate at this age?

**Crawford:** We hear ages a lot younger than 15 at times.

**Torou:** Maybe it is like any other virtue, like honesty or patriotism. How do you teach that? Maybe you can't.

**Crawford:** My experience is that when students discuss ethical issues most of the time they are just expressing opinions — they are not really trying to use decision

constructs in any meaningful way to enable them to make better ethical decisions.

**Weiss:** In organizational behavior classes we do a lot of talking about values, and that surfaces a lot of disagreement. We talk about authoritarian styles of leadership, for example. What are the advantages and disadvantages of that style? How should you treat other people in groups? What role does affirmative action have in personnel practices? There are a whole raft of things on which people take very different positions. The classroom discussion surfaces the diversity in the class, so that members of the class see that other people — who they assumed were just like themselves — in fact have quite different opinions on the subject, and hold different values. They find out that some people think it is wholly appropriate to fire somebody suddenly without any notice, and that other people think it's totally irresponsible to fire anyone without having given them an opportunity to get feedback and to fix their behavior. I think one of the important ethical things we have to communicate is that many of these issues have more than one side.

**Severance:** Three things seem to come out of these discussions. First, the understanding that different people hold very different value systems. Second, students are forced to ask themselves, well, what are my value systems? What are the

bases from which I am making a judgment on this particular case? And third, the understanding that these issues exist in particular situations. If students have a chance to look at them in class, they get a chance to face them in advance of having to face them for real, so that hopefully when they do have to react it isn't a knee-jerk reaction, but is something based on some analysis of their values.

**Siedel:** I think one of the real values of ethics discussions is to point out that the issues are complex and multifaceted. So often the students have a sort of good guys-bad guys attitude toward an ethical issue. But let's take a situation where someone at work is faced with an unethical situation, and has to decide whether to leave the company or not. Initially many students feel that the good guys leave and the bad guys stay, but once the discussion starts to build you realize that there are conflicting duties. For example, there are duties to your family, as well as fiduciary duties to the company and to the shareholders who may not have been engaged in unethical behavior. Or even your duty to fellow employees who may not be engaged in unethical behavior but who will lose their jobs if the company goes down the tubes. Or if you stay with the company, would you have a chance to change the unethical practices? So you have all these competing considerations. It's important to look at the complexity of these issues.



**Dividend:** As faculty members, do you see yourselves as responsible for bringing up ethical issues? And what do you think your responsibility is in dealing with issues when they do come up? As just being a kind of moderator for a discussion? or what?

**Crawford:** My answer is that we have an obligation to bring our personal value system to the students so long as we do it in a way that doesn't constitute brainwashing.

**Torous:** A difficult question for me to answer. I think the bare minimum that we as faculty members can do is to teach our students ethically. By that I mean simply to make sure that they get a balanced viewpoint, and to teach them to respect the virtue of other lives and other viewpoints. That is what I mean by teaching ethically.

**Weiss:** As individual faculty members we have a responsibility to raise the ethical dimensions of the issues we discuss. I think we do that whether we are aware of it or not. By example and implicitly we convey values about what it is we are doing and what it is we are teaching. Students pick up and respond to that. Sometimes it's labeled ethics, sometimes it's not. But I think making it explicit rather than implicit is very useful and permits the discussion of diverse points of view on a single subject. I personally have the value that the airing of different points of view

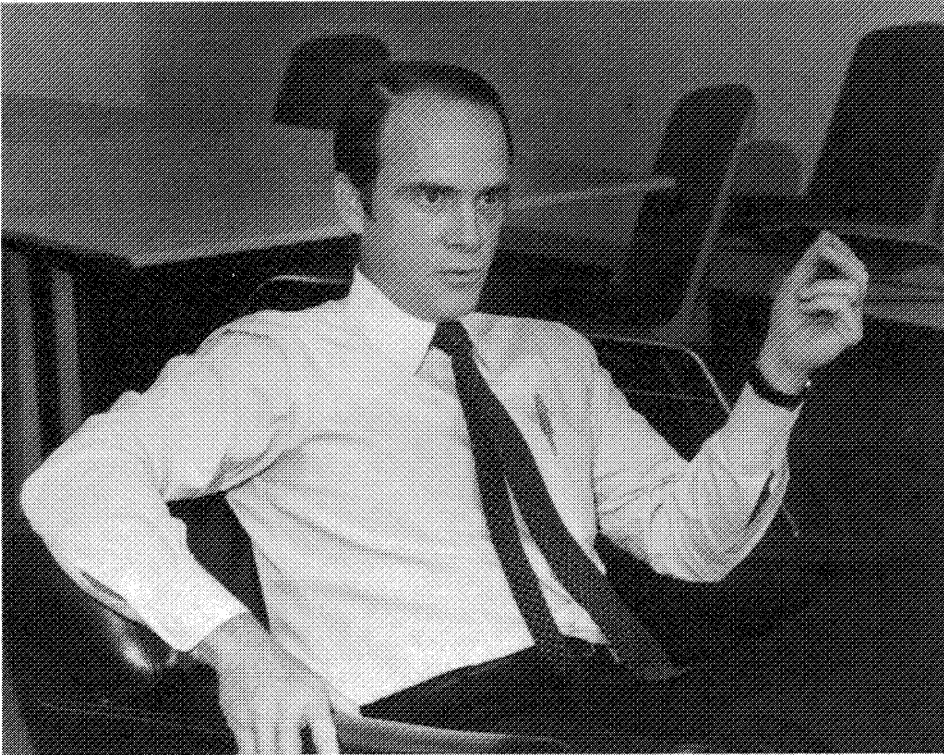


Virginia Geren

George J. Siedel, Professor of Business Law

*“Part of teaching ethics is to help students with their analytical skills in handling ethical questions — not to give answers, but to point out certain inconsistencies or flaws in the way they go about their analysis. Many times students will say something they don't really mean. If you restate what they've said in more general terms, they'll say, 'Oh no, I disagree with that principle entirely.' ”*





Dennis G. Severance, Professor of Computer and Information Systems

*“I included a couple of ethical issues almost as an aside one semester because they came up naturally in the class. The group became so involved that the next semester I allocated a class period to the discussion of a variety of ethical decision scenarios. It was the most lively and among the most valuable of the classes that we had.”*

and different perspectives is an important part of teaching the subject that I teach. It's important to make people aware that there may be dimensions to decisions they are making that they have not considered previously. So yes, I think ethical dimensions should be raised explicitly. But even if they are not raised explicitly, they are there and the students get the message and respond to it.

**Severance:** There are several parts to the question, it seems to me. One part is — do faculty members in the Business School have the responsibility to bring up ethics issues in their courses? My answer to that is not in all cases. There are certain things you have to assume as a given. I don't teach people how to speak, I don't teach people how

to write, and I don't think I need to establish standards of moral behavior in our MBA students. On the other hand, because computers and information systems have changed a lot of traditional structures and thus given new opportunities for fraud, abuse, misuse, as well as having impact on people in organizations, there is a set of issues that students probably haven't thought through before. Therefore I think it's important to spend some time identifying the issues and forcing students to think back to standards of behavior that they believe in, so that they can make a judgment for themselves at some later point in time.

Do we have a responsibility for not only bringing up the topics, but for telling them the answer — that is, for sharing our value system with

them? I guess so. I guess they are disappointed if we don't. You don't want to force your value system on students in a brainwashing sense, but they need some type of marker against which they can say “that is too conservative,” or that is too liberal, or that is too ethical or unethical for my standards.” I don't know how to do that. I tend to be a little more conservative than the average student, and it is difficult sometimes to talk about your values without seeming to be saying I am holier than thou.

**Crawford:** My response always is — here is what I think, or here is what I would do. I'm not uncomfortable giving my opinion on an ethical issue.

**Weiss:** I tend not to give mine. If a lot of people want to know what



I think, then I'll tell them. But it is very carefully labelled. This is not a rule for you, this is what I think and this is what I would do. You decide what you would do.

**Severance:** I sometimes say to students, "use this as a rule to guide your behavior: If you're going to cheat, cheat BIG." The implication here is this: there is a large grey area in the spectrum of ethical decisions we are called on to make. On small things, it is easy to rationalize yourself into saying "What I am doing is OK, because it is not significant." But if the decision has great impact, then you move out of the grey area and there is no kidding yourself that what you are doing is ethically unacceptable.

**Dividend:** Would you say you are giving them a way of moral reasoning? In the sense that you are saying "when faced with a problem that involves an ethical dimension, one way to decide it is to take it to its farthest extreme and think about how you would feel about that action?"

**Severance:** I'm suggesting a rule that says if this thing isn't big, then it isn't worth what you give up of yourself by doing it. You compromise yourself in the eyes of other people in very subtle ways. I bring out an example of modifying the expense voucher by five dollars. If you look around in organizations you will see people who do it. Now think about those people and their probable actions with larger decisions. Would you trust them? We form opinions about people based upon small and seemingly insignificant events. I say to the students, if you observe this in other people then remember that other people will observe it in you as well.



Virginia Geren

Janet A. Weiss, Associate Professor of Organizational Behavior and Industrial Relations

*"Discussing ethical issues in class is not instruction in moral standards. We are not trying to teach right and wrong. We are trying to help students think through the consequences of the various courses of action."*

Don't compromise yourself on small things. If it is small, be conservative. Of course the other message is, if it IS big, it'll be a lot harder to rationalize what you are thinking of doing. The issue is no longer grey.

**Siedel:** Teaching ethics to me is substance-related. In teaching business law I think it is important to note the types of legal principles that are related to ethics, and those that aren't. Or at least to note that

there is a distinction. There are, of course, many principles that overlap — that are both ethical and legal. But there are many ethical principles that aren't embodied in the law.

**Severance:** Something could be legal but unethical, or the other way around — illegal but ethical.

**Siedel:** Right! Or they can overlap. I point out that there is a difference



often between saying “Is it legal?” and “Is it ethical?” It’s up to them which of those two questions they ask, but they should be aware that there is a difference. So that is a subject-specific issue that I address in class. Beyond that, I don’t try to give answers — I think my role is one of raising questions that may not have any answers. And in raising those questions I really shoot for three objectives: first, I want to force students to make an ethical decision in this neutral, detached environment of the business school before they get out into the “Real World.” Second, I hope in making this decision, they are able to realize that ethical questions are complex and multifaceted. And third, I think part of teaching ethics is to help students with their analytical skills in handling ethical questions — not to give answers, but to point out certain inconsistencies or flaws in the way they go about their analysis. Many times students in analyzing an ethical issue will say something they don’t really mean. If you restate what they’ve said in more general terms, they’ll say “oh no, I disagree with that principle entirely.” So I think that as a critic I can perhaps help them develop their analytical skills in relationship to whatever their basic standards might be.

**Dividend:** Are students surprised that something might be legal and yet not ethical?

**Siedel:** I think students can be surprised at what other students think. Some students very blatantly say, “When I am at the office from 9 to 5, the bottom line for me is ‘is it legal?’ When I go home at night

and play with my children, then I start worrying about whether it is ethical or not. But while I am at work what’s legal is all I am concerned with.” I remember one student making that statement in class and fifteen hands went up! Everybody was upset that someone could think that way.

**Dividend:** How sophisticated would you say our students are about ethical reasoning and the complexity of moral issues?

**Severance:** I guess I would summarize by saying they all have a system of beliefs that say one ought to be good in life — to behave according to standards established by society, but on the other hand, they have not faced particular situations that are complex, and don’t know how to apply what they believe to a particular situation.

**Dividend:** And do you see that as a faculty member’s role in a professional school — to help them with that?

**Severance:** I don’t know. There could be so much time spent on this that you don’t get on to the teaching of the functional area. Here’s what I do. I give them fifteen situations — ethical dilemmas. Then I have them vote: is an ethical, unethical or no ethical decision involved? They also need to say what is the standard of behavior against which you are judging this thing? I then take the results, tabulate them, put them on the board, pull out people on each side and ask them to talk about it. After the discussion I ask them to vote again and compare what has happened to the opinion in the

class. Very frequently you will find that half of the class has shifted position either to the opposite side than the one they originally took, or have moved out of “there is no ethical decision involved here” to the realization that there are ethical issues that underlie the situation.

**Weiss:** If you ran that same test on faculty members, you might very well get the same results.

**Crawford:** You mean there would be a shift?

**Weiss:** Well, probably there are very few of us who don’t have some way to go in becoming better moral reasoners and better able to apply our own values and standards to our own behavior.

**Crawford:** I think in particular that shift might happen the more the issue is apart from their daily lives — as in ethical issues involving the computer. You might have less of a shift in issues involving, for example, advertising, because they might have thought more about the issue in their daily lives.

**Weiss:** Since I believe that we do most of our teaching of ethics implicitly anyway, in some ways it is more effective not to label it as an “ethical discussion” because that does get some people’s back up. In fact, in the middle of a class discussion about a very important (but unlabelled) ethical question a student said “has everybody noticed that this is a discussion about ethics?” As a result we got off on the question of whether ethics should be taught in the Business School. And a lot of the members of the class said no, including people who had been very vigorously



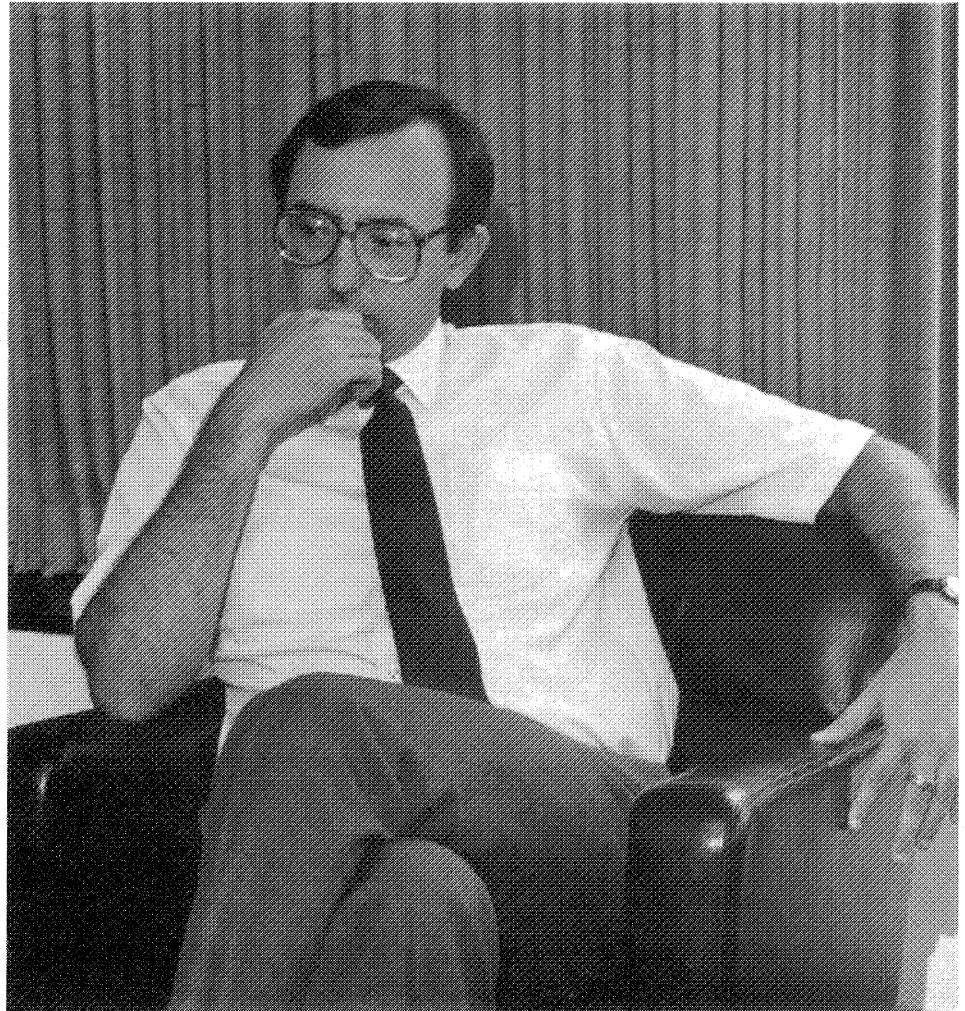
discussing the question that involved ethics but that had been unlabelled as ethics. The reason for saying no was that people's moral standards are already formed by the time they are in their twenties. But discussing ethical issues in class is not instruction in moral standards. We are not trying to teach right and wrong. We are trying to help students think through the consequences of various courses of action.

**Severance:** Another thing is that if you talk about ethics in isolation it's a rather dry subject. Ethical dilemmas aren't really relevant until you are in a particular functional situation where you are faced with the problem.

**Crawford:** The case method is great for teaching ethics, because you can bring the issues right to the forefront in a hurry. But there is a point of view in the school that says we have no business raising ethical issues. This view says we are here to teach the techniques of business management, and to raise ethical issues is a dereliction of duty because we are giving up something else to do so. Second, their position is that to try and teach ethics is impossible by definition, and that therefore, to attempt to do so is a waste of the students' time.

**Severance:** And the third argument is that a teacher doesn't have the right to impose his/her ethical beliefs on the students.

**Weiss:** It doesn't necessarily mean you're not interested in the subject. You can be interested in it, and still



Virginia Geren

Walter N. Torous, Assistant Professor of Finance

*“I think the bare minimum that we as faculty members can do is to teach our students ethically. By that I mean simply to make sure that they get a balanced viewpoint, and to teach them to respect the virtue of other lives and other viewpoints.”*

*“My experience is that when students discuss ethical issues, most of the time they are just expressing opinions — they are not really trying to use decision constructs in any meaningful way to enable them to make better ethical decisions.”*



C. Merle Crawford, Professor of Marketing

not see it as your role to teach it, as a teacher of statistics or OBIR or anything else. A lot of people feel that way.

**Severance:** You know, another reason could be that it is also a very risky topic to teach. To the degree that you haven't thought out the ethical rationalization for behavior — or for nonbehavior, you don't want to be caught in front of forty people having just expressed something you are embarrassed by — with egg on your face.

**Dividend:** How do you all feel about having a separate course in the Business School in ethics? If it were announced that we were going to have such a course, how would you all feel? Would you think it was appropriate? Would you stop teaching the ethical material you now teach in your classes?

**Crawford:** There was a course here in the social problems of business, which was a case course and covered many ethical problems, but the decision of the faculty was that it should not be taught as a separate subject, partly because that gave everyone else an excuse not to teach the ethical dimension in their

classes. By taking away the course in ethics, that forced everyone to wrestle with the question of where does ethics come into MY course.

**Siedel:** My guess is that people wouldn't be against a separate course in ethics so much as they would be worried about the implication that ethics is a topic for one specific discipline, and therefore not taught in other areas.

**Severance:** I guess I would be concerned that after the course was put on the books, we get somebody who is not comfortable teaching it, who has given a series of cases and then discovers five weeks into a 14 week course that he or she has taught everything they know, and nothing is really happening for the next nine weeks.

**Siedel:** I have a concern about who would teach it. If it is a general philosopher teaching normative principles and not relating those to business, then I would feel uncomfortable about that approach in a business school environment. I don't think that is very useful to our students — they should have had that before entering our program. If on the other hand, the issues are

related to specific functional areas, then I would feel uncomfortable about having a person from one area trying to generalize across the environment.

**Weiss:** So is that an argument against having a specific course in ethics?

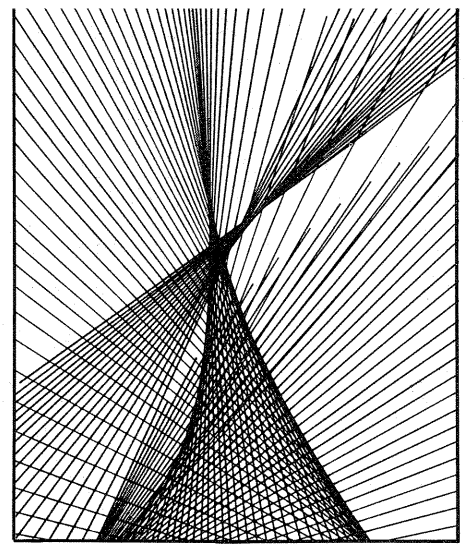
**Siedel:** Yes, that is why I would be uncomfortable with specific individuals teaching an ethics course.

**Weiss:** I think that good people could be found to teach a course in applied ethics that would be very valuable to the students. There is more than enough intellectual substance to justify a full semester, in addition to the discussion of ethics that should occur in many other courses.

**Torous:** Well, it probably would be an unconventional course, but maybe you could have someone coming in from business law for two weeks, and then someone coming in from marketing speaking for two weeks and so forth. Maybe it would have to be structured in that way. ■



*Ways some faculty members choose to give their students practice runs with the ethical side of business decisions.*



# Getting Into the Nitty Gritty

## **I** Ethics and the Pressure to Perform

It is during a discussion of measurement systems in his management planning and control systems class that Jim Reece, professor of policy and control, brings up the General Electric conspiracy of the 1950s, during which middle managers at General Electric, driven by profit quotas from the men at the top, felt the only viable course of action was to pursue a series of price-fixing ventures with their competitors. The class is assigned to read a two part series published in *Fortune* in the early sixties, describing the pressures that led to the conspiracy and how some of the men were caught and sent to jail. A quote from the *Fortune* series illustrates some of the questions it raises about measurement systems and the pressure to perform:

“Down the line, where the pressure (to perform) must have been intense, Clarence Burke (one of the conspirators) had

this to say of it as a factor in continuing the conspiracy: ‘We did feel that this was the only way to reach part of our goals as managers. Each year we had to budget for more profit as a per cent of net sales, as well as for a larger percentage of available business. My boss, George Burens, wouldn’t approve a budget unless it was a “reach” budget. We couldn’t accomplish a greater per cent of net profit to sales without getting together with competitors. Part of the pressure was the will to get ahead and the desire to have the good will of the man above you. He had only to get the approval of the man above *him* to replace you, and if you wouldn’t cooperate he could find lots of other faults to use to get you out.’ ”

“I like to think,” Reece said, standing in front of the class, “that I have a knowledge-based advantage in most areas of our coursework. But in the area of ethics, I don’t think I do. I might have an experience-based advantage, but,” and at this point he sits down in a chair off to the left, “why do you think this happened?”

“This is the era of the organizational man,” one student began. “They’ll cultivate and protect

you as long as you go along with corporate policies. Because this was industry practice, the managers went along with it.”

“There was management pressure to grow,” another student added. “They had to do something to meet goals that were unrealistic in light of the economy.”

“It also struck me that it might have been Ralph Cordiner’s fault,” another student suggested. “He had come in as CEO and promoted a lot of decentralization — decentralization that might not have had the appropriate controls. All of a sudden people got a lot of latitude that they didn’t have before.”

“But,” Reece said from his chair, “on his way to CEO, Cordiner caught some conspirators in his company and fired them. And when he got to the top, he sent out explicit memos that said ‘No price fixing.’ He also made it the responsibility of a corporate group to audit compliance with his memos. What more could he have done?”

“Well,” a student said, “it’s not like people weren’t worried about being caught — they *did* falsify travel records to cover things up.”

A student at the other side of the room disagreed rather strongly. “Aw, come on,” he scoffed. “Cordiner didn’t really care about

the conspiracy itself. He only cared about who got caught.”

“Yeah,” a friend to his right agreed, “I got a sense that he didn’t really care about the issue. If he really had the anti-conspiracy mission in mind, he would have looked harder at areas where this was probably occurring. What he did do was just lip service — all CEOs have to say these kinds of things. He wanted to be able to go into court and say ‘See? I wrote these memos and sent out these lawyers.’”

“Let’s think about George Burens for a minute,” Reece suggested, referring to one of the conspirators who, with a junior high education, had started out as a laborer at GE and worked his way up the ladder for 40 years to become a corporate vice president. “He obviously didn’t have all of his heart into the price fixing conspiracy, but from the looks of things he was trapped. What else could he have done?”

“One alternative I would consider,” a woman at the front said, “is quitting. When it comes to values, you’re not a machine.” Other students nodded in agreement.

“Well, where do you suggest this forty-year GE man with a junior high education send his resume?” Reece asked. “To Westinghouse, or to another competitor who was also involved with the conspiracy? It doesn’t seem like, if he quit, he’d have too many career options. The effects of some decisions aren’t always that clear, but the effects of quitting are.”

“So what we’re looking for,” someone said after a silence, “is a way to choose between your integrity and your mortgage payments.”

Reece shrugged. More silence.

“Well,” a student said tentatively, “he could have asked for a transfer.”

“Yes,” Reece said, picking up the ball, “and remember that this was the fifties. There wasn’t a *Sixty Minutes* around then. Today, if you say you won’t go along with your bosses and they say ‘You’re fired,’ you can do something about it.”

“But after forty years with the

company,” a student objected, “you still don’t want to go through the hassle of losing your job and the publicity of contesting it.”

A man in the back leaned forward on his desk, pushed his glasses up further on his nose, and said something that, apparently, he had been holding back for a while: “You should read what Albert Spears said at the Nuremburg trials. All the Nazis were saying ‘It was so easy. We had so much at stake and we were being told what to do.’ It was still wrong.”

That’s a good point,” Reece said. “Sometimes these decisions seem so easy. Things like this can begin very innocuously. It can start with

something as little as tacking a few hours onto work you did for a CPA firm. For example, we started out with just some advisors in Vietnam, and ended up with a half a million troops. If, at the beginning, we knew what the consequences would be, we might not have done anything. And this is what happened to the GE guys. They did a little compromise at a time. That’s what I hope will be the most valuable thing you take out of this discussion — and I do hope you’ll take it out of the classroom and discuss it with each other. You all have to consider what you plan to do when you’re faced with making ‘just a little compromise.’”

Kent Grayson

## 2

### The World Economy and Global Marketing Practices Raise Some Tough Issues

Vern Terpstra, professor of international business, says that ethical issues come up naturally in his classes. For starters, he gives some examples of questions that are discussed in his course in the world economy:

What is the propriety of labor and/or management asking for protection against foreign goods when it means protecting their privileged position at the cost of American consumers?

What responsibility do nations and multinational firms have toward the needs of the developing countries?

Can a nation ignore the interests of other countries in setting its domestic and foreign policies if these affect other countries?

Are the practices of multinationals “fair” to host countries — such things as transfer pricing, capital movements (“speculation”) export and import practices, etc.?

Terpstra also cites a few of the areas of ethical concern about firms’ global marketing practices

that come up in his international marketing course. Some of the issues are:

Should American firms sell products abroad that have been disapproved or not allowed to be sold in the U.S.?

What are the ethical issues involved in the Nestle case involving Nestle’s marketing of infant formula products in third world countries?

What are the issues surrounding bribery? (“A case involving bribery,” says Terpstra, “brings lively class discussion and some interesting differences of opinion, especially with the foreign students present.”)

To what extent is it fair for a firm to have different prices in different markets?

What transfer price is “fair” to the importing and exporting country?

Are the products and promotional practices of the firm in foreign markets appropriate to the host countries or do they



represent a kind of cultural imperialism?

The discussion of these questions make students more aware of the law (where law is an issue), says

Terpstra, and also of differing value systems and cultures that make the 'right' answer less clear and easy than students would like.

*unethical.*" (Do two wrongs make a right? What about the rights of the public to the software?)

*"We should not pursue the litigation; instead we should accept the settlement offer quickly."* (Does accepting the settlement make your action any less unethical?)

*"I should stay with the company — if I leave, my business reputation will be destroyed."* (What will your reputation be when your concealment of the files is discovered? What will happen to you if new management — with greater concern about ethics — takes over the company? If the company acts unethically in one situation, will they also do the same in other situations — including its treatment of you?)

# 3

## Put Yourself in the Place of This Executive Vice President

For the imaginative student, business law Professor George Siedel's written exercise means a temporary promotion. He asks his students to put themselves in the place of the executive vice president for "The Wonderful World of Software, Inc." a company in the midst of a copyright suit against a competitor. The rival company, according to the scenario, has just made an out-of-court settlement offer.

"While in the process of making a decision regarding settlement," Siedel tells the students, "you inadvertently discover files indicating that the software's original source code was produced under a federal grant, making it and the software unentitled to copyright protection. The other company, unaware of the grant, has not asked for these materials during the legal discovery process. You discuss your findings with your officers and directors, but they decide that, because they are not legally required to divulge the information and because disclosure would mean that Wonderful World of Software would lose the case, the materials should not be disclosed to the rival company. You are now faced with a decision involving three alternatives: 1) You remain with the company and abide by the decision. 2) You leave the company, but remain silent or 3) You disclose the materials to the rival company. Which of these alternatives would you choose and why? List any other alternatives which might be considered."

The class divided on this issue as follows: 45% decided to remain with

the company; 35% decided to leave but remain silent, and the other 20% decided to disclose the files to the other company. "This exercise," says Siedel, "forces students to make a personal ethical decision in the neutral atmosphere of the Business School before entering the 'real' world, and stresses to them that ethical issues are often complex and bring conflicting duties into play. The exercise can also be used to help students become aware of certain flaws in their analysis, or at least to illustrate the consequences if their analysis is followed to its logical conclusion."

Here are some examples of the students' statements along with the questions that Siedel asks about their analyses.

*"I will stay with the company — if the other side is too incompetent to find the files, I am not going to tell them."* (Does this mean that one can act unethically when dealing with someone who is dumb or illiterate, in order to take advantage of the situation?)

*"The Golden Rule requires that I leave the company."* (But what does the Golden Rule say about one's duty to the company or to fellow employees who might lose their jobs because you are leaving, or to your own family?)

*"I should let someone else make the decision — e.g. shareholders."* (Is this the type of argument used by Germans under Hitler or by Lt. Calley — "I was only following someone else's orders?")

*"Our company can act unethically because the other company was also*

# 4

## What Is Success For Me?

Dave Ulrich, assistant professor of organizational behavior and industrial relations, believes that ethics and values should be highlighted in every course. He uses short cases in ethics to trigger discussion; has his students read a chapter from the *Grapes of Wrath* on the ethics of tractors taking over the land from the people; and assigns an article on ethics by LaRue Hosmer (see interview on page 18) which lays out ethical criteria in business — all to start discussion going.

Some of the short cases that Ulrich uses address personal values, raising questions like "What is success for me?" or "What are my priorities?" For example:

You interview for a job with a company where you really want to work. They make you a very good offer, but point out that it will require your working at least 60 hours a week for the first few

years. You feel this is a position that will bring you a lot of opportunity for promotion in the future. Do you take the job? Other cases are very simple and involve small decisions in ethics. For instance:

You have an expense account for clients. As you travel, you occasionally visit a city where you have close friends. You invite the friends to dinner on you. At the end of the dinner, what do you do with the bill?

Still other cases address trade-offs that may require thinking through some subtle values issues:

You work for a company which prides itself on technological excellence and staying at the forefront of innovation. With difficult budget restraints, you are faced with cutting research and development or manufacturing or sales. Which do you cut?

## 5

### It's Legal, But Is It Fair?

What should a company do when its profits are dropping while its pension fund assets, thanks largely to richer interest earnings, are increasing? Suppose the company is in trouble? Should it use the extra money from its pension fund to bail itself out? Or does that money really belong to the retirees? After all, the very inflation that resulted in higher interest rates for the pension fund is also the inflation that eroded the retirees' pension checks. And although it is perfectly *legal* to appropriate excess earnings from a pension fund, is it moral? Is it fair?

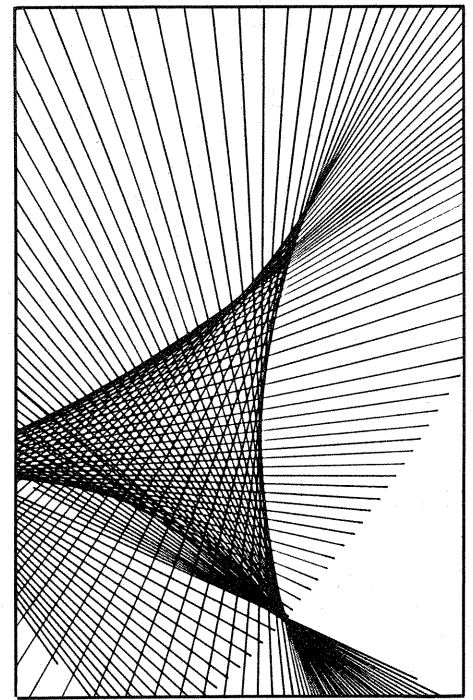
J. Edward Sheridan, chief financial officer of AMF Inc., the White Plains, N.Y. conglomerate known best for its bowling paraphernalia, pondered these questions last year as he considered a "pension asset reversion." His company lost \$3.2 million in 1983

and earned only \$12.3 million in 1984, compared with \$70 million in earnings in 1981. At the same time, the pension fund's investment return had climbed to an average 16.7% per year from 1978 to 1983, double the actuarial assumption. As a result, AMF's actuaries found assets so far in excess of the plan's ongoing needs that they said the company could stop paying in altogether for five years. After much soul searching, Sheridan recommended to the AMF Board of Directors that the current pension fund be terminated and a new plan established, thereby freeing \$100 million in pension fund assets which could be used to strengthen the ailing company. But Sheridan agonized over the decision. "I don't do this sort of thing lightly at my age and stage of career," *Business Week* quoted him as saying. "It raises questions of corporate governance. Is it moral? Is it a corporate good? Whose money is the excess?"

The members of the financial policies class taught by Ray Reilly, associate professor of finance, were discussing these same questions one afternoon after having read the article in *Business Week* describing the AMF situation. "The key to what precipitated this event," Reilly told his students, "is that the company made assumptions when they initiated the pension plan, assumptions that didn't pan out. Interest rates weren't as volatile when the plan began. And hard times for the company were not part of the plan either. The number of employees went down and the amount in the fund went up. So, AMF, a struggling company, saw a pot of money that looked nice, and used it. Does that look like fair game to you?"

The first response came quickly. "I think it's *legally* fair game," a student said. "AMF made a deal with their employees to give them a certain amount of money. And the company is keeping that part of the bargain. Whatever AMF wants to do with any extra money is OK."

"Oh yes," Reilly acknowledged, "it's *legally* fair game. But it's not the letter of the law that's keeping



Sheridan up at night; it's the spirit of it." Remember that inflation rates that gave AMF its extra funds were the same rates that devalued the stream of money flowing to retirees. Should AMF have used the extra money to adjust their pension fund to inflation?" At this point Reilly quotes from a letter written to *Business Week* by David S. Meiklejohn, AMF's chief financial officer from 1958 to 1970:

"About 10 years ago AMF increased benefits for those who had retired by about 5%, and that's it. The pensions of those who retired from AMF 10 to 15 years ago are now worth considerably less than half of what they were on retirement — and now AMF has taken every penny of the fund's earnings that could have brought them some relief . . . Couldn't half of the money have been used to offset the effects of inflation on the AMF pensioners?"

Class members were silent for a few seconds, considering this point of view. Then a hand shot up. "I still think the money should go to AMF," the student asserted. "I mean, if it had turned out that AMF had gotten *less* return on their pension fund than they had



expected, the company would have had to pay in from other sources to keep their obligation to retirees.” This comment sparked several similar contributions from other students.

“So,” prodded Reilly, “many of you seem to think AMF should have taken the money. Why do you think the decision to do so was such a difficult one for Sheridan?”

“Well,” a student observed, “I think you have a problem, because once you put your hand in the cookie jar, you’ll be more likely to do it again. Once you break down the barrier, it’s hard to build it back up and it might lead to more of the same. Or worse.”

“But,” another student added, “AMF *had* to use the money. They were in trouble and they needed funds. Plus, that helps the company, so if retirees have shares in the company, what does it matter where the money goes? Either way, they get benefits.”

“I have a real ethical problem with this,” objected a woman in the back of the room. “I think AMF has a responsibility to give the money to the people who worked hard for the company. Not only that, but when current employees find out the company’s taking from the pension till, they’ll get a sense that the company doesn’t care about them. That can’t help but affect morale and therefore productivity.”

“But,” a student to her left responded, “the unions should have seen that the retirees and employees were getting a fair shake. Unions are there to represent employees and retirees. When these issues came up, where were the unions?”

“Even if the unions *were* there,” another classmember added, “when two *companies* battle it out for a market, one wins and the other loses. In this case, the retirees lost. I think just because the retirees are people, there’s no reason why they can’t be seen as a corporation, as a different interest.”

“Yeah,” someone else said, “it’d be nice to step forward and be the nice guy if you could afford it. But it’s hard to watch your company go under.”

*Kent Grayson*

## 6

### Maybe You Don’t Know What Ethical Is

Professor of finance Jim Pilcher, who teaches investment courses here, typically begins his ethics discussion by asking “Any of you out there plan to be unethical?”

The classroom is silent. Several people shake their head “No.”

After a pause, Pilcher follows up on his own question: “So you plan to be ethical?”

Still no vocal response. A few heads nod “Yes.”

“Maybe you don’t know what ‘ethical’ is,” he suggests. “Well, I’m not any more sure of the answers than you are. But this business is not just a matter of going out there and making money. If you get a good idea out there, you have to ask ‘Is this hurting our customers?’ You can’t take advantage of people’s ignorance. If you do, that’s unethical and we shouldn’t have

to need laws to keep people from doing it.”

One extra-legal standard that Pilcher endorses is the Institute of Financial Analysts’ Code of Ethics, a document that candidates are required to know well for their Certified Financial Analyst’s exam. Pilcher helps students use the Code to evaluate both real and hypothetical cases. He also emphasizes that he doesn’t only present students with “bad ink;” articles that describe charges brought against members of the business community. He also presents “more positive examples,” including an article about “The Sullivan Principles,” an agreement made by several companies to employ more minorities in management.

## 7

### Profits and the Protection of Environment: More Than Two Sides to the Issue

“It used to be,” says Jim Filgas, Professor of business administration, “that my business policy students were split half-and-half on ethical issues. They’d see them as two-sided and take one side or the other. Now, more students are interested in looking at the wide range of possible perspectives on a situation.”

Nothing illustrates this better than student reaction to an industry pollution case. In the early seventies, the Environmental Protection Agency approached Reserve Mining Corporation, an ore

refinery in Silver Bay, Minnesota, with evidence that their plant was polluting the Bay and its source, Lake Superior. The refinery had met every government regulation when it was built and, given the state of the economy at that time, could ill afford the added cost of the dam system now required for pollution control. So the case went to court. Given the above facts, the problem seemed to be a clash between just two stances: the company wanted to continue operating profitably and the EPA wanted to protect the environment.

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*In having the groups discuss their positions among themselves and then between groups. Filgas does not suggest that they come up with an answer. "I just want them to realize," he says, "that there are different motives, different stands that one can legitimately take, depending on needs and wants. If anything, you find a variety of motives. Once you realize this, you begin to see ethical issues in almost every case you look at."*

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"But," Filgas points out, "the issue is more complicated. And just discussing the case from an abstract perspective keeps students from taking a good hard look at all of the sides." To get his students thinking about these specifics, Filgas splits his class into groups, each responsible for "putting themselves in the shoes of one of the people involved in the case." Faced with the news that the EPA wants Reserve to build the dam, Filgas then asks, what would your position be?

One perspective Filgas has some students take is that of the Silver Bay resident who has worked his whole life for Reserve Mining. How would he feel if Reserve were forced to close? How would his family react to their sudden loss of income? Other students try to understand the perspective of an executive at Armco Steel, which owns half of Reserve's stocks. How would Armco be affected by Reserve's closing? How would it react to the negative publicity that would inevitably result if the case were brought to court? Then there's the view of Minnesota's governor or Silver Bay's mayor. They have environmental concerns, but they must also consider the loss of Reserve's contribution to the economy. How will the state weather the loss of a corporation that makes annual in-state retail purchases of forty-four million dollars? How will Silver Bay, a company town, survive if it loses

its major employer? Filgas also has his students look at the issues from the bench of Judge Lord, who eventually presided over the case, and who could see that the EPA's evidence was strong, but not conclusive. How much evidence do you need to decide that the environment is being seriously threatened? How and when should government requirements be made retroactive?

In having the groups discuss their positions among themselves and then between groups, Filgas does not suggest that they come up with an answer. "I just want them to realize," he says, "that there are different motives, different stands that one can legitimately take, depending on needs and wants. In anything, you find a variety of motives. Once you realize this, you begin to see ethical issues in almost every case you look at."

In the past, members of some classes have taken the case beyond a group to group discussion. "One group," Filgas says, "had a live panel presentation. The people examining the EPA's position actually brought in students from the School of Natural Resources to back up the points they presented at the panel." Filgas also points to a videocassette box labelled *Nightline*, which stands out amid the books in his bookcase. Seven or eight students used the Reserve case as the subject of a videotaped version of television's *Nightline*, complete with a student host doing his best Ted Koppel imitation, and a panel of four student guests impersonating Madeline Cunningham, Reserve's vice president of strategic planning; Lance Laroux, legal counsel for Armco Steel; Reed Saxe, regional secretary for the EPA; and Mary Beth McCoy, mother of four whose husband was laid off when Reserve closed and is still unemployed. As each student presented and vigorously defended the point of view of their particular character, the complexity of the issues became increasingly clear. "It shows you what happens when students get really motivated about something," comments Filgas. *Kent Grayson*

# An

## *Dividend talk for Social Issues*

*Q: How do you think students at the Business School feel about ethical issues as they come up in the classroom?*

A: The outward reaction is nervousness and silence. The feeling is "I'm not going to talk because I don't want to be on the record on this." But I don't think that is how they feel on the inside, for most people will discuss ethical issues on a one-to-one basis. It's just that group discussions are too public.

*Q: Why do you think people don't want to "go public" on ethical issues?*

A: Because it's a personal issue — an issue of the heart. This school emphasizes quantifiable issues, and ethical issues are nonquantifiable. That makes them scary for many people because you don't have numbers to back up your position.

*Q: I know you have served as the president of the Business Forum for Social Issues. Does that help bring the ethical dimension of business issues to the School?*

A: Yes. We sponsored an ethics seminar for three days in the spring term. It was held for a couple of hours after classes, and 60 or 70 people came — that's a lot of people for a spring day, and I think it shows there IS interest in ethical issues. During one of the sessions an ethical dilemma involving a manager was described and discussed. What should the manager do? At the end of the discussion, a



# Issue of the Heart

with Ann Stone, MBA '85, and former president of the Business Forum to get a student perspective on ethical issues at the Business School.

Gregory Fox



Ann Stone, MBA '85

faculty member stood up in the front of the group and said "The manager faced with that situation was me." The fear in the room was palpable. Suddenly the issue wasn't hypothetical any more.

**Q:** Can you tell me what the Business Forum on Social Issues has as its purpose?

**A:** We want to provide a forum for discussion of the relationship between social issues and business practices. We have no set agenda, but instead invite speakers and conduct discussions on topics related to these issues.

**Q:** What is it like when an ethical issue comes up in the classroom?

**A:** Case courses, as they are taught at this school, are adversarial. As a

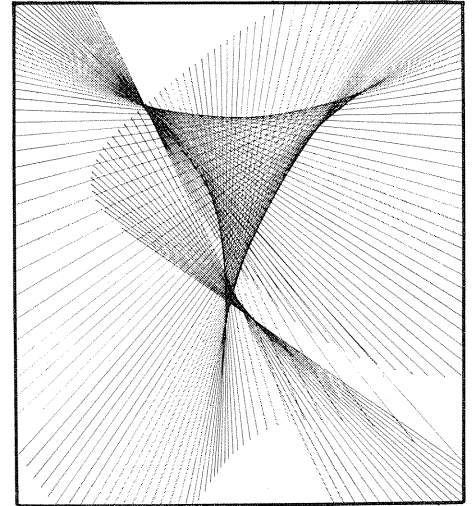
student explains a position both the professor and other students are welcome to raise issues that they disagree with. When that occurs, the best one can do is say, "These are the numbers I cranked out and this is my position." In that format, you don't want to go on the record as recommending something because personal ethics dictate that choice. There are no numbers, only emotions, and people don't want to go on the record as having relied on emotion.

**Q:** Do you have any ideas about ways to discuss ethics in the business school curriculum? Ways to help people be comfortable discussing these issues?

**A:** The best way would be to continually try to cost out "soft" recommendations so that they would be considered in all of the coursework. For instance, when looking at acquisition situations, questions of a human, environmental, or ethical nature can come up, and the impact of the acquisition on those parameters should be evaluated.

**Q:** Have you been in classes where so-called "soft issues" were brought up?

**A:** Yes. In one class, after crunching all the numbers, we recommended that the acquisition be made. Then the professor told us that the "real world" company had decided not to make the acquisition because they were "not comfortable" getting into that particular business. You should have seen the panic on some



people's faces! But cases of that nature should be more frequently used in the curriculum. Then the professor can say, "I agree with your number crunching. However the decision was made differently. Now let's go back and rethink the case taking some different issues into account."

**Q:** If you could wave a wand over the Business School and create any kind of ethics course you wanted, what would you do?

**A:** I don't know if you can change things very much because with ethical issues you have people's souls on the line. Maybe the wand could create more courageous people, but I don't think you can change human nature. An ethics course is asking people to bare their souls and that will only make them defensive, not help them to look within themselves to see where ethics and business merge. All that can really be done is to continue to encourage discussion of the issues, and hope that people are challenged to look further on their own.

*Multiple possible alternatives and mixed outcomes are only two of the complexities that make ethical decisions difficult.*

# Where Do You Draw the Line?

An Interview with LaRue Hosmer, Professor of Policy and Control

*Editor's Note:* Professor Hosmer has written widely on managerial ethics, and in 1978 won the Exxon Award for innovative integration of ethical issues into the MBA curriculum. The Exxon Award is given to stimulate and reward innovation and excellence in business education at the graduate level in accredited schools. Professor Hosmer received his A.B., MBA and DBA from Harvard University. He is the author of several books, including *Strategic Management: Text and Cases on Business Policy at the MBA Level* and *Michigan Case Series on Personal Ethics in Business Organizations*.

*Q: If you were free to design what you would consider an ideal course in ethics, what would it contain?*

*A:* I think it should be a separate course that extends throughout the first MBA year. Although it would be required, it would not be given for credit, and it would not be graded — this would emphasize that it is an important subject outside the normal pattern of courses.

*Q: What about the objection that a separate course in ethics would simply allow everyone to ignore ethical issues except as they were brought up in that specific course?*

*A:* If the ethics course were well done, the issues brought up would spill over into other classes. For instance, suppose you were looking at deceptive advertising. There are numerous ways to be deceptive. You can lie. You can exaggerate. You can bias the facts. Are any of these

unethical? What is the limit of deception? This kind of issue would automatically carry over into, for example, marketing classes.

*Q: What about the view that by the time students arrive at a professional school, their value systems are formed, and, as far as ethics are concerned, you either have them or you don't, so that a course in ethics is a waste of time?*

*A:* That point of view is a tremendous oversimplification. The problem is that although students do have moral standards, they may not necessarily have good moral reasoning skills, and the first time they run across a dilemma that challenges their standards, they are up a tree.

*Q: Do you think a course in ethics would help with this?*

*A:* Yes, because a good course would address the complexity of managerial ethics, and would help prepare students for analysis of the kinds of dilemmas they will face.

*Q: What do you think the consequences are of not having a course in ethics?*

*A:* People, when they have not examined moral problems, may then just ignore or rationalize the ethics of an issue when they are faced with it in management. For instance, suppose you have to make a decision about a product that may be dangerous. The issues are not clear cut. There are a lot of ifs. For example, suppose the product is a

car — and suppose the problem is that *if* a person put the car in a particular gear, and *if* they then did something else, and *if* the consequence of that happened to be thus and so, *then* there might be a possibility that something dangerous might happen. Is that a dangerous product or not?

*Q: How could you decide this issue?*

*A:* It is impossible to make an absolutely safe car. Given that fact, product safety can be seen as an exponential curve, and the question becomes, where on that curve do you decide to stop? Where do you draw the line? No matter where you stop, a government regulator will say you should have gone further and a financial person will tell you you should have stopped sooner. But a manager has to decide, and the ethics course would help in that decision.

*Q: How would an ethics course help?*

*A:* It is rare that ethical questions are dichotomous, with a “yes” side and a “no” side, so that all that is needed is a very simple level of moral understanding to make a choice. Managers can be faced with a number of choices that interrelate economic, social, environmental and personal factors, and that have very uncertain outcomes.

*Q: Would the course address those issues?*

*A:* Yes. It would at least make students aware of the complexities



that may face them as managers. Perhaps I could mention five levels of complexity in managerial ethics that can be stated simply and directly.

*First:* There are extended consequences in most ethical decisions. Results of managerial decisions and actions do not stop with the first level of consequences; they extend throughout society in ways outside the control of the manager, and this must be considered in the original decision. Bribes change governmental processes. Pollution affects environmental health. Unsafe products destroy individual lives.

*Second:* There are multiple alternatives. They are usually not simple "yes" or "no" choices.

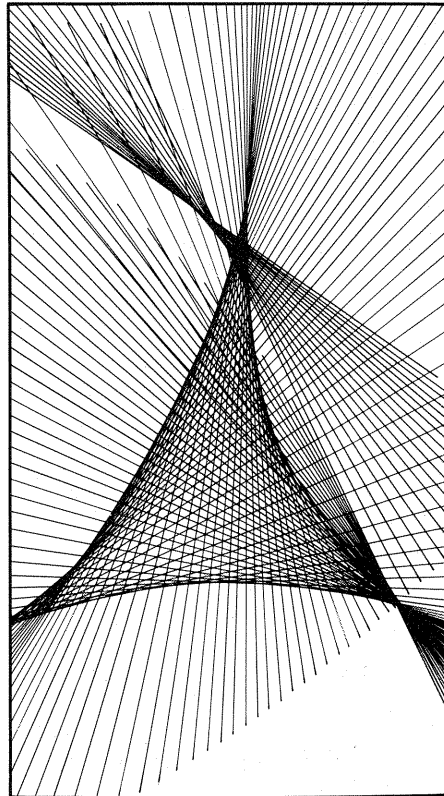
*Third:* There are mixed outcomes in most ethical decisions. That is, there are both positive and negative consequences associated with most moral problems. Pay an indirect bribe to a customs agent, but maintain employment in the exporting factory. Cause some air and water pollution, but generate inexpensive power that does improve people's lives.

*Fourth:* There are uncertain occurrences in most ethical decisions. It is seldom clear exactly what will happen at the time a managerial decision is made, and unfortunately greater clarity often seems linked to the least ethical action, judged by prima facie standards.

*Fifth:* There are personal implications in most ethical decisions. This last point is particularly important, because it is common to think of ethical issues in management as being largely impersonal, divorced from the lives and careers of managers, and this is not true.

*Q: Who would teach the ethics course?  
A philosopher?*

*A:* No. I would like to see the course taught by several people who disagree on basic assumptions.



One of the important issues for this course would be to help people look at the values upon which they base their decisions. It's important that people not make decisions based upon unexamined values. It would provide a way for students to examine the issue of what do they stand for? Ideally there would be people from different functional areas talking about the underlying values in each area, and the problems you can run into if you pursue those values. There would be case studies, and ideally, there would also be people from companies coming in and explaining in personal terms ethical issues they have faced.

*Q: Would you expand a little on the potential personal consequences to managers of ethical decision making?*

*A:* Managers, particularly those in autonomous operating units some distance from the corporate headquarters, are expected to "get things done" and to "keep things running." No one says to them that

they are free to take any action needed to accomplish those two goals, and many times there are corporate codes of ethics and specific functional policies that attempt to preclude many actions, but managerial controls tend to emphasize financial results and not ethical decisions. An ability to "keep things running" will show up during the next quarter on the control system, while the decisions and actions that led to that result have to be explained verbally, if there is an opportunity to do so at all. Managerial controls tend to focus on the short-term and the obvious, but they are often used in judgments about longer-term salaries and promotions.

*Q: Have you known personally of cases where ethical issues put a manager's job on the line?*

*A:* Yes, of course, and I have written some of these cases up for discussion and to illustrate the complex nature of the problems you get into when seriously considering ethical issues.

*Q: Will you give an example?*

*A:* Yes. Here is the story of Susan Shapiro, whose career was truly involved with an ethical question. She was a 1974 graduate of the MBA program here. She had an undergraduate degree in Chemistry from Smith College, a masters of chemical engineering from MIT, and two years experience in the experimental laboratory of a major drug firm. She had returned to the university to study business administration because she felt that scientists were hesitant to accept women on an equal basis, and thought that her opportunities would be much greater in a managerial position. After receiving her MBA, Ms. Shapiro was offered a position as a financial analyst with one of the large chemical corporations. As part of the company's training program she was taken, along with 20 to 25 other recent MBAs who had joined the company in various capacities, to visit one of the firm's petrochemical plants. During the plant tour, the

management trainees were led into a drying room where an intermediate chemical product was being washed with benzene and then dried. The cake was dumped into a rotating screen and sprayed with benzene, which was then partially recovered by a vacuum box under the screen, but much of the solvent evaporated within the room, and the atmosphere was heavy with benzene fumes. Ms. Shapiro described the ethical problem she faced in the following terms:

Benzene is a known carcinogen; there is a direct, statistically valid correlation between benzene and leukemia and birth defects. The federal standard is 10 parts per million, and a lab director would get upset if you let the concentration get near 100 parts for more than a few minutes, but in that drying room it was over 1,000. The air was humid with the vapor, and the eyes of the men who were working in the area were watering. I was glad to get out, and we were only in the drying room about 5 minutes.

I told the foreman who was showing us around — he was a big, burly man with probably 30 years' experience — that the conditions in the room were dangerous to the health of the men working there, but he told me, "Lady, don't worry about it. That is a sign-on job (a job to which newly-hired employees are assigned until they build up their seniority so that they can transfer to more desirable work); we've all done it, and it hasn't hurt any of us."

That night, back in the motel, I went up to the Director of Personnel, who was in charge of the training program, and told him about the situation. He was more polite than the foreman, but said the same thing. "Susan, you can't change the company in the first month. Wait awhile;

understand the problems, but don't be a trouble-maker right at the start."

Q: *What did she do?*

A: She faced 10 to 20 obvious alternatives, ranging from ignoring the situation to "blowing the whistle." She decided to see the plant manager, who told her first, that there was nothing to worry about, and second, that there was nothing that could be done.

Q: *And did she let it end there?*

A: No. She then wrote a report to the president of the company. She included engineering modifications to increase the recovery of the benzene, fully costed, and estimated the cash flows of the project, which showed a small loss. This report, (which she had prepared on her own time) was ignored. However, suppose it had not been ignored and the process had been automated. The impact on the workers might not be all positive. In fact, some of them might have lost their jobs because of the automation. This is an example of the mixed outcomes inherent in ethical questions.

Q: *After her report to the president was ignored, did Ms. Shapiro let the matter drop?*

A: No. Eight months later, she wrote a letter to the Occupational Safety and Health Administration, with a copy to the *New York Times*.

Q: *What happened then?*

A: Those letters were not ignored. Engineering changes were quickly made to the benzene process, and Ms. Shapiro was fired.

Q: *So Ms. Shapiro's decision was very expensive in terms of her career.*

A: Yes. And the decisions she had to make as she went along involved a number of complex interacting factors. One of the questions in ethical decision making is to find a "good" or "proper" or "acceptable" balance between economic benefits

and social harm. People who are concerned about ethics are *also* concerned about economic performance. It's not an either/or proposition.

Q: *What about the idea that good economic performance is by definition socially responsible?*

A: Those who emphasize only economic performance may be avoiding meeting the basic value questions in our society.

Q: *What basic value questions?*

A: Questions such as: who receives what in our society? And who is owed what in our society? And by owed I don't just mean money. I mean health, the preservation of the environment, and a free political process undistorted by large financial contributions.

Q: *But isn't there a view, expressed by some economists and indeed subscribed to by some people in the business school, that moral standards in business are not relevant (beyond the normal personal obligations to speak the truth and observe the law) because profit maximizing behavior, under market and resource constraints, leads inexorably to social welfare optimization?*

A: I am familiar with the viewpoint, and it is expressed with varying degrees of intentness within the business school. Milton Friedman summed it up by saying, "Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible."

Q: *How does this viewpoint explain or excuse foreign bribes, environmental problems, unsafe products, etc.?*

A: Most economists believe that these kinds of issues would not happen under the strict application of economic theory. There is a moral content in microeconomic

theory, but most non-economists, and perhaps a few economists as well, appear to focus almost entirely on the profit maximization aspects of the theory.

*Q: How does the theory take ethical considerations into account?*

A: The ethical substance of microeconomic theory is this: produce the maximum economic benefits for society, recognizing the full personal and social costs of that production, and then broaden the receipt of those benefits if necessary by political, not economic actions. The focus of the larger theory of society is the efficient use of resources to satisfy consumer wants and needs. At equilibrium, it is theoretically possible to achieve Pareto Optimality, a condition under which the scarce resources of society are being used so efficiently by the producing firms, and the goods and services are being distributed so effectively by the competitive markets, that it would be impossible to make any single person better off without harming some other person.

*Q: In an imperfect world, it's difficult to imagine such an equilibrium actually happening.*

A: Yes, but microeconomic theory is awesomely complete. There are few operating decisions in business, from hiring workers, purchasing supplies and borrowing money to selecting technologies, establishing capacities and setting prices, that are not determined by the theory, and there are few ethical problems, such as purchase bribes, process pollutants, workplace hazards, product dangers and racial discriminations that would not be resolved by its application. It is very difficult to say, "Here is a managerial decision or action with definite ethical implications that is not included in the theory."

Microeconomic theory is also enviously unified. All the managerial decisions and actions work together, through a system



Virginia Geren

*LaRue T. Hosmer, Professor of Policy and Control*

**“It is impossible to make an absolutely safe car. Given that fact, product safety can be seen as an exponential curve, and the question becomes, where on that curve do you decide to stop? Where do you draw the line? No matter where you stop, a government regulator will say you should have gone further, and a financial person will tell you you should have stopped sooner. But a manager has to decide, and an ethics course would help in that decision.”**



of explicit relationships, to create a socially desirable goal: maximum output of the wanted goods and services at a minimum input of the scarce material, capital and labor. It is very difficult to say, "Here is a managerial decision or action following the theory that does not lead to a socially beneficial outcome."

Q: *Are you saying that we must accept microeconomic theory as an ethical system of belief for business management because of the complete and unified nature of the paradigm?*

A: No. I am not saying that. In fact I think the theory falls apart because of unlikely assumptions about human nature and human worth. In fact, I think the microeconomic model is based upon an exceedingly complex and unlikely view of the nature of human beings.

Q: *In what way?*

A: The microeconomic model takes the position that the ultimate end is the greatest general good, and it defines that good as the maximum benefits of consumer products and services at the minimum costs of labor, capital and material. The problem, as with all utilitarian theories, is that the distribution of the benefits and the imposition of the costs may be unjust. Consequently, it is necessary to add a political process to the economic paradigm to ensure justice in the distribution of benefits and the imposition of costs. But, "justice" is defined in the theory as a democratically determined pattern of distribution and imposition; this pattern does not follow a rule such as to each person equally, or to each according to his or her need, to his or her effort, to his or her contribution, to his or her competence, or even to his or her ownership of the factors of production. Instead, the pattern varies with the collective opinions of the members of society. This requires all members of society to be actively concerned with the charitable distribution of social benefits and imposition of social

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**"The course should in no way attempt to impose values on students — that would provide no lasting benefit. What does provide benefits is an examination of the values upon which they base their decisions. Everyone has a set of moral standards. What is dangerous is an unexamined set of moral standards."**

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costs at the same time as they are actively concerned with the personal maximization of material goods and services in the product markets and of financial wages, rents and interest payments in the factor markets, solely for themselves. I think that we can safely say that human nature exhibits both selfish and generous traits, and we can doubtless go further and accept that human beings can perform selfish and then generous acts alternatively, but it would seem an extreme assumption to believe that people can concurrently be generously attentive to others in all political decisions, and selfishly attentive to themselves in all economic activities, and never confuse the two roles.

Q: *And what assumptions does the theory make about the worth of human beings?*

A: The microeconomic model is impersonal, for it requires that everyone must be treated as a means to an end, and not as an end in himself or herself. Customers for goods and services are people who maximize material satisfactions as a means of determining product demand curves. Owners of land, capital and labor are people who maximize financial revenues as a means of determining factor supply curves. Company managers are people who maximize corporate profits as a means of balancing market demand and factor supply. No one acts as an individual human being, pursuing their own goals

worthy of consideration and respect. This denial of worth can be seen particularly clearly in the position of the manager of the firm, who must act solely as an agent for the financial interests of the stockholders. What does this do to self-esteem and self-respect? How can people live worthwhile lives, when always treated as means and not as ends, even though the society as an economic system may have achieved Pareto Optimality? The microeconomic model would appear to be based upon an exceedingly low view of the worth of human beings.

Q: *Do you think a course on ethics should look at the microeconomic model and its ethical dimensions?*

A: Yes indeed. The course should in no way attempt to impose values on students — that would provide no lasting benefit. What does provide benefits is an examination of the basic values upon which they base their decisions. Everyone has a set of moral standards. What is dangerous is an *unexamined* set of moral standards.

Q: *Are there some parameters that could be used in examining moral standards?*

A: Of course. There are several methods of ethical analysis, but there are problems with all of them. A good course would look at the methods, and also at the objections to the methods. Of course people have to make up their own minds after using different methods of looking at problems. Ethics are concerned with the long term as opposed to the immediate. What will be the long term consequences of the act? The immediate decision may not be as important as the precedent for the future that the decision may set. I think it's going to become essential that we have ethics courses. A basic issue of our society is that we have social cooperation. People being asked to cooperate must have the feeling that the benefits of that cooperation are distributed justly — that there is fairness within our society. ■

# The Ambiguities of Bribery

By Michael W. Maher  
*Associate Professor of Accounting*

Put yourself in the following situation. You have recently been assigned to a new position in your company. Your responsibility is to develop new markets for your company in several developing Third World countries. Your job will include establishing contacts with high-level government officials who will be the major purchasers of your company's products. These new markets are very important for maintaining your company's growth and profitability. The long term viability of your company, not to mention your own career, is likely to depend on your success in these new markets.

In addition to the normal concerns that any executive would have about an important new assignment, you have one additional major concern. A common means of transacting business in these potential new markets is through the use of bribery. Bribery is used to pay customs officials to speed processing of documents; it is used to prevent harassment from tax and licensing authorities; and it is used to make sales to the government through high-level officials, sales that are important to your company and to your career. Not only have you had no experience in the use of bribery to sell products; but also, you have some ethical qualms about bribery.

You are now faced with the following dilemma: Do you set aside your cultural background, which considers bribery to be unethical,

and "do business in accordance with local custom" or do you maintain the ethical standards of your cultural background and face the loss of new business prospects?

American executives face this issue in many parts of the world. In 1980, the Commerce Department consulted U.S. Foreign Service posts about the prevalence of bribery, and identified twenty-one countries in which bribery was a common and accepted means of transacting business.<sup>1</sup> These mostly Third World countries, which have more than one-third of the non-communist world population, represent a significant portion of American export share at this time, and a rapidly growing market opportunity.

## *Bribery as a Method of Exchange*

Why bribery is common in some countries and not in others is an unanswered question. It is often assumed that government officials have an opportunity to earn more than the competitive wage for their jobs, if they accept bribes. This is not necessarily true if salaries reflect the expectation of bribes, just as the salaries of waitresses, waiters, luggage handlers, and cab drivers reflect an expectation of tips. Bribes (tips?) or grease payments to

government clerical personnel fit into this category in many countries. In some cases, competition for the government officials' jobs dissipates the excess over competitive wage rates because the "winner" is obligated to share bribes and to provide favors to his or her supporters. The bribery to foreign government officials that attracted a great deal of media attention in the 1970's was not just of the grease payment variety, of course.

A common alternative to bribery of government officials to obtain contracts is through the use of competitive bidding. A comparison of bribery and bidding reveals some basic similarities. If a supplier bids a price equal to cost plus normal profit under a bidding arrangement, then bribery simply adds an additional (marketing) cost that is reflected in the price of the product. Hence, the buyer of the product subsidizes the bribe by paying a higher price under bribery than under bidding. In effect, bribe-taking government officials

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<sup>1</sup>"Report of the President on Export Promotion Functions and Potential Export Disincentives," U.S. Department of Commerce, 1980.

<sup>2</sup>See P. Beck and M. Maher, "Bribery and Bidding in Thin Markets," and "Competition, Regulation, and Bribery," Working Papers, School of Business Administration, University of Michigan, 1985.

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*About the Author:* Professor Maher has published widely on subjects related to internal control in U.S. corporations.

are paid by the populace of their country. An interesting aspect of these two alternative means of exchange — bribery and competitive bidding — is that the supplier firm receives the same price (net of bribes) whether competitive bidding or bribery is the means of exchange.<sup>2</sup> Hence, the supplier firm is indifferent to whether bribery or competitive bidding is used, in the absence of legal penalties for one or the other.

Why would the populace of a country subsidize bribery of their government officials? One answer is that the bribe substitutes for salary. Bribery gives government officials incentives to seek low cost suppliers (who can pay larger bribes) and to destroy collusion among government suppliers. Under competitive bidding, government officials have little to gain from actively seeking low cost suppliers; but with bribery, finding lower cost suppliers enables government officials to pass on some of the cost savings to the populace and retain some in the form of a bribe, which would be in the interest of both the officials and the populace.

Before enactment of the Foreign Corrupt Practices Act in 1977, bribery could be viewed simply as an alternative to competitive bidding and as a legal means of transacting business in many countries. Many of the largest bribes that caught the attention of the media and U.S. politicians were not simply an alternative to bidding, of course, but were clearly illegal in the host country. Two of the most prominent, for example, were Lockheed's \$2.2 million in bribes to Japanese Prime Minister Tanaka and Lockheed's attempted bribes to members of the Dutch Royal Family.<sup>3</sup>

#### *Controlling Bribery Activities*

The use of bribery by U.S. companies was not without negative consequences, even when it was legal. One consequence was a lack

of control over the bribe. The nature of bribery often defied companies' control systems such that U.S. companies frequently did not know whether a bribe paid to a third party intermediary found its way to the intended recipient or was deposited in the intermediary's Swiss bank account. A control problem of a different sort resulted in a need to reindoctrinate U.S. managers who had done a tour of duty in a country where bribery was prevalent. After several years of doing business using bribery, these executives suffered a culture shock upon reentry into U.S. domestic business activity.

As the executive faced with the decision — to bribe or not to bribe — suppose you decided that you would compromise your cultural bias about the ethics of bribery, and “play by local rules.” You rationalize your decision as follows:

- It is not your responsibility to impose your ethics on someone else. In fact, it would be pretentious to impose American business practices on locals.
- Even if you personally refuse to engage in bribery, you may not be able to prevent your subordinates who are local personnel from continuing to do business the way they always have.
- It is in the best interest of your company, its stockholders, and its employees to develop this market.
- It is in the interest of your own career to develop this market.

Suppose we complicated the matter by introducing the Foreign Corrupt Practices Act of 1977, which makes it illegal for U.S. citizens and companies to bribe foreign government officials. Now your company is subject to fine, and you are subject to both civil and criminal penalty if you are caught bribing a foreign government official. Presumably, you assess both the positive and negative consequences of bribery and take the action that is in your best interest. In some instances, the benefit from the transaction is sufficient to justify bribery, despite the possible penalties if you are

caught. In other cases, the benefits are sufficiently small that the possible additional penalty imposed by the law justifies not carrying through with the transaction. If the transaction is consummated, very likely it will be carried out through the use of third (and fourth and fifth) party intermediaries.

Critics of the Foreign Corrupt Practices Act have argued that the regulation imposes costs in U.S. firms that are not shared by their foreign competitors; hence, transactions that were previously marginally profitable will no longer be participated in by U.S. companies. This affects U.S. exports, and it particularly places at a disadvantage those U.S. companies competing with foreign firms in the aircraft, construction, and military hardware industries. U.S. aircraft manufacturers point to the European Airbus Industries recent successes in marketing the A300 as an example of lost business to foreign competitors.

In other cases, the transaction will be sufficiently profitable to the U.S. company that it will continue to operate in the country but at greater cost than before the Foreign Corrupt Practices Act. An example of the impact of the Foreign Corrupt Practices Act was given in the Department of Commerce Report noted above:

Local U.S. lawyer reports that a 20-30 million dollar deal was lost to a U.S. firm largely because of lengthy struggle to ensure FCPA compliance. Another 20 million dollar deal was lost because an Omani business/government official with whom the U.S. firm was attempting to deal became insulted and exasperated with the firm's attempts to protect itself against FCPA penalties.

#### *Impact of Bribery Regulations*

Two sets of beneficiaries from the Foreign Corrupt Practices Act are foreign competitors of U.S. firms and third (fourth and fifth) party “sales representatives” in countries where bribery is used. Who has been adversely affected because of the antibribery bill? In addition to U.S. exporting companies, both the populace and government officials in bribery prevalent countries have been negatively affected. U.S. firms

<sup>3</sup>See Y. Kugel and G. Gruenberg, *International Payoffs* (Lexington Books, 1977), Ch. 2 and 4 and Lockheed's Form 8-k filed with the Securities and Exchange Commission, February 1979, for detailed descriptions of these transactions.



have either withdrawn from the competition, or they now have higher costs that must be passed on in the form of higher prices and/or lower bribes.

#### *Ambiguities of Bribery*

If there is anything that is clear from the history of foreign payoffs, the antibribery laws, and business ethics, it is that the subject is fraught with ambiguity. The application of American business practices in a foreign culture, the language of the Foreign Corrupt Practices Act, and the definition of bribery are ambiguous. Consider the distinction between a bribe, a grease payment, and a tip, for example.<sup>4</sup> The Foreign Corrupt Practices Act does not make "grease payments" to ministerial or clerical government personnel illegal. When does a "grease payment" become a bribe? Is it illegal to give a grease payment to each of several hundred clerical government employees who route them to a single senior government official?

Whether termed grease payments or bribes, the nature of the payments depends critically on the degree of competition for the recipient's job. Low level government employees who have sufficient competition for their jobs will receive competitive wages, with grease payments included, just as waitresses, cabdrivers, and bellhops receive competitive wages, with tips included. When there are barriers to entry to government officials' jobs, however, these officials can obtain payment in excess of competitive wages. It should come as no surprise that virtually all of the bribery-prevalent Third World countries identified in the U.S. Department of Commerce Report noted earlier are military dictatorships (military dictatorships have been known to make competition quite costly to alternative political job seekers). In this situation bribery could be termed "excessive" in the sense that government officials are paid more

than competitive wage rates. Like any company or individual earning more than competitive wage rates or rates of return, these officials constantly face the threat of competition for their jobs. Hence excessive bribes provide incentives for government overthrows such as the one we observed in Iran.

A decade has passed since the first revelations of corporate bribery to foreign government officials were made by the Watergate Special Prosecutor. What have we learned over this ten year period? First, it is difficult to prevent bribery in environments where it is a common means of transacting business. The ITT experience exemplifies the difficulty of controlling local agents who are not themselves regulated by the Foreign Corrupt Practices Act. An ITT study reviewing the impact of corporate policy to reduce bribery concluded:

It is now clear that overseas subsidiaries of the Corporation, managed principally by foreign nationals with different traditions and attitudes towards doing business, found it difficult to accept and embrace the (company's) policies during the first years after their promulgation. Competitive pressures from foreign companies, unencumbered by similar policies, have also created real or perceived problems for these foreign managers. Many of them regard the policies as unfairly handicapping them in the competitive pursuit of international business.<sup>5</sup>

Second, many of the highly publicized bribes were made by U.S. companies in countries when bribery was not prevalent, and the U.S. companies were violating local law. The use of bribery as a method of exchange has different ramifications for U.S. foreign policy and the reputation of U.S. business practices in Japan, Holland and Germany than in Korea, Indonesia and Kuwait. This distinction was not made by proponents of the Foreign Corrupt Practices Act.

Third, the Foreign Corrupt Practices Act has benefited foreign competitors and third, fourth, and fifth party "sales agents" in bribery-prevalent countries. It has been costly to certain U.S. companies, to bribe-taking foreign government officials, and to the populace of countries in which U.S. companies no longer compete because of the law.

Fourth, U.S. companies have sometimes found their main competitors to be other U.S. companies in bribery-prevalent countries. If all U.S. companies respond to the Foreign Corrupt Practices Act in the same manner, then the law would have little impact on lost trade to competitors.

One of the ironies of the Foreign Corrupt Practices Act is that it regulates bribery primarily on the supply side of transactions; bribery is normally regulated on the buying side of transactions. If it were in the best interest of the populace of countries to change their government officials' compensation such that more compensation comes from direct payments from taxpayers and less from bribes, then we would expect the local populace to regulate bribery. By penalizing U.S. companies for bribery, the Foreign Corrupt Practices Act also penalizes the populace of the country buying the goods. The Foreign Corrupt Practices Act increases costs to U.S. firms; hence, some firms will drop out of the competition because the sale is no longer profitable; others will offer their product at a higher price, just as they would if any other cost increased. The populace of buying countries cannot benefit from U.S. firms dropping out of the competition or offering products at higher prices. Similarly, government officials will likely receive lower bribes if there are now fewer companies offering bribes.

Several proposals to repeal or modify the Foreign Corrupt Practices Act have met with little success in Congress. One of the most significant may be a change in the title. After all, what politician can oppose a regulation of "Corrupt Practices"? ■

<sup>4</sup>Also, consider the case of "Frequent Flyer Bonuses," subsidized by employers and used by employees for personal use. (I am grateful to Adrian Tschoegl for this analogy.)

<sup>5</sup>"Report of the Special Committee of the Board of Directors," International Telephone and Telegraph, Inc., 1982, p. 97.

# Among Ourselves

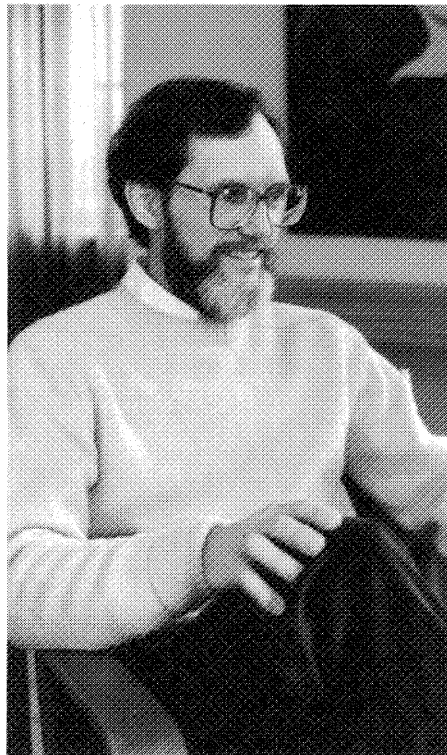
*An informal collection of items, including news of the faculty, of alumni, and of the school, and assorted other information, opinion or comment that we think will interest you.*

## **F. Brian Talbot Receives Outstanding Teacher Award**

The fourth annual teaching excellence award has been presented by Student Council to F. Brian Talbot, associate professor of policy and control. Professors who have taught at the School for at least five consecutive years are eligible to receive the award, which is based on a tally of student nominations, and qualitatively on student comments. Previous winners of the award are: C. K. Prahalad, professor of policy and control; George D. Cameron III, professor of business law; and W. A. Spivey, professor of statistics.

Prof. Talbot received his doctorate in production/operations management from Pennsylvania State University in 1976. He has worked for the Procter & Gamble Co., the U.S. Air Force, and the Environmental Protection Agency. He is active in several professional organizations, and serves as associate editor for *Management Science*. At the Business School, Professor Talbot is chairman of the computer committee, coordinator of PC 551 core classes, and serves on the MBA curriculum committee.

Following are excerpts from an interview with Professor Talbot published in the Monroe Street Journal and written by Mark Johnson, first year MBA student, who is editor of the Monroe Street Journal.



Bob Kalmbach

*F. Brian Talbot*

*What are some dynamic aspects of teaching that you are aware of and try to manage?*

*Talbot:* I try to maintain a balance of tension. What I'm talking about here is the fact that I try to raise the expectations of students enough so they come prepared. I don't want to have high anxiety levels, but I want the students to feel motivated. I guess the anxiety comes about when they don't prepare. The balancing

act comes when you don't want the anxiety levels to be so high that they interfere with the learning process. It's a juggling act, and I am not sure whether I am good at it. But it's something I'm aware of during class.

I think it's important to manage class time. By this I mean managing the group dynamics, especially the discussions in case classes. I want to be responsive to student needs, but I also want to maintain a course of action. I don't want to get so far off that I lose my objective because I'll be certain to befuddle everyone. It is difficult to manage, since I try to be flexible enough to answer questions that are not quite on track as well.

*Do you have any tricks to managing class time well?*

*Talbot:* You must be thoroughly prepared in the case material — not just conceptually, but you must work through scenarios, especially branching off points where you want to go next. It's really a part of the planning process. I think some of my colleagues are better than I am at this. They're very quick on their feet to respond and keep on track. But I have to plan where I want to start and where I want to end up.

It's also important to listen to the students, and especially pay attention to their facial expressions. All in all, I try to gain a sense of how much is being comprehended.

To facilitate discussions, I personally try to learn names of people. It's very hard to learn 140 names, but it's important that I at least try.

*How do you deal with students who don't respond to you or your courses?*

*Talbot:* That was more of a frustration when I first started teaching than it is now. I simply resign myself to the fact that I can't reach everyone. Not that I don't try to reach and motivate all, but there are always one, two or three individuals who simply dislike everything about the course or me. That's a fact of life. I always try to give students their money's worth. And I try to motivate them to understand that, yes indeed, this material is going to be helpful to you, and it will round you out if not make you a specialist.

*What would you say is one of the most important things for instructors to bear in mind when they are before their classes?*

*Talbot:* Setting high standards. I believe this is an integral part of teaching. It's important to set academic standards as well as some other standards that are implicit: standards of conduct, honesty and integrity. I guess if students disagree with some of my policies or the stands I take, I hope they come away thinking I've tried to be fair and honest with them. By setting an example, I hope that students are also learning that the example and the setting of it are important.

## **Second Printing of Paton's Words! Is Now Available**

The first printing of Professor Paton's "Words! Combining Fun and Learning" sold out promptly and the second printing is now available.

You may order copies from the Division of Research, School of Business Administration, University of Michigan, Ann Arbor, Michigan 48109. The book is priced at \$12.00 with a \$2.00 discount for Michigan alumni, students, and faculty.

## **Study Compares Lifestyles of Asian and American Executives**

Comparative profiles of 112 businesspeople in Hong Kong and Singapore, and a reference sample of 247 U.S. executives, reveal that American business executives aren't the only ones who experience job stress. Their Asian counterparts say they experience the same kinds of management pressures and problems.

The study was done by Herbert W. Hildebrandt, professor of business administration and communication, and Dee W. Edington, director of the department of physical education at the U-M School of Education.

The image of the Type A personality, the hard-driving consummate perfectionist desiring to achieve all things within self-imposed limits, seems to span all cultures, say the researchers.

In terms of fitness, the American executives in the study were much better informed about such matters as cholesterol levels and blood pressure. Forty percent of the American sample said they engaged in running, walking, lifting or some other form of sustained activity for least three times a week, and only six percent said they are physically inactive. By contrast, 65 percent of the Asians in the sample say they get only occasional physical exercise, and 20 percent get little or none.

Despite their lack of physical activity, the Asian executives surpass their American counterparts on other lifestyle measures, Hildebrandt and Edington report. Only 27 percent of the men and 16 percent of the women in the Asian sample are more than 10 percent overweight, compared to 75 percent of the men and 50 percent of the women in the U.S. group. Nearly 85 percent of the Asian group say they are non-smokers who also abstain from beer, wine and mixed drinks. Three-quarters of the U.S. executives are non-smokers or ex-smokers, but only 20 percent are non-drinkers.

Despite their good fitness habits, the Asians were less satisfied than

the Americans with their overall physical health. While the majority in both groups said they were "quite satisfied," only 11 percent of the Asians — versus 40 percent of the Americans — rated themselves "completely satisfied."

One factor in the Asians' perceived health problems could be the high level of stress they experience in their jobs, the researchers suggest. Fully two-thirds of the Asian executives classified themselves as hard driving and time pressured. They agreed with the statement, "Most jobs in my company (at my level) are very stressful due to time pressures and work overload." Only 15 percent said they rarely felt rushed to complete tasks.

"Stress in a competitive business environment is inevitable in all cultures," Hildebrandt and Edington conclude. "The key is to adapt to those pressures and cope in a positive manner. For both groups of executives, we found a strong correlation between feeling in control of their lives, and overall life satisfaction."

Other findings round out this picture of the Asian executives in the study:

They are well educated; 65 percent hold a college degree and 26 percent finished graduate work. Their major fields of study were engineering (29 percent), science and mathematics (27 percent) and business administration (24 percent).

Forty-one percent recommend business administration and 27 percent name engineering studies as the best preparation for a management career, an ordering identical to that given by U.S. executives. Functional courses like business communication, business policy and finance received the highest endorsement of both groups.

Unlike the American executives, whose positions had changed considerably since they were hired, most of the Asians in the sample remained in their original job areas of production/operations or marketing/sales. They view marketing/sales as the fastest route



to the top and the one they would emphasize if starting over.

In terms of personal characteristics, the Asian executives were mostly young (median age 32), first-born or middle children from a middle or lower-income home. About three-quarters of both samples were male. Only 71 percent of the Asian sample were married — compared to 92 percent of the Americans.

The two groups held different opinions about their countries' economic problems. Americans ranked productivity as their biggest concern, followed by unemployment and a balanced budget. The Asian executives ranked productivity as their lowest concern on a list of 10. What troubles them most is inflation, followed by high interest rates and unemployment. And they see global competition as a growing concern toward the end of the decade.

### **Newsletter Being Published to Help Evening Students Keep in Touch with School**

Nearly all of the 800 students enrolled in our evening program hold full-time-plus managerial positions during the day, then commute to classes in Ann Arbor or in Dearborn at our satellite campus at Village Plaza. Such demanding schedules leave evening students with little time to be aware of the wealth of resources available to them at the School. Therefore, the Office of Admissions and Student Services decided to publish a newsletter to help keep evening students up-to-date.

So far, three issues have been published. They have included dates and times of upcoming student club programs and company presentations at the School; facts about the new buildings; information about the new Career Resources Center of the Kresge Library and about the Student Computing Resource Center; schedules of coming events.

According to Jane Lieberthal, assistant director of admissions and student services, who is editor

of the newsletter (and who is an evening MBA student herself), "We hope this newsletter will be a link between evening students and the School. At the moment, we want to present in-depth information about placement, computing, library, and other services offered to students. As the publication develops, it may also become a forum for evening students to address issues of concern to them regarding the program."

The newsletter is now published regularly each semester.

### **The Good Scientist-Manager is a Rare Breed, According to Professor Hill's Research**

Although business organizations need scientific leadership, many companies are pushing the wrong types of scientists and engineers into top management — and the results are often disappointment and failure, according to Raymond Hill, associate professor of organizational behavior and industrial relations.

Too many companies assume that a high level of technical competence alone will automatically translate into good management, says Hill. However, his research has shown that the characteristics of the effective scientist-manager are complex, and that many scientists experience high levels of strain when promoted into management.

"Once in management, many scientists lose their previously valued technical edge and then may find themselves stranded in professional limbo," says Hill. "Traditionally, the geniuses of innovation have been separated from the people who hold decision-making power, but as science gains prestige within corporations and institutions, we need more top people who can balance scientific with economic values."

A certain degree of conflict between economic efficiency and scientific creativity is unavoidable, Hill believes, because scientists like to work with unlimited resources in unstructured environments, while people involved in the financial and

production side of a corporation must impose order and constraints in the pursuit of profitability.

Since organizations cannot entirely resolve that conflict, executives should think in terms of managing it through capable scientist-managers, Hill suggests, adding that the ideal scientist-manager is an adaptable individual who remains creative under competitive and sometimes chaotic conditions. He estimates that only a relatively small percentage of scientists and engineers possess a unique temperament that enables them to be simultaneously inventive and enterprising, "to buy into both economic and scientific values."

The most successful can think in solitude about abstract problems yet also operate in an extroverted way, says Hill, who has done extensive research on the personality profiles of research and development managers. "They can also exercise social power without guilt," he adds. "That's the intriguing part of their profiles — that certain aspects of their personalities are polar opposites."

Most important, the best scientist-managers accept the entrepreneurial side of research, says Hill. "When they see scientific discoveries occurring, they want to run away from the bench and do something with them in an economic sense."

That ideal temperament pattern is relatively rare and organizations must constantly work at developing and identifying their scientist-managers, according to Hill. Hewlett-Packard Company and IBM Corporation are examples of organizations which have made rational personnel decisions in promoting scientists to top management. But others have made costly mistakes.

The responsibility to avoid such mismanagement lies with both the organizations and the scientists themselves, believes Hill. He suggests that entry level scientists undertake professional assessment of their temperament patterns.

One such assessment device is the Strong-Campbell-Hansen Interest

# Class Notes

Inventory which indexes how similar an individual's interest pattern is to several different occupations, one of which is the research and development manager. While such inventories are just one means of predicting management potential, Hill has found them "valid and reliable" tools in his own research, when used properly. Organizations should also consider using psychological assessment procedures to help them discriminate between potentially good scientist-managers and "straight scientists."

Some less orthodox solutions to the science-business conflict include the "two-way street" and "dual ladder" approaches. Since both involve "tampering with the social system" of business organizations, they are not easily engineered, notes Hill.

The two-way street is often a contractual arrangement that offers the scientist-manager the option of going back to the bench if the new management position doesn't work out. "In too many corporations," says Hill, "you close the door behind you when you go into management. The person who tries to go back is labeled a failure."

The dual ladder to advancement enables employers to provide equal rewards and a "feeling of upward mobility" for both administrators and technical professionals, Hill explains. The technical ladder might include "rungs" of junior, associate, and senior scientists. A few companies already offer equivalents of an internal Nobel Prize for outstanding research and allow their employees to patent their own inventions. Under such a system, scientists who are ambivalent about management could advance in their careers without taking on new roles for which they are not suited.

"At the same time, it is usually impossible to create a social system in which both technical and managerial ladders are viewed as true equals," says Hill, "and hence the issue of making them workable requires considerable attention from organizational planners."

**'51** JAMES F. DIFFLEY, BBA '51, has been named president and chief executive of Milwaukee Forge, Milwaukee, Wisconsin.

WILLIAM J. BARNDS, BBA '51, has been appointed president of the Japan Economic Institute in Washington, D.C. Bill has worked for many years on U.S. relations with Asia as well as on Japanese and Asian affairs, first as a senior research fellow at the Council on Foreign Relations in New York and more recently with the Senate Foreign Relations Committee and the House Foreign Affairs Committee. Just before becoming president of JEI, Bill was the staff director of the House Foreign Affairs' Subcommittee on Asian and Pacific Affairs, which is responsible for the area from the Indian subcontinent through Northeast Asia. During Bill's tenure, this subcommittee held extensive hearings on U.S.-Japan relations. Bill, who also received an M.A. in economics from the University of Michigan and a law degree from Georgetown University, is the author of several books and numerous articles on Asia and on U.S.-Japan relations, including *Japan and the United States: Challenges and Opportunities*.

**'52** DAVE FREEMAN,, BBA '52, writes, "Following ten years in Washington, D.C. (1964-74) where I went from the Stanford Law School faculty, where I was assistant dean, there was a four year return to the public law practice in labor and employee relations from offices in Newport Beach, Calif. In 1979 I returned to academe as a development vice president of Chapman College in Orange, Calif., and as a teaching faculty member at Willamette University College of Law in Salem, Ore. and the

University of the Pacific, McGeorge School of Law in Sacramento, Calif. I am now full time as the neutral third party in labor and employment contract disputes in northern and southern California. My introduction to industrial relations came at the UM Business School under Clare Griffin, Philip Wernette and many others (I was lousy at finance and statistics — my original interests). I pursued graduate business school study under Clark Kerr at the U. of California-Berkeley Institute of Industrial Relations before earning my law degree at Stanford."

**'54** LEON H. TURNER, MBA '54, is serving as president of the New Jersey Society of Certified Public Accountants. He is also a partner in Turner, Stauffer & Co., a CPA firm in Wildwood, New Jersey.

**'56** THOMAS ANTON, BBA '56, MBA '56, has been promoted to executive vice president for Kelly Services, Inc., Troy, Michigan.

**'59** J. ROGER MOODY, MBA '59, recently joined InfoCenter Software, Inc. as chairman, president and chief executive officer. His 2½-year-old company offers a micro to mainframe software link that enables business professionals to download information directly from Information Center data base management systems into personal computer software tools such as spreadsheets. The company is based in New Paltz, New York.

**'61** CHERI S. RODOLFO, MBA '61, of actuarial science, is senior vice president of administration and direct response marketing at Fireman's Fund

American Life Insurance Company in San Francisco. She is responsible for all policy administration, including underwriting, issue and customer service, and for the direct response profit center (marketing, sales, and administration). She is also chairman of the direct marketing insurance council of the Direct Marketing Association and vice chairman of the mass marketing subcommittee of the Health Insurance Association of America. She is a Fellow of the Society of Actuaries and a Certified Financial Planner (CFP).

**'63** JOHN J. YEAGER, BBA '63, has been named office managing partner for Arthur Young & Company's Michigan practice.

**'64** JOHN P. CHANDLER, BBA '64, MBA '65, has been named vice president, finance and administration, for Roadway Package Systems, Inc. He lives in Mt. Lebanon, Pennsylvania.

**'65** BONNIE N. HOWARD, MBA '65, has been appointed treasurer of International Educations, where she is also vice president and financial officer. Bonnie joined the company, which develops educational software and textbooks, in April, 1982, after working as controller for Radcliffe College, where she also did her undergraduate work. Dr. Peter Dublin, president of the company, announced the appointment, saying "We welcome Ms. Howard to the board and anticipate her many contributions. Her knowledge of our current operations and her administrative experience with leading educational institutions give her a unique appreciation for the concerns and needs of our clients." Bonnie has also served as national treasurer of the National Organization of Women (NOW) and as treasurer of the Radcliffe Alumni Board of Management. She is now the national treasurer of the NOW Legal Defense and Education Fund and a member of the Women's National Book

## *Frederick D. Johnson, MBA '51, is Chosen President of the 1986 Tournament of Roses*

When Fred Johnson was vice president of the Tournament of Roses last year, he was responsible to make certain that it didn't rain on Pasadena's parade. "I prayed a lot," he says with a smile. This year, as president, it's his job to encourage the parade, to facilitate it.

"The idea," says Johnson, who has devoted 26 years of volunteer work to the tournament, "is that everyone involved has a chance to do as many things as possible."

Fred fits the ideal, coming up through the ranks. As many others before him, he stood in cold parade weather, guarding crowd barricades.

He put on a white suit and walked the parade route, he worked long hours on post-parade duties and he aided exhausted band members who couldn't finish the 5½-mile march.

He eventually joined the executive groups of the 29-committee organization and became vice president for the 1985 event.

The Johnsons have lived in Pasadena for 30 years. Fred is employed by an international

advertising firm with offices in Los Angeles. He and his wife have an adult daughter and son.

Attempting to stage the best possible floral pageant in the world every year is an interesting assignment, to say the least.

A hired staff of seven or eight handle administrative and management duties throughout the year. Those efforts bring together the parade participants, take care of daily operations and handle the minute details. In the fall, the busiest time, extra staff workers are hired.

The president is spared the day-to-day association business. But there are important assignments to be performed by the chief.

One is picking the parade theme. The 1986 affair is billed as a "Celebration of Laughter," a theme chosen by Johnson with suggestions from others.

Another important job for the president is selecting the parade grand marshal. But Johnson declined to hint at a possible choice, preferring to let the suspense build until fall, when the grand marshal traditionally is named.

Association. Bonnie is also actively involved with NOW Legal Defense and Educational Fund's project on equal education rights, which is a national forum for educational issues that affect women and girls.

JOHN M. VANGELDER, MBA '65, has been named president of Koch Engineering Co., Inc., Wichita, Kansas.

**'67** PAUL S. FOOTE, BBA '67, assistant professor at New York University, has been selected by NYU's seminar center to travel around the country this year giving

a 2-day executive seminar on strategic planning and information systems.

**'68** ROBERT M. TOBIAS, MBA '68, national president of the National Treasury Employees Union, was elected last April to the board of directors of the American Arbitration Association. The American Arbitration Association is a national nonprofit private organization that specializes in providing alternative dispute resolution services. Bob has been national president of the NTEU since August, 1983. Before this, he



held the position of executive vice president and general counsel. In his seventeen-year affiliation with the union, he has participated in many aspects of its operations, including representation, recruitment, lobbying, litigation, and public relations. Before joining the NTEU, Bob worked as a labor relations specialist with General Motors and then with the Internal Revenue Service. He is a graduate of the George Washington University Law School, where he now serves on the adjunct faculty.

The AAA, founded in 1926, has 26 regional offices. More than 60,000 persons serve on its impartial panels as arbitrators and mediators. Last year it administered more than 40,000 cases.

**'69** GRACE O. ACHTERHOF, BBA '69, has been named vice president of human resources at Saint Mary's Hospital, in Grand Rapids, a 370-bed acute care hospital which is also the designated west Michigan Center for the treatment of kidney disease. Grace has been an operations director at Saint Mary's and before that worked at University of Michigan Hospital for eight years, serving in several capacities from patient representative to personnel representative.

**'70** RONALD L. SLADKY, MBA '70, is the treasurer of Master Chemical Corporation, in Perrysburg, Ohio, a company that specializes in manufacturing metalworking fluids for machining of metals. Ron recently implemented a comprehensive "cafeteria" benefits plan for Master Chemical and had an article published about this plan in *Personnel Administrator*. Ron's company, which employs 115 people, is the first company of this size in the country to provide a plan of this sort. Ron's wife is a physician who specializes in occupational medicine.

## *Richard A. Saputo, MBA '61, writes about the process of starting his own small business*

Richard A. Saputo, MBA '61, wrote us an interesting letter about the process of starting his own business. He writes, "After completing several successful domestic and foreign (Singapore, Taiwan, Japan & Korea) consulting assignments setting up factories and conducting market research studies I decided to start my own business manufacturing soft-sided waterbeds. So while waiting in airports or while traveling between cities I designed a hybrid waterbed, engineered the dimensions, selected the materials to be used, and created the marketing strategies and sales concepts. Then, on May 1, 1983, Amtec Flotation Sleep Systems, Inc. became a reality.

"During the next 30 days I leased a building, selected vendors, built the tooling and shop aids, purchased and installed machinery and hired my first employee. The first articles were then built which in turn were used in the photographic sessions for the sales brochure and trade journal ads. After debugging the engineering, I hired and trained two production employees. I also began to sell the product cold turkey over the telephone, first locally and then nationally.

"Full production started less than 75 days from May 1. All the ads, brochures, sales guides, etc. were in place in less than 90 days and over 100 customers were secured in the first 150 days. All of this was accomplished with no outside financing.

"In spite of my being a very poor credit manager breakeven occurred within the first year.

"Today, I am selling into about 30 of the 50 states using distributors for the smaller retailers in the midatlantic states and the sunbelt regions. About one-third of my customers are conventional furniture stores with the balance being specialty waterbed retailers.

"There are many personal and professional rewards being in command of your own destiny but there are also the discouraging events of having clowns stiff you for several thousands of dollars. In order to grow, the entrepreneur must take risks, but to ship merchandise in good faith and then have what I feel are premeditated bankruptcies sure takes the wind out of your sails (sales), let alone the cash out of your wallet.

"The waterbed industry will do about \$2½-3 billion in 1985. It is no longer a fad. When I saw the results of my market research I could draw no other conclusion but that it was timely for me to use my accumulated experiences and go for it. One does not have to secure but a mere 1% of the market to be successful.

"I still help load trucks, handle customer service calls, watch the payables and train employees. I can only add that there are a tremendous number of rewarding opportunities in the nonglamorous "nut & bolt" and "brick and mortar" industries that made this country strong.

**'72** ROBERT A. CENTER, MBA '72, has been working with Arthur Young since he received his degree and is now the partner in charge of tax services. He began

on the firm's audit staff and, after one year, transferred to the tax department, where he worked for eight years. In the summer of '81, Bob helped to establish the Chicago

office entrepreneurial services group (ESG), which specializes in providing audit, tax, and business consulting services to privately-owned and emerging companies. Since its inception, the department has grown from 4 to over 70 professionals. Bob writes, "My Michigan education has been invaluable in helping me to assist privately-held companies and their owners as well as helping establish our ESG practice." Bob, who has been married for 12 years and has three children, says his wife left teaching to devote most of her time to their family, but that she has now started a business which has been operating for about a year and a half. He says, "I have been giving her a crash MBA program to keep up the fine U. of M. tradition."

JOHN E. CHRISTENSEN, MBA '72, is now vice president and treasurer for Global Marine, Inc. in Houston.

**'73** DAVID M. ZUCHOWSKI, BBA '73, has been promoted to market analyst in Aeroquip Corporation's aerospace division, Jackson, Michigan.

**'75** MARK F. BERTELSEN, MBA '75, has been named vice president of finance and strategic planning for ExecuCall Inc., Cincinnati, Ohio.

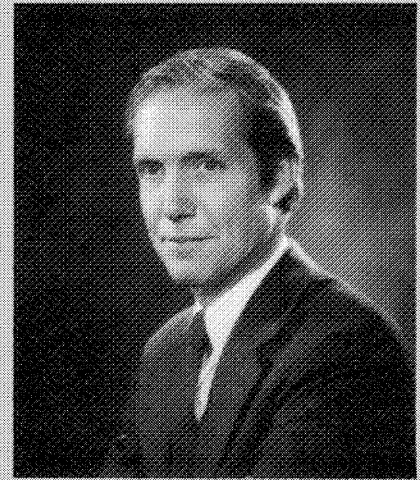
**'76** JOHN PFEIL, MBA '76, is now vice president of marketing with American MedCenters Inc., a recently-formed, Minneapolis-based management company for health maintenance organizations (HMOs). American MedCenters manages four HMOs in the midwest and plans to expand its expertise in developing and managing HMOs for multi-specialty group medical practices across the country. Before working for American MedCenters, John was vice president of marketing and sales for Yoplait USA. He asked us to send his greetings to Steve McCormack and Doug Shufelt, also MBAs '76.

GARRICK L. KWOK, MBA '76, left General Electric three years ago

## *Ronald E. Ferguson, MAS '65, is Now President and COO of General RE Corp.*

Ronald E. Ferguson, who received his Masters of Actuarial Science in 1965 from the School, has become president, COO and director of General RE Corporation. General RE Corporation is a holding company with subsidiaries operating in the fields of reinsurance, insurance, and insurance services. The domestic reinsurance subsidiaries comprise the largest reinsurance operation domiciled in the United States and one of the largest in the world. Companies of the Group operate from offices in 29 cities in the United States and Canada and from offices in 12 cities overseas.

Ferguson joined General Reinsurance Corporation in 1969 as an actuarial assistant and worked his way up through the company, becoming assistant vice president in 1972, vice president of the research/actuarial division in 1974 and of the management information division in 1975. In 1977 he became senior vice president, and in 1981 was appointed vice president and



group executive of General RE Corporation, the parent company of General Reinsurance Group. He became president, COO and director of General RE in 1983. He is a member of the American Academy of Actuaries; a fellow of the Casualty Actuarial Society and a founding member and past-president of Casualty Actuaries of New York. He also holds directorships in numerous Reinsurance corporations.

to join Software Connections, a start-up company in Silicon Valley that develops networking software for IBM personal computers. "At the time," Gary writes, "the only thing I knew about software was the one course I took at Michigan to get my MBA! In a small company, you have to wear a lot of different hats. Besides product marketing, I do public relations, customer support, sales — we *all* do sales. If we go public, the 65-hour weeks will be worth it. In any case, I don't think I could go back to working in a big company again." Gary's wife Cheryl Liang, who used to run the U. of M.'s Business Intern Program and the Public Service Intern

Program, now works at National Semiconductor as manager of professional employment. Gary says the pace in Silicon Valley is really hectic, but that he and his wife are really glad they moved out there.

**'77** CARL W. HENDRICKSON, MBA '77, is group vice president for Market Resource, an international research and strategic planning consulting firm with offices in Detroit and Los Angeles. He conducts survey research, direct marketing, and strategic planning projects for suppliers of consumer and industrial products and services. His primary areas of

emphasis have been financial institutions, health care firms, ad agencies, automotive manufacturers/suppliers, and retail stores, including mall developers.

**'78** Last January, TIM LITINAS, BBA '78, began working as assistant comptroller for Pargas, Inc. Pargas, which is based in Waldorf, Maryland, is a distributor of LP-gas and is owned by Reliance Group Holdings. Before this, Tim was division controller for Pulte Home Corporation.

ROBERT L. WELO, MBA '78, is a Major in the U.S. Army and has just finished a teaching tour as an assistant professor at West Point Military Academy. He says, "My Michigan MBA was excellent preparation for my responsibilities at West Point and in the Army, and I am very proud of all three."

**'80** The short and long-term outlook for housing starts, a pricing structure for lumber and plywood, diversification trends within the industry — these factors are important not only to people in the forest products industry but also to BEV GRIFFITH, BBA '80, The Northern Trust's sales representative to Pacific Northwest companies with average sales of \$50 million plus. In fact, Bev recently attended a two-day seminar in Seattle addressing these and other industry concerns. It's crucial to Bev's continued success that she have current knowledge of an industry that accounts for an important part of Bank business in the Northwest — and is the key element in the economy of the entire region. Such in-service learning is integral in Bev's job of maintaining and expanding customer accounts and establishing new ones with qualified prospects in aerospace and data processing as well as the forest products industry. To do business with these corporate giants one must be able to analyze complex financial data to determine credit worthiness and have an understanding of the Bank's services and products.

JOHN B. KUSHNER, MBA '80, is now information systems officer for Comerica, Inc., in Detroit.

ERMAN E. LEPLEY, JR., MBA '80, has been promoted to manager in the tax department of Price Waterhouse's Charlotte, North Carolina, office.

**'81** SUSAN N. LOOMANS, MBA '81, has joined the staff of the United Foundation in Detroit as associate director, capital fund division (CFD). In her new position, Susan assists in the day-to-day administration of CFD grant requests and allocations. CFD funds allow the United Fund to respond to the capital needs of Torch Drive agencies on a year-round basis. Funds for the CFD are raised for member and non-member agencies through periodic campaigns, conducted separately from the annual Torch Drive.

SETH D. MOLDOFF, MBA '81, has joined Citicorp Industrial Credit's Los Angeles office as a senior account officer. Citicorp provides financing for leveraged acquisitions and working capital needs to a wide range of businesses across the country. Another U of M alumnus, DAN HENNESSY, MBA '81, has been working for Citicorp's Chicago office for about a year. "He and I kept in contact," Seth tells us, "and when I decided to switch jobs I told him. Dan called the head of the Los Angeles office and arranged for me to call him. Three weeks later, I had a job offer. Keeping in touch with fellow U of M grads really pays off!"

AMERICO NESTI, MBA '81, has moved to Brazil and is working as director of business planning for Jurid do Brasil, a friction materials manufacturer of the Allied/Bendix automotive sector. He is responsible for long range planning and works with U.S. and German sister companies on several projects of technology transfer. After working for a year as financial analyst for the Bendix automotive center in Southfield, Americo moved to

Mexico City to join Bendix Mexicana as controller. He now lives in the city of Itu, and says that he would like to get in touch with other alumni in the Sao Paulo area.

**'82** After graduation, STEVEN H. CAMHI, BBA '82, worked as a sales representative for Pepsi-Cola Bottling Group in Romulus, Michigan. Last February, he was promoted to district manager in Kalamazoo, where he manages all aspects of the soft drink business, from developing promotions in chain supermarkets to supervising sales representatives. Steve's district will account for \$6 million in sales in 1985.

WADE A. SOUZA, MBA '82, is associate marketing manager on Smirnoff Vodka for R. J. Reynolds' Heublin Corp. As associate marketing manager, Wade reports to fellow Business School alumnus JIM HYNES, MBA '79, and is responsible for on-premise volume. After getting his MBA, Wade joined Cigna Corporation's health care and financial services group as an internal marketing consultant. There, he spent a year heading a group-wide strategy and operations study, which restructured and reoriented the corporation's group insurance division. Then Wade worked for 6 months as assistant to Cigna's CFO, developing a health care strategy which he spent a year implementing. Wade tells us that this development and implementation involved "identifying, acquiring, and expanding (as well as losing a few) small, leading edge health care companies. PC and marketing courses were especially valuable during this time. "However," Wade continues, "wanting to get a broader marketing background and more line exposure, I surprised all of my friends by not returning to Hawaii and staying in Hartford to take the job at Heublein." Wade is also a director of Laupahoehoe Corp., a privately-held Hawaiian company. He helps this company out with marketing, acquisitions and tourism and investment operations, and says

## Please Tell Us About Yourself

We would like to include more news about alumni in *Dividend*, and hope you will help us by providing us with information about yourself. We'd like to know where you are working, and other news about you, such as promotions, new business ventures, any business or academic honors, authorship of books or articles, or other information that would be of interest to alumni. If you would take the time to fill out the form below and send it to "Pringle Smith, Editor, *Dividend Magazine*, Graduate School of Business Administration, University of Michigan, Ann Arbor, Michigan 48109," we would very much appreciate it.

Name: \_\_\_\_\_ Degree(s) and Class Years: \_\_\_\_\_

Business Position: \_\_\_\_\_

Business Address: \_\_\_\_\_

Home Address: \_\_\_\_\_

Please write below some personal or business news about yourself that we can share with other alumni.

that it's also a great way to get back to Hawaii free. "And, last but not least," he writes, "I have finally admitted my true love for the winter and learned how to ski . . . only in the true Hawaiian style: 'lean back and go straight!'"

RANDAL D. ICE, MBA '82, has joined the faculty of the College of Business at Central State University, Edmond, Oklahoma.

GREGORY A. YOVAN, BBA '80, MBA '82, has been named investment officer for Manufacturers National Bank of Detroit.

**'83** HERBERT H. McDADE, MBA '83, has been promoted to vice president, corporate bond department, at Lehman Brothers in New York.

**'84** DUANE KUIZEMA, BBA '84, is serving with the U.S. Army in Europe. After being commissioned in April, 1984, Duane was assigned to the Army Air Defense School at Ft. Bliss, Texas, to attend his officer basic course. After OBC, he went on further temporary duty to attend airborne school at Ft. Benning, Georgia, where he was awarded his jump wings. Duane now serves with an air defense (luftabwehr) unit stationed at Ramstein, Germany. He is a Chapparal/Vulcan platoon leader, responsible for 30 soldiers and \$9.5 million worth of anti-aircraft weapon systems.

Since graduation, EDWARD COPPOLA, MBA '84, has been working for the Export-Import Bank of the United States. "Although my title is technically financial analyst," he writes, "my real duties are that of a claims officer. I process Bank Guarantee and Foreign Credit Insurance Association claims submitted by American Banks and exporters. The economic crises in Latin America and the resulting debt problems have given me the opportunity to travel to Mexico on several occasions to reconcile and reschedule private sector debt. Our recovery efforts will soon take me to South America. My job at Eximbank



has given me the opportunity to incorporate into my work many elements that would not be immediately available in a private sector job, e.g. my fluency in Spanish, travel, close contact with top management, and intensive exposure to international banking and trade finance. The comparatively lower salary is more than made up for by the interesting and challenging nature of my work.”

## Ph.D. Notes —

LOUIS W. PETRO, MBA '68, Ph.D. '74, was awarded a certificate of excellence from the Institute of Internal Auditors, Inc. for performance on the November 1984 Certified Internal Auditor Examination. Louis is the Dean of Lawrence Institute of Technology's School of Management in Southfield, Michigan, and is an adjunct professor of accounting at the Business School. He recently co-authored a study guide for the Manufacturing Engineering Certification Institute, and wrote the examination that the study guide is for.

WILLIAM G. BROWNE, Ph.D. '68, chairman of the department of marketing and finance at the Oregon State University College of Business, has been named associate dean of the college. He will be responsible for the Master of Business Administration program, research, and other internal academic activities. He joined the OSU business faculty in 1969, and is the author of some three dozen articles in professional journals and a number of monographs. An active member of the American Marketing Association, he is serving as vice president and president of the Oregon chapter. William was also president of the Western Marketing Educators' Association and the Northwest chapter of the Institute of Management Science.

THOMAS R. DYCKMAN, BBA '54, MBA '55, Ph.D. '62, has been named associate dean for academic affairs in the Graduate School of Management at Cornell University.

## 15th Annual Edition of "Careers and the MBA" features Jeanne De Amicis, MBA '82

“On the Job” is the theme of the 1985 edition of *Careers and the MBA*. In the lead article, entitled “MBAs on the Job,” eight recent MBA graduates from different schools provide advice and insight into the practical aspects of their jobs with hopes of giving the MBA an idea of what awaits them upon graduation, covering such topics as the work environment, initial assignments, and the skills necessary to succeed. One of the eight MBAs featured is Jeanne De Amicis, MBA '82, who is an assistant product manager in the Betty Crocker Division at General Mills. *Careers and the MBA* is published by Bob Adams Inc. of Boston, Mass. The editor of the 1985 edition was Nick Wayne Manzella, MBA '84.

In commenting on her job, Jeanne says, “No two days as a marketing assistant are ever the same. A brief description of what is involved in a typical day's work might be: defending the brand group's position while presenting a packaging change or a TV story board; pulling some performance numbers from the computer in preparation for an upper management visit to a sales region; beginning the development of merchandising materials and a sales brochure for the sales force; attending a product development meeting at the laboratory; and analyzing the success or failure of a consumer promotion program.

“Working as a marketing assistant, you also become familiar with the ‘key players’ in the company, and learn to work with other employees. Making a packaging change on a cereal, for example, is detailed work and requires working closely with staff groups under difficult time



Jeanne De Amicis during her days as an MBA student.

pressures. In the process of supervising a packaging change, I became familiar with what physically needs to be done to get a package changed — from the plant and production process to package artwork. In working with legal advisors on a package change, one also becomes familiar with what can or cannot be said and how a change must be documented.

“The challenge of the marketing assistant position is to master the executional tasks as rapidly and efficiently as possible so that more time can be devoted to longer-range and broader-scope business issues. The key to mastering these executional tasks is focus and organization. Once this is accomplished, typically after a year, the next step is to be promoted to the position of assistant product manager.”

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**To: All Alumni**

**From: The Class of 1985**

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