

Dividend



"Go Blue" for the i
Sunrunner — Page 2

Dear Alumni and Friends,

Since I last wrote you, an exciting new summer program has been inaugurated here which has sent nine of our business students to Poland to help that country in its transition to capitalism. The members of the Michigan Business Assistance Corps (MBA Corps) are now in Poland after a one month intensive course in Polish culture and language given by the U-M's Center for Russian and East European Studies. Five of the nine received round trip air fare, a per diem stipend and a fellowship from the Business School. I have just heard that our good friend Sam Zell, chairman of the board of Equity Financial and Management Company, is joining us in a partnership to fund four of the five students we are supporting. Four others are paying all their own expenses. There were 86 applicants to take part in this new program.

An exciting student dimension is also being added to our innovative Global Leadership Program — the intensive, five week, multinational experience for senior executives which is designed to expand their global mindset, cross-cultural competency and global networking capability. The program, which was new last year, has now inaugurated five Fellowships for second year MBA students. The selected students will each be assigned to one team of executives as a staff associate, which will entail being with the program full-time, and will include trips to the Outward Bound school on Hurricane Island, Maine; Washington, D.C.; and one of four countries. The five senior executive teams will each go to either the USSR, India, China, or Brazil to conduct a country business assessment. As in the Polish program, we are in partnership to sponsor these student Fellows. Merck & Co., Inc. and Shiseido Company Ltd. are each sponsoring one Fellow, and the Business School and the Global Leadership Program are sponsoring the other three.

As I write this, I am getting ready to leave for Brussels, where I will be participating in a panel discussion about business education on both sides of the Atlantic. Participants will include William Braddick, director general of the European Foundation for Management Development, representing European MBA programs, and Hugh Stevenson, director of executive management, IBM Europe, representing global industry. I will be on the panel representing American MBA programs in my role as president of the American Assembly of Collegiate Schools of Business. Members of the European press will be attending that panel.

The next day, we will hold our first program for our European alumni. It will include a talk by C. K. Prahalad, professor of corporate strategy, on the race for competence building — a new form of competition. Gunter Dufey, professor of international business and finance, will talk about exchange rate volatility, the emergence of trading blocks and the implications of all this for corporate investments. I am looking forward to meeting and talking with our European alumni.

Sincerely,

Gilbert R. Whitaker, Jr.

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About the Cover

Members of the administrative team pose with the skeleton frame of the *Sunrunner* as it was taking shape in March. From left, they are Michael Lynch, second year MBA student; Jimmy Huang, first year MAcc student (who was the accountant on the project); first year MBA students Dave Propper; Rich Walkowski; Carel Allen; David Hills; Sean Robbins; senior LSA student Paul Stone; first year BBA student Peter Schwartzbach; graduate student in Natural Resources John Hensler; and second year MBA student Michael Blackman. The photo is by Gregory Fox. Also pictured on the cover is a model of the *Sunrunner*.

Dean:
Gilbert R. Whitaker, Jr.

Associate Deans:
Thomas C. Kinnear; Edwin L. Miller;
B. Joseph White; Anneke deBruyn Overseth,
Associate Dean for External Relations

Editor:
Pringle Smith

Designer:
Carol Ann Taylor
Marketing Communications

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"GO BLUE" for the *Sunrunner*

B-School and engineering students are cooperating to make sure that the U-M's Solar Car will win an 1,800 mile race.



Photo by Gregory Fox

Michael Lynch, MBA '90, director of the administrative branch of the Solar Car team, is pictured with Susan Fancy, undergraduate student in mechanical engineering, who is the manager of the Solar Car project.

The U of M has become the school to beat in GM SUNRAYCE USA, a solar-powered car race between 32 different vehicles representing 32 schools across North America, including universities from Puerto Rico and Canada.

The University of Michigan's car, entitled *Sunrunner*, is the result of a team effort between students at the engineering school and the business school, as well as graduate and undergraduate students from law, LS&A, journalism, and natural resources. About 120 students are involved in the largest student-managed project ever undertaken at The University of Michigan.

The budget for the Solar Car project was thought to be about \$440,000 when Michigan was selected by GM to be one of the participating teams based on design proposals submitted in March, 1989. However, Business School and other students active on the fundraising end have raised more than \$750,000 to date. No other school in the race has come close to matching that amount.

"Money counts," said Susan Fancy, an undergraduate student in mechanical engineering, who is the solar project manager. Because so much depends upon the efficiency of the solar cells, Fancy and her technical crew set their hearts on getting the very finest — like those that generate power for satellites, and the price tag for them was about \$200,000, the largest single expense.

Michael Lynch, second year MBA student, is the head of the Administrative branch of the team, which includes 20 Business School students and is responsible for fundraising, public relations, logistics, and treasury functions for the project. His committee will also coordinate all the daily activities such as meals, accommodations, and PR events in the cities along the 1,800-mile route. The race will take 972 days.

When the project began last summer, Lynch sought advice from fund-raising specialists. They painted a bleak picture. "Back in August, the fundraisers said we could never get the job done . . . that we didn't have enough time, considering that we wanted to have the funds raised by the end of the year," he explains.

Undaunted, he traveled to an automakers' convention in Traverse City that month and made about 30 contacts with people in the industry. Returning to school in the fall, he promptly organized Business School students into teams and assigned each team a certain geographical area.

Then the process of following up the contacts began. Most students made quick friends with secretaries and executive assistants all across America, and elaborate games of "telephone tag" began as students worked on getting in touch with executives who made the decisions. Hours of letter writing and visits to various corporations followed. Dave Hills, a first year MBA, says succinctly, "The only reason we've been successful is because we've been persistent."

The car's motor is approximately the size of a coffee

can. Once moving at an average speed of 45 m.p.h., it will run on 1500 watts, the equivalent of a hairdryer. With so little power to spare, the car's body must be light, aerodynamic, and stable, yet at the same time shaped to give maximum surface area, so solar cells can pick up indirect sunlight.

The car is approximately 20 feet long, six feet wide, and four feet high. It is constructed of a sandwich-type composite shell over a lightweight aluminum frame and weighs 400 pounds without the driver. Almost every inch of its upper surface is covered with solar cells — about 17,000 of them. "The design is really a very obvious thing for a solar car, but nobody seems to have tried it," says Fancy.

The U-M's solar car differs from other race entries in two major ways, Fancy continued. "It will have 30 percent more surface area for solar cells, and in addition, will not require as much bright sunlight. You should pray for clouds," she added, "because we'll clobber everyone."

The goal of all this work is to win the Australian World Solar Challenge, a 1,600 mile race for solar-powered cars from Darwin to Adelaide in November, 1990. But first you have to win the 1,800 mile qualifying race, which begins July 9 at the GM World of Motion pavilion in Lake Buena Vista, Florida, and finishes July 18 at the GM Tech Center in Warren, Michigan.

Each day, the cars will race from 9 a.m. to 6:30 p.m. The team that covers the course in the shortest amount of time, without breaking speed laws, will win the race. The top three finishers will be flown to Australia, compliments of GM, to compete in the World Solar Challenge Race against cars sponsored by universities and corporations from all over the world.

Six drivers and six crew members have been chosen for the race. The drivers may have to withstand temperatures approaching 85 degrees in the car's cockpit, and will take three to four-hour shifts. Crew members, meanwhile, will monitor the car's performance from two vehicles traveling with it. Meteorologists will provide half-hour weather forecasts, enabling students to determine the most energy-efficient speeds based on cloud cover and energy stored in the car's batteries. With the help of microprocessors and other technology, the car will constantly make decisions about how much energy to store and how much to use for power.

No detail is trivial. Students working on the project are highly aware of another team's failure two years ago, when one of the cars in the race across the Australian continent was doing fine until rain began to fall. The glue that joined the solar cells together happened to be water soluble, and it dissolved. The cells peeled in flakes, and the car, so painstakingly designed, stopped in its tracks.

GM's Sunraycer car won the World Solar Challenge in 1987, and the company conceived of Sunrayce USA as a project combining education in theory and a practical hands-on test in new technologies for student engineers.

Each of the 32 student teams got \$5,000 from GM and \$2,000 from the Department of Energy. The rest of the money must come from the students' own efforts.

Says Susan Fancy, "There's no question in my mind that if we didn't have Business School students working on fundraising we would either have one tenth the money we have raised, or it would have taken the rest of us ten times as long to raise the money."

"It isn't easy to convince a major corporation to donate upwards of \$75,000 to a project that you're describing with words and some artists' drawings, not to mention that other schools are trying to grab the same funds that you are," said one of the students.

According to members of the fundraising team, one of the most important things is "positioning the project" specifically for each prospective sponsor. The total sponsor list now numbers nearly 100.

The budget for the Solar Car project was thought to be about \$440,000 when Michigan was selected. However, Business School and other students active on the fundraising end have raised more than \$750,000.

For example, IBM will be filming a commercial tied to the use of their computer equipment by the race route survey team. During the race, this computer will use real time input, such as battery state-of-charge, cloud cover, time of day, and road grades to develop an optimum speed for the vehicle.

Howard Delivery Services donated a custom designed tractor trailer for the *Sunrunner*, and is sponsoring an in-house contest among its drivers. Winners will be able to drive the truck during various segments of the race.

Brian Hildreth, a first year MBA student who worked to secure the donation of the Howard Delivery vehicle, also took the initiative to get involved with the Howard engineers in designing the customized interior of the vehicle, which will be the only one of its kind connected with the race.

"It was rewarding to see the relationship develop from just being a liaison to actually getting involved with the end product," commented Hildreth, who also helped with the installation of the hardware on the trailer, which sat proudly outside the autolab on North Campus until it came time to drive the *Sunrunner* to the starting gate.

Sunrunner will also have the names and logos of some of its major sponsors on the body of the vehicle.

Another job the Administrative Team tackled included finding accommodations for the crew during the race. Paul Stone, a third year economics undergraduate, worked with alumni to find housing for the team.

Other corporate sponsors include ASC, which offered the computer-aided design time and built the clay models needed for preliminary testing; DuPont Automotive, which provided the composites; Triad, which helped fabricate the frame; and Domino's Pizza, which is producing a video of the project. U of M alumni have kicked in \$200,000 — enough to buy the best quality solar cells; and Jacobson's Clothing Stores have also provided cash.

While the Administrative Team has a lot to be proud of, they say the most satisfaction has come from the interactions between Business and Engineering students. Many of the Administrative Team members have helped in the production of the shell of the vehicle. They also helped the Solar Array Group with cleaning the solar cells — all 17,000 of them. "It was tedious work," said one student, "but spirits were high and conversation was lively as we sat side-by-side at the long table and scraped/acetoned the cells." Some of the members who helped out cleaning cells were at work by 8 a.m. and didn't leave until midnight.

"We've basically got a small corporation to build a car," said Frank Stagg, a junior engineering student. "One telephone, one computer, and a lot of hard work." Students work out of a basement office lined with charts and handwritten notes, and a one-room lab that seems always to smell of pizza.

The students published a newsletter as the project continued. Entitled "Solar Express" it gave news of the progress of the car and the many teams involved in building it, as well as reports from the Administrative side, which gave the news about new sponsors, and detailed the many corporations who have given support, either with "in kind" donations or in cash.

Project manager Fancy says she has benefited from the different perspectives and managerial styles that the B-school students bring. "They think of things that I never would," she says, "like maintaining such strong relationships with the sponsors. I feel lucky that some of their styles are beginning to rub off on me."

"This project is the first to demonstrate on such a large scale how positive the interactions between the different departments can be," said Hills. And Lynch notes that he's proud of the numbers on the balance sheet, but "the neatest thing is getting business and engineering people to work together and have it work so well. It's real-life stuff."

(Dividend would like to thank John Hensler, graduate student at the School of Natural Resources and a member of the Administrative Team, for his substantial help in the preparation of this article.)

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High Leverage and Stock Market Pressures on Management

The Annual Forum of the J. Ira Harris Center for the Study of Corporate Finance



J. Ira Harris, partner at Lazard Freres, who founded the J. Ira Harris Center for the Study of Corporate Finance.



Nell Minow, general counsel, Institutional Shareholder Services, Inc.



Harry DeAngelo, Director of the Harris Center.



Robert Mercer, former CEO, Goodyear Tire and Rubber Company

As headlines chronicle the fall of major investment firms, turmoil in the junk bond markets, and financial problems for highly leveraged buyouts, the J. Ira Harris Center for the Study of Corporate Finance convened its annual forum to discuss the ramifications of these events on corporate management.

Among the eight panelists were two top executives whose firms went through leveraged buyouts. On the following pages, they reflect on the implications of their LBO experiences — one positive and one negative. They are John C. Morley, President and CEO of Reliance Electric Company, and Robert Siefert, former president of Fruehauf Corporation.

Panelists from the academic side included Michael C. Jensen, Edsel Bryant Ford Professor of Business Administration at Harvard, who is a leading corporate finance theorist and a strong advocate of the benefits of high leverage and stock market pressures on management; and Lawrence Summers, Nathaniel Ropes Professor of Political Economy at Harvard, who is a nationally recognized expert on public policy issues and is known for sharp criticisms of LBOs in stock market efficiency.

Two representatives from large, publicly held firms that have felt high leverage and stock market pressures to varying degrees were Allan Gilmour, MBA '59, executive vice president of Ford Motor Company; and Robert Mercer, former CEO of Goodyear Tire and Rubber Company.

Representatives of the stockholder constituency on the panel included G. Bennett Stewart III, senior partner at Stern Stewart & Co., who is an advisor to management on corporate restructuring, compensation arrangements and other methods of generating value for stockholders; and Nell Minow, general counsel of Institutional Shareholder Services, Inc., who advises institutional investors on matters of corporate governance.

Also on the panel was J. Ira Harris, partner at Lazard Freres who founded the J. Ira Harris Center for the Study of Corporate Finance. The forum was moderated by Harry DeAngelo, Director of the Harris Center and Professor of Finance at the Michigan Business School.

The goal of the Harris Center is to stimulate productive interaction between Financial experts from industry and Wall Street and the faculty and students of the Michigan Business School. Such interaction ideally entails a substantial exchange of ideas between the academic and financial communities. This forum is one example of such interchange. The entire three-hour panel discussion will be published in the summer issue of the Continental Bank Journal of Corporate Finance.



G. Bennett Stewart II senior partner, Stern Stewart & Co.



Michael C. Jensen, Harvard Business School



Lawrence Summers, Harvard University



Allan D. Gilmour, executive vice president, Ford Motor Company

Photographs by Gregory Fox

THE LEVERAGED BUYOUT -

One That Worked

By John C. Morley
President and CEO, Reliance Electric Company

While I approach this topic from the successful side of the LBO experience, the story of Reliance Electric is continuing. I would like to establish our financial and operating progress and then cover what we call the lessons learned — the things we did to improve the prospects for success in a high risk environment.



The Reliance leveraged buy-out from Exxon was engineered in the fall of 1986, with \$1.19 billion of bridge financing. In April 1987, permanent financing was put in place with the placement of \$650 million of senior term, variable rate bank debt, \$450 million of subordinated debt including \$200 million of zero coupon bonds, \$120 million of preferred stock, and \$10 million of common stock.

In the intervening three years, sales have increased 30 percent — from \$1.1 billion to just over \$1.4 billion; earnings before interest and taxes have more than tripled and total borrowings have been reduced by a net of \$606 million — roughly a 48 percent reduction since the outset of the LBO. We have been profitable each year, and in the high yield market, our securities have generally sold at premiums.

At the same time, investment in technology and new product introductions have been increased, employment in our continuing business has increased, and we have gained market share in each of our principal product lines.

How did we get here from there? I can identify six factors that were critical in our experience.

First, we forecasted conservatively. We did not base our financial justification on significant volume increases, nor on aggressively optimistic economic scenarios. In fact, financial projections were based on an average annual sales growth of only a little over four percent. This tactic reinforced that the price paid for Reliance was supportable and laid the groundwork for developing credibility with financial investors, rating agencies, and investor prospects.

Second, we built financial flexibility into the capital structure. We sought out and achieved a blend of variable rate bank debt, fixed rate bonds, zero coupon bonds, preferred stock, and permanent equity. This structure allowed us the flexibility to continue to invest in the business and be opportunistic with our asset sale program, thus avoiding the need for a "fire sale" program to meet debt service requirements.

Third, we set clear and straightforward goals. Cash is king in a leveraged environment and our main goal was cash generation. An LBO is an extremely complex undertaking, particularly in our case since we had not been an independent company for seven years. We had to struggle not only with the considerations inherent with high leverage, but also with the issue of renewed independence. We felt it imperative to establish and articulate simple and clear commercial and financial goals.

Fourth, we communicated. The success of our enterprise was achieved through the broad input of our workforce of 13,000 people. That input could not have been provided without a broad and clear understanding of where we were going. We invested substantial time and effort to fashion the message and take our goals and objectives to each employee, follow up on a scheduled basis to chart our progress, and fine-tune the objectives.

The fifth lesson, maximizing incentives, deserves special emphasis. Direct management investment, equal to 20% of company ownership, was pushed down through the top one hundred managers, including plant and sales management. In addition, we implemented a cash management award program, involving over 800 managers, which tied progressively larger cash bonus payments to the achievement of cash generation trigger points. Five such trigger points of \$80 million each were achieved in '87 and '88 resulting in the payment of \$5 million in awards.

Through our World Class Operations Program of connected production process techniques our employees at every level have come to know that they make a difference as individuals and their ideas will be heard and acted upon. Their creativity, initiative, and brain power are the catalysts to our competitive success.

Our incentive system has been broadened even further this year as every participant in the company's savings and investment program will now have the opportunity to build a common stock ownership position in Reliance Electric.

The final lesson related to anticipating the crossover from an almost single-minded focus on debt reduction to a more balanced strategy of business growth with continued attention to debt management. As we rationalized our debt level through cash generation, the recapture of pension overfunding, sales of miscellaneous assets, and the sale of Toledo Scale, we recognized the need to begin working on the crossover from debt reduction to longer term business considerations such as growth in the size and profitability of our company. That process is now underway as we are balancing our fixation on debt reduction with the ramping-up of capital expenditures, technology initiatives, and new business activities.

These are the six lessons we learned over the course of the last three years. However, there is nothing like two other key factors — good timing and good luck.

...And One That Didn't

By Robert G. Siefert

Former Chief Executive Officer, Fruehauf Corporation

I represent a company that successfully defeated a raider, and formed an LBO that was not successful, and I would like to go into some of the details.

In 1986, Fruehauf was the major trailer manufacturer in the world and its major subsidiary was Kelsey Hayes, which was a profitable, component supplier to the automotive industry. Sales were about \$2.6 billion, and profits after taxes were about \$71 million.

In 1986, Asher Edelman approached management with a plan to increase shareholder value. This was strongly resisted because it was felt that any plan Edelman came up with would mean the selling off of all parts of the company, and management at this time wanted to keep the core businesses which were the trailer operations and Kelsey Hayes.

At the same time, Fruehauf management was being relentlessly pursued by a New York Investment house to form an LBO. Both the New York investment house and the lead commercial bank at that time wanted this Fruehauf LBO because it was one of the largest LBOs available and it was the first one they would have participated in. Each wanted to enhance its reputation as an LBO dealmaker, and also the fees were very, very attractive to both operations.

The LBO was formed with 70 management participants and Merrill Lynch. After negotiations and court actions, Edelman decided to stop bidding and the Fruehauf company was sold to the LBO but at a very, very high price.

During the first two years after the LBO there were a lot of divestitures of non-core businesses, but we had fallen very short of meeting our goals in the trailer business. But in the third year of the LBO there was implementation of significant action. Excess plant capacity was closed, branches were closed, more emphasis was put on after-market sales and service, and there was significant reduction of management and staff. The future business opportunities and projections looked good, but the company could not continue with the burden of the huge debt, so there was a proposal for recapitalization.

However, during the recapitalization presentation to the bondholders, a Canadian company came in and offered to better any proposal that management would offer to the bondholders and preferred shareholders.



Therefore, there was no way at that point to obtain capital restructuring, so it was decided to put the company up for sale to get maximum value for the shareholders.

Now I'd like to make a couple of comments about the LBO. I consider that the LBO was very risky because of the cyclical nature of the trailer and automotive business.

Everyone had over-estimated the value of the real estate, the divisions to be sold, and the future profitability considering the changes occurring within the trailer industry. Everyone had also underestimated the potential cost of unfunded liabilities and environmental problems.

Certainly, emotions played a dominant role in pushing the price of the stock up too high. As a result, the huge debt was not manageable.

The initial LBO when it was formed placed severe deterrents on corporate flexibility which gave us a lot of problems in the future in how to restructure the company, and also how to sell the company off.

It also took longer to sell the assets and divisions than was anticipated. With the problems inherited, the optimistic prices could not be realized, and then there were the past liability problems which included unfunded pension plans, retiree health costs, and environmental problems.

I've discussed an LBO and a raid that could only happen if money was easily raised in a high-yield market. Obviously that market is depressed now and it's highly unlikely that large leveraged buy-outs similar to the Fruehauf operation will occur in the immediate future, nor will corporate raiders, as we've discussed, have access to the vast amounts of money for raiding. There are opportunities that still exist, however, but obviously money lending institutions will be more conservative and only support businesses with good business prospects and long term potential. Money is available. There is a demand for good people to make operations successful.

All in all, I think the Fruehauf LBO was marginal because the debt was too high, but fortunately we didn't go into bankruptcy. We were able to sell off the trailer operations, and sell off Kelsey Hayes operations so that the shareholders didn't take too much of a loss.

NOTES FROM THE REAL WORLD

Students in an information systems class get a chance to apply the concepts they learn to practical problems proposed by real companies.

Students in Dennis Severance's class in information systems have helped a cruise ship keep track of casino revenues; enabled football coaches to track and store information about recruiting candidates; and consulted with Jackson State Prison officials on information systems. They have also worked with companies such as AT & T, Ford, Whirlpool, and Owens Corning on the use of computers and information systems as they relate to specific business problems defined by the companies.

Each semester, Severance writes to about 50 organizations in and out of Michigan offering his students' services. "I want to complement the lectures and readings in the class with practical application of these concepts to realistic problems drawn from real companies," he ex-

plains. His letter asks the companies to write one page descriptions of business problems for which more access to information would be helpful. He asks them to describe the situation, the nature of the choices they face, and the way in which they imagine a computer might provide assistance. They are also asked to identify the senior manager within the organization who will participate as the consulting "client" for the project.

The class is then divided into about a dozen small groups of three to five students each, and the student teams choose projects that interest them. The teams

The MBA student team confers with James Hoffman, Director of Information Services at Avon Products, who came to Ann Arbor for the meeting. Pictured left to right are Kelly Cooper; Mr. Hoffman; Victoria Johnson; Ron Scott; and Jeffrey Strong. (Photo by Gregory Fox)



meet with company officials; discuss the problem in more detail; and then prepare proposals with specific details about how they plan to tackle the problem.

For example, Gordon Food Service wants marketing ideas to differentiate their nineteen customer service centers, which provide a high level of service to institutional customers, from the new large club stores that provide cut rate, bulk items to the public. They are a \$650 million privately-held food service distributor headquartered in Grand Rapids. The company has been recognized as one of the innovators in its industry because of its sophistication in physical distribution systems as well as its sales and marketing approaches.

Brenda Jones, first year MBA student who is working with GFS, describes the first meeting with the company. "Our team drove to Grand Rapids and met with people from management information systems, sales, project management and finance. We started with open-ended questions — What are your problems? What issues should we be concerned with? We found out that they plan to open up new stores in the next three years, and want to make sure they're going in the right direction. They want to know more about their customer base.

Company representatives told the students they wanted answers to questions such as: How can we better track and predict the purchasing habits of our target audiences? How can we pinpoint our marketing and advertising to the specific audience most likely to respond to our products and services? How can we collect necessary information from stores without setting up clerical burdens?

Severance tells his students, "You shouldn't be looking for a computing problem. You should be looking for the business problem that makes the computing necessary."

Along with the "real world projects" such as the one they are doing for GFS, students debate case situations in class that present strategic, technological and management problems. And Severance, who is Arthur Andersen Professor of Computer and Information Systems, also invites high level information services officers to come to class, talk to the students, and help them exercise their problem solving skills.

It was a class discussion with an executive from Chrysler that helped the GFS team articulate one of their recommendations. Nick Simonds, the Executive Director of

Management Information Systems at Chrysler, talked about technology that connected all their dealers by satellite. The technology was expensive, he said, but the company went ahead with it because information is so important to competitive strategy. He added that they were now realizing benefits beyond their wildest dreams.

After that discussion, the team began to think seriously about a recommendation that GFS install "point of purchase cash registers" which can read and store information-packed bar codes. "Those scanning devices capture extensive marketing information," said one of the students. "If GFS installs this technology, they won't have to depend on guesswork or intuition about their customers, and they won't have to depend on groups like ours. The research information we are giving them, they will be able to get for themselves."

That particular project was only one of three proposed by James Sieber, Chief Financial Officer for GFS, because he sees enormous benefits working with Severance's students. "We've been very impressed with the calibre of students we work with," he says. "They are mature and represent a good mix of ages and backgrounds. For each project, we've had a general idea of what we want to accomplish, but they have helped us define our objectives more accurately. This program gives us the chance to invite people in with the time and capability to analyze something we haven't had the time to do. And we really feel we're getting a service. We're not just providing a teaching opportunity."

Sieber also believes the students offer advantages over professional consultants. "It's a great alternative to hiring a consultant who may very well not have the energy that these students have shown, or the focus. We feel comfortable with them. We like the fact that they're expected to give us concrete answers in a reasonable amount of time."

In class, the work is tough and often directly applicable to the outside projects. "You have to be ready," says one student. "You have to know the underlying issues — what's important. You have to be able to sift through the information and discard the unnecessary parts and get to the central facts. This is so important in business."

Severance agrees that this is at the heart of what the course teaches. "I tell the students that when the people at a company explain what they want, you shouldn't be looking for a computing problem, you should be looking for the business problem that makes the computing necessary." Because Severance pushes his students to use their business knowledge to take a more sophisticated view of problems, he believes they bring a special perspective, vocabulary, and talent to these projects that you couldn't get from a student in another, strictly computer-oriented discipline.

All this makes the course high pressure and time consuming — "more like a job than a class" in the words of one student. One difficult task is simply coordinating the schedules of group members. Adapting a project to a

tight schedule is both a benefit and a major challenge, says first year MAcc student Scott Gedris, whose group is working on a project to develop an information system for top executives. "After each class," he explains, "our group sets up the next meeting. We constantly have to review our progress because we have a tight time budget to work with, and it's very tough organizing five people's schedules. Sometimes we practically have to have a meeting just to decide when to have the next meeting."

**"Everything about this course is
teaching me to apply textbook
principles of corporate strategy to
real life."**

Reactions from the students indicate that the inconveniences are worth the effort. "Everything about this course is training me to apply textbook principles of corporate strategy to real life," says one student. "The first day of class, Professor Severance told us this would be a highly challenging course. Some people dropped out. I stayed in for exactly the reasons they dropped out."

Another company working with the students is Avon Products, a large direct selling organization that wants a computerized information system that can fill orders, prepare invoices and communicate electronically with customers, buyers and suppliers all over the world.

It is a job that goes beyond computers, according to second year MBA student Ronald Scott, one of the team that is working on the Avon project. "To implement an information system, you must decide if the system is right for the company," he says. "To do that, you have to understand strategic issues and concepts."

During a meeting with the Avon executives in New York, the student team picked up important information about how Avon operates. "They're very large scale," says first year MBA student Victoria Johnson. "They have

inventory and information to track all over the U.S., Europe, Asia, and South America. They also change product campaigns every two weeks. That means that every two weeks they offer specialty items that number in the hundreds. They like to keep inventory low, and they have to keep supplies coming in, so they have to predict product demand all the time. Electronic Data Interchange (EDI) could cut their information exchange time from days to seconds."

Figuring out which EDI system would be best for Avon is one of the goals of the student team. They are collecting information on what pitfalls to avoid in implementing EDI. They also want to identify specific applications for EDI at Avon, using one or two situations for an initial test, and they want to come up with a cost/benefit analysis.

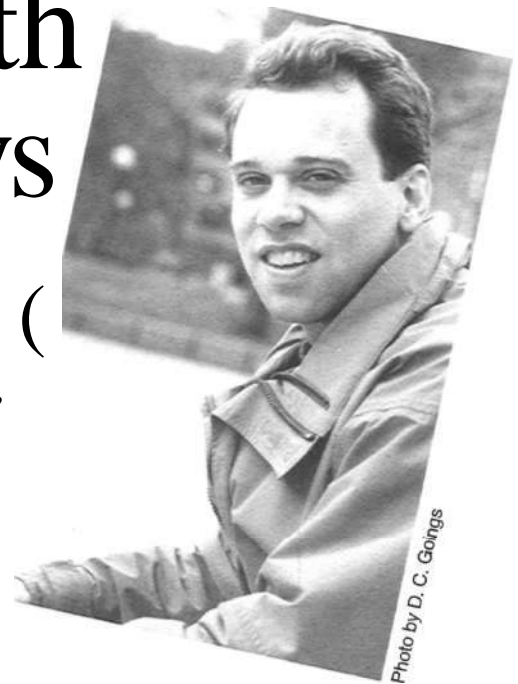
For one semester, the students actually become consultants, working with company staff, researching, performing computer analyses, and presenting their results and recommendations in both written and oral presentations.

The course tests students' communication skills as much as their computing skills and business insight, because the course culminates in a presentation to both the class and the company. "In most classes," says one student, "you write a paper and never see it again or get much reaction to it. Here, we get a chance to present our research to knowledgeable people and the company as well as to people in our class who may not be familiar with the research we've been doing. We're getting practical experience with how these types of presentations are received."

Claudio Spiguel, director of research information systems for the Upjohn Company, who has worked with Severance's students for several years, says, "Students at the Business School have excellent communication skills. For them, having to do a business presentation in the industry environment is great experience. This course presents an exciting opportunity both for industry and for academia. Students have a chance to work in the real world, and industry has a chance to get in touch with bright people who will be coming out into the business world in a year or two."

Managing Growth in More Ways Than One (

*Rob Beckelheimer, MBA '90,
learned a lot about growth during his
summer internship at a fast growing
Italian florists' cooperative*



By Laura Richardson, MBA '90

When second year MBA student Robert Beckelheimer spent last summer working for one of the largest florists' cooperatives in Italy, he drew on his six years' experience as a real estate analyst. "Both the small real estate company I worked for in the U.S. and the florists' cooperative had grown rapidly and were experiencing difficulties changing from their 'entrepreneurial' period to their 'established' period," Rob explains.

"I worked for Toscaflora, a flower growers' cooperative located near Florence in the province of Tuscany," says Rob. "It was founded in the late 1970s with less than ten members, but by 1989 membership had increased to over 200 producers, with potential for even more growth."

Each member paid a small initial fee to join the cooperative, which then transported and marketed their flowers, as well as providing technical assistance and supplies to each member. The cooperative retained about 7% of the revenue generated from flower sales and returned the rest to the producers.

When Rob came to work for Toscaflora, management wanted to do a thorough assessment of the organization's strengths and weaknesses before allowing any further expansion. They began by sending a detailed survey to all members. Rob's task was to analyze the results and make recommendations for change.

"There was very little structure in the organization and few set policies for the employees," says Rob. "There were no standard policies for employee vacations or sick leave; the internal accounting system was sketchy; and they really didn't know which of their products were most profitable.

"The director of the co-op preferred a loose structure, which had worked well in the past. But with the rapid growth, it was becoming obvious that he would have to institute more formal policies.

"In addition," says Rob, "they needed to track their costs more exactly. While all producers were charged the same percentage of sales to cover operating expenses, not all actually cost the cooperative the same amount. Some flowers, generally expensive varieties, were more difficult to cultivate. Some producers were trying to grow in sophistication and improve their capability to produce the more upscale flowers. Both these groups needed more technical assistance from the co-op than those producers content with growing the standard varieties." Rob concluded, and managers of Toscaflora agreed, that a more equitable allocation of production costs was in order.

"The summer was a tremendous educational experience for me," says Rob. "I learned that even though the structure and goals of the co-op appeared to be different from those of a corporation, the management skills required are essentially the same."

Along with the wealth of knowledge he gained about the European flower business, Rob also says he developed some skills relevant to his career in international business. "I realized that tolerance, patience, self-reliance, creative ways of communicating, and the ability to see beyond cultural stereotypes are more important skills for an international career than all the knowledge I could gain from an expert on international trade," he says.

ENTREPRENEURSHIP

What is it? Can it be taught?

Four winners of the Zell-Lurie Fellowship for Teaching Entrepreneurship discuss these and other issues with Sam Zell, who co-founded the Fellowship.

Editor's Note: The \$25,000 Award and Fellowship for the Teaching of Entrepreneurship was established in 1985 by Sam Zell and his partner Robert Lurie to create interest and foster teaching approaches which would lead individuals to be entrepreneurial regardless of their career area. A panel discussion among the four winners of the Fellowship and Sam Zell himself was presented this year during the series for alumni called "Saturday Morning at the Business School." Below we bring you the highlights from that program.

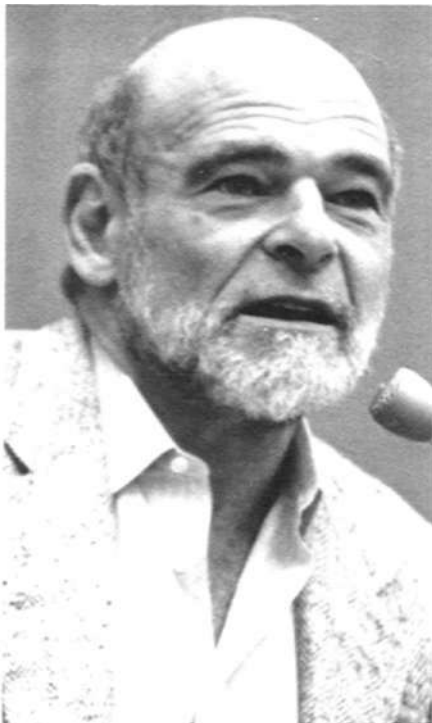


Photo by Dean Russell

Sam Zell — If it ain't fun, don't do it.

Make No Little Plans

Samuel Zell is founder, principal and chairman of the board of Equity Financial and Management Company, a Chicago-based nationwide real estate organization; chairman, president and CEO of Great American Management and Investment, Inc.; and chairman of the board of Iteq Corporation, a Chicago-based transportation equipment leasing company.

Ive or six years ago my partner Bob Lurie and I began to think about how we might contribute to the evolution and development of the U of M Business School. We focused on entrepreneurship because we view ourselves as entrepreneurs and had a lot of experience observ-

ing people coming into the business world. And what we saw we didn't like. We saw MBAs who knew how to do the numbers but didn't know what they meant. We found a great lack of humility and a great shortage of risk-taking and creativity, particularly in the people we interviewed who were coming out of business schools — not just this one. So we tried to address the question, what could we do?

We came up with the idea of trying to develop a national prize for unique individuals who would take on the challenge of designing a course in entrepreneurship. We set little or no limits on what was or was not an acceptable definition of entrepreneurship.

The question is, how can we encourage the best and the brightest students to focus on the idea that testing their limits is not only pro-

ductive and contributory to society, but critical in terms of fully taking advantage of the talent that they have?

My partner Bob and I are somewhat unusual. Sometimes we think that one of our strongest assets is the fact that neither one of us has ever had a job. Certainly there are deficiencies in not having had that experience. On the other hand, being in that position gives extraordinary advantages because you aren't limited by other people's definition as to what is and is not acceptable.

About four years ago we took over a large, recently bankrupt company called Itel and we hired a guy to run it who had been a CFO of two large corporations. After about a year we talked with him about what it was like to work with us. He made some observations that I'd like to share with you today.

He said that in a corporation, and particularly a big corporation, the guy who rises to the top has usually become expert on what he *isn't* supposed to do, not necessarily an expert on what he *is* supposed to do. He succeeds in the corporate environment by successfully understanding what his limitations are rather than by challenging the current wisdom and the existing shibboleths.

The second thing he said was that our world was very different than the world he had come from. In that world they kill the messenger. The solution to a mistake is to fire the guy who made it. In our world, if you make a mistake it's much worse, because we make you fix it. So that if you find yourself in a scenario where you've made a misjudgment, you have to go in there, turn it upside down and try to figure out how to make it happen.

The other element that came out of that conversation was to me a basic premise of all business activity and frankly I think all business success. And that is simplicity.

Since we don't have any training and no one has ever told us exactly what to do, as we go along we

attempt to apply the most simple premises to conclusions. And by applying simple premises most of the time we find that that also amounts to the right conclusion.

It's absolutely amazing to us as we traverse the corporate world how many times the solution to everything is as complicated and as involved as it is. When in fact if people would just address the first question — "What's the objective?" and the second question — "What's the simplest and easiest way to get there?" oftentimes that effectively produces the best result.

Another characteristic that surprises us is that the world keeps trying to be right all the time. I've never been right all the time, and I'm supposed to be successful. And I keep wondering how it is that everybody else is so focused on this objective of being right all the time. Think about baseball. They pay some guy \$2 million a year to get a hit only one out of three times! So if we can be right seven or six or eight times out of ten, think about what that's worth. Yet when we look at the world we see people trying to be right *all* the time. We see the imple-

"fail" it's very difficult to resurrect yourself, but if you think "things just haven't worked out," you have a lot of other experiences in your life that also haven't worked out, so that you can turn around and say "I'll get myself up off the floor and start again."

I also think there is a very strong correlation between entrepreneurial talent and entrepreneurial execution and the word FUN. My partner Bob and I believe strongly that if it ain't fun, we don't do it. And every day in every way we address that issue because we realize the fact that when we're having fun we excel. When we're having fun we're creative. When we're having fun, we are productive, and certainly the mental set that relates to enjoying what you're doing, taking pride in it, testing your limits, and constantly measuring how well you can do, ultimately leads to success, leads to creativity, and leads to contribution to society.

There is a famous quote by a Chicago architect named Daniel Burnham who lived at the turn of the century. He is considered one of the great architects of the United States, and was responsible for the fact that

Entrepreneurs are by definition lonesome,
operate independently of conventional wisdom,
and spend most of their lives listening to other
people explain to them that they don't
understand."

mentation of analysis by paralysis, which operates on the thesis that one can never be wrong if one doesn't do anything.

I think I also have to talk about the word failure. I've felt that the true definition of an entrepreneur is one who really never has a failure — he only has a series of adventures that don't work out. That's a very, very important distinction. If you

Chicago, as opposed to the other Midwestern Great Lakes cities, preserved its lakefront. I often repeat this quote and I believe it very strongly. He said:

"Never forget: Make No Little Plans."

When you think about being an entrepreneur and testing your limits, a very critical element of that is Making No Little Plans.

Organizational Structure and Entrepreneurial Competence



Photo by Dean Russell

John E. Tropman — What systems encourage entrepreneurship?

John E. Tropman is professor of administration at the University of Michigan School of Social Work and was the 1986 Zell-Lurie winner. His course focused on the structure of entrepreneurial systems and how such systems may be created and maintained for maximum success. He is co-author of a new book, entitled "Entrepreneurial Systems for the 1990s: Their Creation, Structure & Management," published by Quorum Books. Since he moderated the panel, he did not make a presentation, but Dividend asked him to share some of his thoughts for this article.

Three components commonly thought to be important to entrepreneurship — starting a small business; being highly individualistic; and making lots of money, are not necessarily accurate when analyzed closely.

While some small businesses are the result of entrepreneurial activity, lots of small businesses are simply that — small, and conventional

as well. They do not have the element of innovation necessary for entrepreneurship.

The idea of the individual is also prominent in entrepreneurship, but there are many cases where teams of individuals made the complete package — like Hewlett and Packard, Rolls and Royce, Gilbert and Sullivan, and of course, Zell and Lurie.

And while many entrepreneurs are interested in making money, many lose more than they make, and make it again. This pattern suggests that, in many cases, financial reward is a useful byproduct to the psychic income received in the process of seeing one's own idea brought to fruition.

Another approach to entrepreneurship is therefore needed. I propose to consider entrepreneurship as the development and implementation of new ideas, wherever this process occurs. That is the perspective that I sought to develop in my book, *Entrepreneurial Systems for the 1990s*.

In looking at the literature, one might think that all that is needed to be a successful entrepreneur is the "right stuff" and a garage. So often the entrepreneur is pictured as isolated. In reality, groups are what is needed — idea developers, idea implementers, marketers, finance people, designers and the like. Indeed, the entrepreneurial system is best described by the Four C Theory — Characteristics, Competencies, Conditions, and Contexts.

Characteristics include the necessary personal characteristics that some people in the system must have — like risk tolerance, acceptance of ambiguity, and perseverance.

Competencies refer to the skills needed to implement ideas — like bargaining, coaching, and networking.

Conditions mean the organizational conditions — if a firm is hostile to new ideas, then nothing much will matter.

Finally, context — the region or area where the organization lives and the industry in which it exists —

makes a difference. Some newer industries accept and encourage innovation. Other older industries often reject new ideas and approaches.

Successful, sustained entrepreneurship must involve all four of these Cs working in synchrony. Firms that wish to be more innovative should consider ways to pay attention to them all. One way to do this would be to have a 4C conference, where teams are assigned to each of the Cs, and an organizational assay is completed. Then, based upon the 4C analysis, the organization seeks to strengthen weak Cs, or adjust to them (as in the case of Context) and develop coordination among them.

Americans have lots of ideas. It is one of our strengths and a product of our open system. Our next step is to develop the entrepreneurial conditions to harness the ideas.

Risk Taking and Responsibility

Carol F. Moore is now senior staff research analyst for the Allstate Research and Planning Center in Menlo Park, California. Her current research and teaching interests include the recruitment, selection, and placement of entrepreneurial employees, and the role of entrepreneurial ventures in the career development cycle.

I was the first winner of the Zell-Lurie award in 1985. My course was entitled "Entrepreneurship: Risk Taking and Responsibility." I came from a background of industrial organizational psychology. My prior research had been in motivation — particularly in goal setting, and how that affected people's performance.

Entrepreneurs have several different personal characteristics that they seem to exhibit in common and the simplest way I thought of studying entrepreneurship would be to look at those traits and to help potential

entrepreneurs attain them.

Traditional research has found these traits related to entrepreneurship: creativity; tolerance for ambiguity — functioning well in an unstructured situation; high internal locus of control — believing that you in fact are in control of your situation; risk taking; and self-esteem.

To help students understand what these characteristics are all about I had them do extensive reading in both the psychological and business literature. More importantly in terms of having a very simple approach to the problem, I also tried to get students to experience their reaction to and their level of each of the characteristics I just mentioned. For example, one day students walked into the classroom to find a pile of paper clips and a stack of paper. They were given one instruction. Make something. The students happily set to work and came up with a variety of creative things that you can do with pieces of paper and paper clips. They were then asked to make something according to a very specific set of directions. Their response to that activity helped them understand what their tolerance for ambiguity was. Are you more corn-

fortable when you have instructions on how to do something? Or do you prefer to use your creativity and make whatever you want to?

Goal setting was also an important part of the class that I taught. Entrepreneurs have a vision toward which they are striving. In order to help students define their visions, I had them write their own obituaries. They started out by saying what they wanted to have accomplished at the end of their lives, both personally and professionally. They then were asked to write out goals — six month, one year, five year, ten year, and twenty year goals, that would help them to achieve what they had mentioned as being important to them in their obituary.

I also had all the students complete a battery of tests and matched them with students not in my entrepreneurship class who completed the same battery of tests. I will be doing follow up research next year — five years after the students have graduated — to see what characteristics emerge as being more important, both when people are students and when they go on to found their own companies. I'll be looking at what kinds of companies have been founded, and what other kinds of entrepreneurial characteristics people are exhibiting in their workday lives.

NHRRMHMHMHMH

How to Succeed at Failing

Jack V. Matson is associate professor of civil and environmental engineering at the University of Houston where his courses involve applied innovation and entrepreneurship for engineers. His research is in the area of industrial waste treatment. He holds two patents. One, involving an innovative water treatment chemical, was recently licensed to Monsanto. He is now working on a book entitled, "Failure 101 — How to Succeed at Failing," integrating the techniques he used at the Business School to stimulate creativity.



Photo by Dean Russell

Jack Matson — Every failure contains some partial truth.

I'm Jack Matson. I taught Failure 101.

Sam says that in his world when you make a mistake you have to fix it. In my world when you make a mistake you're rewarded for it. That may seem strange, but basically students, like many of us, have phobias against failure, and one of the biggest problems in the risk equation is getting people to understand that you're playing the odds.

My strategy was to reverse the equation, and give the best grade to the students who failed the worst. That may sound crazy, but it's a paradoxical technique. What I found it did was to reduce the resistance to creativity. Students can be a lot more creative if they have the whole flexibility of failing, and as a matter of fact they get real creative at failing. Some students will say, "Well, I won't do anything. And that's certainly failure, but students who *try* to fail will do much worse



Photo by Dean Russell

Carol Moore — How does goal setting affect performance?

than that and get a much better grade."

One of the first things that I do is to give popsicle sticks and I say design and construct the worst possible consumer product. They're bright kids. They come back with hamster hotdogs.

I've changed everything in the classroom. Good is booing — bad is cheering. We listen to the boo ratio to see how well they're doing. Then I send them out to South University to actually sell these miserable products. The objective is to get rejected and to maximize rejection. If someone actually wants to buy your product my advice to the student is to either raise the price or run.

Anyway, they quickly start to understand that failure is no big deal and that you wake up the next day and go on from there.

One concept we used in the class was intelligent fast failure as opposed to stupid slow failure. Since students only had 14 weeks they needed to fail quickly, but also they needed to fail intelligently. So they had to put as much intellectual component into what they were trying to do as possible. That way they would learn maximally when they failed.

Another concept was that in every failure or mistake is some partial truth and you try to build on those partial truths, so you get enough revelation to know what to do and how to proceed.

Another idea I worked on was called fast history. That was basically that if you come up with something good it won't be good for long because competitors will come in, or the technology will move on. You've got to be always bubbling over with good ideas, so that when something collapses you have a cushion there to work out of.

I look at my course as a seed planting operation, where later on in life my former students will have an opportunity and they'll go out there and know that failure is just a reality and a part of life and something that you learn from and go on.

Thinking Like an Entrepreneur



Photo by Dean Russell

Fred Keisner — How to think like an entrepreneur.

As the 1989 Zell-Lurie winner, Fred Keisner is teaching the course on entrepreneurship this academic year. He is an associate professor of management at the College of Business, Loyola Marymount University. He is also a business management specialist for the U. S. Small Business Administration, responsible for the Small Business Institute consulting program at 14 universities in Southern California. He is the national president of the Association for Private Enterprise Education.

When I got out of Northwestern with an MBA and went to work for the AT & T group, I rapidly found out I was not made for large companies. So I began to work myself down into smaller firms. I eventually got into the import-export business and was really having fun. On the side, I started teaching courses on how to start your own business.

Then at the age of 33 I had a mas-

sive heart attack as a result of a five month dock strike in the import-export business. That's a real failure let me tell you. And I learned some lessons from that. One of the things I had to do was change my life — I couldn't be in business any more.

So I thought what do I really enjoy? And the answer was teaching. I got into the career of teaching almost 16 years ago.

My major concern is that students don't believe in themselves. We teach our students to be fantastic technicians. One kid came to talk to me — he's an engineering grad now in the MBA program. And he said, "I'm going to drop your class." I said OK. He said, "You're driving me crazy. You haven't given me one graph or set of numbers or anything like that!"

I want to teach my students how to think like an entrepreneur. I start out the first day saying, "The day you come into this class, whenever you see something wrong, I don't allow you any more to say why don't THEY do something about this. You are They. If you don't like something, then come up with an idea to change it. Start thinking in terms that you have control over the world. That you can cause things to happen. That you can make changes." And I think I'm getting to them a little bit to help them think that way. I hope so.

The thrust of my course is to have students do a business plan and actually start a business — one that they may take on after the course is over. The final exam is a panel before which they must present their business plan to get funding as if the panel were composed of venture capitalists. And if the panel does not pass it, they don't pass the course.

I consider the Zell-Lurie award a fantastic opportunity. We get so tied up in the business world and the academic world that we don't have time to sit back and do what we'd really like to do. If I hadn't won the award I would have been a winner anyway because it stimulated me to think about how I want to teach.

Questions and Answers on Ego Repair and Delegation

∇ I'd like to ask the panel to consider two things — the first is failure and ego repair. We talk about not being afraid to fail, but having failed a number of times, I've found my biggest problem is repairing the damaged ego — getting up the nerve to start again. I think that's a very important thing. When you're 18 or 19 or 20 and in school the risks are not real, it's easy to talk about failure and not be afraid, but when you're grown up and you're out on your own and you get beat up by the big boys, it's hard to pick yourself up and bounce back.

The second issue is about delegating. How does the entrepreneur know when to delegate? And when to let go? All too often, we hang on. We don't have enough confidence in the people that we hire to delegate to them, because we're afraid somehow that they're going to be better than us at what we do. The trick is not to have that fear, and that's an issue I think that has to be addressed.

A Zell — I believe that there are gradations of entrepreneurial talent just as there are gradations in failure. The true entrepreneur — call it the cream of the crop of the entrepreneur — has one single characteristic that is the biggest element in his success, and that is absolute faith in his own judgment. It could be called cocky, it could be called blind, and variations in between. But when you talk about ego repair I think ultimately that the true entrepreneur has built a shell around himself — because more than likely he's *always* been different — he's *always* never been part of the mainstream. And by the time he gets to the point where he's really in business, he's had 20 years or more of experiencing the loneliness of conviction that isn't shared by others. So I think that the ego repair element is probably not a major issue, because the entrepreneur's greatest protection has been his abil-

ity to ignore others' criticism.

On the issue of delegation I will tell you that from our experience, the true entrepreneur, because he has such self confidence, does not fear others doing better than he. He tends to surround himself with superior rather than inferior people and is willing to accept a level of performance from others that is less than he knows he could do by himself. For example, he may operate at 100 miles an hour and the guy he's hiring and delegating to can only operate at 80 miles an hour. He also recognizes that in most cases the major element of success is in the creation of the event, not necessarily the execution of the event. If he's truly created a superior product the level of execution in order for it to succeed does not require the same level of intensity as did the actual creation of the product.

We've also found from our own experience, despite what I've just said, that oftentimes there are people out there who are better at running things than we are. They have much greater ability to deal with detail and are more organized — I think there may be some inverse relationship between organization and creativity. So I think from an entrepreneurial point of view the key ingredient is to be willing to take the risk of letting someone else execute what you have created.

∇ Could you give a formal definition of entrepreneurship?

A Jack Matson — "The perfect entrepreneur is one who'll risk everything in the marketplace to be what he is. Entrepreneurship is for the soul. You're putting what's inside out there in the marketplace. What an artist does on a canvas the entrepreneur does in the marketplace."

Comment from the audience: I'd like to point out the difference between the entrepreneur and a promoter. The promoter may do all this originating and everything else, but he doesn't

risk any of his own capital. An entrepreneur is risking capital. He's taking the risk of making or losing it.

Zell — Entrepreneurs are committed to testing their limits. The entrepreneur truly has to believe that unless he is the lead dog the scenery never changes. It's lonely. It's walking your own path. It's believing and being committed to who you are and what you are with both your soul and your capital. My partner and I are in a position today where we have enormous opportunity to do transactions where we are not required to put up any money — institutions are willing to provide 100% of capital if we will undertake a venture. We have never done that. We have always put up our own money because that to us is the true test of our own beliefs. If you've got to sign the check you know your plan, and if money comes from somebody else, you're operating in a totally different environment. Entrepreneurs are by definition lonesome, operate independently of conventional wisdom, and spend most of their lives listening to other people explain to them that they don't understand.

∇ (To Zell) In your career the strongest base and direction has been your ability to evaluate downside risk. Would you discuss that in more detail?

A Zell — Everything we do, everything we've ever done has been focused on identifying and understanding what the bottom line risk is and addressing that first and solely. It always can get better, and we're going to be able to live with that. What we find frankly is that an enormous number of the people we compete against are all focused on how good it's going to get. But the real issue is what is the downside risk, what is the exit strategy, how much risk am I taking when I enter the transaction — not how much money can I make if it works.



DOLLARS FOR SCHOLARS

Scholarship "Pairs" Enjoy

The second annual Scholarship Dinner provided a festive occasion for donors and students to meet each other. Scholarship winners in many cases have a chance to meet "their" donors and to thank them personally, and donors are delighted to get to know the students who are receiving their support. Here are some of the scholarship "pairs" who were able to attend the dinner.

1 The new GTE scholarship winners are pictured with John Kennedy (left), and Sally Kennedy (third from left) representing GTE. These scholarships reflect GTE's commitment to encouraging more minority students to pursue graduate studies and careers in business. The students are Patricia Brown-May, a first year MBA student who is concentrating in computer information systems, and Brian Hopson (far right), senior BBA student who majored in marketing.

2 Robert C. and Joan Emde chat with Paul A. Roberts (center), recipient of the Ernst & Young Scholarship. Paul is a graduating student in the MAcc program, and worked last summer as a tax department intern in accounting, and the summer before that as an audit department intern.

3 Jack and Sue Marlotte (left), representing the 3M Foundation, meet Melanie Ezell and Leon Walker, winners of the new scholarships funded by the 3M Foundation. Melanie is a first year BBA student and Leon is in the final term of the BBA program.

4 Tracey West (left) and Pete Amstutz of NCR Corporation meet Rodney Haynes, first year MBA student who is the recipient of the 1989-90 NCR minority scholarship. Rodney has a degree from Northwestern University in industrial engineering and management science, and plans to use his business and industrial engineering backing in the areas of product planning and marketing.



Photos by Gregory Fox

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5 Constance Dimond (left) and Paul Dimond (right) meet Kimberley Higgwe, first year MBA student who was selected as the first recipient of the Stanley E. Dimond Scholarship, established in honor of Stanley E. Dimond, distinguished Emeritus Professor of Education and alumnus of The University of Michigan. The scholarship runs for a term of four years and will support non-resident minority students. It is funded through a combination of memorial gifts, and contributions from Ronald N. Weiser, McKinley Associates. Kimberley has a BBA degree in accounting from the University of Houston, and has worked as a staff auditor for Coopers & Lybrand and as a relationship associate/credit analyst for Citicorp North America, Inc.

6 Frank T Westover, BBA '61, MBA '62 (left), represents the Doris B. and Frank O. Westover Scholarship which he established in memory of his father and mother. He is talking with Joel Schwartz, second year MBA student who holds the scholarship. Joel is concentrating in finance and real estate. He is a CPA, who worked for Plante & Moran, first as an audit supervisor and then as a senior management consultant in the Planning and Operations Group, before coming to the Business School.

7 Peter Frane (left) and Janet Frane (right) meet Sue Ryntz, 2nd year MBA student who is one of the recipients of the Robert E. Frane Memorial Scholarship, established in 1989 by the Frane family in memory of Robert E. Frane, MBA '56, who died in 1984. Sue Ryntz has a degree from Michigan State in material science engineering and worked for General Motors as a materials engineer before entering the Business School.

8 Phillip Briggs, MBA '66 (center), congratulates Edgar Vela (left) and Donald Mullins, winners of the Exxon Corporation Fellowships which provide support to minority students. Edgar has a BS in industrial and operations support from the U-M, and worked for General Dynamics in facilities engineering in Egypt. Donald has a BS in computer information systems from Jacksonville University in Florida, and worked as a clinical research statistician for several years at Johnson & Johnson — Vistakon, Inc.

9 Delle Zur Schmiede, MBA '80 (center), a director at General Motors who is representing the GM contributions to the Consortium for Graduate Study in Management, is pictured with two winners of Consortium fellowships. They are Monica Guillory (left) first year MBA student who is concentrating in marketing and organizational behavior and Juan Mendez. Monica is a graduate of Stanford University and worked for First Investors Corporation as a registered representative and as a commercial account underwriter for Raymond A. DuFour Co., Inc., in Washington, D.C. Juan is also a first year MBA student who graduated from the University of Texas with a BBA, and worked as a senior accountant at Deloitte Haskins & Sells and as vice president and treasurer of a Dallas Insurance firm before coming to the Business School. The Consortium, a special alliance of nine graduate business schools, has programs designed to bring more minority individuals into graduate education in business, and provides scholarship funding (through corporate sponsors) to minority candidates.

10 Betty Bonisteel Johnson, one of the donors to the Wilbur K. Pierpont Scholarship Fund, chats with second year MBA student Theodore Wydeven who is a recipient of a Pierpont Scholarship. This fund was established in 1986 to honor Wilbur K. Pierpont, MBA '38, Ph.D. '42, a distinguished educator and administrator who has given 36 years of dedicated service to the University of Michigan, both as vice president and CFO, and as a professor of accounting. It was funded with an initial gift from the Herrick Foundation, and subsequent contributions from various corporations, alumni, and friends of the School, as well as from Dr. Pierpont himself.

11 Professor Emeritus Paul McCracken is pictured with Lisa Waldner, the first recipient of the Paul W. McCracken Scholarship, which was established in his honor by the Sara Lee Corporation. Lisa, a second year MBA student, graduated from the U-M with a BA in economics with highest distinction. Before entering the MBA program, she worked for Arthur Andersen & Co. as a tax assistant and for Citibank, N.A. as a senior auditor.

12 Professor Emeritus and Mrs. C. James Pilcher meet Elworth Williams, winner of the C. James Pilcher Scholarship which was established to honor Professor Pilcher, who retired in 1987 after 40 years. The scholarship is funded by many of his former students, and recognizes the fact that he has been teacher, friend, and mentor to thousands of students over his long career. Elworth is a first year MBA student, who holds a BA in business economics from the University of Pittsburgh, and is concentrating in finance and marketing.

Separating Vision from Wishful Thinking

or, There's No Such Thing as
a Free Lunch

by Roy S. Roberts
Vice President and General Manager
Navistar International Transportation Corporation

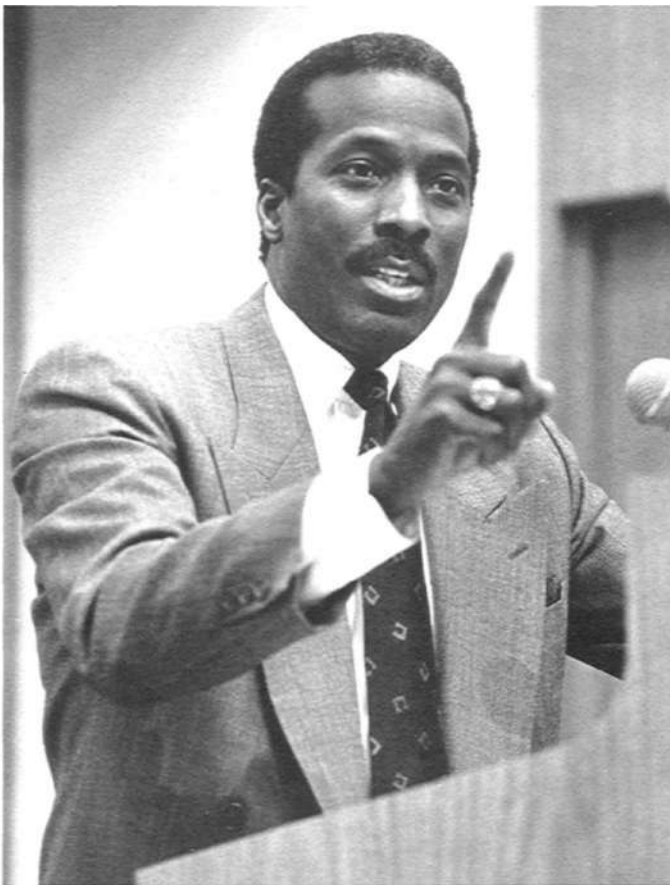


Photo by Gregory Fox

When I think about my personal successes I often think about the many, many people who have gone before me, paving the way. And Dr. Martin Luther King stands out as the second most important trailblazer for me . . . right behind my father. If you know me, you realize where that places Dr. King in my heart and mind.

While we still mourn the tragic and senseless loss of this nation's most powerful African American leader, we take heart that he was with us at a crucial time in our history.

Dr. King's unfinished agenda is our agenda for today . . . and your legacy as tomorrow's leaders.

Barbara Lylles, professor of human development and personality at Howard University said it best: "Let's get on with the business of achievement . . . achievement, education, and growth are what count."

She believes as I do, in living in the solution, not the problem. The solution for the unfinished agenda is achievement. And like she said, achievement in this country is a business. To be successful in the business of achievement, like any business, you have to know and play by the rules.

Roy S. Roberts, currently General Manufacturing Manager for Cadillac Motor Car Division of General Motors, who gave the Martin Luther King Day address at the Business School.

The first, and only, rule is simple: "There's no such thing as a free lunch." That is not a very noble lofty ideal. In fact, it is brutally frank. You cannot earn a return without an investment.

The biggest and best investment we can make to fulfill the "dream" for all of us is *education*.

It is what separates vision from wishful thinking. What turns challenges into opportunities. What transforms the underprivileged into achievers.

Government and industry can and will open doors. But youth must boldly step through those doors and do something — as well as be something — on the other side.

Every ending is really just a beginning. Every accomplishment, every job well done simply leads to another. There is no top of the mountain. Education is not an end. It is a means to a better quality of life for each of us, and for those who are still without.

Dr. King knew from the start that militancy is not enough to make it come true. He knew, as you and I know, that bringing the dream to life takes action. It takes participation, not just anticipation. It takes marching in the mainstream, not just on Main street.

We are making progress.

**"It has been estimated that
productivity losses caused by
poorly educated workers and
the need to retrain such workers
cost American business
\$25 billion a year."**

We have seen a 52% increase in the number of Black managers, professionals, technicians, and government officials. More than one-third of all African Americans now earn more than \$35,000 per year.

Thanks to people like Herman Cain, who orchestrated the leveraged buyout of Godfather's Pizza, we own the restaurants that used to turn us away.

Thanks to people like Nathan Stampley in Milwaukee, we own the bus companies that used to seat us in the back.

We manage the department stores that rejected our patronage.

We are mayors of cities, and, now a governor, where once we couldn't vote.

Thanks to people like Reginald Lewis at TLC, Barnard McKinsey of Xerox, and Dave Bing at Bing Steel, we own and make decisions at corporations where

we once worked on the assembly lines.

That's progress . . . the kind of advancement that cannot be legislated or mandated.

The key is education. I have made it my personal challenge to move education to the top of my personal, social and corporate agenda. Because without education, we are finished . . . as a company, as a country.

Do you want the answer to why America is lagging in productivity; is burdened with record trade deficits and poor quality?

Look no further than record illiteracy, declining college enrollments and a shortage of qualified, educated workers. Today, three out of every four jobs require better than a high school education.

It doesn't take a crystal ball to see where that leaves the three out of five Black males who drop out of high school. It doesn't take Solomon to see where that leaves companies like Navistar, IBM, GM, Ford, Xerox, Coca Cola and this nation!

Quality education is not just a Black challenge. It is everybody's challenge. It is not a matter of principle, it is a matter of survival. Let me ask you: Haven't we worked hard enough to prove our first class status to refuse to inherit a second rate nation?

The chief economist of the American Society for Training and Development has estimated that productivity losses caused by poorly educated workers and the need to retrain such workers cost American business twenty-five billion dollars a year.

Here are some sobering findings from the Workforce 2000 Study, conducted by the Hudson Institute in 1987 for the Department of Labor:

— Native-born white males will make up only 15 percent of the new entrants into the labor force by the year 2000, compared to the traditional rate of more than 50 percent.

— Non-white will account for 29 percent of the new entrants into the workforce, compared to less than 15 percent in 1987.

— Almost two-thirds of the new entrants into the workforce will be women.

— Non-whites, immigrants, and women together will make up more than 83 percent of the new additions to the workforce, compared to 50 percent today.

Will it be possible for corporate America, or any other sector, to bring its membership in line with the changing complexion and gender of the population?

Consider these further sobering educational statistics from the Workforce 2000 study.

— American grade school and high school students now spend less than half as much classroom time on math and science as their counterparts in Japan.

— U.S. high schools have been graduating around 700,000 functional illiterates a year in the 1980s, and another 700,000 drop out each year!

— One out of four students in the ninth grade today will fail to graduate from high school.

— Yet, 90 percent of the Japanese people complete high school, making for a highly competitive and literate society.

— Further, at the university level, one-fifth to one-half of the total doctoral degrees in math, science, and engineering go to foreign students.

Think about it. When one-fourth of any country's high school students fail to graduate . . .

"American grade school and high school students now spend less than half as much classroom time on math and science as their counterparts in Japan."

When its university system becomes a training ground for other countries' brainpower while its own citizens decline in literacy and interest in math and the sciences . . .

Then that country does not shape up as the kind of horse you would expect to win the global sweepstakes for technological advances and higher standards of living.

It is time we start investing resources in education, recruiting, and training programs to develop the world class minds we must have to compete.

But programs alone won't get us the leaders of tomorrow. Today's teens, minority teens especially, need role models. They need mentors. I had them. We cannot survive in business without them.

My mentors taught me the ropes and the rules. And they promoted me.

They also showed me how fundamental ideas like teamwork and the value of people make a difference in the business world . . . that investments in moral and ethical codes are worth as much as investments in new plants.

Achievement is a lifelong process. After all, you don't win the race at the starting blocks. And how you run that race is as important as the outcome.

Achievement is not only possible but probable when one hand reaches out to another. When two minds become one. When people want together, and work together.

That was the power of Dr. King. The power to galvanize people for a common cause, to rally their energies and enthusiasm to achieve the possible.

We are all, as individuals, gifted, talented and successful. But we are so much more than that together. When we share our gifts, our talents, and our successes with others, we all benefit. We all prosper. We all take not just a step, but a giant leap forward towards our dream.

About the Author: Roy S. Roberts earned a business administration degree from Western Michigan University in 1969 and in 1982 completed the program for management development at Harvard Business School. At the time he delivered the address excerpted here, he was employed by Navistar International as vice president and general manager of truck operations, where he was responsible for engineering, manufacturing, quality and reliability, and sales and marketing of medium and heavy trucks. In April, 1990, he was named General Manufacturing Manager for Cadillac Motor Car Division of General Motors.

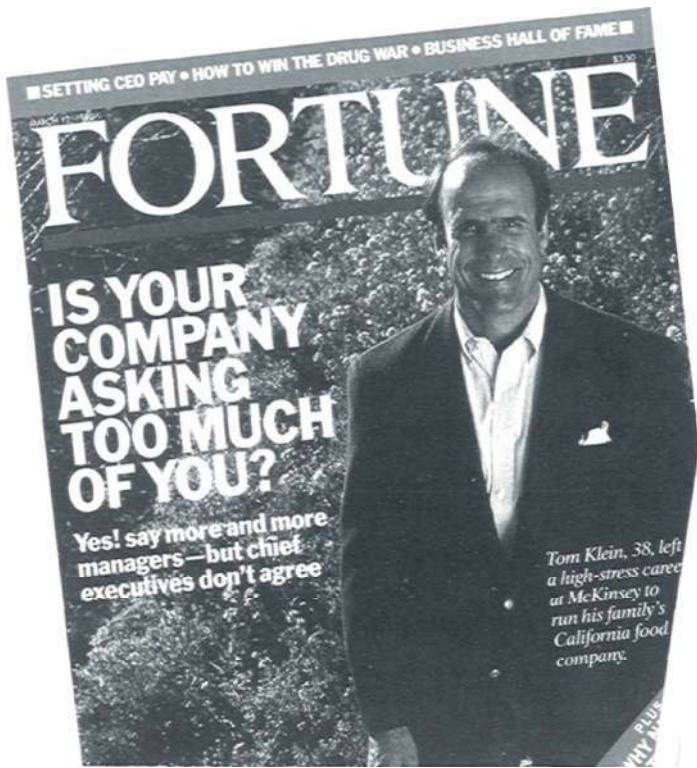
Michigan in the Media

The Learning Organization

What corporate America needs, said Walter Kiechel III in his column in the March 12 issue of *Fortune*, is a new model company that builds in the capacity to change. He calls it "the learning organization," and quotes Robert Quinn, associate professor of organizational behavior and industrial relations, as saying the notion of the learning organization could become "a very big conceptual catchall to help us make sense of a set of values and ideas we've been wrestling with, everything from customer service to corporate responsiveness and speed." Quinn is faculty director of the Business School's LEAD program, designed by the Business School's Executive Education Center in collaboration with

the Ford Motor Company to develop the leadership skills of Ford's global populations of 3,000 middle managers.

The *Fortune* article continues, "In Ford's LEAD program, designed to make the company's middle managers a bigger part of the cultural changes underway there, participants learn firsthand, sometimes acrimoniously, how territoriality gets in the way of change. In the course of the five day session that kicks off the program, managers are grouped by their functional specialties — manufacturing, finance, and so on — and asked to think about how their function works within the company, how others perceive it, and how it ought to work. But it's only when they discuss their conclusions with their colleagues from other functions that they really begin to find out how they're coming across: as quantjocks who only care about everybody else mak-



ing their numbers, for example, or as stick-in-the-muds who routinely reject new approaches. 'One group after another gets their brains beaten out,' reports Michigan professor Quinn, who helped design the program. At the end of the week, one of the things they talk about most is the importance of cross-functional learning.' Ford has a nice term for the process of getting people to think beyond their discipline: chimney-breaking."

Another Nudge

The cover story in the February 26 issue of *Business Week* focused on the collapse of Drexel Burnham Lambert, and quoted Paul McCracken, professor emeritus of business administration, as saying "this will be another nudge" among many pushing the overall economy into a slowdown.

More Pressure on American Companies

A March 7 story in the *New York Times* discussed the plan of "intensive cooperation" between Daimler-Benz and Mitsubishi, announced after a secret meeting between the two companies in Singapore. "American reaction to the announcement of talks between Daimler-Benz and Mitsubishi suggested that an alliance between the foreign giants would intensify the pressures on American companies to become more competitive," said the *Times*. The article went on to quote John Ettl, associate professor of operations management, 'It's definitely an important event with important implications. Clearly, this puts more pressure on the European agenda. Up to now, I think there has been a relaxed attitude

among American companies that the West Germans were reluctant to do joint ventures with the Japanese. This signifies a softening of that position."

What's It Like to Be an American Working for a Japanese Subsidiary?

American managers employed by subsidiaries of Japanese firms often feel less like insiders and more like hired guns, according to a research study co-sponsored by the University of Michigan Business School and Egon Zehnder International Ltd. *Industry Week* of March 19 summarized some of the findings of the study, which was directed by Vladimir Pucik, associate professor of international business. Collaborating with him were Dr. Mitsuyo Hanada of

the Center for National Management Studies in Tokyo, and George Fifield of Egon Zehnder International.

"While the executives were generally satisfied with their jobs . . . many cited diminished involvement in key decisions," said the article in *Industry Week*. "They complained about a 'lack of systematic sharing of strategic information, either through briefings by senior Japanese staff or by direct contact with the headquarters,' the study notes."

The magazine went on to say that another source of frustration of American managers was the tendency of many Japanese firms to tolerate — and even encourage — overlapping managerial jobs and "collective authority." Americans typically prefer distinct boundaries of responsibility and a clear delineation of authority. They want to know who's "in charge." (More about the study itself may be found on page 36.)

USTRYWEEK



Foreign Owned U.S. Corporations Pay Less Taxes to the U.S.

A front page story in the Feb. 18, 1990 *New York Times* discussed American subsidiaries of Japanese companies which are suspected of underpaying corporate income taxes by billions of dollars. The story said, "James E. Wheeler, a professor of accounting at the University of Michigan in Ann Arbor, who worked for the I.R.S. on sabbatical leave in 1986-87, said: 'On the average, foreign-owned U.S. corporations pay substantially less tax to the U.S.

Government than the American firms with which they compete.' They also report lower profits. 'The extremely low rate of return on the assets of U.S. companies owned by foreign corporations is astonishing and unbelievable,' Mr. Wheeler said. 'In my view, they are just trying to avoid U.S. income tax.'"

Collaboration: Just Another Form of Competition?

In a front page story on March 26, the *Wall Street Journal* explored the implications of cross-border alliances as a way to enter

new markets. It made the point that Japan views these ventures as another form of competition. "You learn everything you can from your Western partner while keeping as many of your own secrets to yourself."

The story continues: "Compared with their Asian partners and rivals, U.S. companies sometimes . . . fail to understand that collaboration is another form of competition. 'In an alliance, you have to learn skills of the partner, rather than just see it as a way to get a product to sell while avoiding a big investment,' says C. K. Prahalad, professor of business at the University of Michigan and an expert on global alliances.

'There's a lot of cultural arrogance at American and European firms — the not-invented-here syndrome,' says Professor Prahalad. 'But the value in these partnerships is learning what the other guy knows. That's why Japanese and Korean companies seem to get most of the benefits.'"

Automotive Alchemy

A *USA Today* article examined the Infiniti advertising strategy in the October 30, 1989 issue. It said, "The campaign aims to convince consumers that Infiniti has performed a kind of automotive alchemy, imbuing machines with the perfection, balance and harmony found in nature." It goes on, "To Rajeev Batra, a University of Michigan marketing professor, the danger for Infiniti is not the Japanese part of its message but in comparing the cars with nature. 'Being Japanese is definitely a plus with younger Americans,' he says, 'But people watching (the ads) must be expecting some kind of super car. Infiniti is setting an impossibly high standard for itself.'"

Japanese Car Born in the II:

Foreign makers are designing, engineering producing their automobiles in America.

At the Detroit Edison Co. in downtown Detroit, the names Honda, Nissan and Mitsubishi were as popular as Lee Iacocca as a Tokyo trade convention. Buying anything but American was viewed as a traitorous act within the Motor City company. So strong were anti-Japanese sentiments, in fact, that foreign cars were banned from the executive parking garage. No longer. In January Detroit, Editor, decided to open its parking garage to all or models. The only stipulation: they must be built in the U.S.A.

Riddle: when is a foreign car no: really a foreign car? Answer when it's built in America. And increasingly, foreign cars are not only being built in America, but conceived, designed and engineered here, too. In an effort to achieve vertical integration at their VS auto facilities, Japanese automakers are preparing to take some of their products from drawing board to driveway—all on VS soil. Xissan's Pathfinder and Pulsar XX models were styled in San Diego. Toyota's Previa, row in showrooms, was designed in Newport Beach, Calif. This fall Honda will unveil its new four-door Honda Accord station wagon—a model built from scratch in Marysville, Ohio. Analysts say the proliferation of Japanese "transplants" could mean bumpy roads ahead for the big three automakers—GM, Ford and Chrysler. It's not that the American auto industry is in danger of disappearing. Says Vladimir Pletch of the University of Michigan, school of business, "It's just that the owl . . . is . . . present."

Moving up is

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APRIL 16, 1990
A Hurry-Up Summit
TIME SMASH!
Colossal colliders are unlocking the secrets of the universe

No Room To
More workers
BETWEEN 1982 AND 1990
total work force of the
will grow by 29 percent

AGES 45 TO 54 in the
work force will increase by 48
percent.

When Company Founders Fail to Plan for Succession

Less than a third of all family-held companies are successfully passed down to the next generation, said the *Cleveland Plain Dealer* in a March 25 article on succession planning. The article goes on:

"The founder tends to feel invincible," said George Seidel, a professor of business law at the University of Michigan, which sponsors periodic seminars on succession.

"When I talk to these entrepreneurs, they don't talk about when I die, they say *if* die. It's a big problem."

"Seidel said family business owners also tend to look at their oldest child as the person who will take

over, when in fact one of the younger children may be more qualified. 'Too often these families adopt a medieval system of handing it over to the oldest child,' he said."

The One-Shot Seller

In a commentary by Howard Gleckman on the proposed capital gains tax, published in *Business Week* in March, Joel M. Slemrod, professor of business economics and public policy, and director of the Office of Tax Policy Research at the Business School, was mentioned as follows: "Economist Joel M. Slemrod of the University of Michigan looked at tax returns from 1981 through 1984 and found that more than half of all capital gains were claimed by investors who took profits in each of the four years. The one-shot seller realized only 10 percent of all gains."

Michigan and Rotterdam Get High B School Rankings



In its March 19 issue, *U.S. News and World Report* published a special section about the best professional schools in America. The Michigan Business School tied for sixth place with Dartmouth College (Tuck) in the list of the top 25 Business Schools. It was the only public business school to appear in the top ten.

The magazine also listed the five top business-school departments in each of ten specialties. Michigan was ranked fourth in accounting; fourth in human resources; and fifth in marketing.

According to *U.S. News and World Report*, there are 700 graduate schools of business in the U.S. Their survey was restricted to institutions that enroll 200 or more full-time MBA candidates and are accredited by the American Assembly of Collegiate Schools of Business.

Key attributes the study considered included acceptance rates of students, placement success, graduation rates, instructional resources, research, and academic reputation.

The business of ranking schools is now beginning to be adopted in Europe. The *Financial Times* of London recently published a list of the "Top Ten" European business schools, as developed by Cox Communications, a Frankfurt-based marketing firm.

Ranked in first place was the Rotterdam School of Management, part of Erasmus University, with which the University of Michigan Business School has had a cooperative arrangement for more than 20 years. Members of our faculty have taught there while on leave, and in turn, members of their faculty have spent time in Ann Arbor.

According to the *Financial Times* article, "At Rotterdam . . . the new business informatics degree goes further than other courses in showing how information technology can help in decision-making. Developed with the University of Michigan, it leads to an MBI (Master of Business Informatics)." The Business Informatics program is an exchange program, both for students and faculty. Members of our faculty are teaching in the program, and we also have exchanged course and case materials.

This summer we are cooperating with Rotterdam School of Business in presenting an International Executive MBI program, which will be held in Ann Arbor. Seventeen Dutch executives will attend for six weeks. Michigan faculty will teach in the program, and in addition there will be guest lecturers from industries and visiting professors from cooperating universities.

The Michigan Business School also has a student exchange program with the Rotterdam School of Management at the MBA level. Six of our students spend one term there, and six of their students spend a term here.

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Kathy Hulik, Director of Media Relations at the Business School, spends a lot of her time on the telephone with reporters. Since she began work in December, 1987, coverage of the Business School in the national media has markedly increased. (Photo by D. C. Goings)

Corporate Raiders Are Trying Proxy Power

Time Magazine of April 16 discussed the proxy fight as a method of taking over a company. *Time* quotes Harry DeAngelo, director of the J. Ira Harris Center for the Study of Corporate Finance, as saying, "When you can't buy, you have to persuade and compromise." The article goes on to say that proxy fights can be effective as a way to replace management without saddling the company with takeover debt, adding that even if dissident shareholders lose the battle, they often win the war. Said *Time*, "In a 1989 study of 60 major proxy contests,

DeAngelo found that while managers prevailed against challengers 70% of the time, they had usually been booted out within three years of the fight."

"Asking Too Much?"

Another article in the March 12 issue of *Fortune*, entitled "Asking Too Much?," discussed restructuring, higher competition, higher workloads, and heavier demands on managers. "The vast restructurings underway at large companies have piled on the work for those who have kept their jobs," says the article, which was written by Brian O'Reilly. "Kim Cameron, a University of Michigan business professor who studied downsizings at 30 auto-related industrial companies in the upper Midwest, concludes that most restructurings are done badly, with little thought given to rebalancing the workload among the survivors. About two-thirds of the downsizings he studied were botched, he says: the wrong jobs were eliminated, or blanket offers of early retirement prompted invaluable managers to leave.

"When Cameron asked 2,000 managers at the companies about their workloads after layoffs, 47 percent of respondents said they were working 'a great deal' more than two years earlier. Says Cameron: 'There's a general approach of throwing a hand grenade at a bunch

of employees, and whoever survives has to do all the work there was before.' Worse, since the survivors often don't know how to do the departed's work, morale and productivity plummet." Cameron was also quoted in suggestions about how to turn down the heat. Workers are far less resentful of the added workload that often follows restructuring if they feel they had some say in what tasks they would inherit. "People will work hard if they have a choice," said Michigan professor Cameron. The auto companies he studied that failed to improve efficiency three years after layoffs had piled new duties on their managers and given them no choice. The managers' attitude was, "I'm working as fast as I can. I'm not going to spend more time making the company innovative."

Plant Investment Up Since Tax Reform Act

Professor Joel Slemrod also appeared in the March 12 issue of *U.S. News and World Report* in a story about the 1986 Tax Reform Act. The article quoted him as saying that instead of declining, investment in new plants and equipment rose from 11.8 percent of GNP in 1988 to 12.3 percent in 1989. Venture capital funds swelled in 1987 when capital gains began to be taxed at the same rate as ordinary income.

And despite the scaling back of individual retirement accounts, personal savings have rebounded from a spring, 1987 low of 1.8 percent of income to 5.7 percent last fall, the highest rate since 1984.

The Owners Will Be Different

Another front page story in the *Wall Street Journal* of Feb. 16, 1990 described how the American auto industry is changing hands in one of history's great transfers of industrial wealth and power from the U.S. to Japan. The story said: "There's no question that there will be a U.S. automobile industry," says Prof. Vladimir Pucik of the University of Michigan Business School, who is spending two years at Keio University in Tokyo. "It's just that the owners will be different." Pucik was also quoted along the same line of thought in the April 9, 1990 story in *Newsweek* in a story entitled "Japanese Cars: Born in the U.S.A."

Three Cheers for Our blunteers



The tenth anniversary meeting of the Development Advisory Board in March gave us an opportunity to celebrate some of our devoted volunteers who have worked for the Business School and the University of Michigan over many years and in many different roles. Our photographer was able to get pictures of many of them during the meeting held in March at the Business School.



1 Fred Ittner, MBA '53, of Ittner and Associates in Moraga, California, chats with Anneke Overseth, Associate Dean for External Relations, during a break in the meeting. He is a new member of the Development Advisory Board.

2 Jackson Smart, Jr., BBA '52, chairman and CEO of MSP Communications, Inc. of Chicago and a current member of the Development Advisory Board (left) confers with Candy Hawley (center) director of the Annual Fund, and Gary T. Walther, BSE '60, MBA '63, national chairman of the Business School Annual Fund, and a member of the Development Advisory Board.



3 Peter Thorp, left, vice president, Citicorp New York, spoke to the Development Advisory Board about corporate giving. He worked with the Business School in developing a summer internship with the corporation for faculty members which has proved to be highly successful. He is talking with Dean Gilbert R. Whitaker, Jr. during the coffee break. Citicorp/Citibank has been a generous donor to various Business School activities, including the Corporate Associates, the Harris Center Affiliates, Harris Center Research, Conference on Tax Reform, Business School Fund, and Faculty Research and Development.



4 Some "Partners in Excellence" are pictured here. They are participants in the new program introduced by the Business School to recognize supporters who are leadership contributors to the Annual Fund, the indispensable resource that the School relies on to support special projects as well as day-to-day student and faculty activities. Pictured left to right, the "Partners" are: Barnett Helzberg, Bonnie Reece, Ph.D. '82, and her husband, James Reece, professor of corporate strategy and operations management at the Business School; and Don and Betty Chisholm. Don, BBA '55, MBA '56, is president of Ann Arbor Associates and was a charter member of the Development Advisory Board.

5 Joe Roberson, assistant vice president for development at The University of Michigan (left), chats with Barnett E. Helzberg, Jr., BBA '56, current chairman of the Development Advisory Board. He is chairman of Helzberg Diamond Shops, Inc. in Kansas City, Mo.



Photos by Gregory Fox

6 After the Development Board meeting was over, the Trustees of the newly established Business School Growth Fund met. From left to right, they are Gary Walther, Bruce Zenkel, BBA '52; Mary Campbell, MBA '79; Robert M. Brown, BSE '63, president of Monroe Management Company in Kalamazoo and a member of the Development Advisory Board; and Joel Tauber, BBA '56, JD '59, MBA '63, president of Tauber Enterprises and a current member of the Development Advisory Board. Tauber also came to the school this spring to give a Dean's seminar for students. For more on what he told the students, see page 42.

7 Kenneth Eckerd, director of planned giving at the University of Michigan (left) discusses a point with James Bourquin, BSE '42, MSE '47, center, management consultant who is a former member of the Development Advisory Board, and John R. (Jack) Edman, BBA '50, MBA '51, chairman of General Motors Acceptance Corporation. Jack is a former member of the Development Advisory Board and was chairman of the Business School Building Campaign from 1982 to 1986. He is currently chairman of the Major Gifts Program for the University of Michigan and was active in The Campaign for Michigan.



8 Carleton Griffin, BBA '50, JD '53, MBA '53, professor of accounting and former chairman of the board of Touche Ross & Company (left), and Ray E. ("Buzz") Newton, Jr., MBA '59, of Newton and Company in Chicago. Both are current members of the Development Advisory Board.



9 David T. Shelby, BBA '62, MBA '64, left, president of ICM Industries, Inc. in Chicago and a current member of the Development Advisory Board is pictured with Bruce Zenkel, BBA '52, partner in Zenkel, Ruskin & Schoenfeld in New York, who is also a current member of the Development Advisory Board. Zenkel and his wife, Lois, have also established an endowed fund for faculty research and development at the Business School.



10 Arthur P. Bartholomew, Jr., MBA '40, consultant for Ernst & Young, goes over some of the material at the meeting. He was a charter member of the Development Advisory Board and was active in arranging for the Ernst & Young Professorship of Accounting at the Business School.



11 Mary Lincoln Campbell, MBA '79, partner in Enterprise Management of Ann Arbor, is a trustee of the new Business School Growth Fund.



12 Richard and Susan Rogel are pictured here with Peter De Vaux (right). Richard, BBA '70, is chairman of PPOM in Southfield. He and Peter are both members of the Development Advisory Board and are both participating in the Business School's new "Partners in Excellence" program. Peter, BBA '66, MBA '70, is executive vice president of Chiat/Day in Venice, California. He is also former chairman of the Alumni Society Board of Governors.

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.

Moskowitz Research Professorship Established in Business and Law

The Louis and Myrtle Moskowitz Research Professorship in Business and Law has been established to provide the cornerstone of a joint endeavor between the two schools to attract and retain outstanding faculty in the areas of law, economics and finance.

The professorship has been established with a pledge from the Republic National Bank of New York to honor chairman of the Executive Committee Louis Moskowitz, and in memory of his wife, Myrtle Moskowitz.

The professorship will assist a faculty member from the Law School and the School of Business Administration, on a rotating basis, by providing, as funds are available, a periodic one-semester leave from all teaching and administrative responsibilities at a crucial point in those individuals' research to allow them to bring their work to fruition. Holders of the professorship will be jointly chosen by the deans of the two schools.

"Important research projects must often be spread over a period of many years because teaching loads and academic responsibilities preclude periods of unfettered time and concentration in which to make important strides in one's research," said Gilbert R. Whitaker, Jr., Dean



Louis and Myrtle Moskowitz

of the Business School. "The Moskowitz Professorship will encourage scholarly investigations in areas of joint interest to law, economics and finance, and will further enhance the linkage between the School of Business Administration and the Law School."



John Psarouthakis

John Psarouthakis Manufacturing Management Professorship Established

The John Psarouthakis Research Professorship in Manufacturing Management has been established at the Business School by J.P. Industries Inc.

"This gift is in recognition of and to further enhance the level and achievement of quality at the U-M School of Business Administration," said John Psarouthakis, chairman and president of J.P. Industries, which is headquartered in Ann Arbor.

"A major element of the School's strategy to maintain a leadership position in the field of production and operations management will be to ensure our ability to attract and retain outstanding teachers/scholars," said Dean Gilbert R. Whitaker, Jr. "We are indebted to Dr. Psarouthakis and J.P. Industries for providing us with this opportunity to attract and retain key scholars in the critically important area of manufacturing management.

"A senior faculty member of the School will be named to the professorship. We anticipate that the individual will establish eminent standards for collaborative research among interested scholars throughout the University in the area of production and operations management."

How Much Money Does the U-M Spend in the Michigan Economy? A Lot.

Outside its primary role as one of the nation's foremost providers of quality education, The University of Michigan — as an employer and a consumer — operates as a strong force in the local and regional economy.

Almost one out of five people who works in Washtenaw County is employed by the U-M at its Ann Arbor campus. As of last October the U-M had 17,798 full-time employees and another 14,565 who worked part-time. The total number employed was 17.7 percent of the county's 178,300 employees.

The 1988-89 fiscal-year payroll for the Ann Arbor campus was \$687 million, or about 23 percent of the Washtenaw County private sector payroll of \$3.01 billion.

"The University purchasing activity for the fiscal year 1989 involving businesses in Washtenaw County included 1,841 vendors and 21,908 purchase orders. Estimated value of these purchase orders is \$106.3 million, and total paid invoices for fiscal year 1989 were \$57.6 million. The University wrote purchase orders for fiscal year 1989 totaling \$409 million with purchase orders written to Michigan vendors of \$315 million," said Peter M. Pellerito, U-M senior community relations officer.

In addition, the University's payments for public services in 1988-89 included: water and sewage payments, \$3.4 million; police services, \$361,269; capital improvements, \$42,403; and school board, \$192,560. The state appropriated an additional \$480,619 to the city of Ann Arbor to support the fire protection needs of the University.

Excluding the costs of U-M room and board, tuition, and books, the 36,003 students enrolled last year on the Ann Arbor campus spent \$43 to \$48 million in the area.

The University is a magnet, drawing people who live in other areas to Washtenaw County for a wide variety of University-sponsored cultural, recreational and educational services, according to Pellerito. The

visitors contribute to the area's economy.

For example, the University Musical Society holds some 50 concerts a year and approximately 30 percent of the 144,000 ticket holders attend from outside the county. The six home football games draw an average of 54,000 outside visitors apiece, or a total of 324,000 people per season.

Approximately 76 percent of U-M Hospitals' admissions last year came here from outside the county. This translates into 207,370 patient days per year. About two-thirds — 465,000 — of the Hospitals' outpatient visits were by out-of-county residents.

In 1987-88, nearly 37,500 people were drawn to Ann Arbor by the University's major continuing education programs, institutes, seminars and conferences. The number of people who attended these sessions and their sponsoring units: Extension Service, 11,958; Department of Postgraduate Medicine and Health Professions Education, 7,049; Institute for Continuing Legal Education, 12,783; Continuing Engineering Education, 1,300; and Division of Management Education, 4,355.

Although the exact amount of money visitors spend here has not been calculated, the estimated amount, based on studies done at other universities, is \$140 million a year.

As of September 1989, the University had eight construction projects underway on the Ann Arbor campus in the amount of \$124.1 million, in addition to five renovation projects totaling \$23.9 million. There were four projects in planning stages totaling \$10.7 million.

The University also encourages economic development through the creation of spinoff research companies. Thirty-three Ann Arbor research companies started as a result of University faculty and staff in the College of Engineering, seven were started by U-M Medical School faculty and staff, and 53 companies have resulted from activities of laboratories affiliated with the University.

For further information about the U-M's economic impact, or to request a brochure describing the U-M's effect on the state's economy, call the Office of Vice President for Government Relations, (313) 763-5553.

Kendrick Award Given in Marketing



Milton Kendrick (right) looks on while the Milton and Josephine Kendrick Award for theory development in marketing is presented to doctoral student Julie Ruth by Claes Fornell, Donald C. Cook Professor of Business Administration and Professor of Marketing. The Kendricks established the Award to recognize the importance of theoretical scholarly work among doctoral students in marketing. Mr. Kendrick, who graduated from The University of Michigan in 1929, had a distinguished career with Michigan Consolidated Gas Company before he retired in 1970. He received the U-M's Distinguished Alumni Service Award in 1961.

Business School to Host AACSB's Minority Summer Institute

This summer should be very special for 30 minority students who will come to the University of Michigan School of Business Administration to explore the possibilities of a career as a professor.

The group will participate in the first Minority Summer Institute, a program designed to increase the number of minority faculty in business and management education.

The program was developed by the American Assembly of Collegiate Schools of Business, and is funded primarily by the Graduate Management Admission Council, with a \$1.2 million contribution over a three-year period.

The students will spend six weeks in Ann Arbor, taking classes and attending seminars, as they learn about the roles and responsibilities of faculty members, and get a taste of what it is like to conduct research in business-related areas.

"We had 367 applicants for 30 positions," said George J. Siedel III, professor of business law and summer institute director. "The applicants generally had high grade point averages and well-developed quantitative skills. Several were ranked number one in their college class."

Siedel said the quality of applicants was so high, a second level of activity has begun involving the students who were not chosen for the institute. "We are exploring ways to get the names of those students not selected, to Ph.D. directors," he said. "And we are looking for ways to encourage the students to apply for doctoral programs."

The students who will take part in the institute are between their junior and senior years, and most are majoring in business or economics. The 30 finalists come from all over the country, as well as the Virgin Islands and Puerto Rico. There are 19 Blacks, 10 Hispanics and one Native American, distributed among 15 men and 15 women.

When the students arrive in Ann Arbor in early June, they will move

into Markley Hall where they will live for the next six weeks. They will have all expenses paid, and will receive a stipend to cover the loss of summer job wages.

The group will spend a minimum of three hours a day in class, four days a week, taking two classes for six hours of credit. These classes are designed to cover topics which constitute, the foundation of business school research: behavioral science, economics and statistics.

Taylor Cox, assistant professor of organizational behavior, will teach "Theory and Research Methods of Organization Behavior," and Robert Thomas, assistant professor of business economics and business law, will teach "Economics of Consumers, Firms, Organizations and Markets."

A series of doctoral research labs will give the students an overview of research in eight functional areas of business. Minority Ph.D. students will be on hand to talk about their own research and career goals.

On Fridays, minority faculty from all over the country will conduct seminars on topics such as the opportunities associated with being on a faculty, the responsibilities of a faculty member, and preparing for the Graduate Management Admission Test.

A special day devoted to doctoral programs will involve about 30 directors from various Ph.D. programs talking to the group. At the final activity, a graduation session, three prominent minority professors from Harvard, Stanford and Florida State will give their personal insights into being a minority faculty member.

Throughout the six-week institute, five minority doctoral students will serve as group mentors. Siedel promised that students will have "all the homework they can handle," but also said that there will be a full slate of social events on the weekends, including Ann Arbor Summer Festival activities, a Tigers game and a visit to Greenfield Village.

The institute will operate for three years, and Siedel said he expects the number of applicants to increase each year. While most participants this year are business and economics majors, some liberal arts and engineering students were accepted. In future years, students

from outside business schools will be given special encouragement to apply.

If successful, the effort will address dual areas of concern within business faculty ranks. Nationally, about 15 percent of the positions on business school faculties go unfilled annually. Siedel said the numbers are especially critical for minorities.

Statistics from the AACSB for 1988 show that among doctoral graduates from business programs, 2.0 percent were Black, 0.3 percent were Hispanic and 0.2 percent were Native Americans.

The institute's major funding source, the GMAC, is an organization of graduate management schools which provides its members with a number of services, including the Graduate Management Admission Test. The U-M Business School and the AACSB also are contributing funds to the program. The AACSB is a national organization of business schools which is responsible for accreditation and other service functions to the schools.

U-M Team Looks at Ways to Revitalize Abandoned Factories

Nearly every rust-belt community must decide whether to salvage, bulldoze or simply ignore their dingy abandoned factories — the corpses of obsolete manufacturing processes.

A University of Michigan team of faculty and researchers is helping such communities breathe life into those corpses. The U-M's Office for Research on Industrial Facilities (ORIF) is the only project in the country with an interdisciplinary team of specialists who help communities revitalize old industrial buildings. ORIF is part of the University Center for Management and Technology Transfer within the U-M School of Business Administration's Special Projects Division.

Manufacturing plants in older industrial regions of the United States closed at a rate of more than 3,000 per year for the 10 years ending in

1980, according to a report from ORIF. Closings of industrial facilities in Michigan between 1982 and 1991 are projected to cause direct economic losses of 165,000 lost jobs and more than \$12 billion in lost wages and tax revenues, according to another ORIF report.

While ORIF cannot restore every lost job, the 10-year-old program has shown communities in Michigan, Indiana and Ohio that vacant plants can contribute to their economic survival.

"Many of those deserted factories are multilevel, stacked structures with old elevators," said Lawrence A. Molnar, senior research associate with the U-M Special Projects Division and director of ORIF. "Their design usually is terrible for modern material handling. But such facilities often can fill other needs within the community, such as office space for new businesses."

Recent examples of ORIF projects include the conversion of the former Kawneer Company headquarters in the southwestern Michigan community of Niles into a successful, self-supporting office operation that rents inexpensive office space to new businesses and now houses 27 companies. The 150 jobs created by the project represent a net gain of some 30 new jobs for the community, which had lost 120 jobs when Kawneer moved its headquarters to Atlanta.

ORIF has also helped Grand Rapids modernize its Wickes Manufacturing Company Bumper Division facility and thus remain a viable site for the automobile supplier's new product line. With ORIF's contribution, "we probably would not have been able to convince the Wickes management that this site deserved their investment in people, technology and product," said Stephen P. Nobel, assistant director of the Grand Rapids Area Chamber of Commerce.

ORIF is now assessing approximately 20 older industrial facilities in western Michigan for "some degree of potential or more efficient use," Molnar said. His team of U-M faculty from the School of Business Administration, the College of Architecture and Urban Planning, and the College of Engineering's

Department of Industrial and Operations perform the detailed assessments.

"Faculty from the School of Business Administration analyze financial and market aspects of the situation and architecture faculty members help determine if the building is structurally sound and if energy efficiency can be improved," Molnar explained. "The operations and industrial engineering faculty look for ways to improve material handling and make more efficient use of space — often, only about 15 percent of the available space is being used in these older structures. Finally, we study the building's history of waste management and look for any evidence of hazardous wastes or toxic substances such as asbestos."

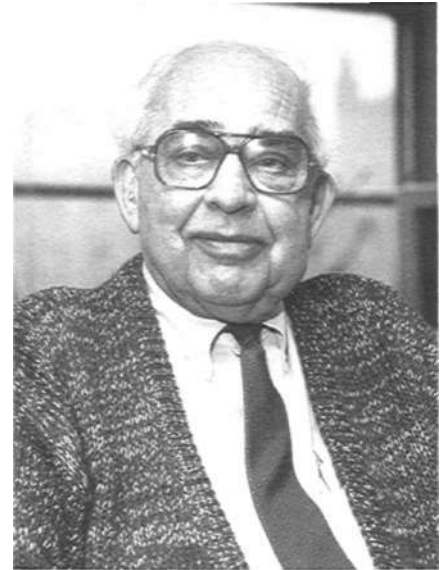
For some plants, such as Wickes Manufacturing, the researchers have recommended modernization for continued production. In many cases, however, they have suggested that a plant be broken up into smaller portions for use as retail offices or condominiums. "And occasionally we recommend demolition if rehabilitation would not be cost-effective," Molnar said.

Molnar offers the recommendations on the best possible use of each facility to economic development organizations, city governments, chambers of commerce, and company managers and owners.

While revitalization of old and vacant facilities remains one of ORIF's goals, a new component of the program aims to prevent plant closure in the first place. The office has conducted a study over the last two years that will offer "early warning" signals to companies with characteristics identified with risk of closure. Based on analyses of Michigan plants that actually closed, the study uses 20 leading indicators of risk.

ORIF is using data from the early warning study to help Michigan businesses maintain operation at their current sites. A proposal to the Department of Housing and Urban Development and the Economic Development Administration of the U.S. Department of Commerce, which has supported ORIF in the past, is expected to generate more funding for the project.

Faculty Retirements



Arthur F. Southwick, Jr., professor of business law and hospital administration, has retired. He joined our faculty in 1956 and over the years has done research in the legal aspects of health care administration. He is the author of the book, *The Law of Health Care Administration*, published by Health Administration Press in Ann Arbor. (Photo by D. C. Goings)



Also retiring this year is Alfred L. Edwards, professor of business administration, who joined our faculty in 1974. His research has focused on minority business and economic development and on government regulation of business. He is currently serving as secretary-treasurer of the National Economic Association, and a member of the evaluation panel for the Ford Foundation Doctoral Fellowships for Minorities Program. He plans to continue to help the Business School in minority recruitment and other minority programs.

HHHHHH
Scholarship Fund
Established to Honor
J. Philip Wernette



Professor J. Philip Wernette

An endowed scholarship fund to honor the late J. Philip Wernette, professor emeritus of business administration and editor emeritus of the *Michigan Business Review*, has been established by his family with a gift of \$100,000.

"For over three decades Professor Wernette served the Business School and the University of Michigan with distinction as an outstanding teacher, friend, and mentor of many, many students," said Dean Gilbert R. Whitaker, Jr. "With the establishment of this scholarship, the encouragement he gave so generously to students during his lifetime will be perpetuated."

Professor Wernette came to the Michigan Business School in 1948 after serving as president of the University of New Mexico.

While at Michigan he founded and became editor of the *Michigan Business Review*, and for many years taught a course in business and government. He also worked tirelessly as a writer, government and business consultant, and in all manner of University committees.

Those wishing to contribute to the Wernette Fund should make their checks payable to The University of Michigan and send them to The J. Philip Wernette Endowed Scholarship Fund, Development Office, School of Business Administration, University of Michigan, Ann Arbor, Michigan, 48109-1234.

U-M-Egon Zehnder Study Studies How Japanese Firms Treat American Executives

The profit earned by Japanese-owned firms in the U.S. correlates positively with the measure of decision making granted to its American executives, according to a joint study just released by The University of Michigan and Egon Zehnder International, an executive search firm.

Yet, those local executives may feel "locked out" of decision making and product planning, and have little direct access to strategic information, according to Vladimir Pucik, associate professor of international business and principal researcher on the project.

Therefore, the failure to integrate local executives into their worldwide management system could hinder, rather than advance, the competitive advantage of Japanese multinationals, the report said.

The study, conducted during the past nine months, is the first systematic survey of American executives working in major Japanese firms in the U.S. The research team — directed by Pucik, George Fifield of Egon Zehnder International, and Mitsuyo Hanada of the Sanno Institute of Business Administration — interviewed or received questionnaires from 133 top American executives in 32 Japanese-owned firms.

With nearly 1 million Americans expected to be working for Japanese firms by the year 2000, many American executives polled said they believe recruiting and retaining high-caliber local executives is crucial to the long-term success of Japanese subsidiaries in the U.S.

Currently, however, American executives characterize their jobs with Japanese companies as "employment," not "career."

"The Japanese simply have to improve the opportunities they offer people," said Pucik. "Right now, Japanese firms are great places to begin or end careers, but they are not places where Americans see opportunities for long-term career progression."

Because promotion opportunities

above a certain level are restricted, the study said, the more aggressive and ambitious American managers often leave, while those who stay adjust to a limited future.

Other findings include:

- There is no "Japanese" management culture visible at the executive level in Japanese operations in the U.S., nor is one likely to emerge.

- The wages and benefits package of a U.S. executive in a Japanese firm is generally inferior to that of a comparable executive in an American company.

- American executives in Japanese firms have only limited knowledge of their performance objectives, and performance evaluations in a traditional sense are largely non-existent.

- American executives who do not possess high tolerance for ambiguity, flexibility and commitment to teamwork are unlikely to succeed in Japanese-owned firms.

- The quality of Japanese expatriates is not always as high as American executives expect, but many Americans said having a productive relationship with a Japanese peer or even subordinate is critical to their effectiveness.

The report recommended that the Japanese develop better recruiting practices, establish training and development programs, encourage their American employees to spend time working in Japan, and give American managers more and better feedback on their performance.

Parent firms in Japan, it said, should restructure decision-making so that local executives have a bigger say in the process. Also, parent firms should handle the transfer of executives from Japan to the U.S. better, with an overlap so that incoming executives can learn from their predecessors.

The report concluded that the issue facing many Japanese subsidiaries in the U.S. is not that they are too "Japanese," but that often they are not "Japanese" enough. "They are not managing American human resources with the same dedication and determination they apply at home, from campus recruitment and management development, to open communication and information sharing."

Victor Bernard Wins Harvard Fellowship



Photo Credit: D. C. Goings

Victor L. Bernard, who will hold a Harvard Fellowship next year.

Victor L. Bernard, the Price Waterhouse Professor of Accounting, will spend the 1990-91 academic year at Harvard Business School as a Marvin Bower Fellow.

The Harvard Business School awards Martin Bower Fellowships to up to four young faculty members each year who have shown "exceptional scholarly achievement and promise at other institutions." Fellows have the same office and support facilities as regular Harvard faculty but have no teaching responsibilities for the year, and are free to attend courses and seminars offered at the school. They are expected to maintain an active relationship with one or more Harvard faculty members.

Bernard joined our faculty in 1982. He is associate editor of the *Accounting Review* and the *Journal of Accounting and Economics*, and co-author of the book "Crisis Resolution in the Thrift Industry." He also has published more than 20 articles in academic journals.

Bernard's research specialty is in stock market efficiency and the role of accounting information in security valuation.

The Marvin Bower award was established in 1985 by a \$2.5 million grant from the international consulting firm McKinsey & Co. to honor Marvin Bower, the firm's managing director from 1950-67.

Annual Conference Addresses the Effect of Global Changes on Trade and Economic Development

Paul W. McCracken, distinguished University of Michigan professor emeritus and former chairman of the President's Council of Economic Advisors, delivered the keynote address at the annual meeting of the National Association of Management and Technical Assistance Centers.

McCracken spoke on global economic/trade issues and opportunities, in keeping with the conference theme, "The Challenge of Global Change." The forum, which took place April 19-21, focused on such global economic issues as the U.S.-Canada Free Trade Agreement, the European Community of 1992, and the political and economic restructuring of the Eastern Bloc and the Soviet Union.

Other speakers included Matthew Collier, mayor of Flint, Michigan, speaking on "A City's Response to Global Competition — Business, Government and University Cooperative Efforts," and Father William T. Cunningham, executive director of Focus: HOPE.

"This conference brought together universities and people concerned with the economic health of their region, their state and the country," said Larry R. Crockett, director of the Special Projects Division of the Business School and NAMTAC president.

"Participants were able to hear about the economic opportunities the new freedoms in Eastern Europe present. Large, multinational industrial firms already are taking the lead, and we feel educational institutions must be aware of these opportunities, and transfer this information to smaller and medium-sized firms in our country."

The members of NAMTAC are primarily affiliated with institutions of higher learning, and attempt to put the experience and knowledge of the academic community to work on behalf of business productivity.

BHBHHH

McInally Lecturer Talks on the U.S. and Europe: A Guide to the New Decade



The Honorable Rozanne L. Ridgway, president of the Atlantic Council of the United States, who gave the 23rd annual William K. McInally Lecture.

Rozanne L. Ridgway, president of the Atlantic Council of the United States, delivered the 23rd annual William K. McInally Memorial Lecture in Hale Auditorium March 13. Her topic was "The United States and Europe: A Guide to the New Decade."

Ridgway has had an extensive career as a foreign service officer. Her posts included ambassador to the German Democratic Republic, special assistant to the secretary of state, ambassador to Finland, and ambassador for oceans and fisheries affairs. She served in the State Department from 1957 until 1989 when she accepted the presidency of the Atlantic Council.

She is a member of the boards of directors of 3M Corp., RJR Nabisco, Union Carbide, Berlitz, Bell Atlantic and several academic organizations. She has received the Presidential Citizens' Achievement Medal, the Presidential Distinguished Performance Award and the Secretary of State's Distinguished Service Award.

The McInally lectures began in 1966 to honor the memory of U-M Regent William K. McInally. They are supported by an endowment fund established by his friends to perpetuate his name.

Louis Kwiker, BBA '56, Headed the First Company to Rent Movies

Harold S. "Hal" Bump, BBA '50, has retired from his position of executive vice president of Fred S. James & Co. in Kansas City.

John C. Thomas, BBA '50, JD '53, is the senior partner at Thomas and Thomas, a general practice law firm in Boca Raton, Florida. He has been with the firm since 1965 and specializes in probate, real estate, and divorce and corporate law. He was previously in the legal department of Chrysler Corporation.

Robert G. Van Allsburg, BBA '51, retired president of R.G. International in Bellevue, Washington, writes that he was fortunate to be a part of the introduction of panel and component office furniture systems in the U.S. The original concept was conceived and developed based on providing a more supportive office environment as compared to the single or double pedestal desk, he says. "Awareness of the impact your office work station has on your performance is essential," he says. "Increases of 5 to 50% in productivity are not uncommon."

J. D. Mooney, BBA '54, MBA '57, president of Mission Inn Motel, Inc. in Mission, Kansas, was chosen Hotel Man of the Year by the Kansas Hotel and Motel Association in 1980 and 1983 and by the Kansas Lodging Association in 1984. He is active in many civic and professional organizations.

When Louis Kwiker, BBA '56, JD '60, went to Warehouse Entertainment as president, it was losing half a million dollars a month in the business of selling tapes and records. He joined the company on the basis that he'd share in the turnaround. He bought the company in 1983, and over five years, closed 76 of the existing 126 stores and opened another 170 stores.

Warehouse was the first chain in America to rent movies. Kwiker used to bring videotaped movies home every night for his 13-year-old daughter, and realized that if his family enjoyed renting movies, others would too. The first year, Warehouse rented \$50,000 worth of movies, and did all the record keeping by hand. The second year, they rented \$3 million worth of movies, and by the sixth year, they were renting million worth of movies! Obviously, they were no longer doing the record keeping by hand.

In the fall of 1987, a hostile takeover was launched against the company. "I was a rookie in hostile transactions," says Kwiker, "but I was well trained as a lawyer, and as an investment banker, and I knew my business." He was able to fend off the takeover, but sold the company.

Now he is in the business of buying companies. He says he only wants to deal with companies where he understands the technology, because the way to create value for a company is to be able to specify what you can do better operationally. "That is the result of training and doing things from the ground up," he explains. "For example, if you can increase a manufacturing cycle by even one second, that can be worth millions if you are dealing with a high volume."

A weakness of some entrepreneurs, says Kwiker, is that they get so excited about upside possibilities, that they fail to look carefully at what could be the downside. "It's very emotionally unpleasant to think carefully about how your business could go belly up," he says, "but it's better to read bad numbers and think carefully about them than it is to go through Chapter 11."

Kwiker is chairman and CEO of Reid Plastics, Inc., a major manufacturer of plastic containers for the bottled water and other industries. He is also actively engaged in acquiring companies through Kwiker Enterprises. After graduating from law school, he practiced corporate law on Wall Street for five years, and was vice president of mergers and acquisitions for Laird and Company for three years before going into business.



Wilfred L. Hufton, MHA '58, has been appointed interim administrator of the Henry L. Day Memorial Hospital in Silverton, Idaho. He will be responsible for the day to day operation of the hospital, the Sports Conditional and Rehabilitation Clinic in Wallace, Idaho. He has 36 years of broad based experience gained in community, municipal, university and international hospitals ranging in size from 55 to 475 beds. His career has spanned single and multi hospital settings, extended care facilities, joint ventures and shared service organizations.

George Hopper, BBA '58, MBA '59, recently joined the faculty at Northwood Institute in Midland, Michigan, where he teaches automotive aftermarket management classes, and is helping to build the curriculum. This represents a career change for George, who used to work as director of marketing for Auto Truck Equipment Company in Roseville, Mich. He says the automotive aftermarket is one of America's largest industries and operates within both the manufacturing and service sectors of our economy. He is also serving as president of the Aftermarket Consultants, Inc., an educational seminars/consulting firm.

Robert Cope, BBA '59, associate professor at the University of Washington, Seattle, writes that he has recently written a book entitled *High Involvement Strategic Planning* published in 1989 by Basil Blackwell, Inc. in Oxford, England. The book sets out a framework for senior managers to help line managers and staff assess the effectiveness of proposed strategies. Cope's central point is that successful organizational strategies do not result from narrowly conceived plans, management systems, or formulas, but evolve from leaders who think about the whole enterprise and act in ways that meet stakeholder needs and create competitive

advantage. He adds that after living full time in Seattle for the past 20 years, he is now living in the Upper Peninsula during the summers, where the fishing, he says, is as good as it was 30 years ago.

William C. Schmidt, BBA '60, MBA '61, has been appointed vice president and chief financial officer of Dow-Elanco, the new joint venture in agricultural chemicals between the Dow Chemical Co. and Eli Lilly & Co. He is moving to Indianapolis from Midland, Mich., where he had been serving as assistant controller of Dow. He also just completed a four year term as a regent of the Institute of Certified Management Accountants.

Richard M. Ravin, MBA '66, has been promoted from senior vice president to executive vice president of Combined Insurance Company of America. Richard joined Combined in 1972 as the personal financial assistant to the president and

was elected a vice president in 1976. In 1977, he joined the Accident & Health Division and progressed through the sales ranks. In an unprecedented three and a half years, he rose from sales representative to divisional manager, earning many sales awards. He was elected to senior vice president-sales for the eastern USA in 1984, and in 1988 became the national sales manager for the entire U.S. and Puerto Rico in the accident and health sales operation. He writes that his daughter, Jennifer, is now a junior at the U of Michigan. He and his family live in Northbrook, Illinois.

Jeffrey Hodgman, MBA '66, senior vice-president, portfolio strategies, of the Metropolitan Life Insurance Company, has been named to head a new corporate planning department. Jeffrey joined Met Life in 1966 as a financial analyst in the corporate investments department, and was named an assistant vice president in 1974 and a vice president in 1977. In 1979, he assumed responsibility for the corporate investment department's Midwestern office located in Chicago, and returned to the home office in 1983. He was named to head portfolio strategies in 1986. He is president and CEO of Metropolitan Series

Michael Hallman, BBA '66, MBA '67, Named President of Microsoft

Michael H. Hallman, BBA '66, MBA '67, joined Microsoft as president and chief operating officer in April. He was formerly president of the Boeing Company's Computer Services division, near Microsoft in the Seattle area.

Boeing Computer Services, which handles the internal computer operations of the aircraft company, has 13,000 employees and manages 43,000 personal computers. It also sells computer services, in particular designing complex systems for the Federal Government. Revenues are about \$360 million.

William A. Gates, founder, chairman and chief executive of Microsoft, said in a statement that Hallman would bring new insights into the ways Microsoft could work better with large customers. Microsoft has recently started offering consulting services to help large companies manage their computer installations.

Hallman, who is married and has two teenage daughters, spent 20 years in a variety of positions at IBM before joining Boeing in 1987. He is an avid personal computer user, and says he likes to experiment with different programs.

E. Jan Hartmann, MBA '58, Plans to Broaden Global Presence of Ziebart

Ziebart International Corp. plans to broaden its global presence this year with new operations in Egypt, Kuwait and South Korea, according to E. Jan Hartmann, MBA '58, chairman of the company.

Ziebart International, a 27-year-old franchising company that had approximately \$150 million in worldwide dealer sales in 1989, already is active in more than 40 countries in Europe, the Pacific Rim and Australia.

Ziebart will offer its complete line of services in Seoul, Cairo and Kuwait. The company's four product groups are chemicals, bolt-on accessories, film products and electronics.

Seoul, Cairo and Kuwait should be particularly good markets for Ziebart's chemical line, Hartmann said. Korea, like the northern United States, is tough on cars because it has snow, salt and pollution, he said. The Mideast also has a high level of salt, as well as humidity and high temperatures.

The planned new stores in the Mideast and South Korea mark ongoing moves by Ziebart to expand its international stance and its four product lines.

Hartmann said the company's main thrust in the 1990s will be to increase its network of dealers and expand its services. Ziebart has a heavy concentration of stores in the Midwest and Northeast, but is seeking to become more aggressive in the western United States, as well as in Europe, with a wider product selection.

Ziebart bought two rivals, Tidy Car and Tuff-Kote, in 1988-89, in part to convert them to Ziebart locations, Hartmann said.

The acquisition of other franchises has not been Ziebart's only means of adding products and services. The company recently developed a spray-on bed liner that is new to the market. It is made of an epoxy resin that prevents rust, corrosion and other damage in trucks, utility vans, garbage trucks and step vans.

The main advantage of the spray-on liner over conventional, pre-formed-plastic bed liners that are installed in vehicles is flexibility, Hartmann said. Ziebart's product can be sprayed on any type of surface and can be repaired simply by respraying, he said.

Ziebart's spray-on liner, which took seven years to develop, was test-marketed for 18 months before being introduced to Ziebart dealers in December. The product also has been marketed to fleet operators, according to Hartmann.

Ziebart has approximately 400 locations in the United States and Canada, and the staffs of at least one-third of them will be trained this year in how to apply the spray-on bed liner.

(This article is excerpted from a longer story printed in the March 26, 1990 issue of Crain's Detroit Business.)

Fund, Inc., and a director of several Met Life subsidiaries. He attended the advanced management program at Harvard Business School. As one of the nation's largest insurance and financial services companies, Met Life provides or administers coverage to more than 42 million people in the U.S., Canada, and other countries around the world. Jeffrey and his family live in New Canaan, Connecticut.

Alan Gelband, **BBA '65, MBA '67**, has been elected executive vice president of the Association for Corporate Growth, a worldwide organization that provides information that relates to successful corporate growth. Alan is managing director of the Alan Gelband Company of investment bankers, headquartered in New York City.

Ronald Stier, MBA '68, writes that he is moving to Houston from Rockford, Illinois to handle all corporate divisional products for Permutit Company Inc. in a southern territory while maintaining company responsibility for the entire West. He will also gain company responsibility for Latin America.

Jeffrey Beal, **BBA '69**, president of Zorba Corporation, writes that he has expanded his business into nationwide mortgage banking capability as well as New York metropolitan area jumbo residential mortgage capability.

William E. Lobenherz, **BBA '71**, is the newly appointed president and chief executive officer of the Michigan Soft Drink Association, based in Lansing, Michigan. The company represents soft drink manufacturers throughout the state. He was previously employed by Dykema Gossett law firm.

Captain John T. Kavanaugh, MBA '72, has been promoted to Rear Admiral, U.S. Navy. He is presently Director of Supply Corps Personnel, Naval Supply Systems Command in Washington, D.C., where he is responsible for personnel planning, training and education programs, officer career development, retention, promotion planning and assignment for over 4,600 officers.

Mark Kennedy, **MBA '73**, president of Lockwood Group Inc., writes that his business activities include real estate, an electronics distributor, and Cedar Group, one of

the top performing new stock issues of 1989. He lives in Ardmore, Pa. with his wife, Heath, and four children, and says he is still flogging tennis and squash balls.

Mark W. Habel, MBA '76, and **John L. Daly, MBA '78,** have written a second one-act comedy, entitled "Thunderbird," which has debuted at The Players in Detroit. The pair wrote this second play as a companion piece to "Frontier Accountant," their first one-act play, so that the two could be performed in a single evening. Habel and Dalv beffan doinsr theatre work together at The Players in 1978. The Players is a 79-year-old mens theatre club that performs fifteen one-act and one full length play each year. Mark is an independent investor and real estate broker and John is vice president-finance of a group of manufacturing companies.

Kathleen (Kennedy) Levinson, BS '75, MBA '77, has been promoted to shareholder at McEndarffer, Hoke & Bernhard, PC, a Bloomfield Hills CPA firm. Kathleen was formerly manager in the tax department. Kathy and her husband, John (BBA 73, MBA 75) live in Union Lake, Michigan.

John L. Daly; MBA 78, has collaborated with Mark W. Habel, MBA 76, in writing a one-act play. For more, see the item under Mark Habel.

Fred Klingbein, BBA 78, graduated from Wayne State University Medical School in June. He is starting a five year residency training program this summer at Children's Hospital of Michigan and the Detroit Rehabilitation Institute. He will be helping young people who have congenital or acquired physical and/or neurological deficits to maximize their potential through

Ron Weiser, BBA '66, Started with \$50,000 and Built a Firm Employing 700

"I came to Ann Arbor in 1963 and never left," says Ron Weiser, BBA '66, who started out as resident manager of an apartment building for one of his business professors and learned as much as he could about real estate in the process.

When he got out of school, he raised \$50,000 from fraternity brothers and other friends in the Ann Arbor area and bought his first building, a 15-unit apartment building on Fuller Avenue. His company is now called McKinley Associates, a real estate conglomerate that spans 35 states, employs about 700 people, and is engaged in several hundred partnerships.

In addition to overseeing the firm, Ron and his wife, Eileen, are co-founders of the McKinley Foundation, a non-profit charitable trust aimed at meeting the needs of local community organizations. The Foundation expects to break ground soon on a \$3.2 million project for non-profit social service and arts organizations. The two buildings, to be located at the former Lansky Salvage Yard on North Main in Ann Arbor, will house 35-40 such groups, and will also be permanent home to the Michigan Artrain, a traveling art museum. Tenants will pay no rent.

For his efforts, Ron was recently one of 16 finalists for one of six nationally awarded Chivas Regal Extrapreneur Awards. Chivas Regal defines an extrapreneur as "the founder of a business who applies extrapreneurial techniques to perform exceptional public service work of direct benefit to the community."

Ron says, "Ann Arbor has been good to us. The McKinley Foundation is a way for us to pay it back."

the use of physical medicine and rehabilitation.

Peggy J. Kopmeyer, BBA '80, is a newly appointed partner of Holme Roberts & Owen, a law firm located in Denver, Colorado, where she has been practicing law since graduation from the University of Michigan Law School in 1982.

Paul S. Hoge, BBA '81, writes that soon after graduating in 1981 he started brokering industrial real estate with one of the Detroit area's old line firms. In July of 1989, with eleven of his associates, he co-founded Signature Associates, a commercial/industrial real estate brokerage firm servicing southeastern Michigan. Also in 1989, he was accepted for membership in the National Association of Realtors' Society of Industrial and Office Realtors (SIOR). He is a member of

the U of M Club of Greater Detroit, and participates in their scholarship activities. He is also a recently elected member of the Business School's Alumni Board of Governors. His firm, Signature Associates, Inc., has two offices — one in Southfield, and the other in West Bloomfield.

David B. Fordyce, BBA '81, received his J.D. from the University of Southern California Law Center in May, 1988, and joined Armato, Gaims, Weil, West & Epstein as an associate in civil litigation in November, '88. Before that, he worked in various positions in the fields of warehousing, accounting, and financial analysis. He writes that he enjoys Southern California, but is considering relocating to Michigan as the economy improves, as he says he remains an avid Wolverine fan.

Susan Browning Nash, MBA '81, is working as vice president and controller at Republic Capital Bank in Milwaukee, Wise, and is now the mother of a baby girl, born October 25, and named Kathleen.

Steven Berkowitz, BBA '82, is currently a supervisor of benefits and payroll systems with the Exxon Company in Houston. He received his MBA from the University of Houston in 1989 and is also the father of a new daughter, Carly Jean Berkowitz, born in August, 1989.

Carie Casper Sax, BBA '82, has been promoted to Vice President of the Commercial Real Estate division of Southeast Bank, N.A. She lives in Boca Raton, Florida with her husband, Spencer and daughter, Arielle, and is expecting her second child in June.

Linda Fleming, BBA '83, is now an associate with the law firm of Graham & James in Washington, D.C. Linda received her J.D. from George Washington University in 1986 and worked as a trial attorney with the Office of Thrift Supervision for three and one half years before joining Graham *Be* James.

Peter Lashmet, BBA '83, writes that he is now chief executive officer of Left Bank Limited Inc., a private holding company in Indianapolis, Ind. which specializes in private placement and situational investment opportunities. He says he is a former fine wine importer and floor bond trader at the Chicago Board of Trade.

Mark Kennedy, MBA '83, has been elected senior vice president of Federated Department Stores and Allied Stores Corporation, and will also continue to serve as treasurer of the companies.

Edward Coppola, MBA '84, writes, 'After two and one half years as an insurance officer with the Overseas Private Investment Corporation in Washington, D.C. underwriting insurance for U.S. investments in Latin America

Joel Tauber, MBA '63, Tells Students to Stick with Basics

When Joel Tauber, BBA 56, JD 59, MBA '63, president of Tauber Enterprises, and Chairman of the Board of Key Plastics, came to the Business School recently to talk to students at the Dean's Seminar, he emphasized the importance of knowing your business. His background is in manufacturing operations, acquisitions and mergers, and strategic planning for accelerated growth of small companies and family businesses.

He told the students that when he started out running a nut and bolt manufacturing plant which was part of the family scrap and steel business, he spent the years from 1961 to 1968 in what he calls his "training period." He designed a program to expose himself to all parts of the business. This

included working for a month on the midnight to 8 a.m. shift to see what production was like. He then worked with the auditor to prepare the papers, and spent some time in sales calling on buyers. He also thought he ought to learn the equipment, and for two weeks, helped set up the machinery (during which time, he says wryly, he dropped a wrench on the foreman's foot). He said it took him about five years to learn the business thoroughly.

In 1968, he reorganized the company by combining the nut and bolt, scrap company, and steel company into Key International, Inc. In 1979, Tauber arranged a leveraged buy-out of the family interests in the company, leaving the management in charge. Shortly after that, the company went public and acquired a couple of small plastics companies.

"Then," Tauber told the students, "the 1980 recession came along, sales dropped, and we were paying high interest on a highly leveraged debt. Basically, that year was a disaster for us. I decided to go back to basics. That meant carefully reviewing everything we were doing, and I found to my surprise that you could run a plant profitably at 40% of capacity. The key is: Do the job right and do it the hard way — no shenanigans and no shortcuts."

In 1986, the company did another leveraged buy-out and became three separate private companies in nuts and bolts, scrap metals, and plastics. Again in 1988, the plastics company was the subject of a leveraged buy-out.

All through these transactions, Tauber was the largest stockholder who bought and sold these various entities. The combined sales of these private companies in 1989 approached \$500 million.



against political risks, I have moved across town to the Multilateral Investment Guarantee Agency ("MIGA"). MIGA, the newest member of the World Bank Group, was established in 1988 to encourage foreign direct investment in developing countries by providing guarantees against various types of political risks. I have joined MIGA's relatively-small staff as a guarantee office where I will be able to use the skills and experience I gained at OPIC to underwrite political risk insurance for investments being made by investors around the world in LDCs. Although MIGA is still in a start-up mode, we all hope that it will eventually prosper in its role as promoter of foreign investment in the developing world."

Joel Ungar, BBA '84, has been promoted to manager of the Middle Market Group at Deloitte & Touche in Detroit. His areas of expertise include small and medium-sized businesses which do \$10 to \$150 million in sales, primarily manufacturing, scrap metals, and automobile dealerships.

Karen Fireman, MBA '85, has been elected asset liability officer to the Baltimore/US F&G Axe-Houghton office. Karen began her career with USF&G in 1987 as a senior financial analyst in the home office corporate finance department, and the following year became senior asset/liability analyst of the Baltimore/USF&G Advisory Services Office. Before joining USF&G, she worked as a corporate finance associate with Baker Watts & Company, Inc. Axe-Houghton Management, Inc. is an investment and management organization that is a subsidiary of USF&G Financial Services Corporation. Other areas of financial services include real estate investments, pension consulting, and strategic planning and consulting.

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, School of Business Administration, University of Michigan, Ann Arbor, Michigan 48109-1234," 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.

Robert Schenkel, MBA '86, has accepted a position as project manager with Kajima Development Corporation, a real estate developer in New⁷ York City which focuses on large projects in the Northwestern United States. For the past three and one half years he was a senior project manager/assistant vice president with Shearson Lehman Hutton's facilities department, designing and building corporate offices throughout the United States.

H. Clay Saylor III, MBA '86, was recently appointed a vice president of Citicorp's North American Investment Bank. He lives in Jersey City, New Jersey.

Ruby Chan, BBA '87, writes to tell us that an article she wrote, entitled "How⁷ Working Together Can Help Boost Efficiency" was published in the local English newspaper, the *South China Morning Post*. She is now a management internal control officer at the Chase Manhattan Bank in Hong Kong.

Scott Williams, MBA '87, has been promoted to installment loan officer at Comerica Bank-Detroit. Scott will be responsible for marketing Comerica's installment loan products. He joined the company in 1988 as assistant product manager.

Pamela Starrett-Ingalls, MBA '88, who is a graduate of the U-M's joint degree program between the Business School and the School of Music, writes, "I am living my dreams of having a successful career as an arts administrator and a performing violinist and conductor." In addition to her position as marketing director of the Kalamazoo Symphony Society, she has recently been hired as music director and conductor of the Battle Creek Youth Orchestra and has performed with the Kalamazoo Sym-

phony, the Kalamazoo Bach Festival, and the Battle Creek Symphony as a violinist. She says, "The ability to organize and prioritize that I gained in the MBA/MM program has made this all possible!"

Timothy J. Erdmann, MBA '88, has joined the firm of Plante & Moran as senior consultant in the Management Consulting Department. Timothy specializes in consulting to manufacturing concerns regarding cost management, financial analysis and strategic planning. Plante & Moran is a Michigan-based accounting and management consulting firm that specializes in small and medium-sized, closely-held businesses.

Philippe Pruger, MBA '88, writes us from Sao Paulo, Brazil announcing his new position with Eli Lilly-Brazil as district sales manager. Before moving to Brazil in 1989, he worked in the corporate office in Indianapolis in strategic planning, marketing plans and sales. He invites alumni and faculty who are coming to Brazil to contact him. He and his wife and son live in Sao Paulo.

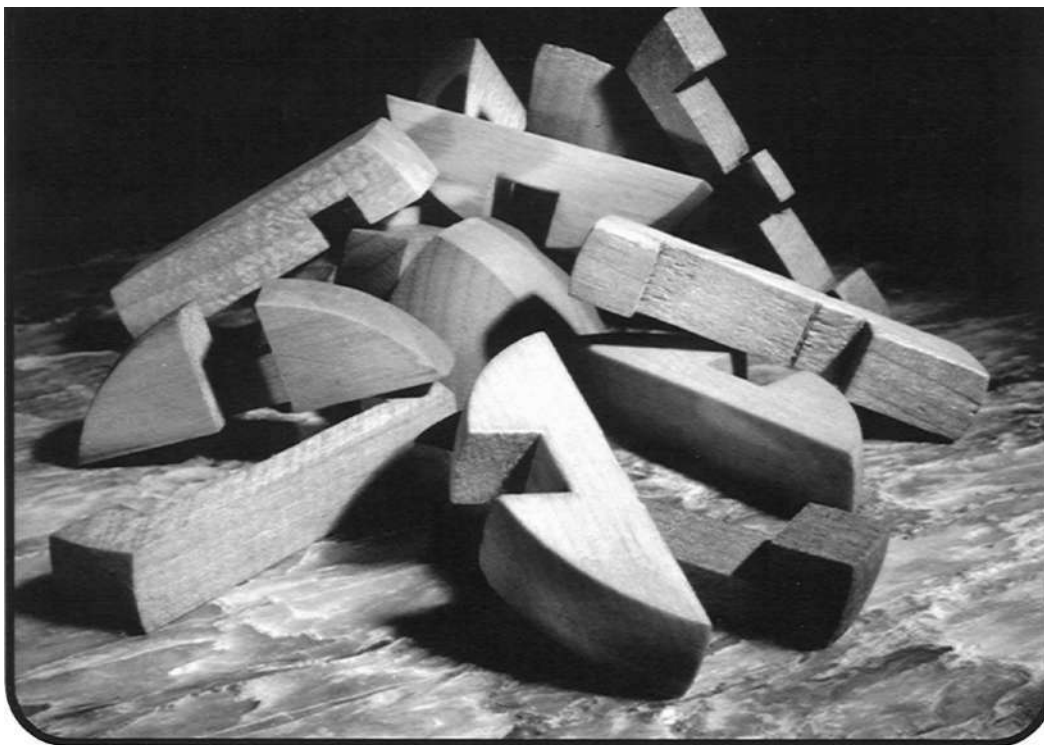
Thomas M. Prose, who graduated from the U of M with his medical degree in 1982, writes that he is currently working on his MBA in the evening while he is Medical Director of Equicor and practicing general medicine. Recently, Equicor was purchased by CIGNA, which he says is now the number one health insurance company in the USA.

Lowell Dworin, Ph.D. '77, has been appointed director of the Office of Tax Analysis of the U.S. Treasury.

Jack Kramer, BBA '68, MBA '74, Ph.D. '75, is now acting dean at the University of Florida in Gainesville and is also the author of several textbooks.

Ed Outslay, MBA '77, Ph.D. '81, a professor of accounting at Michigan State University, is also currently editor of JATA and an outstanding contributor to accounting research.

Theodore A. Veenstra, MBA '29, died Feb. 2, 1990, at his home in Hoi ton, Mich. During most of his career he worked for the Federal Government in different departments in the USA and Europe. He was associated with the Business School in the late 20s and early 30s, working with Professors Waterman, Phelps, Griffin, Hoad and others, according to his brother, Donald E. Veenstra, Sr., who wrote us about his death. He is survived by his wife, two sons, one of whom, Theodore A. Veenstra, received his BBA from the Business School in 1950, two brothers, a sister, eight grandchildren, and seven great-grandchildren.



Is your estate plan complete?

It's an interesting puzzle: how to create an estate plan that reflects your charitable interests ... while still taking care of your personal needs.

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School while maintaining an income stream for you and your survivors... and still other options that provide an interest income to the University for a period of time, with the assets eventually returning to you, your family members, or — if you like — another charity. The beauty of all of these plans is that they make it possible for you to act on your charitable interests and still manage to provide for your family's long-term needs.

You can start the entire process just by making a phone call... or mailing in the attached form.

If you'd like to know more about the many options available, simply fill out the form and return it to our office. Or call Ken Eckerd, Director of Trusts and Bequests, at 313/998-6085. He can show you how to make some of your estate planning less of a puzzle.

**The University of Michigan
Office of Trusts and Bequests
301 East Liberty
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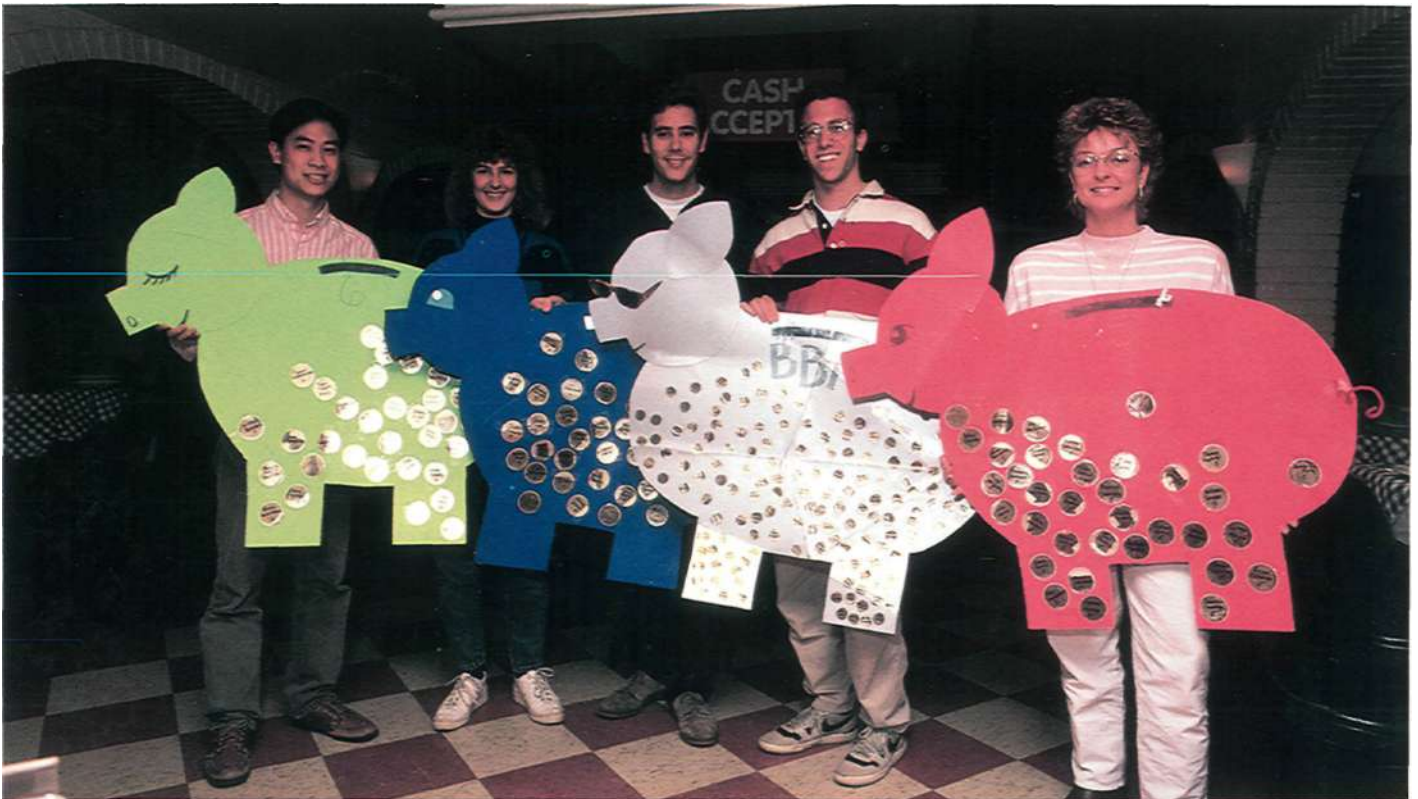
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Nellie M. Varner, James L. Waters,
James J. Duderstadt (ex officio)

1990 Student Pledge Campaign Raises \$73,090



"Invest in Our Future" was the theme of the Student Pledge Campaign this year, which used the piggy bank as its symbol. Pictured from left with some of the "piggybanks" that were used are Student Pledge Volunteers James Pao; Heather Adams; Chris Rising, co-chairman of the Campaign for the MBA students; Matthew Engelbert, co-chairman for the BBA students; and Kathleen Farrand. Fifty-three MBA and 24 BBA students worked as volunteers on the Campaign, which raised a total of \$73,090 in pledges. It is no accident that the students posed in front of a sign that says "Cash Accepted."