WHAT NOW?

Editor's Note: Gilbert R. Whitaker, J r., became Dean of the Business School here in January, 1979. Prior to taking the Deanship here, he was Dean of the M. J. Neeley School of Business at Texas Christian University, where he was instrumental in the faculty development of new and expanded graduate and undergraduate programs and in securing local funding to assist in their implementation. During his Deanship, a ten-year financial plan for his school was developed and a Board of Visitors, composed of high level representatives of the business community, was established. Here Dean Whitaker talks about his plans for the future development of this School.

Q. What do you think is the proper balance between teaching and research in the Business School?

A. I'm not sure you can polarize them. Good teaching and good research go together. Without current, substantive knowledge, teaching may be just a performance. It may be well received by students in the short run, but not in the long run.

Q. Do you mean that people, change their opinions, over time, about what makes a good teacher?

A. Yes. Many students will enjoy a good performance by a faculty member, but when they go to work and try to apply the knowledge they have gained if they find that it's five or ten years out of date, they feel cheated. Often when you ask alumni about teachers, their perspective on the value of different courses has shifted dramatically after they have been out of school a few years. Of course, the ideal faculty member is one who does both teaching and research very well.

Q. What about the very good researcher who is not a good teacher?

A. Such people would probably not find their place in a professional school, where the majority of students are professionally oriented. They might be very useful where the teaching is heavily involved with research oriented doctoral students, whose careers are going to be as scholars and researchers, and where the teaching is primarily on a one to one basis.

Q. So are we aiming for a faculty that's about evenly balanced between teaching and research?

A. Yes, because if a significant part of a faculty becomes heavily weighted in one direction or the other, it tends to drive the others in the same direction.

Q. When are your plans for building the kind of faculty resources the School needs?

A. There is no doubt that we need considerably more faculty resources. We don't have enough faculty to support all of the activities of the
School with the depth required to be outstanding in all areas. That is, we cannot support the vital constant monitoring, evaluation, and development in all our degree programs, our non-degree programs, our research programs, and our professional service activities at the high levels required. We have a much heavier faculty-student load than our peer schools. Our student-faculty ratio is about 22 to 1; peer institutions have ratios as low as 10 to 1. Because we teach undergraduate students as well as graduates (something many of our peer schools don't do), we can get by with a larger student-faculty ratio than 10 to 1, but we should not have as high a ratio as we do. Such a heavy teaching load means that we don't have the resources we need to put into research and into our doctoral training.

O. With current budget constraints, how are we going to acquire additional faculty?
A. Up to now, our evening MBA program has been taught on an overload basis, beyond the faculty members' regular teaching load. We are now incorporating the evening MBA teaching into the regular teaching load. This change alone will mean adding about 20 new faculty members to our staff.

O. Do you have a particular strategy in mind for building the faculty?
A. As we add faculty, we will probably concentrate on hiring young faculty, though no doubt we will be making spot appointments of senior faculty. Such disciplined scholars can serve as important role models for younger members of the faculty.

O. Do you see yourself primarily as an inside Dean, whose energies will be going into building the School; or an outside Dean, whose energies will go largely into developing the School's relationship with outside constituencies?
A. Both are very important. My hope is that our new organizational structure will provide for a high level of internal management, and that this will then allow me to put a good deal of attention on outside matters.

O. Let's talk for a minute about the new organizational structure.
A. The basic administrative roles are divided into four areas. They include: first, credit academic programs, which are the responsibility of the associate dean and which include the undergraduate, graduate and doctoral programs as well as the Division of Research and the School Library. Second, the assistant dean has overall responsibility for academic services—that is, admissions, student services, placement, and other non-academic administrative services. Third, the director of the Division of Management
Education has responsibility for our non-credit educational programs, and fourth, the director of development oversees our fund-raising and alumni activities. We are fortunate in having four highly qualified people to fill these positions,* and they meet with me weekly to coordinate activities, as all of these activities overlap in a variety of ways. Of course, the executive committee of the faculty continues to represent the faculty in general policy matters, and all matters which represent major policy issues are brought from the executive committee to the entire faculty. Because of this administrative structure, and because of the excellent capabilities of these four administrators, I think I will be free to attend to outside matters.

Q. Would you speak a little about outside matters? For example, what about our Visiting Committee of top executives?

A. It's a very important committee. I see it as an advisory committee that will give us reactions to the things we're proposing. They have an input into our programs and activities from the point of view of the business community, and they comprise a group of distinguished people who know something about us and therefore can react in a knowledgeable way when the Business School comes up in various contexts. The Visiting Committee is being restructured in some ways.

Q. How is it being restructured?

A. We are very fortunate in having as the new chairman of the Visiting Committee, Roger B. Smith, executive vice president of General Motors. Committee members are going to be appointed for three year terms with possible reappointment for one term, and we expect to have about thirty members, who will include senior executives from major corporations, and perhaps some members from government and the public sector.

Our idea is that the committee will meet twice a year, once in Ann Arbor and once in Detroit. We will be giving the committee a plan for the School for the next five years, in which we will discuss our programs, our facilities, and our plans for fund raising. Basically, we will just be asking them to react to these plans—to give us the benefit of their views. We are also considering appointment of a Development Committee and perhaps an Alumni Council of some sort, but these plans are still in the tentative stage.

Q. What about our Executive-in-Residence Program?

A. A number of students, primarily officers of several different student organizations, have expressed interest in that program and have formed an Ad Hoc committee to plan for several such visits during the year. This fall William Agee, president and chief executive officer of Bendix, and Paul Tippett, Jr., president and chief operating officer of American Motors, have visited the School as Executives-in-Residence.

Q. What about our programs for executive education through the Division of Management Education?

A. Executive education is an important part of the School for several reasons. Not only does it provide a useful service for the business community, but it also challenges the faculty in a different way, because they are dealing with active business people who are on the firing line every day. Such interaction enriches their teaching and research. Our faculty committee on management education will be doing a review of all of our major management education programs during the year.

Q. What do you think is the proper mix between the day MBA program, the evening MBA program, the BBA program, and the doctoral program in terms of enrollment goals and resource requirements?

A. Enrollment goals for each of our degree programs need to be matched carefully to resource requirements,

"The environment in which business operates is changing rapidly. Government regulation is changing; society's view of the corporation is changing; and the ability to take all these things into account in decision making is very important. These things all need to be weighed as the curriculum is reviewed.
and overall enrollment goals set considering the interrelationships of the programs. We may be at the best size and mix now, but it is not clear in the context of program goals. We will be taking a look at these numbers at the same time we look at the curriculum.

Q. Is the curriculum being evaluated?
A. Yes. We are planning an extensive curriculum review by a faculty-elected committee. There will be 6 faculty members, 3 students appointed by the Student Council, and the associate dean, who also serves as a member of the committee. They will look at the whole curriculum, both the required and the elective component. It's been about 10 years since this was done for the MBA program and about 5 since it was done for the BBA program, and both have grown substantially since the last review. Also, the environment in which business operates is changing rapidly. Government regulation is changing—society's view of the corporation is changing, and the ability to take these things into account is very important in decision making. These things all need to be weighed as the curriculum is reviewed.

Q. How long will this review take?
A. At least one year and maybe two.

Q. Should our Business School be primarily focused on preparing executives for work in private corporations, or on equipping men and women to administer complex organizations of every type, including non-profit agencies?
A. Our primary focus is on the private sector, but we are well equipped through our electives and by allowing our students to elect courses in other divisions of the University to prepare students to manage non-profit organizations. For people who are interested we can put together electives that will prepare them managerially, and to a certain extent institutionally, for those kinds of jobs. This would be by taking courses in other areas of the University, such as the Institute for Public Policy studies, the political science department, educational administration, or social work.

Q. The proper role of corporations in society has been a topic of public debate for some time. In a recent report by Derek Bok, President of Harvard, he outlines four principal areas of inquiry on this subject: 1) social responsibility of the corporation, 2) ethics, 3) proper division of power between the government and the corporation, and 4) proper governance of the corporation to insure that the public interest is represented. He then remarks that courses on these subjects are rarely included in Business School curricula, and adds, "Although leading executives often declare that the role of free enterprise in society is the principal issue facing the corporate community, no one would ever guess that this was so by examining the curricula of our major schools of business." Would you comment?
A. These are issues that need to be looked at by the curriculum committee. The government-business interface is very important. It's an area that we in the School need to give a lot of attention to, so that our students, when they leave here, are prepared to deal with these questions in an analytical way, not just a reactive way. Joint appointments of faculty also might be a good way to approach these areas. It seems to me that a good many of these issues are perhaps best dealt with in a case situation, because there are analytical processes that you can study, but until you confront a real situation it's hard to deal with these issues in anything other than an abstract sense. These questions need a context, and the case method can provide that context.

Q. What do you see as the major needs of the School as far as facilities go, particularly with an expanded faculty?
A. Our facilities are currently stretched to capacity and are not capable of absorbing a large influx of new faculty. Management education programs are widely scattered over Ann Arbor. Research project teams cannot be provided with additional space. Additional high-quality classroom space is needed for effective teaching and learning. Our library was built in 1948, and our student body has doubled since then. I have appointed an Ad Hoc committee to study and make recommendations on these issues. We hope to take their report and work with an architect or planner to see how best to use our existing space in the context of adding new space. We are already converting two of our classrooms and are remodeling the Dean's Office and the Office of Student Services and Admissions (Editor's Note: see page 6 for more about this). After we have studied our total needs in the context of conversion of existing space we can then decide what new facilities are needed.

Q. Along these lines, would you describe your plans for the Development Office of the School?
A. Fund raising at the School has been modest up to now, and with the appointment of a director of development, we plan to launch a full scale development program. The two major first efforts will be to at least double participation in our Business School Fund, which now has only about 10% alumni participation, and to measurably strengthen the Corporate Associates Program. We plan to set up some special programs for the Associates and prospective Associates. Additional resources will be vital to meeting our aspirations.

Q. To sum up, do you have a major goal that you have set for the School over the next few years?
A. The School has an excellent position in its field, so we are building on a strong base. A major objective would be for our Business School to be one of the top three business schools in the nation within the next ten years. Accomplishing this objective will require effort in every area of operation, but I am convinced it is an attainable goal.
Let's assume you decided to take a stroll through the Business School during the month of August. As you walk up the steps in the front lobby, you see a large plastic sheet hanging from the ceiling. The hall, you notice, is stacked with doors, bricks, and assorted other construction-related items. You are on your way to the Dean's office. Turn right at the top of the steps. But the Dean's office is not there any more. It has moved to the Assembly Hall, where the administrative staff has settled in among the couches, coffee tables and soft carpeting that characterizes the Executive Lounge. The Dean himself is quartered in the Executive Board Room, where his desk occupies one corner, and the huge conference table makes a handy place to spread out numerous papers.

This is only one of the many changes taking place at the Business School in August. The Dean's office will return to its original location after remodeling of that space has provided offices for our new administrative staff, which includes the new Associate Dean, Donald H. Skadden; the new Assistant Dean, William G. Moller, Jr., and the new Director of Development, Anneke Overseth.

Next you decide to look in on the Admissions and Student Services office. They have moved across the hall from their usual location to set up shop in three classrooms while their office space is being remodeled. The remodeling will provide more reception space, add a much needed conference room, and make the whole area more inviting, attractive, and welcoming by the installation of a large glass wall at one end of the office.

At the same time these changes are going on, two large classrooms on the first floor (numbers 141 and 146 for those who want to pinpoint them in their minds) are being converted into caserooms. The classrooms used to seat 83 students and the caserooms will seat 70, but the loss of 13 seats per room will be amply compensated for by the U-shaped seating which will make the room much more efficient and comfortable as a learning environment.

These changes are part of the Business School's efforts to convert existing space to updated needs. An Ad Hoc committee is currently studying our facilities with a view to deciding what space can be converted and what new facilities may be needed in the future.

To provide room for the new faculty members anticipated to be added to our staff as the teaching of evening MBA classes is made part of the regular teaching load, the area of the school (room 276) that used to be occupied by the Database Systems Research Group is going to be converted to faculty offices. At the same time, the Database Systems Research Group has moved into a small house that used to house the Center for Afro American Studies, which has in turn moved to the LS & A Building . . .

In addition, rooms 368 and 364 have been remodeled to accommodate the new IBM Series/1 minicomputers and terminals that are being used by the school in a variety of ways. (For more about the new minicomputers, see page 10.)

To make all of this moving around of desks, staff, etc. more interesting, just when everything got well torn up, the construction workers went on strike. There we were on August 1st, with several classrooms either torn
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and (tirjelina the floor and back view, ’n lured at left is the (nse)oom in the process of construction.

up or being used to house staff

The room was set up in a few weeks with every bit of classroom space needed at that time. However, there wasn’t much that Bill Moller, assistant dean in charge of all the remodeling, could do but hold his head and groan...

Twenty-four days later, the strike was settled. With students due ten days later, the settlement was not soon enough to take care of the classroom crunch. One classroom was freed by moving the admissions and student services staff from there to some offices in the Paton Center that had been occupied during the summer by visiting professors and thus were currently vacant. Another classroom that had been used to store furniture was freed by the simple expedient of moving the furniture out into the hall. And one caseroom went into service in an unfinished state. Obviously, much flexibility was required of faculty, staff and students while all this upheaval was going on, and we are happy to report that everyone managed to accommodate to all the changes with good humor, albeit in varying degrees of same.

At this writing, the admissions and student services staff is settled in their new quarters, and the Dean’s office staff is looking forward to being settled in theirs. Pictures on these pages record the varying stages of confusion/dislocation as construction proceeded.

All these changes in building space have been accompanied by changes in faculty and staff. Pictures and captions about some of our new administrative staff—including the new associate and assistant deans and our new director of development—appear in these pages, as well as a picture of our new professor of actuarial science, Charles Lambert, one of the nation’s best known actuaries.

Newcomers to the faculty this year number eleven—and include five visiting faculty members, four new assistant professors (or lecturers) one associate professor and one full professor. This year, the number of our female teaching staff has jumped from one to five, and now includes Cynthia Montgomery, new assistant professor of policy and control; Marilyn Mantei, assistant professor of management science; Delf Dodge, assistant professor of organizational behavior and industrial relations; Melanie R. Wallendorf, assistant professor of marketing who joined our faculty last year; and Patricia Shontz Longe, professor of business administration, who has resigned her position as director of publications for the School to join our teaching faculty.

Other newcomers to our faculty include Robert Libby, associate professor of accounting; David Blair, assistant professor of management science; Joe Gibson, visiting professor of accounting from the University of Virginia; Jack L. Krogstad, visiting associate professor of accounting from Kansas State University; Heinrich J. Kuhlmeijer, visiting professor of marketing from Erasmus University in Rotterdam, Holland; James Graham, visiting associate professor of marketing from the University of Calgary, and Philip Hendrix, visiting assistant professor of marketing from Florida State University, who is also a faculty associate at the Institute for Social Research.
Professor of Actuarial Science

Charles Lambert Trowbridge, one of the nation's best known actuaries, joined our faculty in September as professor of actuarial science. Before coming here, he was senior vice president and chief actuary of Bankers Life Co. in Des Moines, Iowa. From 1971-73, he was in Washington, D.C., as chief actuary of the Social Security Administration. Professor Trowbridge graduated Phi Beta Kappa from the University of Iowa and received a master of science degree from there in 1938. He became a fellow of the Society of Actuaries in 1946. In addition to his professional responsibilities, he has published two books and many professional papers. His most recent book is "The Theory and Practice of Pension Funding" with C. E. Farr. He currently is doing research on the insurance company balance sheet and on the demographic factors affecting normal retirement age under Social Security. He has served on the board of governors of the Society of Actuaries and as vice president in 1969-71, president-elect in 1973-74 and president in 1974-75.

Assistant Dean

Our assistant dean in charge of academic services is William G. Moller, Jr., who joined our staff in 1972 from the School of Management at Syracuse University, where he was assistant professor of marketing. He received his bachelor's degree in chemical engineering at Rensselaer Polytechnic Institute in 1953, served three years in the Navy, and then worked for Union Carbide Chemicals Company as a production engineer and assistant department head until returning to the University of Michigan for his MBA, and later for his Ph.D., which he received in 1969. As assistant dean, he has overall responsibility for academic services—that is, admissions, student services, placement, and other support services. In addition, he is in charge of the administration of physical facilities and coordination of renovation projects—a task which has turned out to involve no small amount of stamina recently, what with the construction strike and all.
Assistant Director of Admissions

Judith A. Goodman, our new assistant director of admissions, was formerly coordinator of academic support systems at Eastern Michigan University, where she coordinated the undergraduate tutoring program and the reading/study skills program. She received her bachelor's degree from Eastern Michigan in 1962, and worked as an elementary school teacher for several years before returning to EMU for her master's degree, which she received in 1971. She then went to work at EMU as an academic adviser, and after two years became senior academic adviser, a position she held until 1975 when she became coordinator of academic support services. In addition to her professional background, she has held numerous positions of service to the community. She is currently on the board of directors of United Ministries in Higher Education of Ypsilanti and a member of the board of trustees of Greenhills School in Ann Arbor. In addition she is serving on the Washtenaw United Way Budget and Evaluation Committee and Nominating Committee.

Associate Dean

The new associate dean for academic programs is Donald H. Skadden, who served as Arthur Young distinguished professor of accounting at the Business School until his appointment as associate dean. Prof. Skadden is an expert in the field of tax accounting, and is currently president of the American Accounting Association. Before joining the U-M faculty in 1974, Prof. Skadden was on the faculty of the University of Illinois, and was for two years associate dean of the College of Commerce and Business Administration there. He is the author of "Federal Income Tax" and numerous other publications in the tax field. As a member of the American Institute of Certified Public Accountants, he has served on the tax policy, tax education, and continuing professional education committees, and chaired the tax publication committee. He is a trustee of the National Center for Automated Information Retrieval and a member of the American Taxation Association, of which he was president in 1977-78.

Director of Development

Anneke de Bruyn Overseth is the newly appointed first director of development for the Business School. She will coordinate all of our fund raising efforts with alumni, corporations, and foundations, and will be involved in the planning for any future capital campaigns. Before joining the Business School staff, she was assistant director of development for the University of Michigan, and executive secretary to the Presidents Club. She also managed the U-M Cultural Development Program, which included planning and editing public relations and fund raising programs for various University cultural units, including the University Musical Society, Museum of Art and Clements Library. Overseth graduated from the University of Chicago in 1954 and took graduate studies in English at Brown University. She attended the CASE Fund Raising Institute in Aspen, Colorado, and the U-M Seminar in Academic Administration. Her career also has included associations with Princeton Editorial Research and the Learning Center in Princeton, N.J.
The Minicomputer and Three Major Tasks

When the group of large, brown cartons arrived at the Business School one afternoon last spring, they signaled some interesting new dimensions both for teaching and for expanded research at the School.

The cartons contained a new IBM Series/1 computer with eight terminals and two printers—the first installation of over $600,000 worth of computer equipment to be used by faculty, staff, and students over the next three years as part of a "consulting agreement" with the General Systems Division of the IBM Corporation.

Under the guidance of James P. Fry, director of the Database Systems Research Group, three major tasks have been outlined for the Series/1 Distributed Computing Project. These tasks include: first, research on and development of a distributed database management system; second, use of the Series/1 in the curriculum of the School of Business Administration and the Engineering School; and third, development of an integrated business model for the MBA program core courses.

The Database Systems Research Group of the Division of Research will use its best efforts to perform these tasks, and IBM in turn will provide over the contract period, financial support and five Series/1 computers, along with 6 video display stations, a disk storage unit and line printer for each computer.

To accommodate these systems, the Business School has adapted Rooms 368 and 364, both located across the hall from the Business School's computer terminal facility and batch station which is operated as a branch of the University Computing Center.

The School's 24 terminals are wired directly to the University's powerful Amdahl 470 V/6 central computer and provide user workstations for the students. The first three Series/1 systems have been installed and an additional two systems are scheduled for delivery within the next three months.

Mr. Fry, the Series/1 Project Director (who now heads the School's Computing Services) indicates that while the three major tasks can all be simply stated, their objectives are ambitious and the research challenging. The first task, that is, research and development of a distributed data base system, is made feasible by the availability of inexpensive minicomputers, such as the Series/1, and computer communication facility. These technological developments allow the decentralization of computing resources in a business enterprise. For example, a chain of stores could have Series/1 workstations located in every store for order entry and inventory functions. These stations could be in turn connected to a large system at the main store to provide centralized billing and inventory control. While this sort of decentralization may have some good aspects, it often leads to duplication of resources and ineffective access to data when a database approach is not used. The key research problem here is to investigate how to have decentralized computing resources and at the same time to have accessibility to data. The approach of the researchers is thus to develop a distributed data system that will allow data to be stored at several different and physically diverse locations while at the same time allowing the user access to the data as if it were stored locally.

The research needed to develop such a system deals with complex issues such as synchronization of data, update integrity and locking mechanisms to assure database integrity. Over the three year period, it is the goal of the Database Systems Research Group to have a single centralized database management system in operation by the end of the summer of 1980, and to extend this into a
distributed system by the third year of operation.

The second task, that is, use of the Series/1 in the curriculum of the Business School and the Engineering School, is to develop meaningful ways to expose students and faculty to the Series/1 and to obtain their reactions to its facilities and capabilities. Some statistics and management science courses in the Business School will be using the Series/1 with a view to evaluating existing Series/1 hardware and software with respect to functional capability, useability, speed, etc. In addition, Series/1 software will be proposed, designed and developed by students and faculty in regularly scheduled courses, independent study courses, and research activities.

The computer is playing an increasing role in the curriculum of the university as evidenced by the continual increase in the capabilities of the central computing facility and in the widespread acquisition of minicomputers on campus. The impact of the computer is evident from the continual development of new and improved courses which deal specifically with management and technological aspects of the computer. This impact is also evident in those courses in which the computer is used only as a tool, such as statistical processing, linear programming, text processing, etc., or is discussed in conjunction with a functional activity (i.e. using computer models as an aid to market planning, decision support systems, etc.).

The third task is the development of an integrated business model for the MBA program core courses. This would include the development of a database, supporting programs, and documentation detailing the various operations of a hypothetical firm, just as these might be kept within the firm's own computer. Such a model would allow various exercises and projects throughout the core curriculum and would add a practical and realistic dimension to business administration education unreached by more conventional cases and business games.

To begin this project a Human Resource Management System will be developed, consisting of information on employees of a hypothetical firm, including their previous work histories, present skills, etc. Such an employee database could be used for planning and career development, a career trace program, affirmative action planning, as well as many other possibilities. The system as planned will allow the user to add or delete information from the database right from the terminal as well as to choose from a list of alternatives what kinds of information he needs from the computer. The potential of the computer in human resource management is just beginning to be realized, and the development of such a system, as well as the ultimate integration of all of the functional business areas into a minicomputer case model, would be of immense value to the educational environment.

Commenting on the IBM Series/1 project, Dean Whitaker said, "The computer has radically altered many facets of management, bringing both benefits and costs—benefits which are not fully exploited and costs which are not fully understood. At Michigan our educational mission encompasses both research into costs and benefits, and teaching which prepares our students to be aware of the issues this rapidly growing technology raises for management. The IBM Series/1 project will enable us to accelerate our teaching and research program in this rapidly emerging area of management."

James P. Fry, the Series/1 project director and director of the Database Systems Research Group, takes a look at the new computer equipment as it is being installed.
66 Y used to think the engineering behind a product was the most important aspect,” says Elliott Solomon, who came directly to the business school after getting his degree in mechanical engineering from Cornell in 1978, “but now I see how critical the financial and accounting departments are when it comes to making the product profitable. You can engineer a product to make it well, but to sell it at the going price won’t come through the engineering department. That’s cost analysis,” Elliott worked for Great Lakes Steel this summer in the cost accounting and financial planning department. There he did computer work on forecasting and reporting of costs throughout the different cost centers in the mill, then worked on monthly analyses of the data. He also looked at different ways to control costs. Elliott hopes to go into corporate finance, but in a job where his engineering background will be useful. "Because of being an engineer, you have an idea of what the process is that's represented by the figures," he says, "and that complements what you're doing in the finance department." He is currently still working at Great Lakes Steel part time, doing computer programming in the financial planning department one or two days a week while finishing his MBA here.

SUMMER

To judge from our discussions with B School MBA students (as typified in the pictures and captions on these pages) the summer job can be a very useful tool in the process of career shopping. Most students we spoke with commented that they had felt very much like an integral part of the organization they worked for; that the work they had been given was challenging and informative; and that the companies had obviously gone to some trouble to provide a variety of experience for their interns—to give students a chance to become familiar with several departments of the organization.

The majority of first year MBA students get career-related jobs in the summer, whereas such jobs for BBAs are scarce. Only about one third of the companies who hire full time people through our placement office maintain a summer program, as such a program requires considerable effort and planning on the part of the company. "However, such effort can pay off very well from the company’s point of view," comments Rick Johnson, director of the Business School placement office. "Besides giving the company a head start on the recruiting of promising people, a good summer job program can provide excellent public relations. A student who had a good summer experience with the company makes
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a good representative of the firm on campus. Such a student is an excellent source of information for other students who are interested in the company."

Many students get summer jobs on their own, but the placement office helps in various ways. For example, the office asks 2nd year MBAs to write up their summer jobs as a source of information for 1st year MBA students, and also keeps a list of MBA students and where they worked as a reference list for students looking for sources of information about companies.

In addition, each November, the placement office holds meetings for first year MBA and BBA students to talk about the summer market, and about the career planning process. "We want students to think about the types of areas they want to get into," says Johnson, "and to help with the development of a resume. We put emphasis on how to write a cover letter, and how to present yourself. We want to give them tools and advisory service. That means we have an open door policy—we will critique their resumes and talk about different careers with them. We want them to get a summer job, of course, but we also want them to think about their ultimate goal, what kind of permanent job they are aiming for."

It's hard to get a summer job in JL marketing," says Leslie Barnes, "because it looks like fun to a lot of people. I wrote letters to many vice-presidents of marketing, and then followed through with phone calls saying I would be visiting the area (Milwaukee) and would like to line up interviews." The result of this effort was a job as a research analyst in the market research department of Miller Brewing Company. There Leslie summarized sales data and market share data for reports to management, and worked with outside research suppliers who do the actual surveys and return the data to the company. "In a sense I was career shopping," she says, "trying to see where I could fit in. I had the chance to see how outside research suppliers work, and also was given an opportunity to look at the different marketing departments at Miller—research, brand management, promotion planning. But when our department provided a brand manager with a research report, and I was able to sit in on the meeting where they used that research to come to conclusions about the product—that's when I realized that brand management is where I would like to be eventually." To get a summer job, contact someone in the functional department where you want to work, advises Leslie. "There's often quite a lag between a departmental need and the personnel department learning about that need," she says, "especially in a fast-growing company which is where the jobs are."
During her summer job, Wendy Werley finally saw the kind of work she was interested in. She worked in corporate marketing research for the 3M Company this summer. "Whereas in every other job I've found out what I wasn't interested in, I'll be able to interview much better for a permanent job now because I know much more what I want, and I'll know the right questions to ask,"她说。

The quantitative aspects of market research combine both statistics and their practical application, a mixture Wendy has always liked, which is why she switched from a math to a business major during undergraduate years at Bucknell University. At 3M, she worked on several projects, some of which required extensive computer work. Besides a survey of health care statistics for the medical products division, she worked on a forecast of electrode sales, doing a competitive analysis using 3M sales data plus market information and then a five-year forecast.

Susan Polk did research this summer into the suitability of different types of investment vehicles for the United Mine Workers of America Health and Retirement Funds, a job she got on her own when a friend told her they were looking for a person to do summer research. The Funds are neutral and unconnected with both the union and the industry, she explains. All investment decisions are made by three trustees—one representing the union, one representing the industry, and the third chosen by the other two. Susan's biggest project during the summer was a 14-week study on the suitability of using stock options for one of the pension trusts. It began with a literature search, continued with interviews of option managers, and culminated in an investment conclusion which Susan gave in a presentation to the treasurer's office. "Although my work was reviewed very carefully," says Susan, "I was also given a lot of responsibility, and room was allowed for my own information gathering and analysis. One of the nicest things about the job was that there were several inspiring role models for me, since the office is predominantly staffed by women (both the treasurer and the equity investment analyst are women). Also, since the office was small, I was included in many of the meetings—for example, those held to discuss interest rates as they apply to short-term cash management." For the future, Susan says she would like to pursue investment analysis and portfolio management; or to go into international banking, particularly into development banks that provide funds for developing countries.
casting unit sales for the next eight quarters using trend and regression analysis. Another major project was a profit and loss risk model she wrote for the printing products division. The model involved about 30 products, and provided a vehicle for division personnel to study the effect of changes in revenue and cost variables on profits over the next five years. "Because there were so many products and so many ways they wanted to see the information," says Wendy, "it took about a month to finish the project, and that includes weekends." Wendy, who wrote about 25 letters in her summer job search, says even some of the rejections she got were useful, because the companies wrote back to say they didn't have a job now but to keep them in mind when she started looking for a permanent position. "People who want a good summer internship," she advises, "should just keep at it and not get discouraged."

6 6 ^r^ne major thing about planning is realizing how wrong you can be," says Bob Scherreik, who worked this summer on the business planning staff at IBM corporate headquarters. "You need to realize that from the start, so that if you can help it, you don't make any type of irrevocable commitments." Bob is pictured here with Ted Papes, vice-president of business plans at IBM, who graduated from the U-M in 1952 and whose son, Matthew, is now a U-M senior. "The rate at which computer based planning tools are being implemented are increasing at a geometric rate," says Bob, "although the value of planning tools can be limited by the fuzziness of the underlying data. Much of our time was spent looking at or validating the data, rather than massaging it in a sophisticated manner, and that was very proper given our needs." Bob worked on a special market evaluation project as part of a three person team, and says the basic function of planning is to ask all the questions that must be asked. "That goes for personal planning too," he muses, noting that his basic intent in career planning has been to remain as flexible as possible, realizing that his interests and goals will change over time. Bob first thought he wanted to work in foreign service, and got a degree from Georgetown University's School of Foreign Service in 1976. Along the way, he worked as a legislative assistant for a congressman, as director of programming for a small TV station, and as special assistant to the executive director of the Center for Strategic and International Studies in Washington, D.C. He has personally financed 100% of his education, and is now aiming for a position in strategic or financial planning with a large corporation or consulting firm. He wanted to work at IBM during the summer because he considers it to be the best planning organization in the world—a company "based in the future," as he puts it.
I chaired a work group that did an analysis of Latin America, and if someone couldn't be located to do a certain part of the analysis, we did the work ourselves and checked it with the 'experts' later. I learned more about cars than I ever thought I'd know in my life," says Cathryn Couch of her summer job on the passenger car product planning staff of General Motors. Her department facilitated the analytical process used in product development. "We'd bring people together from all parts of the company—finance, marketing, design, manufacturing. They'd form a work group and start doing an analysis, looking four or five years ahead and asking such questions as "What do we see consumer trends as being? What kinds of cars are our competitors likely to introduce? What government regulations will we be dealing with?" The result of all this would be a concept definition, which, if approved by management, is followed by detailed specifications of the product." In the course of her job, Cathryn was able to attend almost every level of management meeting, and developed presentations that were given to executive committee meetings. "I came back to school from that job with a totally different perspective about what I'm learning," she says, "because everything now has a context. If we have a case problem, I am much more able to imagine actually being faced with the problem than I was before." Cathryn, who is pictured here studying in her Ann Arbor apartment, says the MBA is the most challenging thing she's ever done intellectually "because it requires me to use so many kinds of skills all at once. You use the quantitative methods but you also have to think about the impact on the people involved and the right strategy to use. It involves such a broad approach to problem solving. You have to think about all parts of a system. I love it."

64 j could move around to different departments without displacing other people because I was able to start work several weeks before the other summer interns got there," says Mark Zettel, who worked in the corporate tax division of General Motors. The fact that the U-M spring term is over so much earlier than spring term at other universities is both a benefit and a liability, he notes. It's a benefit because interns can get an early start, and it's a liability because "sometimes companies are not looking for summer people as early as we are looking for summer jobs." Mark, who got his law degree from the University of Wisconsin in 1978, found his summer job a good opportunity to "test the waters" of the corporate tax area. During his 18 weeks at GM, he worked in the employee benefits area; the state and local property tax area; did research on excise tax problems (which required a substantial type of legal research which suited his background) and was assigned for six weeks to the international tax area, doing foreign tax credit computation. He also worked for four weeks in the federal tax compliance area. At the Business School, Mark is president of the finance club, and chairman of the student committee working on the executive-in-residence program, which invites top corporate executives in for a day to talk to classes and hold informal discussions with students. Two distinguished visitors to the school this fall under the executive-in-residence program have been William M. Agee, chairman and chief executive officer of Bendix Corporation and W. Paul Tippett, president and chief operating officer of American Motors.
Senior management has no time to read long reports. You have to learn how to present the information succinctly, and how to take out extraneous information. That was one of the summer’s most valuable lessons," says Cliff Deremo of his summer job in the automotive operations finance department at Rockwell International, where he was one of five interns (two from Michigan, two from Carnegie Mellon, and one from Harvard). He spent about half the summer on operations analysis, consolidating information from various groups within the company, putting together their monthly operating results package, and working on special projects. The other half of his time was spent doing decision analysis on capital investment questions involving amounts ranging from $1,000 to $27 million (i.e. Shall we buy this equipment? Shall we build a new plant?) Cliff, who is president of our student council this year, started work on his MBA here right after receiving his BBA from Michigan State. He aimed his summer job efforts towards large corporations because he wanted to see specifically how he would like working in that environment. The summer convinced him that he wants to begin his career as a financial analyst but he hasn’t decided whether he’ll branch out into general management or stay in the area of finance. Because he was able to work at the operations level of Rockwell International, he had good visibility as well as the chance to get an overall view of the company ("it’s awesome to realize how big it is.") His advice to people looking for summer jobs is to follow up application letters with phone calls. "And if the company sends you a letter saying they haven’t yet forecast their needs, don’t take it as a brush off. Call back. Sometimes more than once. You can get some good offers that way."
You learn a lot about companies —their marketing, their finance, some of the problems that they have,” says Ann Martin, who worked primarily with small companies in her summer job as a credit analyst for the commercial loan department at Detroit Bank and Trust. “I also got a working knowledge of accounting and how small companies use it,” she says. Ann went through a four week bank training program, then was assigned her own book of accounts, exactly as she would have been if she was starting out full time at the bank. She then transferred to a loan office at a branch of the bank, which gave her an excellent opportunity to interact with loan officers and customers on a day to day basis. “Banking,” she says, “is of course very number-oriented, but at the same time you have a lot of contact with people, because a bank is primarily a service organization—and you incorporate marketing and finance every day.”

Ann got her degree in dental hygiene from the University of Michigan in 1974, practiced dental hygiene for a year, then taught as a clinical instructor at the dental school for three years. She switched to business because, although dental hygiene offered “good money and good people interaction,” it didn’t offer much in the way of a future. Ann is president of Michigan Business Women this year, a student organization which serves as a support group for women in the Business School, provides a forum for the exchange of ideas on current issues facing women in business, and initiates projects to tell other women about business and the Business School—to encourage them to consider business as a career.

The entrepreneurial bug bit Mark Dayton, pictured above, and David Weidman this summer as a result of an assignment they were given in their business policy class to find a service organization and write a report on it. The organization they chose was a Detroit maid service agency which was having serious problems. Work they did with the agency convinced them there was a tremendous untapped potential in providing this kind of service, and they decided to start their own business in Ann Arbor using as many business concepts as possible. “We wanted to apply the business concept that the more standardized you can make the service, the better and more efficient you’ll be,” they explain. “We wanted to see if it was possible to standardize a maid service and to charge and pay by the job instead of by the hour. We felt if we charged by the service we could greatly increase our productivity and efficiency without increasing our costs.” So they formed a corporation with Mark as the general manager and Dave (a summer intern with Arthur Andersen & Company), assisting in the evenings and on weekends. They worked out exactly what service they were offering; standardized it into 5 specific points of cleaning; wrote a booklet telling employees exactly what management policies were; lined
up people to work, and set up a training seminar for them. After that, Mark designed a brochure letting people know of the service, and sat back waiting for the phone to ring. It didn't. In fact, the idea seemed to be a flop. To find out why, Mark put on his market research hat and went door to door in selected areas with a questionnaire aimed at finding out what makes people get maid service. It turned out that people knew they wanted maid service, but didn't believe it was affordable for the middle class person. So Mark redesigned the brochure to give all the specifics about the service, and made arrangements to distribute the brochure door to door at the rate of about 1000 a week. Then the phone calls starting coming in, and "Homemaid," as they call their service, currently has a waiting list of prospective customers. "Basically," says Mark, "we didn't have the faintest idea what we were getting into when we started all this. It was a full time job and then some—I was working an 80 hour week in the beginning." At this point Mark's and David's wives have agreed to handle the day to day aspects of running "Homemaid" while Mark and David finish up their MBAs, at which point the whole business will be re-evaluated with a view to franchising it if that seems promising.

66 Y was taking work home most JL nights," says Mike Williams, "just to develop a knowledge base big enough to be effective. There was just so much in terms of banking and industry specifics to know in order to make good credit analysis decisions." Mike, who got his job through the placement office, was one of 22 summer interns at Continental Bank in Chicago, where he worked in the Agribusiness Division. (He has long had an interest in agriculture, and worked for the Farm Credit Banks of Baltimore before coming here for his MBA.) At Continental Bank, he was assigned to a loan officer with a portfolio of about 12 companies with commitments outstanding in excess of $100 million. "The Chicago Board of Trade is right across the street from the bank," says Mike, "and I learned a lot about the commodities market. I was surprised to find that the vast majority of the market activity is not speculation, but hedging by agribusiness firms to protect themselves from price fluctuations in the commodities." Part of his day to day work involved handling money transfers, and investment transactions. "Most of these transactions are done over the phone and confirmed later by letter," says Mike, "and the amounts are large. You might get a call instructing you to put $6 million in one account and $5 million in another. Until you get used to it, yougulp a little at the amounts." Mike was involved in the development of two credit arrangements from beginning to end—one providing a line of credit to a large grain merchandiser, and the other setting up a revolving Eurocurrency credit facility for a large multinational soybean processor which wanted to borrow more than one kind of currency.
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,

The Life and Times (and Education) of High Level Executives

Harvard, New York University and the University of Michigan were the three universities mentioned most frequently by high level executives in major companies when they were asked where they took graduate work.

This information was revealed as part of a composite "profile" of senior level executives developed by Korn/Ferry International executive search firm and the UCLA Graduate School of Management.

The survey covered executive vice presidents, senior vice presidents, group vice presidents, functional vice presidents and corporate specialists from companies in the "Fortune 500" and "Fortune 50" lists. Chief executive officers and presidents were not surveyed because it was felt that there was already ample data available on this group. The "profile" was based on 1,708 responses to an extensive questionnaire, a response rate of 47%.

Graduate degrees were held by 43% of the respondents.

Other data gathered in the questionnaire revealed that the composite executive is 53 years old, earns well over $100,000 per year, and has been with his present employer for almost twenty years. Thirty one percent of the respondents to the survey had been employed by the same employer for over 25 years; less than five percent had worked for their present employer less than three years. The average respondent to the questionnaire has had to relocate his family three times during his business career.

Nineteen percent have never had to relocate their families and sixteen percent have had to relocate more than five times. The data indicates that the need to uproot one's family to achieve more rapid advancement is not as prevalent as is perceived by some in the business community.

The data also indicates that most senior-level executives in large corporations put in long hours and are away from home for long periods of time. The average respondent works approximately 53 hours per week, with 85% of the respondents stating that their average work week has either increased (40%) or remained the same (45%) over the past ten years. In addition, the average respondent said that he spends 52 work days, or over ten weeks, out of town per year on business.

What traits enhance an executive's chance for success? In answer to this question, respondents chose concern for results (74%), integrity (66%) and desire for responsibility (58%). Creativity (45%), ambition (38%) and aggressiveness (36%) were surprisingly not among the prime traits mentioned.

Although 44% of the respondents stated that they presently have positions in general management, less than four percent began their careers in general management. The vast majority of the respondents began their careers either in finance/accounting (28%); marketing/sales (19%) or in a professional/technical capacity (31%).

Of the 1,708 respondents, only eight, or less than one percent, were female, and only seven were non-white. However, the authors of the survey believe that figures for middle management would show a much greater representation of these two groups.

Members of the study team note that the "profile" of senior-level executives of our nation's largest companies should be of considerable use to the business and academic communities. Further studies are planned to complement and supplement the data described in their report.

1979 Actuarial Directory of Alumni Is Being Issued

The 1979 Directory of Alumni of the Actuarial Program has been compiled by Carl H. Fischer, professor emeritus of insurance and actuarial mathematics. Directories have been published previously in 1953, 1959, 1965 and 1974.

As in the past, the directory includes an alphabetical listing, and a geographical listing of alumni of the actuarial program. There is also a list by class, one of deceased alumni, and one of alumni whose addresses are unknown.

The directory is mailed without charge to each name listed therein. In past years, the alumni have contributed financial help to meet the cost of the project. Donations are tax-deductible. Any sums in excess of the cost of producing the directory are placed in the actuarial scholarship fund.
Frank Borman Chosen
22nd Business Leadership Award Winner

Frank Borman, chief executive officer of Eastern Airlines and former Apollo astronaut, received the 1979 Business Leadership Award at ceremonies in Hale Auditorium.

Before Borman became chief executive at Eastern, the then unprofitable carrier had been reduced to asking the federal government for a $219 million annual subsidy to forestall bankruptcy. Under his leadership the airline rebounded to record profits in one year’s time.

A graduate of the U.S. Military Academy and California Institute of Technology, Borman served as a career air force officer from 1950 to 1970. He commanded the first manned lunar orbital mission—the Apollo 8 space flight—in 1968. Asked to describe his experience in outer space, Borman recalled:

“There we were, upside down and flying backwards in total darkness, in a lunar orbit 60 miles up. Naturally we didn’t want to think we might be 60 miles low. And then we saw the lunar sunrise at the exact moment we had been told to expect it. My faith in American technology was bolstered to my dying day.

“And we could see the earth far off—a lonesome planet, terribly isolated, a beautiful gem of a planet. I recognized a responsibility that what is prime and good must be preserved.”

While space missions have certain hazards, Borman joked, “there are moments when being chairman of Eastern Airlines has been a lot more exciting.”

Named Eastern Airlines’ senior vice president-operations group in 1970, Borman was promoted to executive vice president and elected to the board of directors in 1974. He was named company president and chief operating officer in early 1975 and chief executive officer later that year. He was designated board chairman in 1976.

Borman told the audience in his remarks after receiving the Business Leadership Award that his formula for success was “to contain costs, give better service than your competitors, and involve your employees in the action.” He had high praise for his industry, which he called “a quasi-public utility... an industry which may be a prototype for other industries in its efficiency.”

He described the cost crunch faced by the airlines: fuel costs have risen sharply with the increase in oil prices, while wages and benefits have escalated.

“In the years 1970-78, the Consumer Price Index was up 60 per cent,” he noted, “but in the airline industry it was up 108 per cent. And the standard 727 airplane we bought for $4.5 million must be replaced by one costing $15 million.”

Borman said that a major problem for Eastern Airlines was to raise capital for new airplanes while faced with bankers reluctant to extend loan arrangements.

Willingness of Eastern employees to accept a wage freeze was a factor in stabilizing costs and securing new financing, he explained.

“Working people will accept financial security over immediate wage increases if you can convince them that you are being square with them,” Borman said. “Our variable earnings program has helped make Eastern employees feel they are an important part of the company, and it has increased their attention to public service.”

Asked what it takes to be a top executive, Borman listed these qualities:

1. “Energy—above all else the ability to work.”
2. “Integrity—dishonest people do not survive in the long run.”
3. “Courage—beyond physical courage, a moral courage to do the things that must be done, however distasteful they might be.”
4. “Knowledge—some intelligence is required to do any job well.”
5. “Concern—a genuine caring for the people one is trying to lead. And the ability to communicate these concepts is the factor that ties them all together.”
Faculty books are displayed in glass cases hung in the Assembly Hall, just outside the offices of the Division of Management Education.

About Faculty Books

Recent books written by the faculty are now displayed in several attractive glass cases hung in the second floor lobby of the Assembly Hall. Among the most recent are:


- **Writing Audit Reports** by Mary C. Bromage, professor emerita of written communication, who has been conducting seminars on writing for management and for auditors in government and industry under such sponsorship as the Defense Audit Service, Naval Audit Service, California and Virginia State Legislative Researchers, the Department of Health, Education and Welfare, and the United States Army Audit Agency. Such seminars have taken her all over the country to such locations as San Antonio, Baltimore, Honolulu, San Francisco, Atlanta, and Washington, D.C. Her book has been published by McGraw-Hill.

- Two books by Melanie Wallendorf, professor of policy control, and William Wrobleski have written a book entitled *Econometric Model Performance in Forecasting and Policy Assessment* which was published by the American Enterprise Institute for Public Policy Research.

The book summarizes the most important findings on econometric model forecasting performance, and discusses the inherent limitations of all published studies of forecast errors of econometric models. Prof. Spivey is the Clare E. Griffin Distinguished Professor of Business Administration. Two books by Melanie Wallendorf, assistant professor of marketing, and co-author Gerald Zaltman of the University of Pittsburgh, have been published by John Wiley & Sons. They are *Consumer Behavior: Basic Findings and Management Implications*, and *Readings in Consumer Behavior: Individuals, Groups and Organizations*.

Jo Ann Stehberger Sokkar, industrial relations librarian of the School, and Martha Jane Soltow of Michigan State University, have compiled a selective annotated bibliography of reference works covering all aspects of the employer-employee relationship. Entitled *Industrial Relations and Personnel Management: Selected Information Sources*, the book is published by Scarecrow Press, Inc. of, Metuchen, New Jersey.

The book *Management Accounting: Text and Cases* by James S. Reece, professor of policy control, and Robert N. Anthony, was chosen for inclusion in a list of fifty significant books on management that have been published between the years 1954 and 1977. The list was developed by Arthur A. Fickel, an independent consultant, at the request of the General Electric Company.

B School Research Team to Study Inflation's Impact on Major Industry Group

A year-long study of the impact of inflation on the 32,000 firm wholesaling industry, whose gross sales total some $500 billion annually, is being made by a Business School team under a grant from the National Association of Wholesalers.

The study is considered to be the first effort at systematic examination of the actual results which inflation has had on this major part of the private sector. Thomas G. Gies, professor of finance, is heading the study. Associate professors of finance Timothy J. Nantell and Raymond R. Reilly have been designated senior researchers on the project, which is designed to analyze the results of the 1973—78 inflation on a major business sector.

The study will explore the effects of inflation on sales, internal costs, liquidity, capital positions, and tax liability. It will examine the response which management has made to inflation and attempt to identify the effectiveness of alternative management policies.

"Quite clearly," says Prof. Gies, "some firms have not been injured by inflation, but have survived and in fact have flourished. Others have been unable to adjust to the 'new environment' of the inflationary marketplace and have added to the annual total of insolvencies or have been forced to merge with stronger firms to survive."

Up to now, most research has aimed at the social causes of inflation, rather than its results, and has simply assumed that the major impact of inflation was limited to income effects in the household sector, especially those in fixed income positions, Gies explains. It now appears that cost-of-living provisions in labor union contracts have at least partially protected wage and salaried workers and liberal upward adjustments in Social Security benefits have assisted retired workers. But the complex effects on management decisions have not been explored.

"We are moving from the hypo the-
sis that (1) the information base on which management decisions rest has been badly distorted and (2) the ability to anticipate future cost and revenue behavior is severely reduced," Gies states.

"The full range of results which may be flowing from this are not now known, but we suspect it may be related to current problems of low capital outlays, unfavorable productivity trends, increasing labor-management disagreements and rising business-failure rates."

**Book of Essays Honors Prof. Paton on his 90th Birthday**

A book of original essays on accounting, written for the 90th birthday of William A. Paton, professor emeritus of accounting, has been published by the Division of Research of the Business School.

Entitled "Essays in Honor of William A. Paton, Pioneer Accounting Theorist," the book was edited by Stephen A. Zeff, Joel Demski, and Nicholas Dopuch. The twelve essays present topics closely associated with Paton's thought and methods. They are not only significant in themselves, but they also show that Paton's philosophy, spanning more than 60 years, is still very relevant today.


**1979 National Tax Education Program is Held at Business School**

The National Tax Education Program, consisting of four one week courses in various aspects of federal taxation, each one geared to a particular level of knowledge and experience, was offered this summer under the joint sponsorship of the Paton Accounting Center of the Graduate School of Business Administration and the American Institute of Certified Public Accountants.

This course was developed at the University of Michigan and is the only one of its type in the United States. Inaugurated in 1977, it has been expanded each year. About 400 people participated this year, an increase of about 30% over 1978.

Each day of the program includes lectures, small group discussions, and time for study and research. Each participant is assigned to a discussion group that has been selected and organized on the basis of the individual's background and experience. Working with this kind of peer group, participants are given comprehensive instruction and rigorous training in various aspects of federal taxation. In addition, before the program begins, participants are assigned about 20 hours of required reading, problems, and cases, to give them a "running start" on the highly intensive program.

The first two weeks of the program include tax research as an integral part of the work. The Paton Center's comprehensive research library—which includes multiple copies of all major tax services—is an important benefit to participants.

**1979 Was a Good Year in the Job Market for B School Graduates**

1979 proved to be an outstanding year for both Michigan MBA and BBA graduates, according to a report released by Rick Johnson, director of the placement office. Employer activity on campus increased slightly, with 298 organizations (an increase of 5% over 1978) scheduling over 8000 interviews.

Over 90% of the MBA graduating class registered with the placement office. Most MBA students were very active in their job search. Over 80% of the graduating MBA class received multiple offers, with 28% choosing from five or more offers. Starting salaries increased by 10.4% over the 1978 level to an overall average of $22,200. Electrical equipment, automobile, and consumer goods manufacturers along with banks and public accounting firms hired three-quarters of the 1979 MBA graduates.

Of the graduating BBA class, more than 75% received multiple offers, and 24% of the class chose among five or more offers. Public accounting firms, public utilities, banks and manufacturers of automobiles and electronic equipment hired 80% of the BBA graduates. The average starting salary for the 1979 BBA graduating class was $15,500.
Black Business Students Association Sponsors 3rd Annual Alumni Day

Louis E. Martin, President Carter's top adviser on black affairs, was the featured speaker at the dinner-dance sponsored by the Black Business Students Association last spring as part of the third annual Black Alumni Day.

For the black graduates and alumni of the Business School, their parents and guests who attended the dinner-dance, the occasion was a milestone. This year's class included three doctoral graduates (the third, fourth and fifth ever to be graduated from the School), as well as six MBA graduates and 17 bachelor level graduates.

The dinner-dance was the culmination of a busy day of meetings, starting with a luncheon held at the Michigan League at which Dr. Gilbert L. Whitaker, new dean of the Business School was the speaker. He was introduced by Dr. Alfred E. Edwards, director of the School's Division of Research and professor of business administration, who is the faculty advisor to the Black Business Students Association.

Following the luncheon, a panel of five MBA graduates of the School presented a discussion entitled "Upward Mobility in Business Careers." They included Dave Smith, MBA '73, director of personnel, Refrigerated and Dry Products Division of the Pillsbury Company, who spoke on upward mobility through advancement in a major corporation; Isadore King, MBA '74, deputy director of Total Health Care of Detroit, Inc., and Carol Benjamin, MBA '76, financial analyst for Detroit Edison, both of whom spoke on upward mobility through changes in career path; and Ron Battles, MBA '69, president of The Triple Agency of Denver, Colo., who spoke on upward mobility through entrepreneurship. The panel was moderated by Charlie E. Mahone, Jr., MBA '78, who is currently a doctoral student in international business.

At the dinner meeting, Martin spoke about the black civil rights victories of the 60s, the economic rights struggle of the 70s, the need for black employment, and the Carter Administration's two-pronged effort to increase black employment through economic development and federal job appointments. The problem blacks face today, said Martin, who is a 1934 U-M graduate, is an economic problem. "Before, we were fighting for the right to enter the all-white restaurant," he said. "Today we're fighting for the black man's opportunity to pay his bill after he's sitting there."

The Black Business Students Association was founded in 1970. Among its goals are to increase opportunities for blacks to obtain a business education; to promote relationships with other black students and business organizations; to increase black student enrollment and graduation; and to represent black student interests within the Business School.
A Dollar is A Dollar is A Dollar
But It Clearly Isn't, Isn't, Isn't!

By Robert G. Nichols, BBA '53, MBA '54

Price Waterhouse & Co.

An economics professor who asked the same examination questions year after year was reminded that student groups passed along carefully kept files of past exams. "But that makes no difference at all in economics," he said, "we simply change the answers." I'm going to discuss inflation for a similar reason: we accountants have never found a satisfactory answer at all. On reflection, I realize that we've made scarcely any progress in 25 years.

In fact, Professor Paton first wrote about the impact of inflation on accounting practice in the Journal of Accountancy in May, 1920. Some of the accounting solutions proposed today are similar to those proposed 60 years ago. But the rate of inflation has so accelerated as to make a once theoretical problem a very real and immediate one.

In 1950, a family earning more than $5,500 per year was in the nation's top fifth. Now, the top fifth of all families begins at $20,000. Those who earn less than $6,500 are now the bottom fifth. Or to put it another way, today 4/5 of the U.S. population brings home more dollars than the top 1/5 of the families did twenty-five years ago.

But the question is: Are we any better off, and is there any way to tell? Prices have doubled in the last eleven years. Does that mean $10,000 in earnings eleven years ago would have to be $20,000 now just to keep even—or would it? There's another factor. As people earn more dollars, they move up into higher and higher tax brackets—a status symbol of sorts, but an expensive one. More dollars may create only an illusion of well-being.

The accounting profession has been aware of the distortions inflation causes in accounting statements for two or more generations—but very little has been done about it. Our methods assume a stable monetary unit—that, as Gertrude Stein might have said, "A dollar is a dollar is a dollar." But it clearly isn't, isn't, isn't, and the distortions have now become massive.

I can imagine few more serious economic illusions than that which causes business to consume capital in order to pay dividends and taxes. Yet that's what's been happening for decades and lately to a dangerous degree while members of our profession have been silent or ineffectual or both.

When I was here twenty-five years ago, Tito became president of Yugoslavia, the Rosenbergs were executed, the most popular song was a masterpiece called "How Much Is That Doggie in the Window?", the Supreme Court outlawed school segregation, Joseph McCarthy was looking for communists in the army, Ernest Hemingway won the Nobel Prize for literature, Hitchcock's "Rear Window" was released, and Michigan was not a football powerhouse. And accountants were saying what I am saying now: It is time we did something decisive about inflation-induced distortion of corporate accounts.

We find these distortions everywhere. Inflation has been so substantial that things are very often the opposite of what they seem to be. For example, with the United States
We would like to include more news about alumni in *Dividend*, and hope you will help by providing us with information about yourself. We'd like to know where you are working, and other news about you, such as promotions, new business ventures, any business or academic honors, authorship of books or articles, or other information that, would be of interest to alumni. If you would take the time to fill out the form below and send it to "Editor, Alumni News, Graduate School of Business Administration, University of Michigan, Ann Arbor, Michigan 48109," we would very much appreciate it.

**Name:**

**Degree(s) and Class- Years:**

**Position:**

**Business Address:**

**Home Address:**

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

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already taxing capital gains more cruelly than any developed country, last year President Carter proposed a further increase to prevent what he called "windfalls."

In 1973, the most recent year for which we have good numbers, individuals paid taxes on $414 billion in apparent capital gains. But when researchers adjusted these so-called gains for inflation, they found those "windfalls" were actually losses of almost a billion. Carter would have been increasing taxes on an illusion.

Consider the stock market: Inflation can make a severe depression of stock prices look like a bull market. But between 1965 and 1975, adjusted for inflation, the return on the S and P 500 was a *minus* 20%—worse than the decade that included the Great Depression.

The stories of the great German inflation of 1923 make one's blood run cold. One Berliner told how, when he turned his back on a basket of marks, someone stole the basket and left the marks. Now we're developing some horror stories of our own.

Here's an example. There's a familiar ad in the New York subway headlined "Easy Street." It tells New Yorkers that buying government bonds regularly will secure their financial futures. But in fact, at present interest rates, with present tax laws and with an inflation rate of 9 percent a year, an investor will lose 3 to 4 percent of his capital every year. As things stand, these bonds are less a path to "easy street" than to "skid row."

Ads like these ignore today's most overpowering economic reality: a stubborn, corrosive currency inflation, Our present accounting model does the same thing. Corporate financial reports do not show the degree to which inflation is eating away the shareholder's capital.

When nearly every morning I read about another corporation reporting what they call "record" earnings, I'm reminded of a mythical announcement by the captain of a trans-Atlantic aircraft. "Ladies and Gentlemen," he said, "I have good news and bad news. First the bad news. We are

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hopelessly lost. Our navigational instruments are not functioning and we have no idea where we are or where we are going. Now the good news: We are making excellent time."

Harold Williams, chairman of the SEC, recently told the Washington Press Club that real corporate earnings were inadequate to pay for the replacement and expansion of our industrial facilities. Reported after-tax profits for 1977 were $85 billion. But Williams pointed out that when the figure is fully corrected for inflation, real after-tax profits were only $49 billion. For the last eleven years, the real increase in corporate profits has been less than 2% a year. This at a time when there is widespread agreement that the American economy is dangerously under-capitalized. One economist has called the United States not a developed country or a developing country, but a dis-developing country.

My deepest concern is that decades of talk have moved us no closer to an authoritative accounting response to the abiding impact of inflation. Fortunately, it is not the business of the accounting profession to cure inflation. But insisting on correcting the distortion that inflation creates is our responsibility. If we don't take it, we may undermine the very meaning of accounting. Operating statements and balance sheets don't now mean what they seem to mean. And business decisions are misguided by deceptive signals.

The tax system confiscates capital at the same time inflation eats away at it. So our capital base is eroding just when we need it most, to fuel non-inflationary economic growth.

Because business fails to quantify the bite inflation takes from earnings, it can't make a cold, convincing case for tax relief. Businessmen can't report record earnings on Monday and plead with Congress for tax relief on Tuesday. But these euphoric earnings reports are the product of today's "generally accepted accounting principles."

Accounting has grown incredibly complex in the last 25 years. Many feel only accountants can understand financial statements and that may be a trifle generous! While the quality of public reporting has increased, the credibility of financial statements has diminished. We need a simple way to portray the impact of inflation on the capital of the enterprise.

I think there's a fairly simple solution. We should not attempt to show the extraordinarily complicated and subjective changes in the value of particular assets. We should instead show the loss in the purchasing power of the entity's capital.

We shouldn't present two sets of statements. The model is already too complex.

We at Price Waterhouse believe that the impact of inflation should appear as a last and separate one-line item, immediately following conventionally determined net income, in the primary income statement. By elevating this charge to the primary statements, we believe that the inflationary erosion of capital will be more appropriately highlighted—and the case for tax reform more clear.

But the particular method is perhaps less important than a new determination to act.

Let me quote to you a statement by a Price Waterhouse partner:

"Our inability thus far to develop an acceptable way to reveal the effect of inflation in financial statements—to prevent taxation of capital, running down of productive plant, and the host of other evils associated with overstatement of earnings—has reached the critical stage."

Of course I agree completely. But this urgent admonition appeared not this year or last year or the year before last. It is from the Journal of Accountancy of November, 1952.