

Spring, 1972

Dividend

The Magazine of the Graduate School of Business Administration • University of Michigan



Money and the University of Michigan - Page 4

Report on the State of the School

By Dean Floyd A. Bond

The following article appeared in the February, 1972 issue of the Michigan Alumnus as a report from the Dean of the Business School, and is reprinted here by permission.

The U-M Business School today has the largest enrollment in its history—1,302 students. The School is unique among Business Schools in having a strong upper-division undergraduate program, and at the same time, having 80% of its students at the graduate level.

Admission standards are high, and with budgetary considerations limiting desired expansion of enrollment in the School, it is necessary to turn away some qualified applicants but the result is a select group of able, highly motivated students who are keenly interested in preparing themselves for managerial careers and for active participation in economic and social matters. The faculty, by unanimous vote, has confirmed the policy of maintaining a single set of admission standards. Special efforts are being made to ensure that admission criteria are fair and equitable to all concerned.

The School encourages student participation on appropriate faculty committees and this policy has been highly successful. Ten students are elected each year to the Business School Student Council which manages the Student Lounge and carries on numerous activities to promote good faculty-student-administration relations. In addition, nine student clubs flourish in the School; meetings with faculty and guest speakers are encouraged.

Quality teaching is the top priority of the faculty, even though research and publication have greatly expanded in recent years. The evidence of a strong faculty was

demonstrated once again when the faculty voted to make student evaluation of faculty and courses a School requirement. Computer printouts, on reserve in the Business Administration Library, make this information available to both students and faculty.

The curriculum is modern, analytical, and demanding. The program is structured, with core courses and elective courses taking about equal time of the student.

Economics is a prerequisite for admission and rigorous work in accounting is required of all. The curriculum has quantitative, behavioral and international dimensions. Two faculty committees constantly study the required and elective courses to keep instruction in all areas at its best.

Qualified applicants living in southeastern Michigan are privileged to enroll in our MBA Evening Program which has the same admission and graduation requirements as the day program.

The School's "export" of management education expertise has resulted in the first MBA degree programs in both Taiwan and The Netherlands. The Netherlands Interfaculty will bring their entire MBA student body and faculty to our campus for 10 days this spring. Each year our School has a number of foreign scholars "in residence."

Faculty research and publication have increased greatly. The School's Bureau of Business Research and Institute for International Commerce carry on extensive research programs designed to discover new knowledge and to promote the welfare of Michigan and the nation.

Postgraduate management education programs have been expanded

and enriched. The management education activities of the School's Bureau of Industrial Relations alone exceed \$1 million annually. Our month-long programs make extensive use of our faculty during the spring and summer months, and these activities will be greatly enriched by our new Assembly Hall.

Among recent innovations in the School are: the noontime "food for thought" Sandwich Seminars, the Dean's Forum, the "Executive-in-Residence" program, Monday business movies, experimentation with new teaching techniques including closed-circuit TV, a course in Black Enterprise, Black Business Consulting Services, the Ph.D. Forum, the faculty research "working paper" series, the Associates Program with business, the Detroit Business Conference, the Executive Sabbatical Program, new management seminars, the establishment of alumni clubs on both coasts, and the development of a strong Business School alumni fund organization.

The School continues to sponsor the annual Honors Banquet for high scholarship, the Business Leadership Award, the McInally Lecture, the School magazine *Dividend*, and the *Michigan Business Review*. Anyone wishing a copy of the most recent publication, F. Lee Bailey, *The Defense Never Rests: The Art of Cross-Examination*, should write to the School.

The Assembly Hall, the first expansion of physical facilities since 1948, is now under construction; private contributions to the School now cover the full budget of \$1,550,000. Efforts to finance the construction of the Paton Center are under way. In addition, the School desperately needs scholarship and loan funds for students at all levels and in all degree programs.

Dividend

The Magazine of the Graduate School of Business Administration

VOLUME III, No. 3

Spring, 1972

In this issue we focus on the Ph.D. Everything in it except the Dean's report and the Among Ourselves section, is either written by a Ph.D. graduate of the Business School, or is about our program and the students in it.

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About the Cover

We had to get special permission from the U.S. Secret Service to use a picture of U.S. currency on the cover. They allowed us to use the picture provided it was printed in black and white and showed the currency less than 3/4 of the size of an actual bill. The cover picture is by Stuart Abbey, as are the pictures on pages 4, 14, 15, 16, 17, 18, 26, 27, 28, 30, and 31.

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Editor: Pringle Smith

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Money and the University

The financial support for the University of Michigan, for both the operating activities carried on by units of the University and the buildings used by these units, comes from many sources. In the following series of tables, these sources are shown historically for operating income and, as of June 30, 1971, for the investment in buildings.

In a short period of time, the sources of support for University operations do not change very rapidly or significantly. Over a period of several decades, however, there are some marked shifts in these sources and in the relative significance of each.

The total income of the University from all sources and for all activities for the fiscal years ending in 1900, 1920, 1950, and 1971 is shown in Table I.

The total amounts shown in Table I indicate that the University is today one of the largest educational institutions in the world, as measured by income totals. Not many other universities combine several such large operating units as does the University of Michigan. The student enrollment is large, though not the largest in the State and exceeded by many other universities now; the Federal agency support is large, as the University is one of the first two or three in the nation in Federal support; the hospitals are large, ranking among the largest units operated by any university; the housing system is large, although exceeded in size by this system at a few other universities; and its gifts and grants, particularly for a state-supported university, are large.

A second interesting observation from Table I is in the decided shifts over the seventy-one year period in the income significance of what might be called user-charge activities, hospitals, student residences, student centers, athletics, etc. From 6% of the total in 1900, these income sources rose to 26% in 1920, and to 35% in 1950, and then declined in 1971 to 24% of the total.

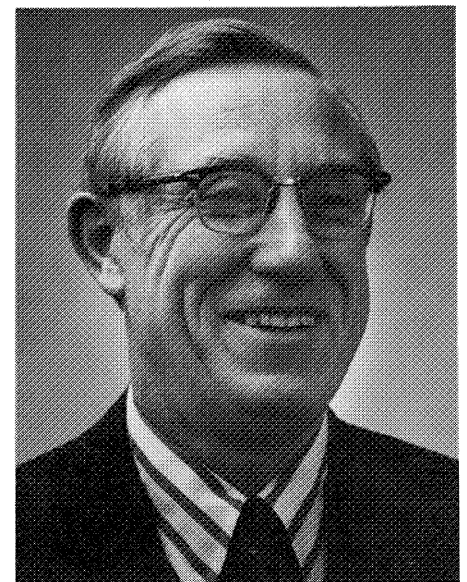
Other significant changes involve the amounts of State and Federal support and gifts and grants, which are commented on below.

Since hospitals, student residences, student centers, and other user-charge facilities may or may not be

Table I
Total Income for All Operations

	1900		1920		1950		1971	
Student Fees	\$185,350	33%	\$ 682,445	17%	\$ 6,068,381	16%	\$ 34,605,128	13%
State								
Appropriations	293,583	52	2,018,750	50	11,436,315	31	79,443,270	29
Federal Agencies	-0-		-0-		2,735,781	7	60,209,372	22
Gifts and Grants	6,114	1	59,712	1	1,101,840	3	18,074,321	7
Post Graduate, Extension, Conferences, Other Charges	7,399	1	147,200	4	2,184,085	6	7,291,636	3
Investment								
Income	36,841	7	98,037	2	744,078	2	6,389,408	2
Hospitals	31,171	6	513,645	13	6,442,620	17	44,403,042	16
Student								
Residences	-0-		7,085	-	3,442,040	9	13,924,561	5
Student Centers	-0-		379,513	10	1,667,687	4	2,141,303	1
Athletics	-0-		125,751	3	1,210,578	3	2,576,724	1
Other*	-0-		-0-		567,253	2	3,020,267	1
Total	\$560,458	100%	\$4,032,138	100%	\$37,600,658	100%	\$272,079,032	100%

* Includes Parking, Airport, Publication, Miscellaneous Items.



Dr. Wilbur K. Pierpont

of Michigan

By Wilbur K. Pierpont, M.B.A. '38, Ph.D. '40
Vice-President and Chief Financial Officer
University of Michigan

Table II
Income for Teaching, Research, Public Service and Administrative Activities

	1900		1920		1950		1971	
Student Fees	\$185,350	35%	\$ 682,445	23%	\$ 6,068,381	25%	\$ 34,605,128	17%
State Appropriations	293,583	56	2,018,750	67	11,436,315	47	79,443,270	39
Federal Agencies	-0-		-0-		2,735,781	11	60,209,372	29
Gifts and Grants	6,114	1	59,712	2	1,101,840	5	18,074,321	9
Post Graduate, Extension, Conferences, Other Charges	7,399	1	147,200	5	2,184,085	9	7,291,636	3
Investment Income	36,841	7	98,037	3	744,078	3	6,389,408	3
Total	\$529,287	100%	\$3,006,144	100%	\$24,270,480	100%	\$206,013,135	100%

operated directly by an educational institution, it is desirable to exclude these income sources and to look at the income obtained specifically for the direct educational activities of the university. Table II shows the first six sources from Table I as the income sources for the teaching, research, public service, and administrative functions of the University.

Table II shows the very significant shift in Federal support from no support in 1900 and 1920, to a beginning in 1950, and to a very large source in 1971.¹ At the same time that Federal support has

increased markedly, State support has declined significantly as a percentage of the total. If these two sources are considered together as taxpayer support for the University, the percentage of the two amounts to 56% in 1900, 67% in 1920, 58% in 1950, and 68% in 1971.

A second marked shift is the increase in gifts and grants from 1% in 1900 to 9% in 1971. The University has been for many years particularly favored by gifts for buildings, endowment, and capital

needs; and since the end of the 1940's gifts and grants have become a significant source of operating funds. These gifts and grants are provided by alumni, foundations, corporations, bequests, and other non-governmental organizations.

During the seventy-one year period shown in Table II, student fees have dropped as a percentage of the total income for educational purposes from 35% to 17%, although the change from the period of the 1920's is much less significant. During the 1920's, the student fee income as a percentage of the total stayed in the 20%-23% range.

In financing a state-supported university, it has been commonplace to compare the support of the state to that obtained from student fees, excluding all other sources which are obtained essentially as a result of the particular efforts of university personnel. Table III shows this relationship.

(continued next page)

Table III
State Appropriations and Student Fees

	1900		1920		1950		1971	
Student Fees	\$185,350	39%	\$ 682,445	25%	\$ 6,068,381	35%	\$ 34,605,128	30%
State Appropriations	293,583	61	2,018,750	75	11,436,315	65	79,443,270	70
Total	\$478,933	100%	\$2,701,195	100%	\$17,504,696	100%	\$114,048,398	100%

¹In this connection, it might be well to point out that the investment income in 1900 came from a Federal land grant to the University before Michigan was a state and when the land was sold, the proceeds were turned over to the State Treasury with the University receiving interest at 7% per year on the amount. This is the so-called Federal Land Grant of \$548,984 carried as an endowment on the University books. The interest of \$38,428 was received annually as a specific grant until a revision in the State Constitution in 1963 eliminated the item as an obligation of the State.

At the same time that federal support has increased markedly, state support has declined significantly as a percentage of the total.

During the first fifty years of University operation, the State did not provide any operating income support. The University income came from student fees, the Federal Land Grant income, and other miscellaneous sources. State support for operations began in the 1870's and increased gradually during the latter part of the century and the early 1900's. From the World War I period to the end of World War II, the State provided about \$3 for each \$1 from student fees, a percentage ratio to the total of 75% and 25% respectively.

The Federal support under the G.I. Bill after World War II increased significantly the percentage ratio of student fees to the total of fees and State appropriation. But as this support faded out, the student fees once again reverted to about 20%-25% of the total of the two items. In recent years, however, the proportions are changing quite significantly again, and approaching those which existed in the early part of this century. The budget for 1971-72, for example, shows the following:

Student Fees	\$ 39,886,357	32%
State Appropriations	85,403,000	68%
	<u>\$125,289,357</u>	<u>100%</u>

If we look again at State and Federal support as a single source of taxpayer support, the relationships of student and taxpayer support appear in Table IV.

Table IV
Federal Support, State Appropriations, and Student Fees

	1900		1920		1950		1971	
Student Fees	\$185,350	38%	\$ 682,445	25%	\$ 6,068,381	30%	\$ 34,605,128	20%
State Appropriations	293,853	62	2,018,750	75	11,436,315	56	79,443,270	46
Federal Support	-0-		-0-		2,735,781	14	60,209,372	34
	<u>\$479,203</u>	<u>100%</u>	<u>\$2,701,195</u>	<u>100%</u>	<u>\$20,240,477</u>	<u>100%</u>	<u>\$174,257,770</u>	<u>100%</u>

If it is assumed that Federal support in one form or another will continue to provide funds for the University, student fee income as a percentage of the three sources shown on Table IV is today and possibly may continue at about the level which existed in the 1920's prior to the time when Federal government support became a major source of income for the University.

One more table will complete this presentation of sources of income for the University. Table V shows the sources of funds used for the construction of the buildings now in use at the University.

While State appropriations have provided the largest single portion of funds for buildings over the years, gifts, residence halls income, Federal funds, and other sources have provided important contributions.

Table V
Sources of Support for Buildings As of June 30, 1971

State Appropriations	\$107,793,219	32%
Gifts	55,378,945	16
Residence Halls Income	50,856,358	15
Federal Grants	\$26,488,293	
Allowances for space usage	13,159,346	
Total	<u>39,647,639</u>	<u>12</u>
Hospital and Other Auxiliary Activities Income	25,467,927	8
Student Fees	22,627,548	7
Other University Sources	33,833,232	10
Total	<u>\$335,604,868</u>	<u>100%</u>

Significant among the buildings provided either totally or to a large extent from gifts by foundations, corporations, and alumni and friends of the University are the following:

Law Quadrangle and Martha Cook Residence Hall from W. W. Cook.

Nuclear Reactor and Dearborn Campus Buildings from Ford Motor Company and Ford Fund.

H. H. Rackham School of Graduate Studies Building and Rackham Educational Memorial Building in Detroit from Horace H. Rackham.

Mott Childrens' Hospital from Charles S. Mott Foundation.

Medical Research Building, Medical Library Addition, and Hearing Research Institute from Kresge Foundation.

Kellogg Institute and School of Public Health Buildings from Kellogg Foundation and Rockefeller Foundation.

Highway Safety Research Institute Building from Ford Motor Company and General Motors Corporation.

Power Center for the Performing Arts from Eugene B. Power and Family.

Botanical Gardens and Radrick Center from Frederick Matthaei, Sr.

Chrysler Center for Continuing Engineering Education from the Chrysler Corporation.

Holden Perinatal Laboratory from Holden Fund.

Clements Library from William L. Clements.

Upjohn Center for Clinical Pharmacology from Upjohn Company.

Continuing Education Center in the Medical and Health Sciences from Towsley and Dow Foundations.

Business Administration Assembly Hall from alumni and friends of the School.

*How much does it cost?
How are programs accredited?
Why has our program expanded?
Have dissertation topics changed?*

The Ph.D.

*An interview with Dr. Dick A. Leabo
Director, Doctoral Studies Program*

Editor's Note: Dick A. Leabo, professor of statistics, has been on the faculty of the Graduate School of Business Administration since 1957. From 1962 to 1965, he served as associate dean of the School, and in 1965 took over as director of the doctoral studies program. Since he has been its director, the doctoral studies program has expanded and changed in several significant ways. Here we discuss with him the changes that have taken place, and the issues affecting Ph.D. programs in general.

What is the cost of educating a Ph.D.?

Doctoral level unit costs, by any measurement, usually are six to eight times the cost of educating freshmen and sophomores and probably four to five times the expense of MBA units. Experience at some universities has indicated that costs of doctoral level courses may even run as high as 20 times the cost of first year MBA courses.

Why is the cost so high?

The goal of a Ph.D. program should be to prepare the student for creative work which will contribute to the development of his major field of study. The emphasis, therefore, would be on cultivating a greater *depth* of understanding in his special field than would normally result from the typical MBA course. To accomplish this, loads for faculty

teaching at the advanced graduate level are lower than at any other level. This is expensive.

What is the difference in course work required of the MBA student as opposed to the Ph.D. student?

MBA courses are oriented toward decision making and tend to be horizontally oriented, that is, oriented toward giving the student broad knowledge. Ph.D. work tends to be more theoretical and abstract, and requires that the student go much deeper into his chosen field. Unless a school is prepared to offer some course work reserved exclusively for doctoral students, the Ph.D. program will not be at the proper level. But doctoral seminars guided by senior professors typically are small and represent a high unit cost.

I have heard that doctoral programs in business are rapidly increasing. Is this true?

Yes. Between 1954 and 1964, the total number of doctoral programs in business offered in this country increased from 27 to 47, a rise of 74%. Between 1964 and 1970, another rapid rise took place. Between 15 and 20 new doctoral programs were established, most of these D.B.A.s. Currently there are at least 78 Ph.D. and D.B.A. programs of which I am aware. They range in size from around 40 to over 200 students.

Why, with costs so high, are so many schools instituting doctoral programs?

Prestige probably is one factor. Another is the need to have doctoral students available to teach large numbers of undergraduates. It has been suggested that some schools now enter into doctoral work prematurely. Just because the demand exists for an accredited B.B.A. or M.B.A. program, it does not logically follow that a school should then turn to doctoral work as quickly as is *administratively* desirable. Our current program, for example, reflects the experience and considered judgment of the faculty over almost 40 years of Ph.D. education.

Do some schools tend to turn to doctoral programs as quickly as is administratively feasible after accreditation of the master's program?

Some schools do. And the implications are clear and disturbing. The total population from which potential doctoral students are selected is not as large as many individuals would have you believe. Any school which is going to select only those students in the top five, or even top ten percent will compete with schools of national and international reputation for students.

Will this expansion of doctoral programs lower quality?

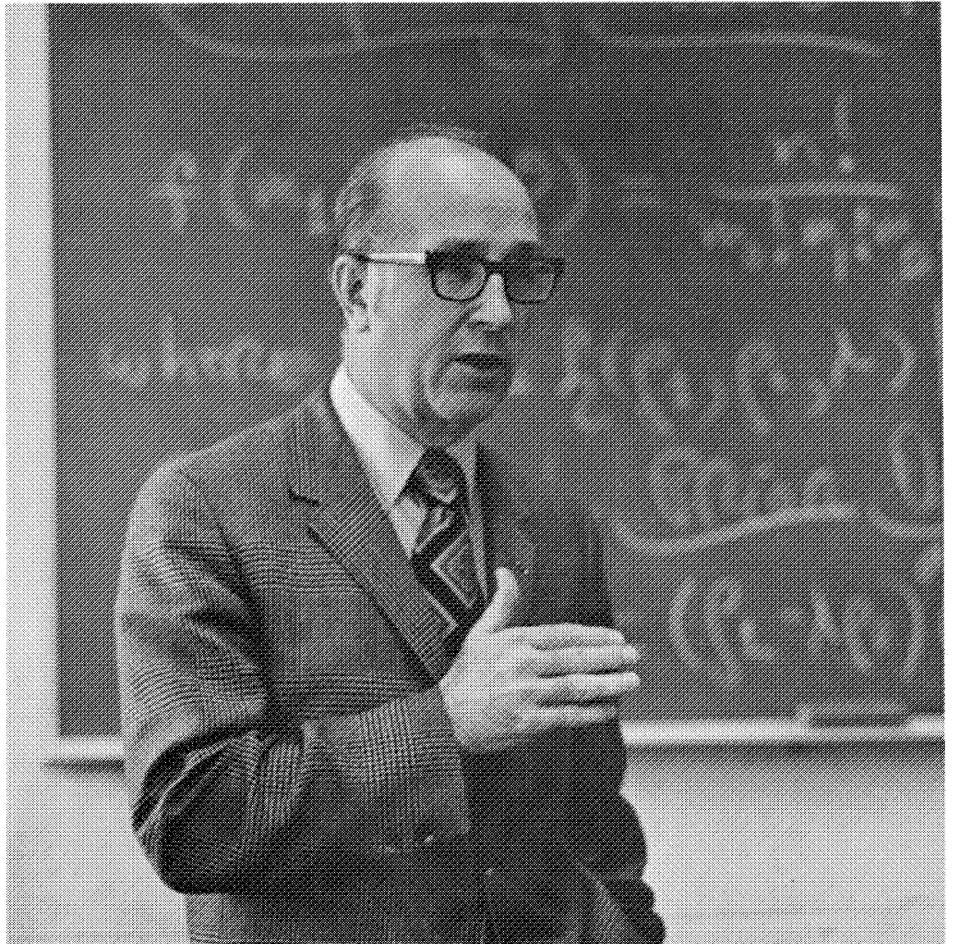
This is certainly one serious concern. The issues of possible duplication of effort and excessive costs are being discussed more and more because most states are desperately searching for the means of financing their total educational system. Why should every state-assisted school be duplicating Ph.D. programs? Perhaps some schools should concentrate on undergraduate education only; others could offer a respectable master's degree. Certainly not all should offer doctoral degrees. The theoretical economic concept of comparative advantage seems applicable here.

How should it be decided which schools should offer doctoral degrees and which should not?

Two approaches that I am familiar with in my capacity as an outside consultant are used by New York and Ontario. Briefly, before a new doctoral program may be started by a university, the proposal must be evaluated by a panel of outside "experts." Their recommendations are usually followed by the agencies with authority for approving new graduate programs. In New York all public and private schools must submit proposals for new graduate programs. In Ontario, proposals must be approved by the Council on Graduate Studies. This procedure has a way of deterring the marginal program or at least helping to insure a proper beginning. In my judgment, the state of Michigan could learn something here. It is a debatable point whether every regional university should have a Ph.D. program in business administration.

How are Ph.D. programs accredited?

At the moment, the only accreditation that is given is the same accreditation given to the university generally. The American Association of Collegiate Schools of Business has the authority to be the accrediting agency for bachelor's and master's programs in business but not doctoral programs. There is a great need for



Dr. Leabo in the classroom

the AACSB to have the right and the responsibility for the accreditation of doctoral programs in business also.

What is the difference between the Ph.D. and the D.B.A.?

One significant difference is in who approves the program. A Ph.D. program usually must meet the standards of the graduate school of the university in which it is offered. For example, any major changes in our Ph.D. program must be approved by the executive board of the Rackham Graduate School, which is composed of 12 faculty members from various departments in the University. D.B.A. programs normally do not go through the graduate school of their university. Once a D.B.A. program has been formulated, normally it can be submitted by the school directly to the regents of the university, requesting their approval and their authority to grant the degree. Another important difference,

in my opinion, is that most Ph.D. programs tend to be more research-oriented and aimed less at the operational manager.

Does this difference create a different orientation?

I think so. Most Ph.D. programs stress more theoretical research. Some D.B.A. programs appear to be more of an extension of the MBA program than advanced graduate work in an area of speciality. We should keep in mind that originally the MBA was viewed as a terminal degree. These programs would be more oriented toward developing active management decision-makers.

But isn't development of good decision-makers what advanced work in business should be aiming toward?

The MBA program should be aiming toward generating business

policy makers and decision makers. However, a viable Ph.D. program should be training teachers and researchers rather than operational decision-makers. Superior teachers must study in depth in a particular field. The Ph.D. should be well trained in advanced analytical tools and he should be comfortable with the computer in order to conduct and direct original research. I mean *after* graduation as well as at the dissertation stage. If a teacher is simply well grounded in current business practices, he soon will be teaching the history of management, and that's not good enough for a leading business school. Scholars should be leaders—not followers of current practices. Reporting of current business practices is an acceptable topic for research only up to a point. After the inventory, scholars ought to be hacking away at research frontiers in their fields.

How will hacking away at research frontiers benefit business?

Without a theoretical frame of reference, you're unlikely to generate any useful principles. That's the first reason. Another reason is that over the long pull research generates new applications to business. The whole area of management information systems was pretty esoteric and undefined a few years ago. Decision theory is another field where highly theoretical work has served as the base for some useful principles that apply to business practice. The dissertation should be a learning experience rather than a descriptive exposition of current practices of management. The dissertation research and the development of a continuing research attitude is what the Ph.D. program is all about.

Speaking of dissertations, has there been any change in the types of dissertation topics Ph.D. students choose?

There has been a definite shift in the past ten years toward more quantitatively oriented dissertations in many of the functional areas, as

well as the development of statistics and management science as an accepted area of study in business administration. Another trend has been toward the application of the research tools of the behavioral sciences.

Why?

Dissertations have become more quantitative, largely because of the computer. You can now apply mathematical techniques to problems that formerly would not have lent themselves so easily to such methods.

What about the behavioral sciences? Have there been any changes in dissertation topics in the business school because of the influences of psychology and sociology?

Yes. There is more research attention being directed to social problems. The work by G. W. Cormick in his dissertation, "Power, Strategy and the Process of Community Conflict: A Theoretical Framework," and by Neil Tudiver in his research, "Cooperation and Control in Grass Roots Organizations," are examples of this (see pages 12 and 22—Ed.). Another good example is William Pyle's work in human resource accounting which has attracted a great deal of national and international attention. Organizational behavior and industrial relations, as well as marketing, have become more oriented to the application of behavioral sciences. Years ago the emphasis was on topics like "what the personnel manager does." Now it has shifted to a much broader orientation.

Were there some changes made in our Ph.D. program several years ago?

Yes. A committee of two—Professor Joseph Newman and myself—directed a review of the doctoral program which began in December of 1965 and was completed in January of 1967. Some changes were instituted because of our recommendations.

How did you review the program?

We interviewed faculty members to get their viewpoints and sug-

gestions about the doctoral program. We also surveyed Ph.D. alumni for their suggestions. At the same time, the Ph.D. Forum, the organization of Ph.D. students, helped us by doing a survey among their members, both by questionnaire and personal interview.

And then what?

We reviewed other outstanding doctoral programs and evaluated ours in the light of all the information we had collected. At about the same time, the student report came in. I am still amazed today when I think of the almost *complete* match up between the faculty and student evaluations in terms of what they felt needed strengthening.

What problems did the review identify?

One thing that came through loud and clear was that everybody thought it took too long to complete the program. The average length of time then was over seven years. Now the average is closer to four years.

How did you accomplish that shortening of time?

We tightened up our administrative procedures, for one thing. For example, now we require students to take their first written preliminary examination at the end of their initial academic year here. Their preliminary examination in their field of concentration normally must be taken at the end of their second year. Previously, students could go more at their own pace. As you might guess, some of them procrastinated. Also, the faculty now pay a lot of attention to helping students develop dissertation proposals. Once the proposal is written and defended orally, we ride herd on its progress by requiring regular reports from both the student and his dissertation chairman. Also, admission standards have been raised.

Did you make any other changes?

Yes. We dropped the foreign language requirement and substituted the requirement that all doctoral students must have instead one year

of calculus and a basic course in computer programming. Incidentally, the elimination of the foreign language requirement has taken place in many of the social sciences on a national basis.

Why?

Historically it was believed that researchers must read foreign languages in order to keep up with research developments in their field. Now, however, the language of research in many disciplines is math and computer science—without these a research person would have difficulty in keeping abreast of the research literature in practically any field today.

“Without math and computer science, a research person would have difficulty keeping abreast of the literature in practically any field today.”

Did you change any other requirements?

Yes. We provided the student more opportunity to study in depth in his chosen field. And we now require every Ph.D. student to take a seminar in research methods and a seminar in learning and teaching.

What does the seminar in learning and teaching cover?

The seminar is divided into two halves. In the first half students discuss the role of the business school within the university, governance within the university, the role of the instructor, etc. The second half of the course is practical application. Students are required to develop a course in their field—including a course outline, reading material and a sample examination. They must also develop on paper a complete undergraduate business school curriculum. This semester the instructors of the seminar—Professor Dallas Jones and Associate

Professor Edwin Miller—have provided the opportunity for the students to teach a sample class. This is videotaped and critiqued by the other Ph.D. students. Thus the student has a chance to see himself in action.

How many students do you admit to the Ph.D. program each year?

I respond to about 1,000 inquiries per year from students interested in our Ph.D. program. Of these, approximately 200 apply each year, and of those, we admit 40 to 50 students, knowing that only about half of those admitted will actually come. Our new class in the fall usually numbers between 18 and 25 students.

And of those admitted, how many finish?

About 70% finish in the normal time—that is, three to four years. A large portion of the remaining 30% eventually complete the degree. We have a very low dropout rate as our admission standards are reasonably high. Currently we have about 100 active Ph.D. applicants and candidates. In the past four years we have averaged about 15 graduates per year.

Has the size of our Ph.D. program grown?

Yes. It has about doubled since the mid 1960s. When we were taking a careful look at the doctoral program in 1966, the faculty concluded that the size of the program was uneconomical and that the program should be enlarged. The point is, it takes a lot of resources to run a good doctoral program—even if you only have 20 students, so we wanted to strike the best balance between our resources and the students. For example, you can't have a good

doctoral seminar with only two students in it, but if you have only two students you still must run the seminar to continue to have a first-class program. It is a matter of marginal costs and benefits.

Recently there have been statements in the press referring to the “glut on the Ph.D. market.” Does this mean that after all this hard work the individual is an unemployable intellectual?

Absolutely not in business administration! In some academic disciplines there is a surplus of Ph.D.s right now, but in business administration the demand is relatively strong, particularly in the functional areas of business more quantitatively penetrated or in statistics and management science. The market is softer than it was in the 1960s, but our new Ph.D. graduates have multiple choices of job offers and at excellent starting salaries. The 1960s represented a seller's market with heavy demand. The difference is that people don't have the wide choice they did before—they can't pick and choose among quite as many offers as they used to. But demand is still firm for a quality individual from a quality program.

How much do you estimate a Ph.D. costs the student?

These things are impossible really to estimate, but if you suppose that the typical student will spend two years full time on course work before his dissertation you are talking about approximately \$5000 for non-residents and \$2000 for residents in tuition fees alone. In their dissertation year, they will pay 75% of the resident tuition fee, so that would be an additional \$600 of current fees. Then there are living expenses; most college communities have a high cost of living.

That adds up to quite a bit. How do Ph.D. students finance their degrees?

Through part-time work assignments such as teaching fellowships, research assistantships and faculty assistantships. In addition, there are scholarships and loan funds available.

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The Source of Inflation and Lagging Productivity

By Albert H. Cox, Jr., Ph.D. '65

In kicking off February's White House Conference on the Industrial World Ahead, President Nixon urged business leaders to put their collective noses to the grindstone in the fight to restore productivity and conquer inflation. "Are you going to crawl into a shell and demand protection from world competition, or are you going to roll up your sleeves and increase productivity?" he asked. Admonishing the group further, he challenged them by asking: "Are you going to expend your energies complaining about controls, or are you going to adopt wage and price policies that will remove the pressure of inflation and the need for controls?"

There is no question that the attitudes and management practices of the business and financial community can be of substantial importance in restoring balance and stability to the American economy. And perhaps that goes double for organized labor. At the same time, it is imperative for the powers that be in Washington to have a crystal clear understanding of the major cause of our economic troubles since the late sixties. They can be traced neither to business nor to labor practices. Instead, our troubles are rooted in the explosive rise in federal spending in the late sixties, the "guns and butter" policy of that time, Washington's shocking failure to raise taxes, and to huge federal deficits and soaring monetary expan-

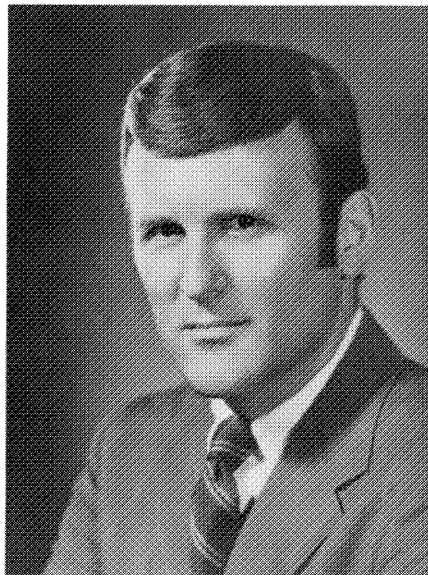
sion at a time when unemployment was non-existent and demand for labor was bursting at the seams.

Was it any wonder that inflation roared ahead, pricing us out of one world market after another? Was it really any surprise, with job vacancies begging to be filled, and in the phony euphoria and even greed that accompanied the hyper-inflation, that labor productivity and business efficiency slumped badly?

Thus the painful lesson of the late sixties makes it essential for Administration officials and Congressmen to regard their own decisions—not those of business and labor—as the

most crucial of all as we strive for prosperity in the seventies. In that regard, the economic policy of the Nixon Administration during the past three years deserves generally good marks. In an effort to stop the inflationary spiral, both monetary and fiscal policy were tightened in 1969, even at the risk of a recession, and one indeed did occur. The sharp upward gait of federal spending from fiscal 1966-68 (15 percent per year increases) was more than halved in the subsequent three-year period from fiscal 1969-71 (6 percent per year increases on the average).

The rate of inflation has responded
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Albert H. Cox, Jr.

About the Author: Dr. Cox is currently executive vice-president and chief economist for Lionel D. Edie and Company, Inc., as well as senior economic adviser to Merrill Lynch, Pierce, Fenner & Smith, Inc. From June 1969 to March 1970 he served as special assistant to the Chairman of President Nixon's Council of Economic Advisers. His Ph.D. dissertation, "Regulation of Interest Rates on Bank Deposits," was published in 1966 by the Bureau of Business Research and remains so timely that it is still available today (Michigan Business Studies, Vol. XVII, No. 4, 207 pages, cloth, \$6.00). This article is reprinted by permission from the March, 1972 *Bankers Monthly*.

Editor's Note: Gerald Cormick is now Research Director and Training Coordinator of the Institute for Mediation and Conflict Resolution in New York City, where his primary responsibility is for the study, analysis and dissemination of information on the role of the intervenor and the intervention center in community disputes. His efforts in this area are a continuation of the research and analysis he did for his dissertation, "Power, Strategy and the Process of Community Conflict: A Theoretical Framework," which was an effort to conceptualize the dimensions and dynamics of power as they relate to the processes of social conflict. Says Cormick, "It is in the industrial relations department of a school of business that organization theory and the study of labor-management relations are combined. As a result, my educational experience uniquely equipped me for my present position. In fact, many of those presently most involved in the study of community conflict and as intervenors have gained their experience in the area of labor management relations." Cormick also has responsibility in the training of community mediators and negotiators and the preparation of training materials for this purpose and has had the opportunity to act as mediator in a number of community disputes. In this article, he tells about the Board of Mediation for Community Disputes, which has been involved in nearly every major community dispute in the New York area during the past two years. The Board has now joined with its sister training agency to form the Institute for Mediation and Conflict Resolution.

Our society is a conglomerate of groups, many of which have divergent and overlapping goals. During the past decade, there has been a growing tendency for individuals to band together in pursuit of their common interests. These newly emergent interest groups include tenants, welfare recipients, school and college students, clergy and even customers of retail establishments. Not only are they organizing in a manner reminiscent of the American labor

A Board to Mediate

movement, but they are adopting many of the same coercive tactics which have proven successful in labor-management confrontations—picketing, boycotts, sit-ins and even strikes.

As the several groups and interests which comprise our urban environment seek to develop a viable "social contract," innumerable areas of social conflict arise which cannot or should not be resolved through the rule of law. Conflicts of this sort are so frequent that it would be impossible to maintain a society such as ours if there was not some method of reconciling them through mutual accommodation. It is our willingness to make accommodation and adjustments in our relationships that comprises the social contracts enabling us to live together.

Since so many aspects of community conflict are reminiscent of the labor-management experience, it is not surprising that many observers feel that the same methods developed for assisting in the joint resolution of conflicts of interest in labor-management relations have some applicability in the resolution of community disputes.

On January 1, 1970, the Ford Foundation funded the Board of Mediation for Community Disputes to provide a continuing center to which disputing parties could turn for skilled and objective assistance in resolving their differences. The concept of transferring negotiations and mediation experience from labor-management to community dispute situations had been tested in a variety of community disputes throughout the nation. While success had been varied, the experience clearly demonstrated the potential.

The Board of Mediation was an effort to move from *ad hoc* mediation efforts to an established center providing the types of insight and support necessary to ensure the most effective use of mediation tools in the negotiations process.

The Board of Mediation for Community Disputes was established under the sponsorship of Theodore W. Kheel, an internationally known mediator. Its first president was Ronald W. Haughton, co-director of the Institute of Labor and Industrial Relations at the University of Michigan and Wayne State University. Professor Haughton brought to the Board his life-long experience as a mediator extending from emergency disputes under the War Labor Board during World War II to the first contract gained by Caesar Chavez and the United Farm Workers and the complicated twin disputes between San Francisco State College and its Third World students and its faculty.

The Board has been involved in nearly every major community dispute which has arisen in the New York area during the past two years, including disputes ranging from student-administration and tenant-landlord conflicts to a teachers' strike in Newark, the location of a day care center, and the case of the Young Lords. Members of the Young Lords, a Puerto Rican group, had been arrested after being evicted from an East Harlem Church they had occupied in an effort to obtain more community services. Under an agreement worked out with the assistance of a Board mediator, the church committed itself to set up a day care program, begin a drug information service, and develop

Community Disputes

By Gerald W. Cormick, Ph.D. '71

housing, and court actions against the Young Lords were dropped.

The Board has also worked with a variety of institutions, including schools, colleges, and health delivery systems, in attempting to design and implement dispute resolution systems intended to deal with conflicts as they arise rather than allowing them to fester until they explode in massive and costly confrontations. Its experience suggests that a formal mediation role in the labor-management tradition might often be the least productive involvement in a threatening or ongoing community dispute. It has differentiated a variety of functions of the mediator in community disputes, all of which are supportive of orderly dispute resolution, but only a few of which are normally considered a part of the classic role of the mediator.

In some situations, the Board has played a role that can best be described as "conflict consultants." In Newark, for example, the Center, after mediating an extended and bitter teacher strike, was involved in the development of a Task Force to work toward the improvement of the educational system, the development of an ombudsman function and selection of an ombudsman for the city. It acted on an advisory basis in a number of racial incidents in the high schools and is presently assisting in the establishment of a viable disputes resolution system in public housing.

On January 1, 1972, the Board of Mediation was merged with its sister agency, The Center for Mediation and Conflict Resolution, to form a new entity, The Institute for Mediation and Conflict Resolution. The Center, which had also been funded

by the Ford Foundation, was involved in the training of mediators to assist in the resolution of both community and public employment disputes. The new Institute has pledged itself to further develop both the teaching and ad hoc intervention programs under its new President, former New York State Senator Basil A. Paterson.

Situations in which the Institute is currently involved include: two disputes regarding the role of the community in the delivery of health services, a dispute involving the structure of and representation in a federation of nearly 60 community organizations responsible for administering several million dollars of federal economic redevelopment funds, a dispute between Jewish and Black college students, a dispute between a major film studio and a coalition of Black youth over making films in Harlem, and a formal role in maintaining the viability of a community school board.

In order to understand better and to disseminate as widely as possible its experience, the Board has undertaken an intensive effort to understand and document its experience. From this effort, a number of general conclusions have been reached relating to the role of a center established to assist disputing parties in the resolution of their differences. While some of these general conclusions need further testing, they do suggest useful approaches to community dispute resolution.

For example, is neutrality an asset in the mediation of community disputes? In the modern labor-management analogy, third parties are very jealous of their neutrality.

Yet, during the 1930's mediators with the federal government were, by their very function, advocates of change in the direction of the participation of workers, through their unions, in the determination of their terms and conditions of employment.

Anyone who advocates joint discussions between protester and established institution is an advocate of social change. The Board was established to aid such joint discussions. Its Directors and staff would not be involved in this undertaking were they not committed to the possibility of and the need for social change. The credibility of the Board is contingent upon mediation leading to meaningful social change.

While this commitment increases the acceptance of the intervenor by protesting groups, some observers feared that it may correspondingly lessen his acceptability to established institutions. The experience of the Board, however, seems to suggest that by the time an established organization has reached the point where it desires to negotiate an accommodation, it is usually desirous of finding an intervenor who can relate effectively to the protesters. Perhaps the organization hopes that the efforts of the intervenor, while leading to certain changes, will result in something less than the demands being made on it by the protesters and will forestall or halt the costs of overt confrontation.

In fact, at the news conference announcing the formation of the Board, Ronald W. Haughton, its President, was widely quoted in the media as stating:

There should be an element of 'advocate mediation' leading toward some meaningful 'transfer of power.' It should be aimed at convincing the part of the establishment that is under attack that there is an advantage in negotiating real change rather than fighting it out toe-to-toe.

And, while we continue to present ourselves as advocate mediators, our credibility to both community group and establishment has remained our greatest asset.

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Ph.D. Profiles

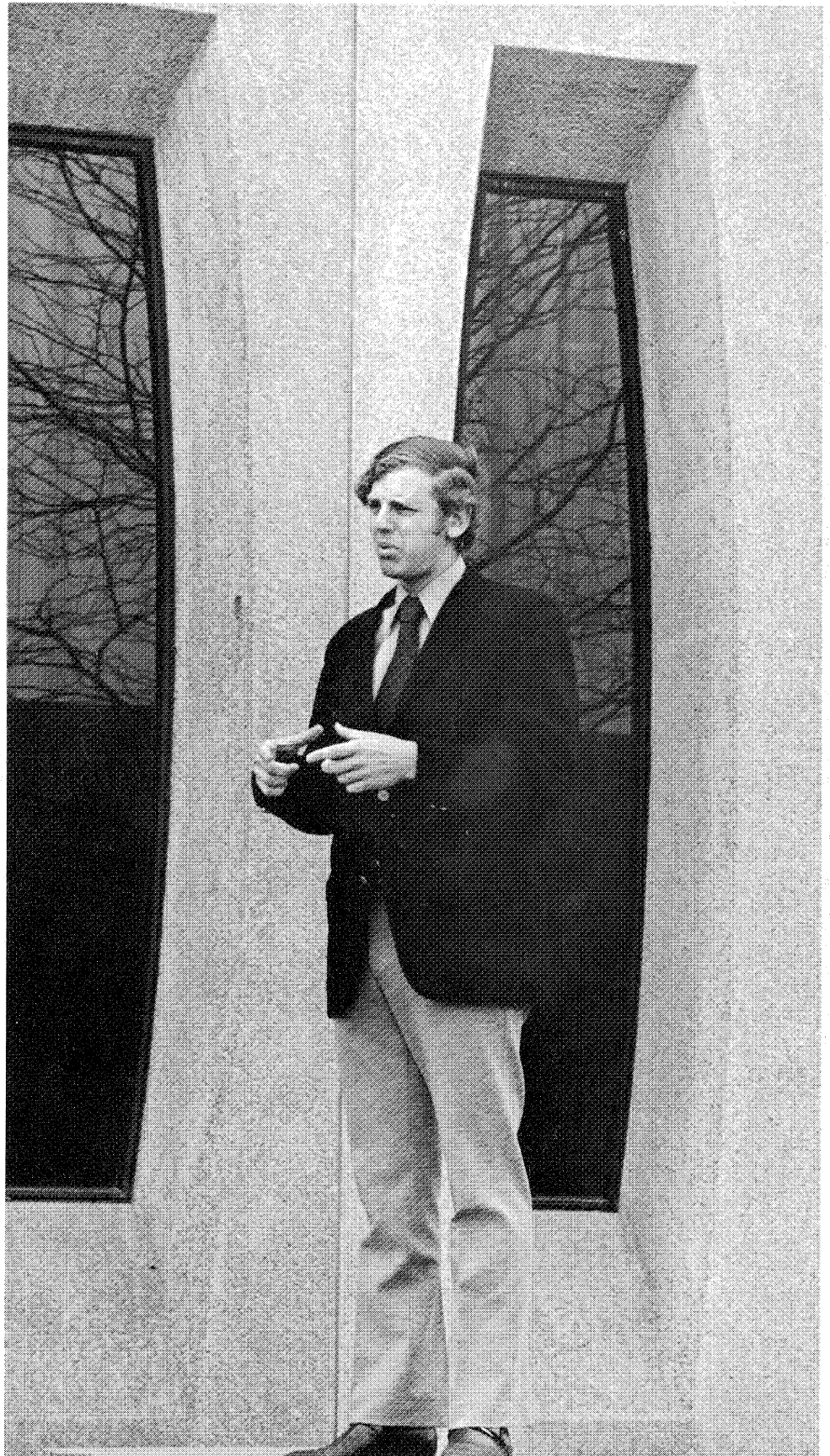
*A portfolio of pictures
and captions about
current Ph.D. students*

↑
Joaquin Lopez was an assistant professor in economics at the University of Barcelona, Spain, before coming to this country in June, 1969 to participate in the Harvard Business School International Teachers Program. After one year at Harvard, Lopez came here to study for his Ph.D. in finance under the European Doctoral Fellowship Program in Management Education, established to train teachers of business for European schools (12 cooperating American schools participate, including the Michigan Business School).

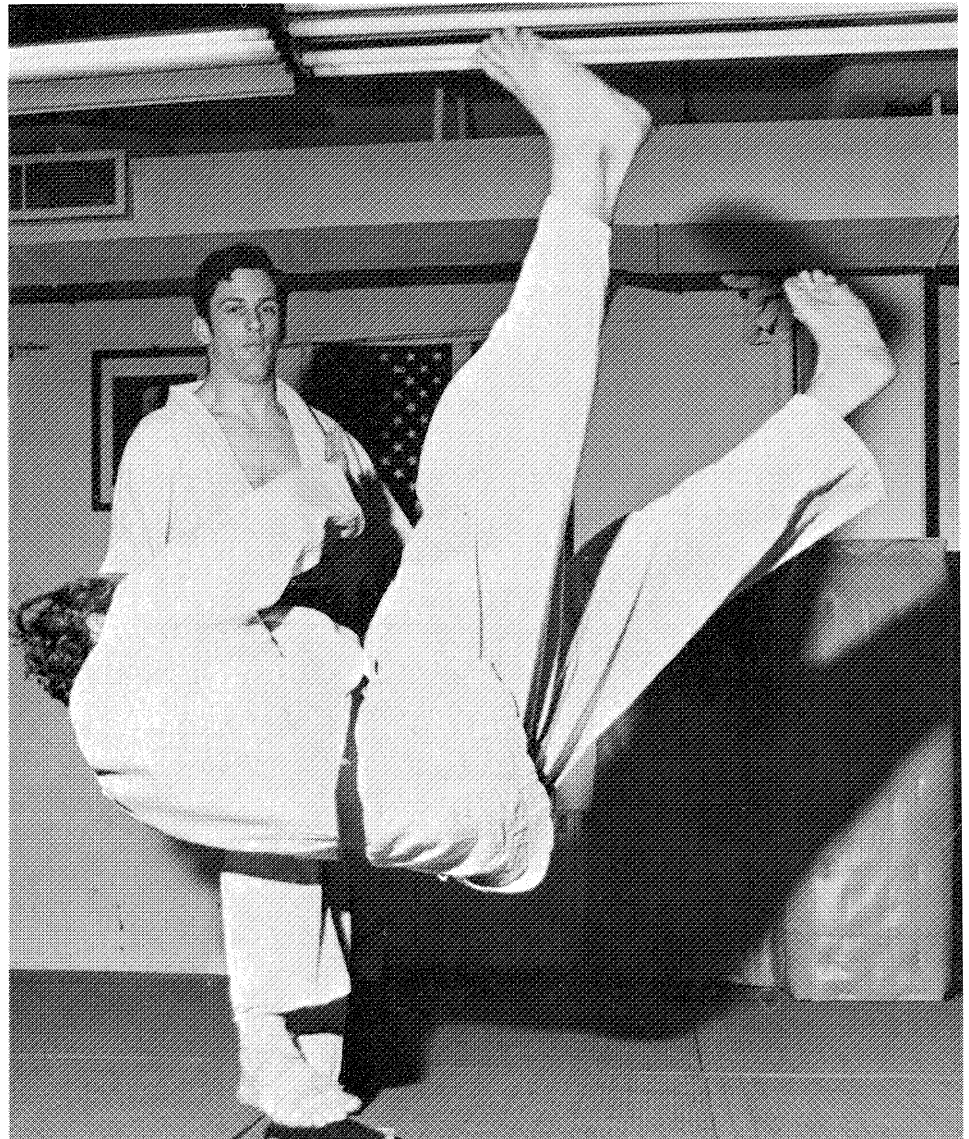
Students must return to Europe on completion of the Ph.D. and teach there for at least three years. In Spain, Lopez, who had six years of concentrated study in the field of economics, says writing a dissertation would have given him a Ph.D. "But," he explains, "professor contact is much more haphazard in Spain. You write your dissertation completely on your own and then have to have it approved by three different professors at three different universities. Impossible!" When he returns

to Spain Lopez plans to teach at the IESE Graduate School of Business of the University of Navarra. On being in America, he says, "There are many things that are common for you that astonish me. For instance, when I go into a restaurant and the waiter starts a friendly conversation. Also the lively interchange between professor and student. When I first came here, I made lots of assumptions based on the way people dressed that were wrong. There is much more informality here."

→ Kenneth Bernhardt holds an appointment as a half-time research associate on a project jointly sponsored by the Bureau of Business Research and the industrial development division of the Institute of Science and Technology. His duties last year included planning several housing conferences, editing a book based on the proceedings of these conferences, and designing a broad-based study of consumer behavior in the purchase of houses. He developed an hour-long interview questionnaire covering every aspect of the home purchase, which was then administered to 200 families in four Michigan counties by a professional interviewing firm. The data obtained serves as the basis for a forthcoming book, to be written by Bernhardt and published by I.S.T. It also serves as the basis for Bernhardt's dissertation, "A Multivariate Analysis of Husband-Wife Influence in the Purchase Decision Process for New Homes." In 1970, Bernhardt spent four months in Rotterdam as a research fellow for the Program in International Business. There he wrote European marketing management case studies to be used in the MBA program of the Stichting Bedrijfskunde. He is now serving as a marketing adviser to one of the teams of the Minority Consulting Group, a group set up by the Business School student council and the Center for Afro-American Studies to give business students an opportunity to work as volunteers with small minority businesses. After receiving his Ph.D., Bernhardt will move to Georgia State University School of Business Administration in Atlanta, Ga., where he has an appointment next fall as assistant professor of marketing. Are the Bernhardts planning to buy a house in Atlanta? Yes. What are they looking for in a house? "100% financing," says Bernhardt.



During the ten years that William Wecker spent in the Air Force, he became proficient at judo, placing fifth in the 1964 Olympic trials and fifth in the national AAU judo championships. After he left the Air Force, he came to the University of Michigan for his master's degree in industrial engineering, then entered the Ph.D. program at the Business School. Here his field of study is statistics and management science, and his dissertation is on time series analysis in forecasting. "Forecasting includes the best of both worlds," he says. "It has a very interesting theoretical basis—that is, random function theory. There are also many opportunities for the practical application of forecasting. Another reason I enjoy forecasting is that in short term use (up to one year) you can check your predictions against what actually happened." He has a fellowship from the Chicago Commodity Exchange to investigate advanced statistical prediction methods for the purpose of forecasting commodity prices. Wecker teaches judo at the Ann Arbor YMCA and holds the title of third degree black belt (the highest possible is 10th degree black belt). Any rank within the black belt class must be earned by going before an examining board which asks questions and requires a demonstration of judo techniques. Wecker went before a board of eight in Japan for his black belt, and now sits on boards himself.



William Wecker (standing) works out at the Ann Arbor YMCA with another black belt in judo, Kurt Lauckner, U-M Ph.D. in physics who is now an assistant professor of math at Eastern Michigan University.

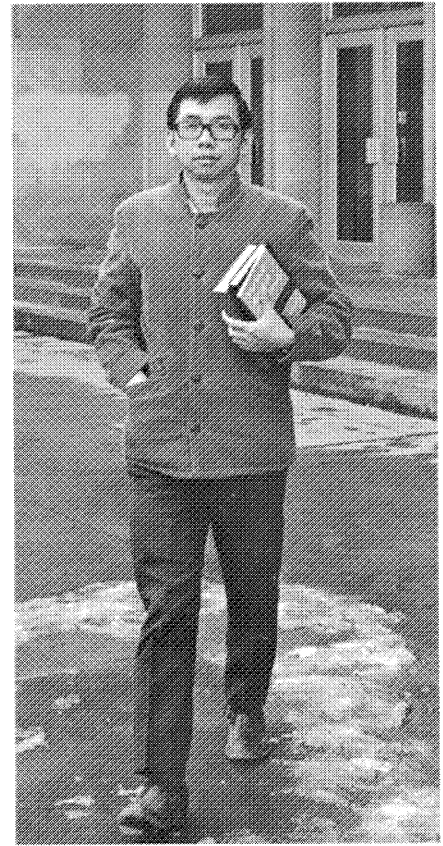
Jim Riggs is particularly interested in doing research on the management of small, high technology firms. He began work in this area as a research fellow at the Bureau of Business Research, where he wrote a working paper entitled, "Forecasting and the Management of Michigan Spin-Off Firms," issued in September, 1971. High technology spin-off firms, says Riggs, tend to have a completely different type of manager than the usual small business. Their managers generally are researchers or engineers who worked in a large company as members of the staff organization and

then founded a company based on a research idea which they saw as commercially viable. These firms have special problems in the financing stage because they are often trying to market a concept which they are trying to develop into a product. Riggs has written an article based on his research, called "The Management of Technology-Oriented Firms—Some Preliminary Findings," for the May issue of *Industrial Research Magazine*. Riggs is vice-chairman of the Ph.D. Forum, organization of doctoral students, and a teaching fellow. He teaches production man-

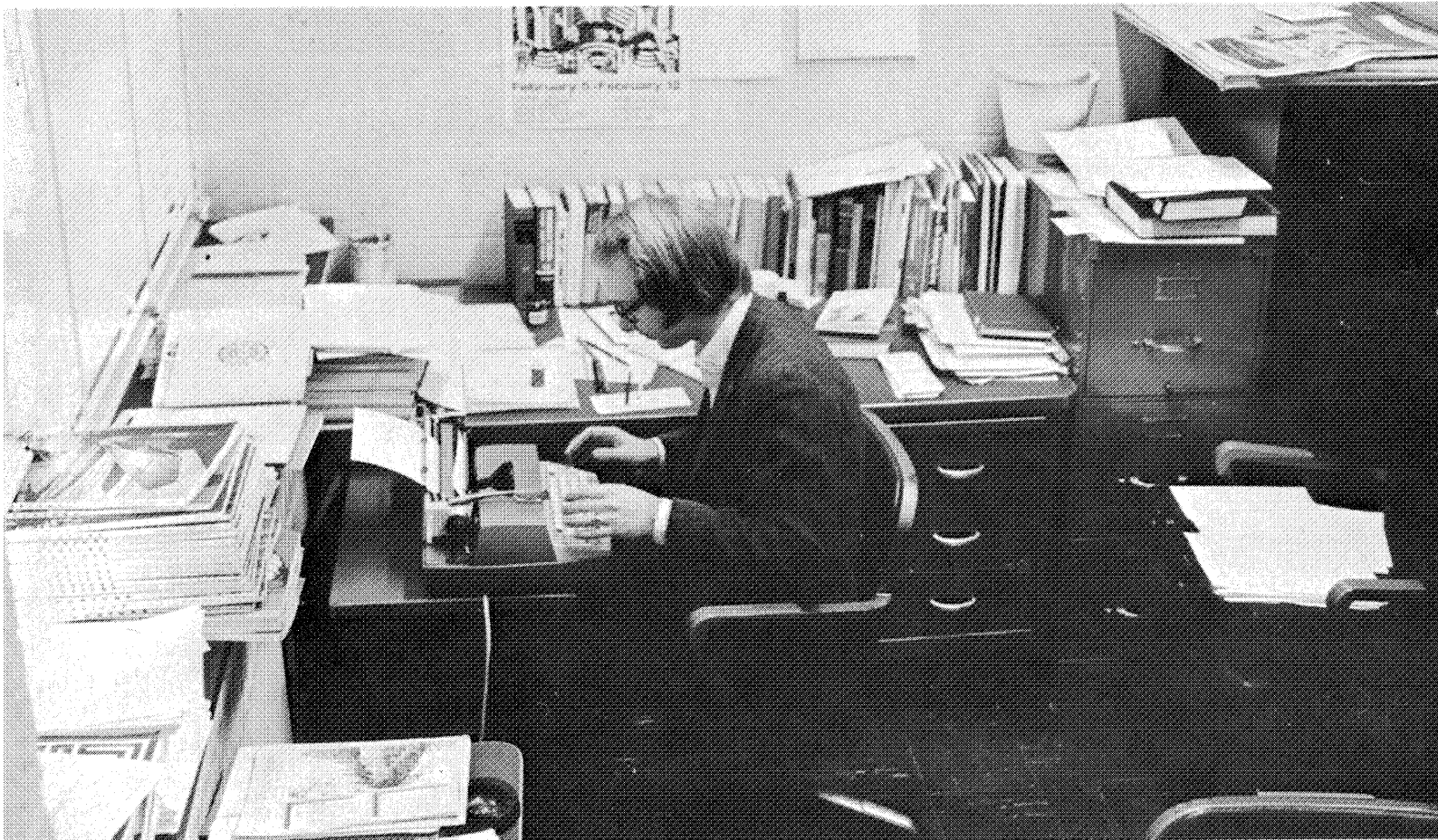
agement and principles of organization to undergraduates, and helps develop case material in these subjects for MBA-level courses. His hobby of humorous writing has led him to formulate his findings in the fields of incompetence and organization in an article entitled, "Parkinson's Law, the Peter Principle, and the Riggs Hypothesis—A Synthesis," which was published in the March, 1971 *Michigan Business Review* and has since been reprinted in the *Journal of Accountancy* and the *Canadian Chartered Accountant*.

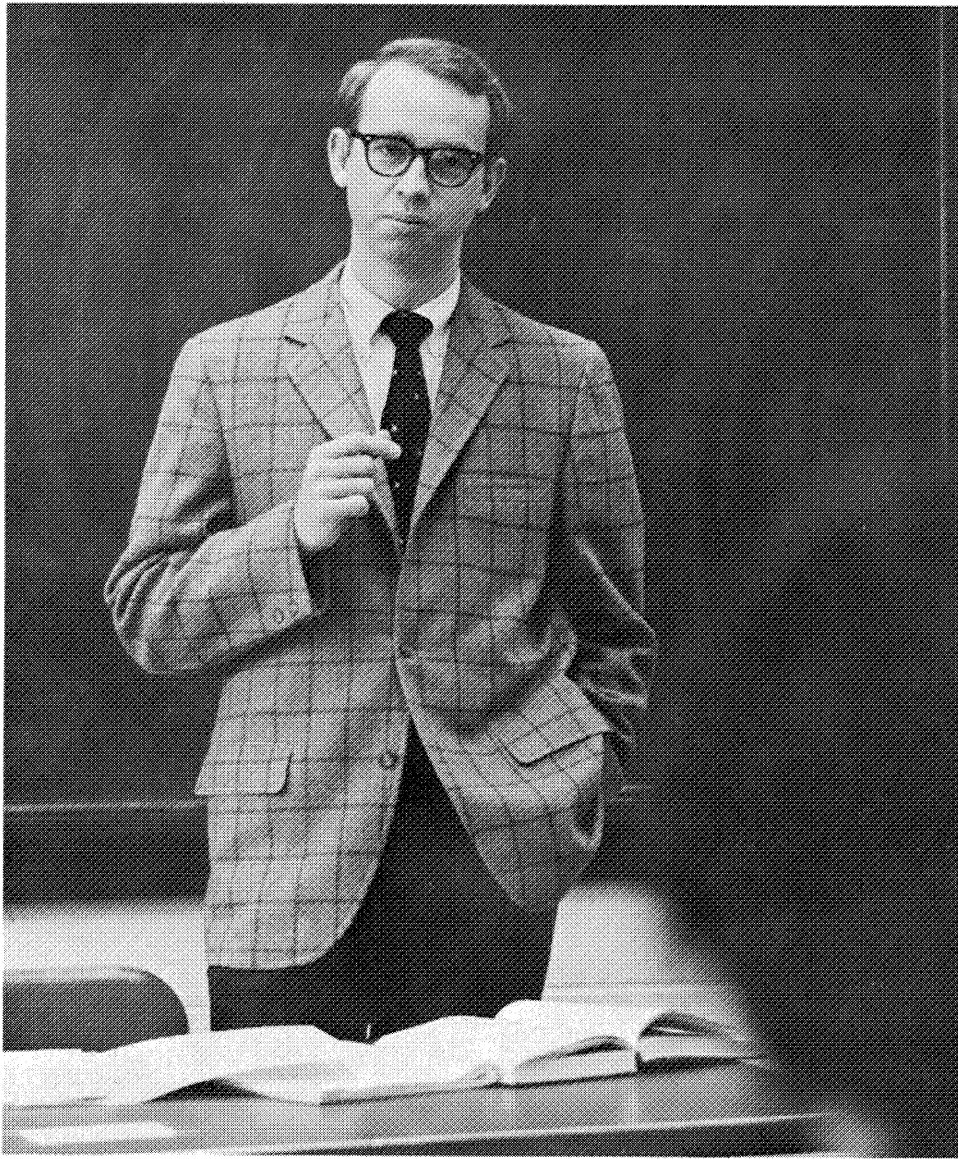
Lawrence Wong came to the University of Michigan from the Singapore Institute of Management, where as program coordinator he developed courses and projects for all levels of management, as well as courses in local corporation law, wage and salary administration, and marketing for foreign executives working in Singapore. He is studying in this country as a Ford Foundation Fellow, and plans to return to the Institute of Management after receiving his Ph.D. His dissertation in the field of industrial relations is titled "Managerial Ideology in an Industrial Society" and is basically concerned with the thought system and the social relationships that make for cohesion in an industrial society. "The central problem," explains Wong, "is that of authority in an industrial system and how these ideas of authority have been worked out over time." He points out that the way the concept of a manager is articulated in part determines who is a manager in the society and how

he functions. For instance, 150 years ago property owners were the managers of their own enterprises, whereas now there is a managerial class. Again, in earlier days of Taylorism, a manager was synonymous with a supervisor because factories ran very simple production processes. Now, however, with the expansion of the corporate system and invention of new techniques of social and economic control, a manager must be more of a coordinator and decision maker than a supervisor. Wong sees this country as a place where people are impatient for results. This, he says, is largely an offshoot of the movement for efficiency which was held as the central value in the early days of industrialization. However, he believes we may now be finding that we need to look more closely into issues such as corporate power and the whole notion of work. Before going to the Institute of Management, Wong got his degree in philosophy from the University of Singapore.

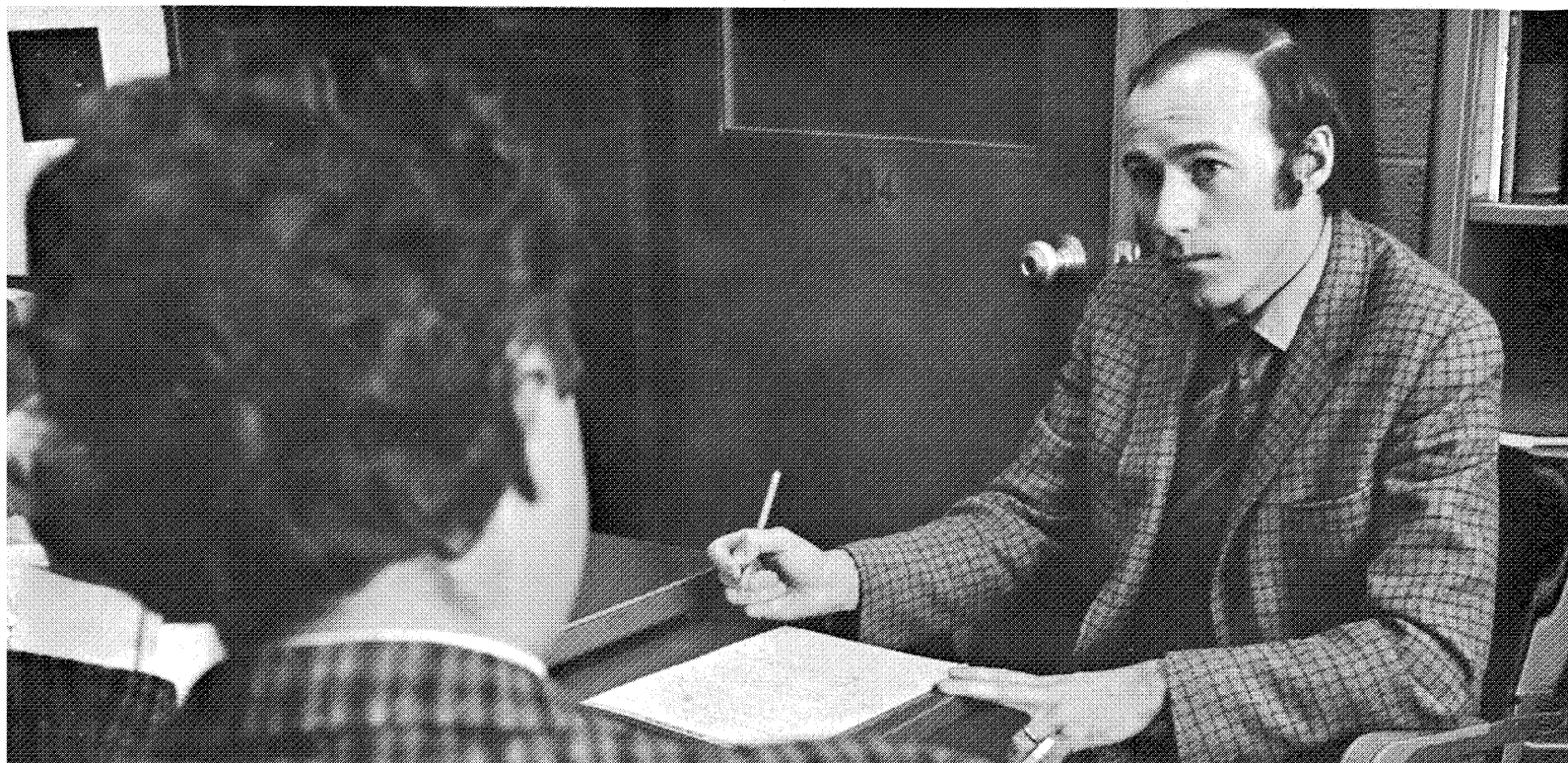


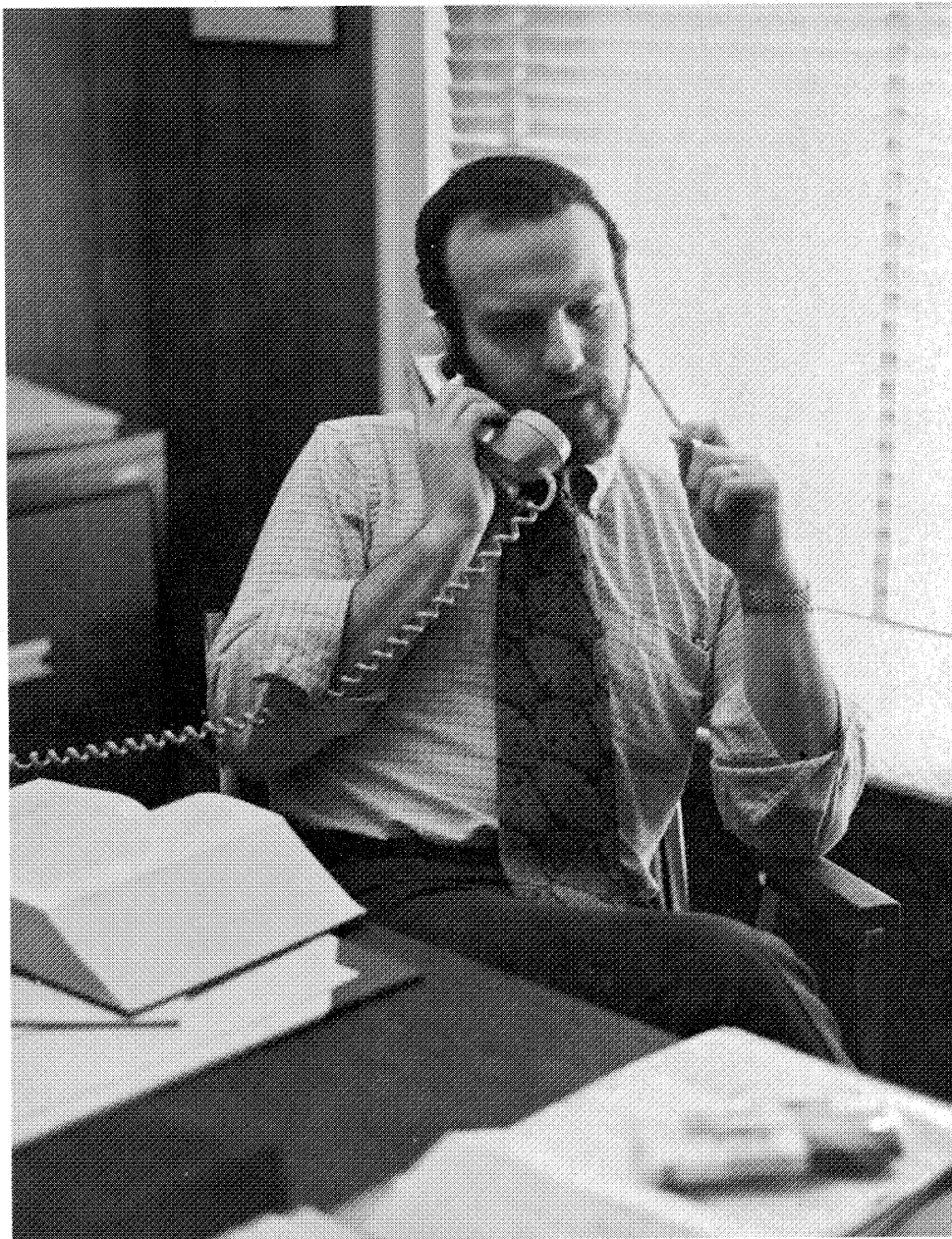
Lawrence Wong





One of ten distinguished teaching fellows honored by the University this spring is Robert Gramen, Ph.D. student in accounting, who has taught accounting since the fall of 1969. His award citation read in part: "His students report his never failing interest in them and his constant willingness to spend additional time and effort assisting them." Gramen says teaching introductory accounting to undergraduates is enjoyable because the whole emphasis is on teaching—that is, the material is basic and he can therefore concentrate entirely on methods of getting it across. "This can be very challenging," he says, "as methods that work vary from individual to individual and from class to class." After receiving his MBA from the University of Wisconsin, Gramen worked in public accounting (he is a CPA) during 1966–67, then went into the Army for two years. He began studying here after his Army service and is now in the preliminary research stages of his dissertation, which will deal with how financial reporting considerations affect the analysis of capital projects. Gramen, who is chairman of the Ph.D. Forum, the doctoral students' organization, also works in the summer as assistant director of the Public Utility Executive Program.





James Hatch taught finance for three years as an assistant professor at Sir George Williams University in Montreal before coming here for his Ph.D. During that time, he became concerned with "whether the theoretical techniques we were teaching in finance classes involving money alone were adequate for real world decision making." His investigation of this question is the basis for his dissertation, "Application of Multiple Criteria to Financial Decisions." He hypothesized that managers want to take many things into account in their decision making besides money,

so he went to an organization and spent three months talking to managers in the firm about the normal decision making process, with particular emphasis on whether multiple criteria did exist. He then worked out two techniques using decision theory, and asked the decision makers in the firm if they would apply his techniques. The firm cooperated in every way, giving him access to all important information, and making it possible for him to sit in on every meeting relevant to the decision being studied. One technique was tried on one major decision—whether to hire

Richard Bloch financed his way through the U-M law school by organizing a band to play at a local restaurant. There were 33 people in the organization, only six of whom played at any one time. After law school, he worked for a Chicago labor law firm briefly but soon returned to Ann Arbor for his Ph.D. in industrial relations, primarily because, he says, "Mike Ryder and Dallas Jones of the business school are two of the outstanding authorities in labor relations in the country and I wanted to study with them." Bloch's primary interest is in the relationship of Title VII of the Civil Rights Act to arbitration. He is teaching labor and corporate law as an assistant professor at the University of Detroit, and in addition to that is on the panel of arbitrators of the Federal Mediation and Conciliation Service and the American Arbitration Association. He has written articles on arbitration for the *Labor Law Journal*, the *Maine Law Review*, the *Michigan Business Review*, and *Prospectus* (the U-M's law journal) as well as other journals. This spring he also has organized a one-week seminar designed to give inner city businessmen an introduction to law, finance, and business practices, with various authorities from around the country speaking on these topics. While he prepares for general prelims in the fall, his wife Sue is working on her Ph.D. in computer and communications science, and is nearing the dissertation stage.

a firm to manage the company's pension fund. The other technique was tried on another major decision—to look at the purchase or lease of a central processing unit for the computer division of the company. A paper on one of the two decisions was presented by Hatch and Associate Professor Rex Brown at the International Conference of the Institute of Management Science this spring. Hatch has his MBA from McMasters University and is now an assistant professor at the University of Western Ontario School of Business, having received his Ph.D. in early May.

Business Gaming at A&T

By Mary Lou Roberts, Ph.D. '71

About the Author: Dr. Roberts has been an associate professor on the faculty of North Carolina A & T for two years and is now moving to Fairbanks, Alaska, where her husband is a civilian research physiologist in a military laboratory. She writes that tentative plans call for her to teach marketing research, computer programming and transportation at the University of Alaska beginning next September. Dr. Roberts received her M.B.A. from North Texas State University. Her Ph.D. dissertation here was on the topic, "The Effect of Information on Consumer Perceptions Of and Preferences For a Grocery Product."

There is a recognized need at A & T State University to give students opportunities to apply textbook theories in practical situations. This need is especially acute in the department of business administration for several reasons.

The basic core courses in business administration—management, marketing, finance, and beginning accounting—are necessarily conceptual in nature. With the exception perhaps of accounting, it is frequently difficult for undergraduate students to visualize how these functional areas of business operate in the world outside the classroom. It is particularly difficult for students such as these at A & T. Owing to the scarcity of blacks in middle and upper-level managerial and administrative positions the students have little

personal contact with individuals, especially within their own family circles, who can serve as models as they prepare to enter the business world. Textbook theory, when it cannot readily be applied to real-life situations, is rather barren and easily forgotten or dismissed as being unimportant.

For a number of years one method of meeting the need for business experience has been a required course called Business Administration Internship. To meet the requirements for this course students are required to submit evidence of satisfactory part or full-time work experience. The large number of business administration majors and the economic situation in recent years have made it impossible to place more than a fraction of our students in really meaningful work situations. Little improvement in placement opportunities can be foreseen, and the faculty and students have become increasingly dissatisfied with this approach.

Other avenues, of course, are available to simulate the activities of the business world. The case method can be a very useful approach. Class sizes, however, and the fact that there are no graduate students to assume part of the burden of evaluating written cases have almost entirely precluded this approach, as well as others which require extensive written work on the part of the students. Classes in the business core courses presently average about 50 students per section and enrollment

has increased steadily in recent years.

Computerized business gaming, on the other hand, appeared to offer possibilities for initiating relatively large numbers of students into business decision-making processes while keeping the load on faculty members at a reasonable level.

In 1967 a \$175,000 grant was made to A & T by the National Science Foundation. This permitted the purchase of a Control Data 3300 Computer and associated hardware. A small but competent programming staff is available to assist in academic as well as administrative uses of the system.

With these facilities at our disposal we began seriously to investigate the possibilities of business gaming during the 1970-71 academic year. It was felt that the addition of business games to our curriculum could contribute to the attainment of objectives in addition to the major one of allowing students to apply theory learned in the classroom while developing their decision-making capabilities. It would allow the students to try different combinations of business strategies and to see the almost tangible results of their decisions. It would also allow the students to work as teams, developing the skills of communication and cooperation so necessary in a business environment.

In the spring of 1972, a business gaming course was added to the business administration curriculum on an experimental basis. I chose 20 junior and senior accounting and business administration majors to

participate from among the students who indicated an interest in the course.

The help needed to obtain and test the games used in the course came from a number of sources, but primarily from the Cluster, a group of nationally-known business firms who, through the National Alliance of Businessmen, have organized to encourage and support various programs and projects at A & T in areas where their expertise is especially valuable. In the case of the business gaming project, an educational grant from the Ford Motor Company provided student assistance which could not be obtained through regular University channels because of lack of funds. The U.S. Steel Corporation furnished a tested program deck for one game, and other firms have offered other types of help which are currently still pending.

When the 20 business gaming students first met they were divided into four teams by the instructor. Each team elected a chairman to be responsible for communicating decisions to and receiving results from the instructor. Each team member, however, shares equally in the making of the decisions. The first game was a relatively simple marketing-oriented one, at least from the students' point of view. Unfortunately, the problems in getting the computer program to run properly were so great that the game had to be put aside, hopefully only temporarily.

The second game is a more comprehensive managerially-oriented game. The students were organized into four different teams to give them an opportunity to work with different individuals. They will make eight decisions which cover two years of operations of a previously-existing business. The decisions include pricing their product (a medium-priced consumer item); setting

budgets for marketing, research and development, and maintenance; scheduling production and the resulting purchase of raw materials; addition of plant capacity if they deem it necessary; and declaring dividends on their stock when and if this seems desirable. This game requires considerable advance planning on the part of the decision makers.

The third game is similar in format except that the product is sold in both the domestic and international markets. For the play of this game, each team member will be responsible for the decisions in one functional area of his firm in order to give the students a feeling for the conflicts which can arise between different managerial objectives and strategies within the firm. When the play of each game is ended, each team will be required to submit a written report analyzing the results of their operations in terms of their stated objectives, the strengths and weak-

nesses of their decision strategies and the usefulness of the gaming experience.

If the results of this semester's experimental course are favorable, the plan is to offer the course on a continuing basis. After the original developmental work is done, it is felt that a faculty member with only minimal knowledge of the computer will be able to handle the course effectively. Perhaps, in time, a business gaming requirement can be substituted for the present unsatisfactory internship requirement.

It is also hoped that sometime in the future A & T can establish a business gaming competition for the large number of primarily black institutions in this area along the lines of the one presently held annually by Emory University. A selected group of the business gaming students is participating in the competition this year at Emory, and it is proving to be a very valuable learning experience.

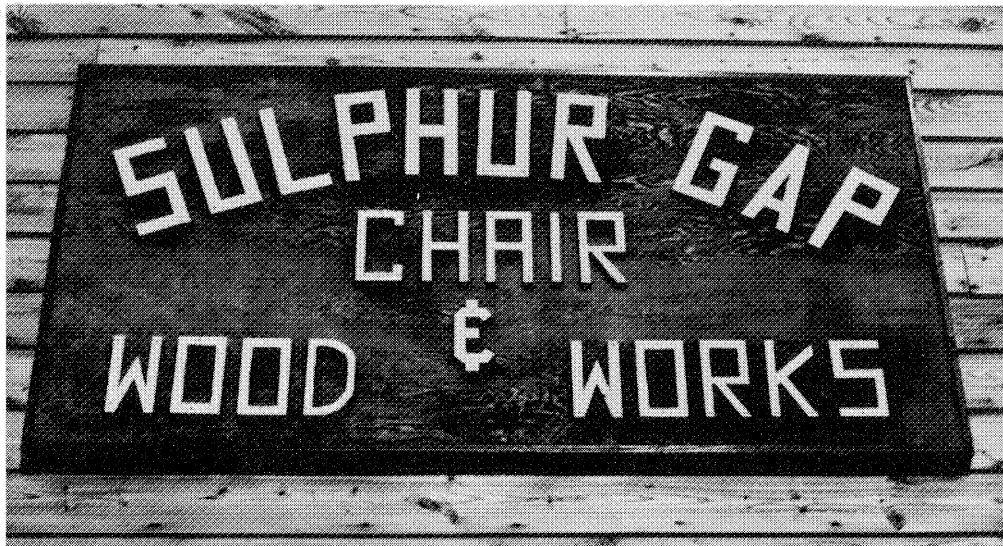
About A&T State University

North Carolina Agricultural and Technical State University is a state-supported institution of higher learning located in Greensboro, a population center of the industrialized Piedmont area of North Carolina. Approximately 4200 students are presently enrolled in its undergraduate and graduate programs.

The A & T College for the Colored Race was established in 1891 under provisions of the Morrill Act which allocated funds for the establishment of separate land-grant institutions for black and white students. Its original emphasis was on technical training, primarily in agriculture and mechanics. Over the years its scope has been broadened considerably and it has undergone several name changes, the most recent in 1967 designating it as a regional university. As a result of the recent re-organization of the higher educa-

tion system in North Carolina, less emphasis is expected to be placed on institutions especially oriented toward serving one racial group, but at present student enrollment at A & T is still predominately black. The faculty, on the other hand, is extremely cosmopolitan and represents many of the leading educational institutions in this country and in other parts of the world.

The School of Business at A & T is comprised of departments of accounting, business administration, and business education and office administration. Approximately 1000 students are currently listed as majors within the school. Approximately 600 of these are business administration majors. There are presently five full-time, one three-quarter time, and two half-time teaching faculty members in the department of business administration.



Dissertation in Progress:

Report from Appalachia

By Neil Tudiver

Editor's Note: Neil Tudiver and his wife, Sari, are both working toward their Ph.D.'s—Neil's in industrial relations and Sari's in anthropology. They are living and working now in Appalachia, where he is helping to manage a local chair factory, and she is working with a handicrafts cooperative. Research for their dissertations goes on at the same time. Here Neil discusses some of the problems and rewards of playing the dual role of researcher-participant.

We have been in Jackson, Kentucky, for almost six months. It has been at times very rewarding and at times most frustrating. Our experiment in living with and serving the groups we are attempting to study has provided us with "insiders" insights which the observer/researcher is rarely privy to. However, the costs of this information/perspective have been dear in terms of getting our work done. Being a note-taker, asking questions, handing out questionnaires have their advantages: you document

the problems, frustrations, failures and successes of those responding and are able, with a passing "how interesting" comment, to go on to the next subject. But with our work here, all the problems and failures and frustrations become our own and we have to deal with them as well as record them for analysis.

Our difficulties are in a sense self-imposed, because we are trying to serve two purposes and play two roles. We are trying on the one hand to analyze a set of problems in order to help find a solution (the "activist" role) and on the other hand to analyze a set of problems in order to comprehend them in terms of historical development, organizational dynamics, cultural, religious and many other dimensions (the "researcher" role). An activist has a job to get done. There are obstacles to overcome and he therefore searches for measurable success criteria—dollars, products, members, new legislative bills, winning important votes, etc. A researcher uses many of the same statistics. His objectives,

however, are quite different. He tries to abstract from specific situations to more generalizable phenomena; his interests are usually in being able to understand, predict, control, rather than in being able to influence or change.

My research centers on cooperation and control in grass roots organizations. What interests me most are the pressures on managerial positions in organizations which are attempting to train people for leadership roles. Leaders of these kinds of organizations are faced with a dilemma wherein they are attempting to train people to make important operating decisions on the one hand, and on the other hand must be sure the decisions are sound so that the organization can remain viable economically. From my study of the literature, there seemed to be almost a trade-off between this 'training' and the necessities of survival—i.e., decisions must be made daily to keep the organizations going. Successful organizations seemed to survive at the cost of democracy.

One of the express purposes of the organizations here is 'human development', i.e., to train people to control and operate their own economic organizations. These economic development attempts are beset with many problems. Examples of some, which also serve as focal points for research and analysis, follow:

1. *Interchange*: Although there are many different kinds of organizing attempts going on in the mountains, interchange among groups is rare. There is much potentially valuable learning which can take place through sharing of information and experiences. However, partly due to the physical nature of the mountains, with narrow, fairly separated hollows and poor roads, most groups are relatively isolated. People don't know much about what is going on in the next county or community and this makes it very difficult for learning from other groups to take place or for any federations or other coalitions to develop for exercising some joint efforts and providing services to fledgling groups.

2. *Isolation*: The small size of groups and their isolation from markets makes selling and procurement difficult. For instance, the pig and rabbit co-ops have trouble covering transportation costs (due to the small volume of animals transported over uneconomically long distances) and still making profits while holding to competitive or market prices. Some members cannot even be reached by road or rail.

3. *Local level politics*: It is not uncommon for a single family or close network of kin to control the banks, schools and government agencies (including the welfare offices) in a county. Creating jobs and economic enterprises poses a direct threat to the local elite because it allows individuals to be economically independent, rather than dependent on the favors of a "patron" who controls the welfare dole.

4. *The welfare system*: Joining an income-producing project results in a loss of all welfare benefits. For many, the immediate impact is a net drop in total income benefits. In



Neil Tudiver and Oscar Hensley (right), shop manager of Sulphur Gap Chair and Woodworks Company, look on as Homer Moore, Jr. (left) shapes a back slat for a mountain rocker.

addition, the switch is from a secure income (welfare) to a high risk venture, although long term potential gains are greater. If the venture should fail, those who have gone off welfare to participate in it may find it hard to get back on to welfare. In many cases, this can take over six months.

The groups Sari and I work with are trying to establish organizations adaptive to the skills and resources of their members. There are two major organizing bodies—the Grass Roots Economic Development Corporation and the Grass Roots Craftsmen of the Appalachian Mountains. The former operates as a Local Development Corporation (LDC). It initiates various economic projects, and nurtures them through early stages to the points where they can spin off as independent corporations. They are presently giving assistance to a feeder pig cooperative (Kentucky Feeder Pig Cooperative), a rabbit cooperative (Breathitt Rabbit Producers), and a chair factory (Sulphur Gap Chair and Woodworks). The two cooperatives aim to provide substantial supplemental income to rural families. They pro-

vide marketing and consumer services (they market the animals and sell feed and medical supplies to members at prices lower than local suppliers). The chair factory provides full-time work for five men, with plans for a staff of 12 to 15. It is worker owned and controlled. In addition, a large sawmill is in the final planning stages. Marketing and production and financial studies have been done, land has been secured, and half (of a total of approximately \$750,000) of the investment money has been obtained. This will provide employment to approximately sixty people.

Through a series of fortuitous events I was asked to fill temporarily the chair factory's general manager position. I am trying to perform all the functions of a small business general manager—marketing, buying all necessary raw materials and supplies, supervising production output, financing, reporting—as well as training the men working in it to assume more and more of these responsibilities all the time. I am becoming more and more convinced that it is necessary to participate actively in operating organizations like this in order to understand what

is going on. I am learning things which could not be realized through any other methods except daily involvement and working side by side with the people. However, in practice it is not possible to be a researcher using myself as one of my research subjects. I hope to phase out of this position within the next few months and devote more time to comparing my experience with those of others in the mountains.

Sari's research for her Ph.D. in anthropology seeks to determine some of the traditional cultural patterns of cooperation. She is working with the Grass Roots Craftsmen of the Appalachian Mountains, a handicrafts cooperative operating on a cottage industry base. It has seventy-five members in a two-county area and provides supplemental income to people who make a variety of mountain crafts, from hand-made quilts to small mountain toys and dolls. The co-op provides the raw materials to members and markets all of their products. It is controlled by a board of directors elected by the members, as are the agricultural co-ops.

Through intensive studies of two small communities and through work with the craft co-op, Sari is attempting to chronicle the impact of a welfare economy both on how people manage what resources they have at the household level and on the networks of social relations among households. Many local people speak of a 'breakdown in cooperation and sharing' in the past 25 years. It is critically important to understand the historical/political/economic factors shaping the present-day situation. Any attempts at community organizing for economic and human development presuppose a keen awareness of local cultural patterns and local and regional history on the part of those acting as organizers. The formation of cooperatives can only build on the pre-existing patterns and the networks of ties among persons and communities. Anthropological research can contribute to an understanding of the heterogeneity of cultural patterns which exist even within a single county. Such studies aid in combating

the pernicious stereotypes of mountain people which pervade middle American society today—witness the Beverly Hillbillies and Green Acres.

In addition, Sari has taken on the job of Director of the Appalachian Oral History Project at Lees Junior College in Jackson and has been able to provide some assistance in the gathering of local historical materials. Eight students work on the project and collect on tape the reminiscences of older residents of the area. A special collection of oral and written documents, as well as old photographs, is in the process of being compiled. The project has valuable feedback effects on the community. For one, both students and the "resident historians" interviewed are made aware of the richness of their cultural heritage. Many persons interviewed state at the start that they really have nothing to contribute, but as they respond to questions they suddenly realize the amount of information and lore they do possess. Further, the students gain useful skills in techniques of interviewing and data collection.

The foregoing information explains how Sari and I are attempting to play both the role of participant and the role of researcher. We are attempting to combine these roles for three major reasons:

1) It is important to us that our findings be available to the people we study. This means a lot more than merely providing a copy of the final thesis to the local library or agency. It requires an accurate understanding of the problems and information needs from the bottom up—from the perspectives of the relatively powerless. Information is a critical resource. Too often researchers ask people for information about their customs, ways of organizing, available resources, and this information becomes available to people on the top, not people about whom and from whom the information was extracted. This is what has happened with much of management theory and research. Research has been *for* management *about* workers and most often has been framed in management terms—productivity, profit, efficiency.

Working within as we are, we feel we are better able to frame research questions in terms which are relevant and potentially useful to poor people struggling to change their conditions. There have been many studies of poor peoples' groups before this. I have seen the results of some of them—articles and books published by the researchers. For the poor there are boxes of unused questionnaires left for "future use" and many excuses to shrink or withdraw altogether their



Sari Tudiver and Fern Sheffel, production and marketing coordinator of the Grass Roots Craftsmen of the Appalachian Mountains, Inc., the craft co-op, display one of the hand-quilted products. It often takes a woman a month of "spare-time" work to produce a quilt.

funding because of the "poor feasibility" findings of the studies. I know personally of a large poor peoples' economic development coalition which is fighting a proposed large, generously funded study of them by a federal agency. The same agency is proposing drastic cutbacks of their funding of this coalition. Yet this agency wants to spend more money on the proposed study than the amount of the funding cutback!

2) The question of knowing the poor peoples' interests is critical to understanding. The role of someone asking questions and noting answers is usually seen with suspicion. No matter what someone says, their source of support, the organizations they are affiliated with, and the uses to which they will put the information are greeted with varying amounts of suspicion. Answers to questions are distorted by the interviewee vis-a-vis his conclusions about the interviewer and his motives. Working alongside people and having a genuine interest in and commitment to the success of their organizations is more likely to establish the re-

searcher's credibility. His data should be more reliable.

3) We are interested in the design and establishment of organizations which are adaptive to the skills and resources of their members. In an area like Appalachia this is a timely issue which affects the lives of almost all its youth. Appalachia has suffered from a fantastic outmigration since World War II—to the point where there is almost no opportunity for economic survival left for its high school and college graduates. Many mountain counties are left with a majority of their population over 65 or under 21 years of age. Most of the young leave to look for jobs in the factories of Detroit, Pittsburgh, Cleveland and Cincinnati. Thousands are displaced people, forced, because of economic circumstances, to live in an alien environment. Many eventually return and go on welfare. Two of the counties in this area—Wolfe and Breathitt Counties—are among the very poorest counties in the continental United States. Breathitt County ranks 17th from the bottom, and Wolfe is even lower on the scale.

Appalachia is an area rich in natural resources, but most of these continue to be taken away by outside interests. Most of the good timber is gone, and coal is being taken out as quickly as possible. Unlike other areas which grow rich on their extractive industries, the states in Appalachia rarely get any compensation for the coal taken out. There is no severance tax in Kentucky, and coal operators pay taxes only on the surface of the land. Meanwhile Wolfe County has but one industry, which employs only 20% of those who applied for jobs.

There is a tremendous need, in areas like Appalachia, for opportunities which allow people to live where they choose to, with their people, and to perform satisfying work activity. People here do have useful skills in crafts, agriculture, mining, timber management and utilization. The groups we are working with are trying to develop organizations which can use the skills people do have and to train people in new skills to use the natural and other resources available to them.

The Ph.D.

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Also, we should not forget the large numbers of Ph.D. students who are being helped through school by a working spouse. Others receive some modest veteran support from the federal government.

Are there many scholarships available to Ph.D. students?

Scholarships and fellowships come from many sources: there are a few federal scholarships given through the Rackham graduate school; fellowships given by corporations such as U.S. Steel and General Electric; and financing available through funds set up to honor certain individuals, such as the Paton, Rodkey, and Hicks Fellowships and the Griffin Fund. In addition, there are university scholarships given to us as a block grant by the Rackham Graduate School, and the Opportunity

Awards Program, which gives support for the first year to disadvantaged minority students. It is a continuing battle, and at times what appears to be a losing battle, to generate and maintain outside sources of scholarship funds.

Why?

Unfortunately, there exists a myth in most universities that a business school need only indicate its needs to industry and funds pour forth in an infinite flow. The facts are that business schools have close to 20% of the students but receive less than 2% of the private gifts to universities. In my judgment, our industrial leaders should not neglect the fact that the business schools are their best single source of trained manpower. And, in many cases, these professional schools are their best source of sympathetic support on campus. Frankly, business has looked to the professional schools for personnel but too frequently the

financial aid for developing this manpower has gone elsewhere.

What about loan funds?

The Business School and the University maintain various loan funds mainly financed through individual gifts. The Business School Student Council also finances a loan fund with the profits it makes from various projects—such as the student lounge. This fund is available for any business student, not just Ph.D. students.

Do you have any advice to offer anyone considering going on to the doctorate?

I most certainly do. The individual must be honest with himself and realize that the successful completion of a Ph.D. program demands hard work and full-time attention. The person must make an unequivocal commitment to a lifelong interest in scholarly learning that is characterized by intellectual integrity.

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.

Dow Jones President Receives Business Leadership Award

William F. Kerby, president of the Dow Jones & Company, Inc., received the 1972 Business Leadership Award of the Graduate School of Business Administration.

Kerby graduated from the University of Michigan in 1930 and then went to work as a political reporter for the United Press in Washington. He joined the reporting staff of the Wall Street Journal's Washington bureau in 1933, and was successively named news editor in 1938, assistant managing editor in 1941, and managing editor in 1943. In 1945 he was appointed executive editor of Dow Jones publications and news services, and went on from there to become treasurer of Dow Jones & Company in 1949, vice president in 1951, executive vice president in 1961 and president in 1966.

In his speech given as the 15th Business Leadership Award address, Kerby discussed "The Role of the Press in Today's Society." He called the American press generally the most informative, honest and reliable in the world, yet, he said, "never in the history of this country has the press been under such consistent and widespread attack from so many sources. Every once in a while, I feel compelled to reread the First Amendment, just to reassure myself

it's still there despite legislative, executive and judicial actions which appear to ignore it."

Kerby spent the day preceding his address at the Business School. He held a discussion meeting with students in the morning, and again over informal coffee in the afternoon. He was honored at a reception preceding the Honors Banquet.

The Business Leadership award, a gold medal and parchment scroll, was presented to Kerby by Ronald H. Hoffman, president and David D. Schoeff, vice president of the Business School Student Council.

Who Gets Promoted?

A report on characteristics of newly promoted top executives and on trends affecting promotions to the positions of president, executive vice-president and vice-president has been published by the Graduate School of Business Administration. Authors of the report are Dean Floyd A. Bond, Ph.D., University of Michigan, 1942, and Associate Dean Alfred W. Swinyard, Ph.D., Syracuse University, 1955.

The research project on management succession was initiated by R. M. Schmitz and Company, Inc.,



William F. Kerby, president of the Dow Jones & Company, Inc., receives the Business Leadership medal and scroll from Ronald H. Hoffman (right) and David D. Schoeff, president and vice-president respectively of the Business School Student Council.

an executive search firm, in 1966. The Graduate School of Business Administration assumed responsibility for the continuation of the project in 1971. The basis of the research is a questionnaire sent to recently promoted executives who are asked to answer anonymously. The current report covers 563 executives promoted during the first six months of 1971. Some key findings are:

- Promotions to top executive positions were largely made from within the firm.

- The average salary reported for president and chief executive officer was about \$64,000; for presidents not CEOs, \$68,000; executive vice-presidents, \$69,000; group vice-presidents, \$57,000; senior vice-presidents, \$54,000 and vice-presidents, \$45,000.

- Presidents and chief executive officers received over a 20 per cent increase in salary at the time of their appointment in over 50 per cent of the cases. The comparable percentage for presidents not serving as chief executive officers is 42 per cent; and for presidents of subsidiaries, 33 per cent.

- Over 70 per cent of the newly promoted executives expect to receive a cash bonus. One-third participated in a deferred profit-sharing plan. Stock options were granted to 39 per cent of the executives.

- Division management is the chief source of newly promoted executives. Major secondary sources were finance, marketing and administration.

- Newly promoted executives were college graduates in 85 per cent of the cases.

- Over 37 per cent of the executives held advanced degrees. Twenty-two per cent of the executives held master's degrees, of which over 50 per cent were in the field of business.

- The average age of the newly promoted executive group was 47. The average age of the newly promoted presidents and CEOs was 46. The average age of presidents not CEOs was 48.

For a three-page summary of the findings, write the Dean's Office, Graduate School of Business Administration, University of Michigan, Ann Arbor, Michigan 48104.



Dean Bond shows an architect's drawing of the Assembly Hall to Prof. C. A. ("T") Moyer, Visiting Arthur Young Professor of Accounting.

U-M Alumni Establish Arthur Young Professorship of Accounting

Fifteen Arthur Young & Company partners who are alumni of the University of Michigan have established the Arthur Young Professorship of Accounting. Their purpose was to create, support and sustain a full professorship in accounting in the Graduate School of Business Administration at the University of Michigan and to promote the interest of the University and the accounting profession by encouraging excellence in accounting instruction. The educator selected by the University to serve as the Arthur Young Professor would be one whose credentials are nationally recognized in the accounting profession and the academic world, a leader in attracting and training students to be tomorrow's teachers and also one who is

knowledgeable about and sympathetic to the needs and challenges of the practice of public accounting.

Professor C. A. Moyer, who for many years was professor of accountancy at the University of Illinois, was appointed the first Visiting Arthur Young Professor for the semester January through May 1972.

Dr. Moyer, known to his students and friends as "T," was professor of accounting at the University of Illinois from 1949-71. He was head of the department of accounting at the University of Illinois from 1953 to 1965 and directed the Center for International Education and Research in Accounting from 1962 to '65. He has written eight books on accounting and edited 11 more, as well as writing numerous articles, monographs and chapters of books on accounting.

Arthur Young & Company hosted a dinner in honor of Prof. and Mrs. Moyer. Members of the accounting faculty of the U-M Business School were guests.



The Assembly Hall is fully paid for and cost estimates for the building are turning out to be remarkably accurate.

Assembly Hall Money Right on Target

As the Assembly Hall neared completion, Dean Floyd A. Bond issued the following statement: "We are most grateful to all of the friends and alumni of the School whose contributions have made possible the construction, furnishing, and landscaping of the new Assembly Hall. This structure will provide much-needed facilities and will enrich all of our instructional programs in the School.

"We reached our goal of \$1,550,000 right on target in the closing days of December. None of the financing is from the state, the federal government or undesignated gifts to the University.

"Cost estimates for the building are turning out to be remarkably accurate, and we fully expect to keep expenditures within budget.

"To all who have helped in this worthy venture, our most sincere thanks!"

M. Jane Kay, MBA '63 Gets Management Post at Detroit Edison

Miss Mary Jane Kay has been named manager of employee relations at Detroit Edison Company. As such, she is responsible for the development and administration of company policies and practices relating to employment, to employee, recreational, medical and safety services, and to personnel data systems. Directors of these six groups report to her, and her new position makes her a member of the Management Council of Detroit Edison, which is responsible for the general management of the company.

Miss Kay began her Edison career in 1943 in the auditing department, and last June was named director of personnel services. In her new post, she will be responsible for implementing the company's affirmative action programs for fair employment of women and minorities.

Paul McCracken Speaks To West Coast Alumni Club

Dr. Merwin H. Waterman, *Dividend's* Southern California correspondent, sent us this dispatch from Los Angeles:

"Ninety alumni and friends of the Graduate School of Business Administration of the University of Michigan met in Los Angeles on the evening of March 28 to welcome and hear Prof. Paul McCracken bring the School to California.

They came from as far south as San Diego and as far north as San Luis Obispo. Their affiliation with the Michigan Business School ranged from graduates of 1926 to 1970.

There was a pleasant reception hour before dinner followed by an informal dinner at round tables which renewed old friendships and generated new ones. All this at the Ambassador Hotel on Wilshire Blvd.

Prof. McCracken reviewed some of his experiences as Chairman of the President's Council of Economic Advisors, and discussed the factors leading up to the present degree of "controlled economy" as well as the prospects and possibilities of more of same. The informality of the

occasion led to good questions and to answers which led to greater understanding, if not to greater happiness, about the economy.

The group was most receptive to the idea of visiting faculty; we could use more of them out here for similar affairs. We now have the nucleus of an informal organization of interested alumni of the School; just people who have expressed a willingness to help round up the gang at not too frequent intervals."

The meeting was planned and organized by Robert Bond, BBA '65, now assistant tax counsel with Litton Industries, Inc., and Professor Waterman, MBA '26.

Terry Saigh, MBA '68, organized a similar dinner meeting for San Francisco alumni with Dr. McCracken the preceding evening.

Metropolitan New York Alumni Hold Meeting

J. Philip Wernette, author, economist and professor of business and government, spoke at the spring meeting of the Business School's New York alumni. His topic was "Current Business Trends and the General Business Outlook for 1972 and Beyond." The luncheon meeting was held in the Copter Club at the top of the Pan Am building in New York City.

Dave Strack, MBA '46 is the New Athletic Director at U. of Arizona

Dave Strack has taken over his duties as athletic director of the University of Arizona at Tucson. Before going to Arizona, he was the associate athletic director of the University of Michigan. He took that post in 1970, after serving for two years as business manager for inter-collegiate athletics at the U-M. From 1960 to 1968, Strack served as head basketball coach, and his teams won three Big Ten Championships (in 1964, '65 and '66), won two NCAA Regional Titles (in 1964 and '65), and entered the finals against UCLA for the national championship in 1965.

A Board to Mediate Community Disputes

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Beside the general roles of the Board, outlined earlier, the Board has played at least three specific roles when actually intervening in disputes.

Legitimizer

One by-product of third party intervention is establishing the right of a protesting party to be part of the negotiation process. Established institutions recognize that to enter into dialogue with a protest organization is to confer de facto recognition of that organization's "right" to represent its claimed constituency.

The third party intervenor may have to (1) assume a degree of responsibility for a community protest organization; (2) reassure the established institution on such questions as the "reasonableness" of the protesters, their willingness to halt overt actions, and the likelihood of their living up to agreements reached; and (3) confer legitimacy and a degree of stature in the wider community.

Conversely, the Board on occasion has had to reassure community organizations of the willingness of an established organization to engage in meaningful negotiations.

Resources Expander

The intervenor will often expand the resources available to the disputants (i.e., providing an "extra pie to slice"), so that both parties have something to gain from a joint resolution of their differences. Other resources provided by the intervenor may include information, advice and facilities.

The ability of the Board to provide such resources has, at times, been the basis of a request for mediation or justified the Board's role in a dispute.

Facilitator

The facilitator creates an atmosphere within which meaningful negotiations may occur by providing a meeting place, resources to support the costs of negotiations and by acting as an interpreter and/or a communications link.

By assuming the burden of the cost of a neutral site for negotiations, the Board removes one possible area of contention between the parties. Board staff also have access to information and public authorities which may not be available to disputing groups. Often informational inputs are a key factor in resolving disputes based on misunderstandings. Finally, the expertise of Board appointed mediators in setting agendas, moderating discussions, developing agreements and suggesting alternatives has been the necessary basis for meaningful negotiations in many situations.

Negotiations are essentially an exercise in communication. Effective and undistorted communication is difficult to achieve in even the most conducive of situations. In community disputes, the negotiations process is complicated not only by the defensive stance of the involved parties, but also by the variety of cultural, racial, organizational, and other background factors differentiating the conflicting parties.

Meaningful communications may be further complicated by rhetoric on both sides. The issues in dispute are often not precisely defined, and the demands and counter-demands may arise from the parties' lack of knowledge of what is feasible.

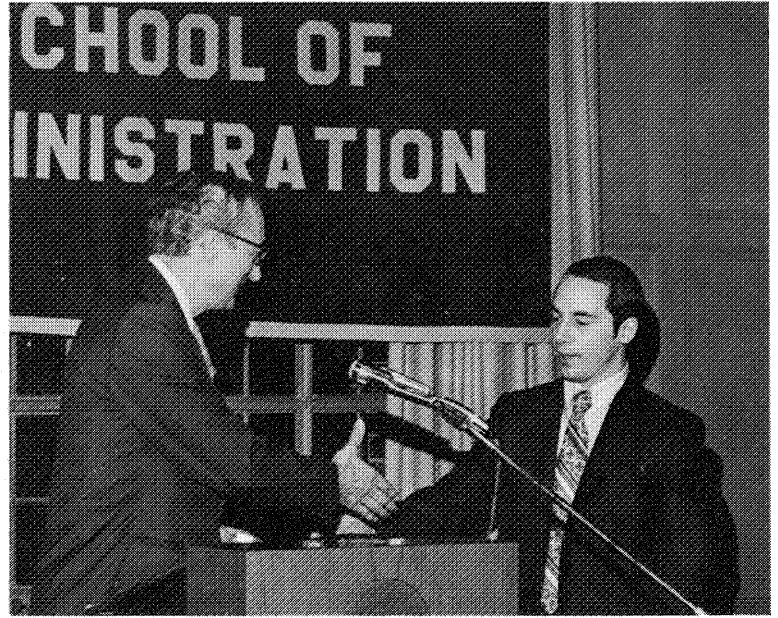
Any of these problems can lead to an inability to communicate effectively and, hence, to a failure of the negotiations process. The skilled and empathetic mediator offers a resource by which the parties can surmount such hindrances to effective communication and proceed to deal directly with their differences.

Mediation does not replace negotiations between parties. Rather, mediation supplies the assistance which is often necessary to ensure that the parties are able to solve their own problems jointly. And agreements and compromises must be worked out between the parties if they are to meet their joint needs and remain viable.



Dean Bond with Regent and Mrs. Lawrence B. Lindemer at the reception preceding the banquet.

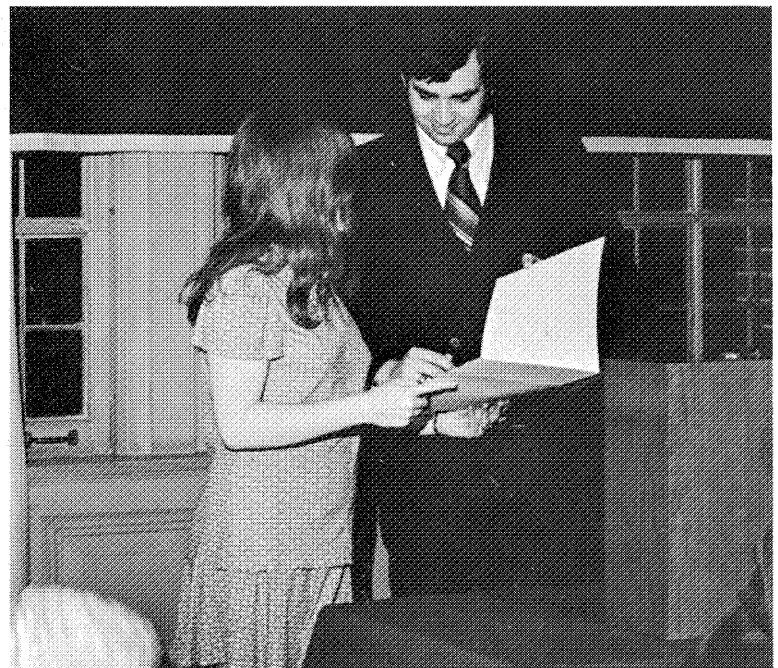
Robert Bobosky receives the highest MBA award from Dean Bond. His grade average was 8.48 (straight A would be 8.), placing his average between an A and an A+.



Honors Banquet



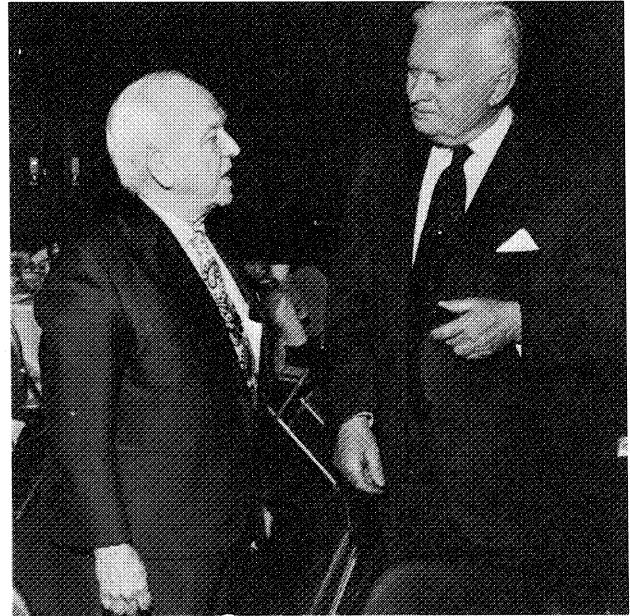
J. Russell Fowler, president of Jacobson's, Inc. was among the guests. He is a participant in the Business School's Associates Program.



The Alpha Kappa Psi award for the highest BBA grade average went to Jeri L. Good, who is receiving it here from Charles Fridley, president of Alpha Kappa Psi.



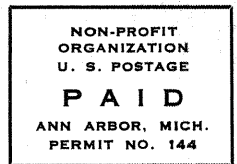
Walker Cislser (right) chairman of the board of the Detroit Edison Company, and Donald R. G. Cowan, professor emeritus of marketing. Mr. Cislser is a member of the Business School's Associates Program and is also chairman of the board of directors of the Economic Club of Detroit.



President Robben Fleming talks with William F. Kerby, president of the Dow Jones & Company, Inc., who received the 1972 Business Leadership Award at ceremonies following the banquet.



Wilbur K. Pierpont, chief financial officer of the University, greets one of the guests.



The Source of Inflation and Lagging Productivity

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accordingly. Even before the wage-price freeze last August, the rise in consumer prices was running at about 4 percent, well under the 6-6½ percent range of 1969 and early 1970. This year, with some help from Phase II guidelines, consumer prices are likely to rise by about 3½ percent and even wage settlements are moderating, though they are still well above the levels that would ensure future economic stability. Labor productivity has also improved sharply since the middle of 1970, and the increase in unit labor costs this year promises to be the most favorable to profits and the fight against inflation since 1965. In fact, the rate of inflation in the U.S. this year will be one of the lowest in the free world, a sharp reversal from several years ago when our inflation rate was among the world's highest.

Thus the conduct of economic policy over the past three years should provide the President with a foundation of credibility as he admonishes business, as he did in February, to "bite the bullet." Unfortunately, however, even as the President was delivering his message, that foundation of credibility was being shaken badly on a number of fronts. First of all, the substantial upward pressure on food prices this year is nothing short of scandalous

at a time of supposedly stringent controls over wages and prices—and the Administration's agricultural policies have been deliberately aimed at inflating this sector. The official estimate of the Department of Agriculture is for an increase in food prices of 4 percent in 1972, and the deliberate attempt by the Administration to "achieve" this forecast flies in the face of its target of 2½ percent inflation. This is a bitter pill for business and labor to swallow and greatly compounds the difficulty of those cooperative union leaders who sincerely wish to hold the line on wage demands.

The Administration's projected budget deficit of nearly \$40 billion for fiscal 1972 has also considerably damaged its economic credibility. Actually, the deficit is not so inflationary by itself at all, in the light of today's economic slack and high level of savings, both of which validate the need for considerable economic stimulus from Washington.

But the President's *future* spending plans surely *do* point in an inflationary direction. Even during the first three years of the Administration, when the rise in *total* federal spending was moderate, non-defense federal spending continued to rise sharply. Now even defense spending is again under upward pressure and

the Defense Department is pushing hard in that direction. Furthermore, Congress is also being urged by the Administration to enact its health care and welfare "reform" bills, both whoppers that would cost enormous and growing sums of money. Thus there is a very real prospect that huge federal deficits could still be with us two years hence, when in all probability nearly full employment will have been re-attained. Under these circumstances, a resurgence of inflationary pressures would be inevitable. And the credibility problem has worsened even further recently as the result of denials by Administration officials that a big tax increase must come by next year if these programs are enacted.

In conclusion, if the Nixon Administration wants business and labor to get tougher in the struggle to control inflation and improve productivity it had better look first at its own recent behavior. Washington is where the inflation of the late sixties was created. Admonishing the private sector will do little or no good unless the Administration, whatever its political party, holds on to the gains achieved over the past three years by facing up to and containing the recent resurgence of upward pressures on federal spending.